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SALARY AND WAGES

Pennsylvania American Water Company
 Lehman Pike 2469
 Test Year: 12/31/09

Non-Exempt

Job Title	TEST YEAR HOURLY RATE	TEST YEAR WAGES		TEST YEAR WAGES		REGULAR HOURS			1.5x HOURS			2X HOURS			Total HOURS
		HOURLY RATE	CAP	O&M	CAP	O&M	CAP	O&M	CAP	O&M	CAP	O&M	CAP	O&M	
Relief Operator, Maintenance	21.99	\$ 38.84	\$ 2,939.48		120.00		6.50		3.00		6.50		3.00		129.50
Plant Operator	20.97	\$ 815.23	\$ 46,131.59		2080.00		79.00		6		79.00		20.00		2203.00
Lead Plant Operator	26.10	\$ 4,198.40	\$ 55,326.44		2072.00		28.50		28		28.50		22.00		2222.50
Lead Plant Operator	26.10	\$ 4,934.35	\$ 49,409.70		1699.00		99.00		24		99.00		29.00		1957.00
Utility Person	22.92	\$ 397.26	\$ 3,325.93		140.00		4.00				4.00				162.00
Utility Person	20.42	\$ 94.14	\$ 94.14				3.00				3.00				3.00
Utility Person	20.89	\$ 333.53	\$ 333.53				10.50				10.50				10.50
Admin Support	20.39	\$ 61.16	\$ 61.16				3.00				3.00				3.00
Utility Person	23.73	\$ 522.06	\$ 978.80		12.00		13.00		11		13.00		5.00		41.00
Utility Person	19.89	\$ 1,597.97	\$ 1,048.06		44.00		5.00				5.00				132.00
		\$ 12,504.11	\$ 159,648.83		6,170.00		248.50		69.00		248.50		79.00		6,863.50

Exempt

Suprv Field Ops.	30.91	\$ 5,947.73	\$ 27,370.21		200.00		892.00				892.00				1092.00
Specialist Ops.	24.69	\$ 147.22	\$ 147.22		6.00		6.00				6.00				
Sr, Dir Field Ops	62.99	\$ 1,186.17	\$ 1,186.17		19.00		19.00				19.00				
Supvr Field Ops	27.58	\$ 27,088.51	\$ 27,088.51		992.00		992.00				992.00				
		\$ 5,947.73	\$ 55,792.11		200.00		1909.00		0.00		1909.00		0.00		1092.00

Total	\$ 233,892.78
O & M	\$ 215,440.94
Per Books	\$ 218,210.00
Accruals	\$ 2,769.06

Pennsylvania American Water Company
 Lehman Pike 2469
 Proforma: 01/01/11

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		
Relief Operator, Maintenance	23.18 \$	-	\$ 48,764.93	2088.00	6.50	3.00	2097.50					\$ 48,764.93
Plant Operator	22.11 \$	862.29 \$	49,670.12	2088.00	18	79.00	2211.00	6	20.00			\$ 50,532.41
Lead Plant Operator	27.57 \$	4,521.48 \$	59,957.86	2088.00	72	28.50	2238.50	28	22.00			\$ 64,479.34
Lead Plant Operator	27.41 \$	5,207.90 \$	61,960.31	2054.00	72	99.00	2312.00	24	29.00			\$ 67,168.21
	\$	10,591.67 \$	220,353.20	8,318.00	162.00	58.00	8,859.00	74.00				

Total \$ 230,944.87
 Capitalization % 4.59%

Pennsylvania American Water Company
 Test Year and Proposed Wages Lehman Pike 2469
 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	Rate 1/1/2011	Annual 2011	DCP %
Hourly	07/30/07	Relief Operator, Maintenance	LEHPWW - Treatment	21.99	45,915.12	22.50	46,980.00	23.18	48,399.84	5.25
	06/02/08	Plant Operator	LEHPWW - Treatment	20.97	43,785.36	21.47	44,829.36	22.11	46,165.68	0.00
	07/09/07	Lead Plant Operator	LEHPWW - Treatment	26.10	54,496.80	26.77	55,895.76	27.57	57,566.16	5.25
	08/01/83	Lead Plant Operator	LEHPWW - Treatment	26.10	54,496.80	26.61	55,561.68	27.41	57,232.08	5.25

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

GROUP INSURANCE

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

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

Insurance/Employees:		Rate	Premium
ACTIVE EMPLOYEES			
LIVES	LIFE INSURANCE:		
453	37,647,000	1 Life - Basic (Non Bargaining)	\$0.153 per \$1,000 \$5,759.99
854	37,835,600	2 Life - Basic (Bargaining)	\$0.153 per \$1,000 5,768.85
854	8,540,000	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	988,000	18 Life - Optional	\$0.298 per \$1,000 297.40

DISABILITY:			
2533862.97		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)	\$419.00 71,649.00
		23 Employee and Spouse Coverage(Union)	\$0.00 0.00
		24 Employee and Children(Union)	\$0.00 0.00
449		25 Employee and Family(Union)	\$1,198.00 537,902.00
3		26 Employees with Single Dental coverage only(Union)	\$23.00 69.00
		27 Employee and Spouse Coverage Dental(Union)	\$0.00 0.00
		28 Employee and Children - Dental(Union)	\$0.00 0.00
4		29 Employee and Family Dental(Union)	\$70.00 280.00
99		30 Employees w/Single Coverage(Non-Union)	\$419.00 41,481.00
107		31 Employee and Spouse Coverage(Non-Union)	\$960.00 102,720.00
26		32 Employee and Children(Non-Union)	\$888.00 23,088.00
181		33 Employee and Family(Non-Union)	\$1,433.00 259,373.00
0		34 Employees with Single Dental Coverage only(Non-Union)	\$21.00 0.00
1		35 Employee and Spouse Coverage Dental(Non-Union)	\$45.00 45.00
0		36 Employee and Children - Dental(Non-Union)	\$55.00 0.00
1		37 Employee and Family Dental(Non-Union)	\$87.00 87.00

Actives' subtotal: **\$1,075,795.08**

CONTINUATION OF COVERAGE

MEDICAL, DENTAL & PRESCRIPTION COVERAGE:			
2		42 Single-Union	\$419.00 838.00
0		43 Family (2 or more individuals)-Union	\$1,198.00 0.00
		28 Under age 65 dependent (1) of a deceased retiree	\$0.00 0.00
		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 Northeast Wastewater Operations	4
GI Cost Northeast Operations	\$ 3,893.54
Less Employee Contribution	\$ 478.01
Monthly Cost Northeast Wastewater Operations	\$ 3,415.53
Annualized Cost	\$ 40,986.38
Less 4.59% not Charged to Operating Income	\$ 1,881.27
Pro Forma Expense	<u>\$ 39,105.09</u>

Pennsylvania American Water Company
 Northeast WW Operations
 Proforma Employee Contributions

<u>Employee</u>	<u>Plan</u>	<u>Coverage</u>	Employee Contribution Per Paycheck (26)	Annualized Employee Contribution	Per Month Employee Contribution
1	EPO--NU	BW EMP&FAMILY	84.00	\$ 2,184.00	\$ 182.00
2	EPO--NU	BW EMP&SPOUSE	72.92	\$ 1,895.92	\$ 157.99
3	Prem PPO/NU	BW EMPONLY	31.85	\$ 828.10	\$ 69.01
4	Prem PPO/NU	BW EMPONLY	31.85	\$ 828.10	\$ 69.01
				<u>\$ 5,736.12</u>	<u>\$ 478.01</u>

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

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

Defined Contribution Plan

Job Title	Rate	Proforma Hours	Proforma Scheduled OT 1.5x Hours	Proforma Scheduled OT 2x Hours	Proforma Base Wages	H/S	Defined Contribution Plan %	Proforma DCP Expense
Relief Operator, Maintenance	23.18	2,088			48,399.84	H	5.25%	\$ 2,540.99
Plant Operator	22.11	2,088	75	26	49,802.78	H	5.25%	\$ 2,614.65
Lead Plant Operator	27.57	2,088	83.5	47	63,610.88	H	5.25%	\$ 3,339.57
Lead Plant Operator	27.41	2,088	141	50	65,770.30	H		\$ -
Proforma Cost								\$ 8,495.21
Less: 4.59% Capitalized								\$ 389.93
Adjusted Proforma Cost								\$ 8,105.28
Per Books								\$ 5,353.00
Adjustment								\$ 2,752

401K

Job Title	Proforma Wages - Incl OT	Rate	401K Employee Contribution %	Company 401 K Match First 5%	Company 401K Match % First 3%	Company 401K Match Next 2%	Proforma 401K Expense
Relief Operator, Maintenance	\$ 48,764.93	23.18	3%		100%	50%	1,462.95
Plant Operator	\$ 50,532.41	22.11	0%				
Lead Plant Operator	\$ 64,479.34	27.57	13%		100%	50%	2,579.17
Lead Plant Operator	\$ 67,168.21	27.41	5%	50%			1,679.21
Proforma Cost							\$ 5,721.33
Less: 4.59% Capitalized							\$ 262.61
Adjusted Proforma Cost							\$ 5,458.72
Per Books							\$ 4,009.00
Adjustment							\$ 1,450
Combined Adjusted Proforma							\$ 14,216.54
Less: 4.59% Capitalized							\$ 652.54
Subtotal							\$ 13,564.00
Combined Per Book							\$ 9,362.00
Adjustment							\$ 4,202.00

CHEMICALS

Northeast (Lehman Pike, Winnoa Lakes and Blue Mountain)				
Description of Proforma Usage	Usage	Rate	Cost	
Lehman Pike - Saw Creek Plant				
Hydrated Lime, 72% CaO-50LB	7,000	0.172	\$ 1,204	
Sodium Aluminate, 38.5%-30GA	4,000	0.3958	\$ 1,583	Anticipated need to use in (4) cold weather months @ 1000 lb/mo.
Sodium Bisulfite, 38%-15GA	1,575	0.49	\$ 772	
Sodium Hydrox, 25%-15GA	34,400	0.284	\$ 9,770	Increase due to annualization of ongoing usage
Sodium Hypo, 13%-Bulk	53,812	0.12	\$ 6,457	Increase due to elimination of chlorine gas.
		Lehman Pike Pro forma	\$ 19,786	
Blue Mtn. Lakes Plant				
Sodium Hydrox, 25%-15GA	12,000	0.284	\$ 3,408	Increase due to process change/plant upgrade to SBR technology
Sodium Aluminate, 38.5%-30GA	2,400	0.3958	\$ 950	Anticipated need to use in (4) cold weather months @ 600 lb/mo.
		BML Pro forma	\$ 4,358	
		Total Pro forma	\$ 24,144	

PURCHASED POWER

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

<u>Base Year Costs:</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
MET-ED	\$10,729	\$11,338	\$10,332	\$8,531	\$7,704	\$8,822	\$8,073	\$8,604	\$8,050	\$8,293	\$7,819	\$11,475	\$109,768
Total Base Year Costs	10,729	11,338	10,332	8,531	7,704	8,822	8,073	8,604	8,050	8,293	7,819	11,475	109,768
Adjusted Base Year Costs	10,729	11,338	10,332	8,531	7,704	8,822	8,073	8,604	8,050	8,293	7,819	11,475	109,768
Proforma Adjustments to Base Year:													
Rate increase effective June 2009 - May 31, 2010	890	941	858	708	639								4,036
Proforma Power Expense	\$11,619	\$12,279	\$11,190	\$9,239	\$8,343	\$8,822	\$8,073	\$8,604	\$8,050	\$8,293	\$7,819	\$11,475	113,804
Base Year Power Expense per books													\$118,771
Total Base Year Power Costs													<u>\$118,771</u>
Proforma Adjustment													<u>(\$4,967)</u>

PA - Lehman Pike Wastewater 2009 Actual Power Bills

Facility	Provider	Account Number	January	February	March	April	May	June	July	August	September	October	November	December	Grand Total
PAAWC - Ashley Court Lift Station	MET-ED	100050001611	13.29	13.42	13.34	11.62	15.16	11.53	15.43	13.11	12.05	14.59	15.01	15.12	\$ 164
PAAWC - Lift Station #4	MET-ED	100048296816EX													\$ -
PAAWC - Lift Station #5	MET-ED	1000548626899	838.91	995.98	899.61	776.49	834.81	883.14	864.08	717.49	839.43	792.82	949.62	748.65	\$ 10,141
PAAWC - Lift Station #6	MET-ED	100048316549	61.53	68.35	61.12	55.35	65.09	60.67	77.73	73.06	91.35	72.26	74.34	59.74	\$ 821
PAAWC - Lift Station #9 Falls	MET-ED	100048937542	49.11	10.87	41.83	39.84	49.45	42.06	43.36	48.23	52.10	49.71	49.00	47.53	\$ 517
PAAWC - Lift Station #13	MET-ED	100048297186	33.52	13.77	12.41	12.94	12.76	12.69	13.26	12.95	12.45	13.95	13.45	15.04	\$ 159
PAAWC - Lift Station #2	MET-ED	100048297236EX													\$ -
PAAWC - Lift Station #2A	MET-ED	100048296980	12.97	12.76	12.13	13.49	12.22	12.32	12.36	10.97	12.16	12.05	35.51	14.26	\$ 173
PAAWC - Lift Station #3	MET-ED	100048309718EX													\$ -
PAAWC - Lift Station #6B / Timothy Lake	MET-ED	100048297434	17.67	19.99	19.17	18.98	14.12	14.02	11.56	10.87	11.08	12.56	13.55	19.52	\$ 183
PAAWC - Lift Station #9 / Sewer Office	MET-ED	100048321911	163.59	183.88	180.58	149.85	159.64	168.82	173.46	197.07	197.82	212.06	169.68	185.41	\$ 2,142
PAAWC - Lot 1817 Manchester Lift Station #11	MET-ED	100048321556	215.46	212.25	201.65	197.91	193.64	193.17	216.88	225.07	262.62	214.56	198.32	225.22	\$ 2,557
PAAWC - Stoney Hollow Lift Station (Replacing Stoney Hollow above)	MET-ED	100068048246EX	314.64	60.66	223.28	69.35	207.49	127.98	17.41	9.73	11.53	7.05			\$ 1,049
PAAWC - Saw Creek WW Processing Plant	MET-ED	100079670780							90.29	76.02	71.29	77.33	70.79	73.40	\$ 459
PAAWC - Wellington Way Lift Station #8	MET-ED	100048321994	6,198.37	6,448.45	5,783.52	4,225.39	3,651.72	5,152.67	4,538.80	5,054.46	4,566.42	4,536.39	4,003.96	6,997.10	\$ 61,157
PAAWC - Blue Mountain Lakes WW Treatment	MET-ED	100048316648	16.95	17.54	18.01	17.00	16.91	17.50	17.43	17.83	18.32	17.92	18.52	18.12	\$ 212
PAAWC - Blue Mountain Lakes Pump Station	MET-ED	100064853979	2,797.79	3,259.76	2,849.99	2,928.22	2,462.01	2,110.80	1,963.12	2,121.63	1,875.13	2,239.01	2,192.28	3,096.41	\$ 29,936
PAAWC - Blue Mountain Lakes Pump Station	MET-ED	100064852443	14.73	20.34	15.83	14.40	14.79	14.49	17.44	15.64	15.94	20.58	14.90	19.21	\$ 198
Total			\$ 10,729	\$ 11,338	\$ 10,332	\$ 8,531	\$ 7,704	\$ 8,822	\$ 8,073	\$ 8,604	\$ 8,050	\$ 8,293	\$ 7,819	\$ 11,475	\$ 109,766

FirstEnergy Corp.
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For Release: May 29, 2009

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**REVISED TRANSMISSION SERVICE CHARGES APPROVED FOR
METROPOLITAN EDISON AND PENNSYLVANIA ELECTRIC**

READING, PA. – Revised transmission service charges, which were approved May 28 by the Pennsylvania Public Utility Commission (PPUC) for Metropolitan Edison (Met-Ed) and Pennsylvania Electric (Penelec), will appear on customer electric bills beginning June 1, 2009, through May 31, 2010.

For the average Met-Ed residential customer using 750 kilowatt-hours (KWH) a month, the transmission service charges will result in an increase of approximately * 8.3 percent, or about \$6.97 per month. For the average Penelec residential customer using 750 KWH a month, it will result in a decrease of approximately 1 percent, or about \$0.77 per month.

These revised charges reflect costs the utilities are required to pay PJM Interconnection, the regional transmission organization serving Met-Ed and Penelec customers, for transmitting electricity to customers. The transmission rates, which are approved by the Federal Energy Regulatory Commission and outside the utilities' control, do not result in profit for the companies.

Annual transmission service charge updates are required to be filed with the PPUC in connection with a rate order issued to Met-Ed and Penelec in January 2007. The PPUC approved recovery of the charges in its ruling on the companies' 2006 transition rate filing.

Met-Ed and Penelec are subsidiaries of FirstEnergy Corp. (NYSE: FE). Met-Ed serves approximately 547,000 customers in 13 Pennsylvania counties. Penelec serves approximately 590,000 customers in 31 Pennsylvania counties.

Forward-Looking Statements: This news release includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding our management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms "anticipate," "potential," "expect," "believe," "estimate" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results may differ materially due to the speed and nature of increased competition in the electric utility industry and legislative and regulatory changes affecting how generation rates will be determined following the expiration of existing rate plans in Ohio and Pennsylvania, the impact of the PUCO's regulatory process on the Ohio Companies associated with the distribution rate case or implementing the recently approved ESP, including the impact of the competitive generation procurement process in Ohio, economic or weather conditions affecting future sales and margins, changes in markets for energy services, changing energy and commodity market prices and availability, replacement power costs being higher than anticipated or inadequately hedged, the continued ability of FirstEnergy's regulated utilities to collect transition and other charges or to recover increased transmission costs, maintenance costs being higher than anticipated, other legislative and regulatory changes, revised environmental requirements, including possible greenhouse gas emission regulations, the potential impacts of the U.S. Court of Appeals' July 11, 2008 decision requiring revisions to the CAIR rules and the scope of any laws, rules or regulations that may ultimately take their place, the uncertainty of the timing and amounts of the capital expenditures needed to, among other things, implement the AQC Plan (including that such amounts could be higher than anticipated or that certain generating units may need to be shut down) or levels of emission reductions related to the Consent Decree resolving the NSR litigation or other potential regulatory initiatives, adverse regulatory or legal decisions and outcomes (including, but not limited to, the revocation of necessary licenses or operating permits and oversight) by the NRC (including, but not limited to, the Demand for Information issued to FENOC on May 14, 2007), Met-Ed's and Penelec's transmission service charge filings with the PPUC, the continuing availability of generating units and their ability to operate at or near full capacity, the ability to comply with applicable state and federal reliability standards, the ability to accomplish or realize anticipated benefits from strategic goals (including employee workforce initiatives), the ability to improve electric commodity margins and to experience growth in the distribution business, the changing market conditions that could affect the value of assets held in FirstEnergy's nuclear decommissioning trusts, pension trusts and other trust funds, and cause it to make additional contributions sooner, or in an amount that is larger than currently anticipated, the ability to access the public securities and other capital and credit markets in accordance with FirstEnergy's financing plan and the cost of such capital, changes in general economic conditions affecting the company, the state of the capital and credit markets affecting the company, interest rates and any actions taken by credit rating agencies that could negatively affect FirstEnergy's access to financing or its costs and increase its requirements to post additional collateral to support outstanding commodity positions, letters of credit and other financial guarantees, the continuing decline of the national and regional economy and its impact on FirstEnergy's major industrial and commercial customers, issues concerning the soundness of financial institutions and counterparties with which FirstEnergy does business, and the risks and other factors discussed from time to time in its SEC filings, and other similar factors. The foregoing review of factors should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on its business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. FirstEnergy expressly disclaims any current intention to update any forward-looking statements contained herein as a result of new information, future events, or otherwise.

(052909)

LEASED VEHICLES

Present Rates @ 12/31/10		
Unit Count	Monthly Lease Amount	Annualized Lease Amount
1	\$331	3,972
2	Owned	0
		\$3,972

Present Rates @ 12/31/09		
Unit Count	Monthly Lease Amount	Annualized Lease Amount
1	\$351	\$4,212
1	\$331	3,972
2		\$8,184

District	Vehicle Number	Year	Model	Make	Model	VIN
Lehman Pike	050385	2005	Blazer 4x4	Chevrolet	Blazer 4x4	1GNDT13X85K106366
	070126	2007	1500 4x4 Reg Cab	Chevrolet	1500 4x4 Reg Cab	1GCEK14X37Z156813
		2011	Purchase 2010			

RATE CASE EXPENSE

Pennsylvania American Water Company
Rate Case Expense - Estimate

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

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

Pennsylvania American Water Company
Rate Case Expense - Estimate

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

Estimated Postage Per Piece \$ 0.36

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



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

January 12, 2010

Via E-MAIL AND 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:

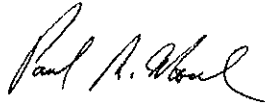
	<u>Hourly rate</u>
Paul Moul	\$245
Clerical	64

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 black ink, appearing to read "Paul R. Moul". The signature is written in a cursive style with a large initial "P".

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

850 Vogelsong Road, York, PA 17404
 Phone: 717-764-4500 Fax: 717-764-5003

5233 Westview Drive, Suite 100 Frederick, MD 21703
 Phone: 301-662-8333 Fax: 301-662-7331

Website: www.caskeyprinting.com

INFLATION

PENNSYLVANIA-AMERICAN WATER COMPANY - NORTHEAST WW OPERATIONS

INFLATION CALCULATION 2010

TOTAL PER BOOK EXPENSES 753,923

LESS: ADJUSTED EXPENSES

LABOR	218,210
GROUP INSURANCE	39,810
40K & DEFINED CONTRIBUTION	9,362
CHEMICALS	21,375
POWER	118,771
WASTE DISPOSAL	194,232
LEASED VEHICLES	10,175
UNCOLLECTABLES	45,297

657,232

96,691

FORECASTED GDP 1.50%

PRO FORMA AJUSTMENT 1,450

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 1.50%

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

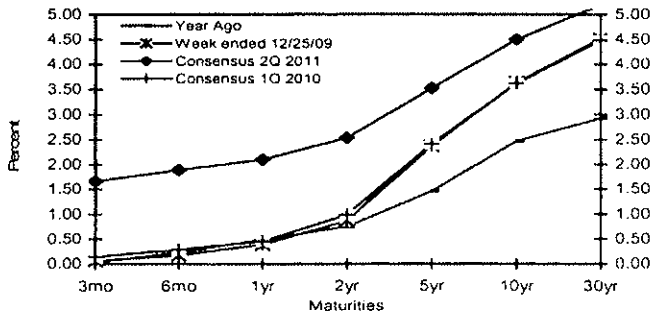
Interest Rates	History								Consensus Forecasts-Quarterly Avg.						
	Average For Week End				Average For Month				Latest Q*	1Q	2Q	3Q	4Q	1Q	2Q
	Dec.25	Dec.18	Dec.11	Dec.4	Nov.	Oct.	Sep.	4Q 2009	2010	2010	2010	2010	2011	2011	
Federal Funds Rate	0.12	0.12	0.12	0.12	0.12	0.12	0.15	0.12	0.2	0.2	0.4	0.8	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)

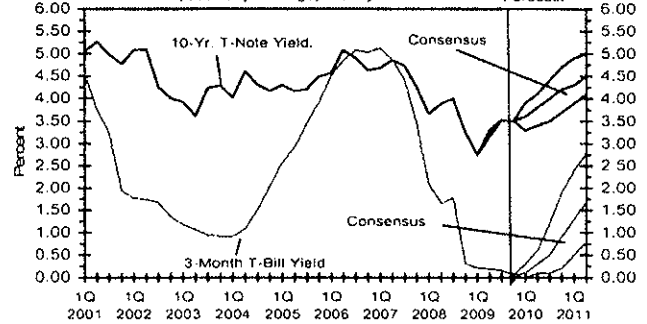
U.S. Treasury Yield Curve

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



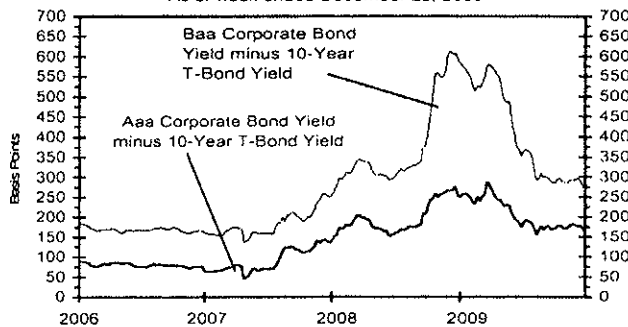
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History Forecast



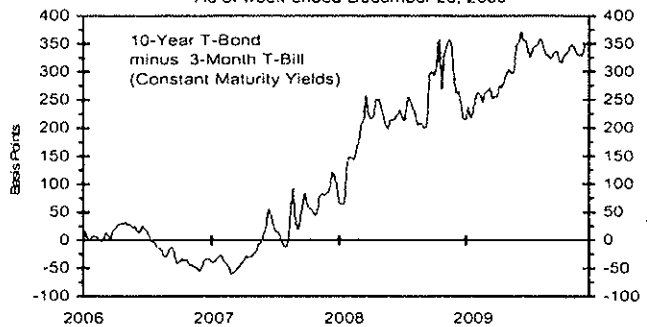
Corporate Bond Spreads

As of week ended December 25, 2009



U.S. Treasury Yield Curve

As of week ended December 25, 2009



WASTE DISPOSAL

AGREEMENT FOR RESIDUALS REMOVAL

This is an Agreement dated as of _____, 2009 between **Allstate Septic Systems, LLP** a corporation with its principal place of business at 5167 Berry Hollow Rd, Bangor, PA 18013 (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 locations listed below:

Blue Mountain Lake Wastewater Treatment Plant (WWTP) Brushy Mountain Rd., East Stroudsburg, PA 18301

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.

3. **TERM OF AGREEMENT.** The Term of this Agreement shall be from execution date through December 31, 2012, unless extended by American Water and Contractor in writing.

4. **PAYMENT TERMS.**

- 4.1 All payments are due within forty-five (45) 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 is expected to conform its business dealings with American Water in accordance with the underlying principles of American Water's Code of Ethics, a copy of which is available on the American Water's website at <http://www.amwater.com>.

20.5 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 individual's 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. 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.

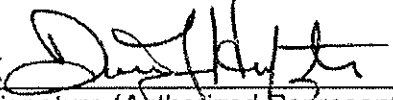
23.1 Contractor agrees to provide sufficient trucks and equipment to remove material from American Water's facilities in a timely manner, and without disruption to American Water's operations. If, upon reasonable notice and opportunity to cure, Contractor fails to remove material rapidly enough to avoid 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 duplicate. 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:
Pennsylvania American Water Company
X 
Signature (Authorized Representative)
Name: (Please Print) DANIEL J. HUFON
Title: SR. DIR. PRODUCTION
Date: 11-13-09

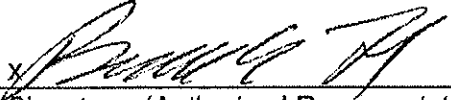
Date:
Allstate Septic Systems, LLP.
X 
Signature (Authorized Representative)
Name: (Please Print)
Title: PARTNER
Date: 11-9-09

EXHIBIT A—SCOPE OF WORK

1. Description of Project

Removal and disposal of wastewater treatment plant biosolids from the Blue Mountain Lake Wastewater Treatment Plant.

2. Plant Site Locations

Blue Mountain Lake Wastewater Treatment Plant is located at:

Brushy Mountain Road
East Stroudsburg, PA 18301

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

Contractor shall be responsible for pumping, transportation and disposal of the wastewater treatment residuals from the Blue Mountain Lake Wastewater Treatment Plant.

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.

- Blue Mountain – 278,000 gals

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 2009 are attached to this Specification.

7. Methods of Removal

The CONTRACTOR, using a submersible pump or other device capable of removing the wastewater treatment plant residue in its existing state, will pump the basins at the plant. The CONTRACTOR is responsible for the removal of all residues from each basin to the bottom or

as acceptable to OWNER. The CONTRACTOR shall coordinate the dewatering of the basins with the OWNER, in advance of the removal operations. Should circumstances warrant, the OWNER reserves the right to discharge plant wastewater to one or both of the basins at a plant during the removal operations, upon reasonable verbal notice to CONTRACTOR. The CONTRACTOR shall not add water to the basins for ease of pumping or solids removal.

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.

- Blue Mountain – 5 to 7 times a month

CONTRACTOR agrees to provide water tight 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 driver'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/Gallon 2009-2012
Blue Mountain Lake WWTP	Charles Piekanski	\$0.11246/gal
Brushy Mountain Rd., East Stroudsburg, PA 18301	570-588-2754	

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.
- (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.

Laboratory Results

Geochemical Testing

Date: 30-Mar-09

CLIENT:	PA AMERICAN WATER - SE	Client Sample ID: Blue Mt Lake
Lab Order:	G0903396	Wastewater
Project:	PAW Residuals - Blue Mt Lake	Sampled By: Client
Lab ID:	G0903396-001	Collection Date: 3/16/2009 8:00:00 AM
Matrix:	SLUDGE	Received Date: 3/17/2009 9:38:32 AM

Analyses	Result	QL	Q	Units	DF	Date Analyzed
INORGANICS NON-METALS						
Corrosivity Characteristic	6.9	EPA 9040		su	1	Analyst: APM 3/18/2009
FLASHPOINT		EPA 1010				Analyst: APM
Flashpoint	> 200	10		°F	1	3/23/2009
TOTAL SOLID ANALYSIS						
Percent Total Solids	1.55	SM 2540 G		%	1	Analyst: APM 3/18/2009
Percent Volatile Solids	91.7	0.01		%	1	3/18/2009
TOTAL METALS						
		EPA 6010				Analyst: JEK
Copper	684	2.5		mg/Kg-dry	2	3/26/2009 5:52:00 PM
Nickel	12.8	0.5		mg/Kg-dry	2	3/26/2009 5:52:00 PM
Selenium	15.9	1.0		mg/Kg-dry	2	3/26/2009 5:52:00 PM
Zinc	721	2.5		mg/Kg-dry	2	3/26/2009 5:52:00 PM
REACTIVE CYANIDE						
Reactive cyanide	< 0.25	SW 846 CH.7		mg/Kg	1	Analyst: SLY 3/27/2009 8:04:00 PM
TOTAL METALS						
Mercury	0.63	EPA 7473		mg/Kg-dry	1	Analyst: GAK 3/19/2009
INORGANIC COMPOUNDS						
Ammonia Nitrogen	11000	EPA 350.1		mg/Kg-dry	1	Analyst: SLY 3/24/2009
PHYSICAL TESTS						
Paint Filter Test	Yes Free Liquid	EPA 9095		1.0	1	Analyst: DAN 3/18/2009
PCB ANALYSIS						
		EPA 8082				Analyst: TEW
PCB 1016	< 0.10	0.10		mg/Kg	2	3/20/2009
PCB 1221	< 0.10	0.10		mg/Kg	2	3/20/2009
PCB 1232	< 0.10	0.10		mg/Kg	2	3/20/2009
PCB 1242	< 0.10	0.10		mg/Kg	2	3/20/2009
PCB 1248	< 0.10	0.10		mg/Kg	2	3/20/2009
PCB 1254	< 0.10	0.10		mg/Kg	2	3/20/2009
PCB 1260	< 0.10	0.10		mg/Kg	2	3/20/2009
Surr: Decachlorobiphenyl	92.2	36-134		%REC	2	3/20/2009
Surr: Tetrachloro-m-xylene	64.7	9-80		%REC	2	3/20/2009
REACTIVE SULFIDE						
Reactive sulfide	4.9	SW 846 CH.7		mg/Kg	1	Analyst: KMW 3/23/2009 3:00:00 PM
EXTRACTABLE PETROLEUM HYDROCARBONS						
Total Petroleum Hydrocarbons	< 500	SM 5520F		mg/Kg	2	Analyst: JDH 3/20/2009 1:49:00 PM
ASTM EXTRACTION						
Final pH	6.0	ASTM D 3987		1.0	1	Analyst: APM 3/19/2009



Laboratory Results

Geochemical Testing

Date: 30-Mar-09

CLIENT:	PA AMERICAN WATER - SE	Client Sample ID:	Blue Mt Lake
Lab Order:	G0903396		Wastewater
Project:	PAW Residuals - Blue Mt Lake	Sampled By:	Client
Lab ID:	G0903396-001	Collection Date:	3/16/2009 8:00:00 AM
Matrix:	SLUDGE	Received Date:	3/17/2009 9:38:32 AM

Analyses	Result	QL	Q	Units	DF	Date Analyzed
ASTM EXTRACTION						
Solids, gram/gram	0.015	ASTM D 3987				Analyst: APM
		0			1	3/19/2009
INORGANIC NON-METALS						
Chemical Oxygen Demand, ASTM	< 15	HACH 8000				Analyst: MMR
		15		mg/L	1	3/27/2009
INDICATOR ORGANICS - ASTM EXTRACTION						
Oil & Grease ASTM	< 10.0	EPA 1664				Analyst: JDH
		10.0		mg/L	2	3/25/2009 4:18:00 PM
TOTAL SOLID ANALYSIS						
Phenolics	< 20	EPA 420.1				Analyst: KMW
		20		mg/Kg	1	3/19/2009 1:20:00 PM
INORGANICS NON METALS						
Total solids, ASTM	26	SM 2540B				Analyst: KLS
		10		mg/L	1	3/20/2009
TCLP EXTRACTION						
pH with water	NA	EPA 1311				Analyst: APM
		1.0			1	3/18/2009
pH with HCl	1.8	0			1	3/18/2009
Extraction Fluid Used	1.0	0			1	3/18/2009
Initial pH	6.2	1.0			1	3/18/2009
Final pH	5.0	1.0			1	3/18/2009
TCLP, non-volatile	NA	1.0			1	3/18/2009
TCLP, ZHE	AM	1.0			1	3/18/2009
TCLP HERBICIDES						
		EPA 8151				Analyst: TEW
2,4,5-T	< 0.0050	0.0050		mg/L	10	3/24/2009
2,4-D	< 0.020	0.020		mg/L	10	3/24/2009
Slivex	< 0.0050	0.0050		mg/L	10	3/24/2009
Surr: 2,4-Dichlorophenyl acetic acid	94.1	28.5-130		%REC	10	3/24/2009
TCLP METALS						
		EPA 7470				Analyst: GMG
Mercury	< 0.0004	0.0004		mg/L	2	3/26/2009 11:47:00 AM
TCLP METALS						
		EPA 6010				Analyst: JEK
Arsenic	< 0.020	0.020		mg/L	1	3/25/2009 11:50:00 AM
Barium	0.418	0.300		mg/L	1	3/25/2009 11:50:00 AM
Cadmium	< 0.002	0.002		mg/L	1	3/25/2009 11:50:00 AM
Chromium	0.012	0.010		mg/L	1	3/25/2009 11:50:00 AM
Copper	0.047	0.010		mg/L	1	3/25/2009 11:50:00 AM
Lead	< 0.020	0.020		mg/L	1	3/25/2009 11:50:00 AM
Nickel	< 0.010	0.010		mg/L	1	3/25/2009 11:50:00 AM
Selenium	< 0.020	0.020		mg/L	1	3/25/2009 11:50:00 AM
Silver	< 0.005	0.005		mg/L	1	3/25/2009 11:50:00 AM
Zinc	1.08	0.010		mg/L	1	3/25/2009 11:50:00 AM
TCLP PESTICIDES						
		EPA 8081				Analyst: TEW



Laboratory Results

Date: 30-Mar-09

Geochemical Testing

CLIENT:	PA AMERICAN WATER - SE	Client Sample ID: Blue Mt Lake
Lab Order:	G0903396	Wastewater
Project:	PAW Residuals - Blue Mt Lake	Sampled By: Client
Lab ID:	G0903396-001	Collection Date: 3/16/2009 8:00:00 AM
Matrix:	SLUDGE	Received Date: 3/17/2009 9:38:32 AM

Analyses	Result	QL	Q	Units	DF	Date Analyzed
TCLP PESTICIDES		EPA 8081				Analyst: TEW
Chlordane	< 0.010	0.010		mg/L	10	3/25/2009
Endrin	< 0.0005	0.0005		mg/L	10	3/25/2009
Lindane	< 0.0005	0.0005		mg/L	10	3/25/2009
Methoxychlor	< 0.0005	0.0005		mg/L	10	3/25/2009
Toxaphene	< 0.020	0.020		mg/L	10	3/25/2009
Heptachlor (and its epoxide)	< 0.0010	0.0010		mg/L	10	3/25/2009
Surr: Decachlorobiphenyl	98.0	5-156		%REC	10	3/25/2009
Surr: Tetrachloro-m-xylene	75.2	15.9-102		%REC	10	3/25/2009
VOLATILE ORGANIC COMPOUNDS: TCLP		EPA 8260				Analyst: SJM
Benzene	< 50	50		µg/L	50	3/25/2009 4:37:00 PM
Carbon Tetrachloride	< 50	50		µg/L	50	3/25/2009 4:37:00 PM
Chlorobenzene	< 50	50		µg/L	50	3/25/2009 4:37:00 PM
1,1-Dichloroethane	< 50	50		µg/L	50	3/25/2009 4:37:00 PM
1,2-Dichloroethane	< 50	50		µg/L	50	3/25/2009 4:37:00 PM
1,4-Dichlorobenzene	< 50	50		µg/L	50	3/25/2009 4:37:00 PM
Trichloromethane	< 50	50		µg/L	50	3/25/2009 4:37:00 PM
Methyl Ethyl Ketone	< 250	250		µg/L	50	3/25/2009 4:37:00 PM
Tetrachloroethene	< 50	50		µg/L	50	3/25/2009 4:37:00 PM
Trichloroethene	< 50	50		µg/L	50	3/25/2009 4:37:00 PM
Vinyl Chloride	< 50	50		µg/L	50	3/25/2009 4:37:00 PM
Surr: 1,2-Dichloroethane-d4	108	70-130		%REC	50	3/25/2009 4:37:00 PM
Surr: 4-Bromofluorobenzene	114	70-130		%REC	50	3/25/2009 4:37:00 PM
Surr: Dibromofluoromethane	106	70-130		%REC	50	3/25/2009 4:37:00 PM
Surr: Toluene-d8	91.7	70-130		%REC	50	3/25/2009 4:37:00 PM
SEMI-VOLATILE COMPOUNDS: TCLP		EPA 8270				Analyst: JB
2-Methylphenol	< 100	100		µg/L	10	3/25/2009 4:50:00 PM
2,4-Dinitrotoluene	< 100	100		µg/L	10	3/25/2009 4:50:00 PM
Hexachlorobenzene	< 100	100		µg/L	10	3/25/2009 4:50:00 PM
Hexachlorobutadiene	< 100	100		µg/L	10	3/25/2009 4:50:00 PM
Hexachloroethane	< 100	100		µg/L	10	3/25/2009 4:50:00 PM
Nitrobenzene	< 100	100		µg/L	10	3/25/2009 4:50:00 PM
Pentachlorophenol	< 500	500		µg/L	10	3/25/2009 4:50:00 PM
Pyridine	< 200	200		µg/L	10	3/25/2009 4:50:00 PM
2,4,5-Trichlorophenol	< 100	100		µg/L	10	3/25/2009 4:50:00 PM
2,4,6-Trichlorophenol	< 100	100		µg/L	10	3/25/2009 4:50:00 PM
3,4-Methylphenol	< 100	100		µg/L	10	3/25/2009 4:50:00 PM
Surr: 2,4,6-Tribromophenol	84.6	5-137		%REC	10	3/25/2009 4:50:00 PM
Surr: 2-Fluorobiphenyl	76.4	27.7-95.1		%REC	10	3/25/2009 4:50:00 PM
Surr: 2-Fluorophenol	66.2	5-104		%REC	10	3/25/2009 4:50:00 PM



Laboratory Results

Geochemical Testing

Date: 30-Mar-09

CLIENT:	PA AMERICAN WATER - SE	Client Sample ID: Blue Mt Lake
Lab Order:	G0903396	Wastewater
Project:	PAW Residuals - Blue Mt Lake	Sampled By: Client
Lab ID:	G0903396-001	Collection Date: 3/16/2009 8:00:00 AM
Matrix:	SLUDGE	Received Date: 3/17/2009 9:38:32 AM

Analyses	Result	QL	Q	Units	DF	Date Analyzed
SEMI-VOLATILE COMPOUNDS: TCLP		EPA 8270				Analyst: JB
Surr: Nitrobenzene-d6	77.8	16-101		%REC	10	3/25/2009 4:50:00 PM
Surr: Phenol-d6	70.6	5-106		%REC	10	3/25/2009 4:50:00 PM
Surr: p-Terphenyl-d14	37.9	25.4-133		%REC	10	3/25/2009 4:50:00 PM



Shuttle/Cooler ID#: 08-45

CHAIN OF CUSTODY

Geochemical Testing

Form F-5002, 08.05

Geochemical Testing • 2005 North Center Avenue • Somerset PA 15501 • (814) 443-1671 • Fax: (814) 445-6729

Billing Client: PA American Water SE Region
 Address: 300 Galley Road
 City: McMurray State: PA Zip: 15317
 WO#: 6905316

Contact (Company): Randolph Pankiewicz
 e-mail: rpankiew@pawc.com
 Sampled by: M. LAMPERT
 Project: 2009 Residuals

Phone: (724) 873-3651
 Fax: (724) 746-9290
 Preservatives by Sampler: X GT
 PO/Quote#:

Sample Matrix: GW/Ground Water, SW/Surface Water, PW/Potable Water, WW/Wastewater, SO/Soil, SL/Sludge, nHZ/Not Hazardous, HZ/Hazardous, PCBS
 Sample Type: G/Grab, C/Composite, D/Distribution/DW, R/Raw/DW, S/Special/DW, O/Other
 Containers Supplied by: Client GT Lab

Sample Location/Description	Lab Number	Sample Matrix	Date	Time (Military)	Sample Type	** Analyses Requested	Remarks/Preservatives, etc	Number of Containers
Blue Mt. Lake WWTP	W1	WW/SL	3-16-09	0800	G	Form 43	NONE	2
		nHZ/HZ					Field Filtered: Y/N	
		nHZ/HZ					Field Filtered: Y/N	
		nHZ/HZ					Field Filtered: Y/N	
		nHZ/HZ					Field Filtered: Y/N	
		nHZ/HZ					Field Filtered: Y/N	
		nHZ/HZ					Field Filtered: Y/N	
		nHZ/HZ					Field Filtered: Y/N	

Waiver of Responsibility: Although samples were delivered without ice and at a temperature greater than 6° C, the samples are to be analyzed.

Name: [Signature] Date: 3/16/09

Relinquished by (Company & Signature)	Date	Time (Military)	Received by (Company & Signature)	Date	Time (Military)
<u>[Signature]</u> (PANC)	3-16-09	1800	<u>[Signature]</u>	3/16/09	0920

ice present on receipt: Yes or No Cooler Temp (°C) on receipt: 6

N.L. 3.16.09

**AMENDMENT No. 1
TO
AGREEMENT BETWEEN Pennsylvania American Water Company AND Allstate
Septic Systems, DATED April 01, 2008**

This Amendment No.1 to the Agreement (“Amendment”) is entered into this ____ day of _____, 2009 (“Effective Date”) by and between Allstate Septic Systems (“Contractor”) and Pennsylvania American Water Company (“Client”).

RECITALS

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

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

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

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

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

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

Allstate Septic Systems

By: [Signature]

Title: PARTNER

Date: 11-9-09

Pennsylvania American Water

By: [Signature]

Title: SR. DIR, PRODUCTION

Date: 11-13-09

EXHIBIT B-1 PRICING

Plant	Site Contact	Cost/Gallon
Lehman Pike WWTP	Charlie Piekanski 570.588.2754	\$0.125/ gallon

For Maintenance Services such as Tank and Clarifier Cleaning an hourly rate of \$90.00 per hour will be charged. For specific maintenance service tasks or projects, a separate price quote will be provided.

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

An additional service fee of \$75 per truck will be applied for emergency, call-out or unscheduled services.

UNCOLLECTABLE ACCOUNTS

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

**Net Charge-Offs Wastewater
Northeast**

Year		
	2007	22,647.88
	2008	22,982.25
	2009	22,939.00
3 Year Ave	Net Charge-Offs	22,856.38

Billed Wastewater Sales

	2007	833,196.07
	2008	836,333.35
	2009	869,965.18
3 Year Ave	Billed Wastewater Sales	846,498.20

	2007	0.027181930
	2008	0.027479770
	2009	0.026367722
3 Year Ave	Ratio	0.027001091

TAXES OTHER THAN INCOME

PAYROLL TAXES

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

PROFORMA

Tax Bases	FICA	Total Salary and Wages & AIP	\$	230,944.87
		Less: Excess Social Security Wages		-
				230,944.87
	FUTA	\$7000 PER EMPLOYEE	4(H) 4(F)	28,000.00
	SUTA	\$8000 PER EMPLOYEE	4(H) 4(F)	32,000.00
TAX	FICA	6.20%		14,318.58
	MEDICARE	1.45%		3,348.70
	FUTA	0.80%		224.00
	SUTA	2.554%		817.41
SUBTOTAL				<u>18,708.69</u>
LESS:	4.59% CHARGED TO OPERATIONS			<u>858.73</u>
AMOUNT CHARGED TO OPERATIONS EXPENSE				17,849.96
LESS: PER BOOKS				16,778.00
ADJUSTMENT			\$	<u><u>1,072</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	Gross Intrastate Operating Revenues of Each Group for Calendar Year 2008	General Assessment Factor for Each Group (Column (A) Divided by Column (B))
	(A)	(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	

PROPERTY TAX

**Lehman Pike and Blue Mountain Wastewater Operations
Pro Forma Property Taxes**

						2009 Per Book Taxes			
Parcel Number	Land Assessment	Building Assessment	County Mills	Borough Mills	School Mills	County	Borough	School	Total
196.04-03-68.001	9,340	9,200	0.01629	0.003	0.11894	295.98	54.51	2,161.04	2,512.00
196.02-02-16	10,000	33,230	0.01629	0.003	0.11894	690.13	127.10	5,038.94	5,856.00
199.02-02-49.002	380	-	0.01629	0.003	0.11894	6.07	1.12	44.29	51.48
									8,419.48
LEHMAN PIKE						Pro Forma Taxes New Plant - Lehman Pike			
Valuation Rate of Market Value		25%							
Market Value	Land Assessment	Building Assessment	County Mills	Borough Mills	School Mills	County	Borough	School	Total
1,114,031	9,340	278,508	0.01629	0.003	0.11894	4,689.00	864.00	34,237.00	39,790.00
									39,790.00
						Pro Forma Taxes other than Plant - Lehman Pike			
Parcel Number	Land Assessment	Building Assessment	County Mills	Borough Mills	School Mills	County	Borough	School	Total
196.02-02-16	10,000	33,230	0.01629	0.003	0.11894	690.00	127.00	5039.00	5,856.00
199.02-02-49.002	380	-	0.01629	0.003	0.11894	6.00	1.00	44.00	51.00
									5,907.00
BLUE MOUNTAIN						Pro Forma Taxes New Plant - Blue Mountain			
Valuation Rate of Market Value		25%	2010 Mills for Strouds Monroe County						
Market Value	Land Assessment	Building Assessment	County Mills	Borough Mills	School Mills	County	Borough	School	Total
1,500,749	-	375,187	0.01725	0.0146	0.14545	6,472.00	5,478.00	54,571.00	66,521.00
									66,521.00
Pro forma Taxes - Lehman Pike		39,790							
Pro forma Taxes - Other Property LP		5,907							
Pro Forma Taxes - Blue Mountain		66,521							
Total Pro Forma Property Taxes		112,218							
Remove 2009 Per Book Taxes		(8,419)							
Pro forma Adjusted Taxes		<u>103,799</u>							

RATE BASE

FUTURE TEST YEAR ADDITIONS

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

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	DISTRICT	ADDITION	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT	COMP DATE
354.40	Blue Mountain WWTP Upgrade - Main WWTP Building Account Subtotal	WO 460079 - IP-2476- BL.MT	BL.MT	\$ 1,461,315 \$ 1,461,315	Dec-10	Retire WW Structure	\$ 57,625 \$ 57,625	Dec-10
354.50	Blue Mountain WWTP Upgrade - General Site Improvements Account Subtotal	WO 460079 - IP-2476- BL.MT	BL.MT	\$ 39,433 \$ 39,433	Dec-10	None		
360.00	Install New Mains Account Subtotal	RP-2469-C1	LP	\$ 10,000 \$ 10,000	Dec-10	None		
361.10	Manholes Replaced Account Subtotal	RP-2469-F1	LP	\$ 18,000 \$ 18,000	Dec-10	Retire Manholes	\$ 1,800 \$ 1,800	Dec-10
363.00	Services and Laterals - New Account Subtotal	RP-2469-G1	LP	\$ 50,000 \$ 50,000	Dec-10	None		
371.10	Blue Mountain WWTP Upgrade - Electrical Pumping Equipment Account Subtotal	WO 460079 - IP-2476- BL.MT	BL.MT	\$ 54,655 \$ 54,655	Dec-10	None		
380.00	Blue Mountain WWTP Upgrade - Treatment & Disposal Equipment Account Subtotal	WO 460079 - IP-2476- BL.MT	BL.MT	\$ 1,129,769 \$ 1,129,769	Dec-10	Retire WW Structure	\$ 277,731 \$ 277,731	Dec-10
380.50	Lehman Pike WWTP Upgrade - Treatment & Disposal Equipment Account Subtotal	WO 426514	LP			Retire WW Structure	\$ 389,431 \$ 389,431	Dec-10
381.00	Blue Mountain WWTP Upgrade - WW Plant Sewers Account Subtotal	WO 460079 - IP-2476- BL.MT	BL.MT	\$ 143,490 \$ 143,490	Dec-10	None		
382.00	Blue Mountain WWTP Upgrade - WW Outfall Sewers Account Subtotal	WO 460079 - IP-2476- BL.MT	BL.MT	\$ 24,097 \$ 24,097	Dec-10	Retire Outfall Sewers	\$ 32,729 \$ 32,729	Dec-10
391.00	Ford Escape Account Subtotal	RP-2469	LP	\$ 22,500 \$ 22,500	Dec-10	None		
394.00	Blue Mountain WWTP Upgrade - WW Lab Equipment Account Subtotal	WO 460079 - IP-2476- BL.MT	BL.MT	\$ 21,351 \$ 21,351	Dec-10	None		
	Grand Total			\$ 2,974,610			\$ 759,315	

ACQUISITION

LEHMAN PIKE WATER & SEWER CO.

PENNSYLVANIA AMERICAN WATER CO.
LEHMAN PIKE WATER AND SEWER CO.
SUMMARY OF WASTEWATER ACQUISITION ADJUSTMENT
CLOSED 04/03/02

	Total
UPIS	\$ 3,653,771.40
Accumulated Depreciation	(1,272,922.98)
CIAC/CA	(2,176,836.20)
Accumulated Depreciation	911,781.07
Net UPIS	<u>1,115,793.29</u>
Costs	2,047,090.44
Utility Plant Acquisition Adjustment	931,297.15
Account Reconciliation 114100	931,297.15
Difference	-

PENNSYLVANIA AMERICAN WATER
JOURNAL ENTRY -Wastewater
LEHMAN PIKE WATER AND SEWER CO. - ACQUISITION

<u>BUSINESS</u>	<u>OBJ</u>	<u>SUB</u>				
UNIT	ACCOUNT	TASK ORDER #	ASSET #		DEBIT	CREDIT
246905	101000	353200			2.00	
246905	101000	353300			1.00	
246905	101000	353400			2.00	
246905	101000	354300			230,008.33	
246905	101000	354400			178,931.89	
246905	101000	355400			51,645.64	
246905	101000	360000			1,869,725.22	
246905	101000	363000			745,439.05	
246905	101000	364000			4,907.80	
246905	101000	380500			573,108.47	
246905	108105					1,272,922.98
246905	271110					1,492,254.28
246905	271130					518,665.64
246905	271160					165,916.28
246905	272060				911,781.07	
240405	104000		78000499			2,047,090.44
246905	114100				931,297.15	

**PENNSYLVANIA AMERICAN WATER CO.
LEHMAN PIKE WATER AND SEWER CO.
ACQUISITION COSTS**

WASTEWATER

<u>G/L Date</u>	<u>Item</u>	<u>Vendor</u>	<u>Type</u>	<u>Document #</u>	<u>Amount</u>
31-Jul-00	Surveys & Cost Studies	AUS CONSULTANTS -	PV	79127	\$ 1,813.50
11-Aug-00	Filing & Certification Fees	POCONO PROPERTY AB	PV	80184	118.50
21-Aug-00	Surveys & Cost Studies	AUS CONSULTANTS -	PV	80982	6,068.98
21-Sep-00	Surveys & Cost Studies	AUS CONSULTANTS -	PV	84653	3,310.50
1-Oct-00	Surveys & Cost Studies	AUS CONSULTANTS -	UM	35781	444.68
13-Oct-00	Administrative	COMMONWEALTH OF PA	PV	86998	350.00
27-Oct-00	Administrative	CAPITOL BLUEPRINT	PV	88676	67.16
1-Nov-00	Surveys & Cost Studies	AUS CONSULTANTS -	PV	87868	8,730.00
21-Nov-00	Administrative	THE NEWS EAGLE	PV	91145	57.04
23-Nov-00	Filing & Certification Fees	POCONO RECORD	PV	91565	60.74
28-Dec-00	Surveys & Cost Studies	WEBER FICK & WILSO	PV	94804	1,907.33
28-Feb-01	Administrative	COMMONWEALTH REPORTING	PV	101569	34.98
26-Apr-01	Surveys & Cost Studies	AUS CONSULTANTS - RE	PV	106955	7,639.99
23-May-01	Surveys & Cost Studies	AUS CONSULTANTS - RE	PV	110175	90.00
16-Jul-01	Legal Fees	GEORGE W WESTERVELT	PV	115524	429.47
20-Dec-01	Administrative	COMMONWEALTH REPORTING	PV	134514	22.95
8-Mar-02	Surveys & Cost Studies	AUS Consultants Inc	PV	40075796	573.75
21-Mar-02	Administrative	COMMONWEALTH REPORTING	PV	40086591	22.95
4-Apr-02	Settlement Statement	Westervelt, George Esq	PV	40104356	163,169.10
9-Apr-02	Settlement Statement	Rank America Inc - REM	PV	40107810	1,918,415.45
10-Apr-02	Deed Research	CONSUMERS LAND ABSTRAC	PV	40108934	2,133.75
10-Apr-02	Deed Research	CONSUMERS LAND ABSTRAC	PV	40108930	192.50
19-Apr-02	Legal Fees	Westervelt, George Esq	PV	40120097	817.54
22-Apr-02	Settlement Statement	Rank America Inc - REM	PV	40121339	78,036.42
22-Apr-02	Administrative	Rank America Inc - REM	PV	40121339	1,916.44
25-Apr-02	Surveys & Cost Studies	Borton-Lawson Engineer	PV	40125034	1,865.94
30-Apr-02	Settlement Statement	Westervelt, George Esq	RI	10008258	(159,620.97)
15-May-02	Legal Fees	Westervelt, George Esq	PV	40143743	1,102.01
20-May-02	Administrative	Caskey Printing Inc -	PV	40148092	195.50
31-May-02	Administrative	Caskey Printing Inc -	PV	40159306	923.39
31-May-02	Administrative	Caskey Printing Inc -	PV	40159312	128.63
12-Jun-02	Legal Fees	Westervelt, George Esq	PV	40168186	18.50
9-Jul-02	Surveys & Cost Studies	Weber Fick & Wilson	PV	40189778	755.47
24-Jul-02	Legal Fees	Westervelt, George Esq	PV	40203823	46.25
16-Aug-02	Legal Fees	Westervelt, George Esq	PV	40224047	29.48
	Company Labor	Payroll	T2 & T3		5,222.52
					<u>\$ 2,047,090.44</u>

**PENNSYLVANIA-AMERICAN
WATER COMPANY, INC.
Acquisition of the
LP Water & Sewer Company
Sewer Division**

**Original Cost of Wastewater Utility Plant,
Depreciation Reserve Calculations,
and Replacement Cost New Less Depreciation
at April 3, 2002**

FINAL

By

**Scott D. Fogelsanger
Vice President
and
Gary D. Shambaugh
Executive Vice President**

**AUS CONSULTANTS
Utility Services
Weber Fick & Wilson Division
1000 North Front Street, Suite 200
Wormleysburg, PA 17043**

March 2003

Pennsylvania-American Water Company, Inc.

*Valuation of the LP Water & Sewer Company
Sewer Division*

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of April 3, 2002
Based Upon Whole Life/Average Life Depreciation

Acct. No.	Description	Original Cost at 4/3/02	ASL/lowa Curve	Calculated Depreciation Reserve	Depreciated Original Cost at 4/3/02
<u>Non-Depreciable Plant:</u>					
353.2	Land & Land Rights - Collection Plant	\$2.00			\$2.00
353.3	Land & Land Rights - System Pumping Plant	1.00			1.00
353.4	Land & Land Rights - Treatment & Disposal Plant	2.00			2.00
	Total Non-Depreciable Plant	\$5.00		\$0.00	\$5.00
<u>Depreciable Plant:</u>					
354.3	Structures & Improvements - System Pumping Plant	\$230,008.33	25-R3	\$134,738.24	\$95,270.09
354.4	Structures & Improvements - Treatment & Disposal Plant	178,931.89	50-R3	43,745.82	135,186.07
355	Power Generation Equipment	51,645.64	25-R3	24,430.84	27,214.80
360	Collection Sewers - Force	1,869,725.22	50-R3	620,241.13	1,249,484.09
363	Services to Customers	745,439.05	40-R3	278,045.21	467,393.84
364	Flow Measuring Devices	4,907.80	15-R2	2,576.55	2,331.25
380	Treatment & Disposal Equipment	573,108.47	40-R3	169,145.19	403,963.28
	Total Depreciable Plant	\$3,653,766.40		\$1,272,922.98	\$2,380,843.42
	Total Plant in Service	\$3,653,771.40		\$1,272,922.98	\$2,380,848.42
<u>Deduct: Contributions In Aid of Construction:</u>					
354.3	Structures & Improvements - System Pumping Plant	\$165,916.28	25-R3	\$110,410.94	\$55,505.34
360	Collection Sewers - Force	1,492,254.28	50-R3	564,489.99	927,764.29
363	Services to Customers	518,665.64	40-R3	236,880.14	281,785.50
	Total Contributions in Aid of Construction	\$2,176,836.20		\$911,781.07	\$1,265,055.13
	Total Plant in Service (Net)	\$1,476,935.20		\$361,141.91	\$1,115,793.29



FEB 26 2002

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

IN REPLY PLEASE
REFER TO OUR FILE

FEBRUARY 25, 2002

A-230073 F0003
A-230242 F2000

VELMA A REDMOND ESQUIRE
SUSAN SIMMS MARSH ESQUIRE
PENNSYLVANIA AMERICAN WATER
800 HERSHEY PARK DRIVE
PO BOX 888
HERSHEY PA 17033-0888


Joint Application of Pennsylvania-American Water Company and LP Water and Sewer Company for approval of the transfer, by sale, of the assets, properties, and right of LP Water and Sewer Company related to its wastewater system to Pennsylvania-American Water Company; and, the commencement by Pennsylvania-American Water Company of public wastewater service in the certificated service of LP Water and Sewer Company; and, the commencement by Pennsylvania-American Water Company of wastewater service in an additional portions of Lehman Township, Pike County and Middle Smithfield Township, Monroe County; and, the abandonment by LP Water and Sewer Company of all wastewater service to the public.

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on February 21, 2002 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,


James J. McNulty
Secretary

cc: R. M. Ross
W. C. Kelvington
D. R. Kaufman
C. W. Johnston
P. T. Diskin
R. Seliga
P. Zielinski
File

fg
encls
cert. mail

1944-1945

ANNUAL REPORT TO THE BOARD OF DIRECTORS
OF THE NATIONAL YOUTH ADMINISTRATION
FOR THE YEAR 1944-1945



OFFICE OF THE DIRECTOR

1944-1945
OFFICE OF THE DIRECTOR

REPORT OF THE NATIONAL YOUTH ADMINISTRATION
FOR THE YEAR 1944-1945
OFFICE OF THE DIRECTOR
WASHINGTON, D. C.

The National Youth Administration (NYA) was established in 1938 to provide economic relief and to help young people find their way to self-sufficiency. During the year 1944-1945, the NYA has continued its work in these fields, and has also taken on the new task of preparing young people for the war effort. The NYA has been successful in providing relief to millions of young people, and in helping them to find their way to self-sufficiency. The NYA has also been successful in preparing young people for the war effort, and in helping them to find their way to self-sufficiency.

The NYA has been successful in providing relief to millions of young people, and in helping them to find their way to self-sufficiency. The NYA has also been successful in preparing young people for the war effort, and in helping them to find their way to self-sufficiency.

REPORT OF THE NATIONAL YOUTH ADMINISTRATION

OFFICE OF THE DIRECTOR

1944-1945
OFFICE OF THE DIRECTOR

REPORT OF THE NATIONAL YOUTH ADMINISTRATION
FOR THE YEAR 1944-1945
OFFICE OF THE DIRECTOR
WASHINGTON, D. C.

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

Public Meeting held February 21, 2002

Commissioners Present:

**Glen R. Thomas, Chairman
Kim Pizzingrilli
Aaron Wilson, Jr.
Terrance J. Fitzparick**

Joint Application of Pennsylvania-American Water Company and LP Water and Sewer Company for approval of (1) the transfer, by sale, of the assets, properties, and rights of LP Water and Sewer Company related to its wastewater system to Pennsylvania-American Water Company, (2) the commencement by Pennsylvania-American Water Company of public wastewater service in the certificated service of LP Water and Sewer Company, (3) the commencement by Pennsylvania-American Water Company of wastewater service in an additional portions of Lehman Township, Pike County and Middle Smithfield Township, Monroe County, and (4) the abandonment by LP Water and Sewer Company of all wastewater service to the public.

**Docket Number:
A-230073F0003
A-230242F2000**

ORDER

BY THE COMMISSION:

By the Joint Application filed on October 16, 2000, Pennsylvania-American Water Company (PAWC) seeks approval for (1) the transfer, by sale, of the assets, properties, and rights of LP Water and Sewer Company (LP) related to

its wastewater system to PAWC, (2) the commencement by PAWC of public wastewater service in the certificated service territory of LP, (3) the commencement by PAWC of wastewater service in an additional portion of Lehman Township, Pike County and Middle Smithfield Township, Monroe County, and (4) the abandonment by LP of all wastewater service to the public. On October 16, 2000, PAWC and LP filed a Joint Application for approval of the transfer of the water property and rights of LP to PAWC at Docket Nos. A-212285F0077 and A-211770F2000.

All existing customers of LP have been provided notice of this proposed Joint Application. Proofs of service and publication were submitted by PAWC. On October 27, 2000, Richard Sanderman filed a Protest. On December 4, 2000, the Joint Application was assigned to the Office of the Administrative Law Judge (OALJ). On January 4, 2001, the Office of Consumer Advocate (OCA) filed a Notice of Intervention.

On February 20, 2001, an initial Prehearing Conference was held by the OALJ. Mr. Sanderman served direct testimony in March 2001 and the Joint Applicants served their direct testimony in April 2001. A further Prehearing Conference was held on October 24, 2001, which was used for settlement discussions. The Conference was attended by representatives of the Joint Applicants, OCA, the Department of Environmental Protection (DEP), Lehman Township, and Mr. Sanderman.

A final Prehearing Conference was held on November 29, 2001. At that Conference, the Joint Applicants, OCA, and Mr. Sanderman signed and submitted a Stipulation of Settlement (Stipulation). Lehman Township had no objection to the Stipulation and added a statement of position into the record.

In this Stipulation, Mr. Sanderman agreed, *inter alia*, (1) to reserve his claims concerning cost allocation and cost recovery until there was a PAWC base rate case which would impact former LP customers, (2) not to challenge the transfer of title of the LP facilities to PAWC, and (3) not to challenge the purchase price for those facilities.

In addition, OCA and LP agreed that prior refunds ordered to LP customers would occur at or before the closing for the sale of LP assets to PAWC. We ordered these refunds to water and sewer customers in our Opinion and Order entered October 28, 1997 at Docket No. C-00956966. These refunds remain the obligation of LP, not PAWC, and it is the intent of LP to have a process in place that will satisfy these refunds for all customers with the issuance of a final bill.

In accordance with this Stipulation, the Protest of Mr. Sanderman and the Intervention of OCA were withdrawn. By Order dated December 11, 2001, the OALJ approved this Stipulation and the Joint Application was reassigned to the Bureau of Fixed Utility Services for completion of the review process.

PAWC is a regulated public utility company, duly organized and existing under the laws of Pennsylvania and engaged in the business of supplying and distributing water and treating wastewater. Water service is furnished to the public in a service territory encompassing more than 318 communities with a combined population of over 2,000,000 and wastewater treatment service is provided to 4,827 customers located in a portions of Coolbaugh Township, Monroe Township.

LP is a Pennsylvania corporation incorporated on July 20, 1988. On November 22, 1989, LP received a certificate of public convenience at Docket No. A-230242 authorizing it to provide wastewater service in a residential resort community called Saw Creek Estates developed by the Lehman Pike Development Corporation and now owned by Resorts USA, Inc. As of December 31, 1999, LP furnished wastewater service to 2,142 metered customers, 1,020 availability customers, and one bulk sale customer located within this development.

The purchase price of LP (Sewer) is \$1,750,000. PAWC will initially finance the purchase by short-term bank debt which, at the appropriate time, will be replaced through the issuance of long-term debt. PAWC is undertaking an original cost study to establish an actual depreciated original cost of the utility plant.

PAWC will adopt LPs' schedule of rates immediately upon closing. Currently, a residential customer using 60,000 gallons annually would receive a bill for \$274.80.

With this Joint Application, PAWC also is requesting the right to furnish wastewater service in an additional portion of Lehman Township, Pike County and Middle Smithfield Township, Monroe County. This requested service territory was inadvertently excluded from the original certificate filing by LP. LP currently provides wastewater service to customers in these areas known as the Walker Tract Exception in Lehman Township and Timothy Lake Campground South in Middle Smithfield Township. PAWC seeks to correct this oversight by including it in this Joint Application.

Amendments to the Purchase and Sale Agreement, shown as Exhibit F of the Joint Application, were filed on February 12, 2001 and December 17, 2001. These Amendments have extended the closing date of the sale of LP to PAWC from December 31, 2000 to February 28, 2002, due to the time involved in reaching the Stipulation.

DEP was contacted regarding this Joint Application and has reported no outstanding fines or violations. However, in 2000, DEP received some complaints regarding odors at some of the pumping stations and at the sewage treatment plant itself. LP has attempted to correct this situation by adding "odor lock" to the pump stations and by adjusting the pH. In addition, LP is current with all regulatory assessments.

Upon full consideration of all matters of record, we find that approval of this Joint Application is necessary and proper for the service, accommodation, and convenience of the public; **THEREFORE,**

IT IS ORDERED:

1. That the Joint Application of Pennsylvania-American Water Company and LP Water and Sewer Company is hereby approved.
2. That a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1) authorizing Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the certificated service territory of LP Water and Sewer Company and additional portions of Lehman Township, Pike County and Middle Smithfield Township, Monroe County, as described in Exhibit L of the Joint Application, upon notice of closing.

3. That LP Water and Sewer Company be issued a Certificate of Public Convenience to abandon upon verification of closing and the record at A-230242F2000 shall be marked closed by the Secretary of the Commission.

4. That prior to closing, Pennsylvania-American Water Company shall provide to the Office of Trial Staff, the Bureau of Fixed Utility Services, and the Office of Consumer Advocate the final reconciliation relating to outstanding refunds owed to customers of LP Water and Sewer Company, including workpapers to support that full refunds have been issued.

5. That Pennsylvania-American Water Company shall submit within ten days after said closing a tariff or tariff supplement reflecting the adoption of LP Water and Sewer Company's current rates and the additional service territory granted herein.


6. That Pennsylvania-American Water Company shall provide to the Bureau of Audits and the Bureau of Fixed Utility Services an original cost study, including depreciation and contributions-in-aid-of-construction, for the additional service territory upon completion or within one year of the effective date of this Order whichever comes first.

7. That a copy of this Order be served upon the Department of Revenue, Bureau of Corporate Taxes, the Office of Trial Staff, the Office of Consumer Advocate, the Small Business Advocate, and the Department of Environmental Protection, Northeast Field Operation – Pocono District Office.

8. That LP Water and Sewer Company be deleted from the active lists of the Secretary's Bureau and Administrative Bureau upon notice of closing by Pennsylvania-American Water Company.

9. That the folder docketed at A-230073F0003 be marked closed following the completion of ordering paragraphs No. 5 and 6.

BY THE COMMISSION,


James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: February 21, 2002

ORDER ENTERED: FEB 25 2002

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... (faint, illegible text) ...

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... (faint, illegible text) ...

WINONA LAKES UTILITIES INC.

**PENNSYLVANIA AMERICAN WATER CO.
WINONA LAKES UTILITIES INC.
CLOSED 01/26/06**

	Total	Water	Wastewater
UPIS	\$ 234,672.35	\$ 137,939.33	\$ 96,733.02
Accumulated Depreciation	(106,066.14)	(53,200.82)	(52,865.32)
CIAC/CA	0.00	0.00	0.00
Accumulated Depreciation	0.00	0.00	0.00
Net UPIS	<u>\$ 128,606.21</u>	<u>\$ 84,738.51</u>	<u>\$ 43,867.70</u>
Cost Allocation			
Purchase Price	20,000.00	5,000.00	15,000.00
Allocated Closing Costs	8,553.65	4,407.38	4,146.27
Combined Closing Costs	<u>9,733.39</u>	<u>6,413.32</u>	<u>3,320.07</u>
	38,287.04	15,820.70	22,466.34
Utility Plant Acquisition Adjustment	\$ (90,319.17)	\$ (68,917.81)	\$ (21,401.36)

**PENNSYLVANIA AMERICAN WATER
 JOURNAL ENTRY
 WINONA LAKES UTILITIES INC. - ACQUISITION**

<u>Account No.</u>	<u>Original Cost</u>	
240405.101000.303200	1	30173034 WINONA WTR ACQ
240405.101000.304200	27461.14	30173035 WINONA WTR ACQ
240405.101000.307000	3422.87	30173036 WINONA WTR ACQ
240405.101000.311200	4211.02	30173037 WINONA WTR ACQ
240405.101000.320100	497.41	30173038 WINONA WTR ACQ
240405.101000.320100	132.49	30173039 WINONA WTR ACQ
240405.101000.320100	2985.2	30173040 WINONA WTR ACQ
240405.101000.331001	11185.8	30173041 WINONA WTR ACQ
240405.101000.331001	59171.4	30173042 WINONA WTR ACQ
240405.101000.331001	200.72	30173043 WINONA WTR ACQ
240405.101000.331001	1969.52	30173044 WINONA WTR ACQ
240405.101000.331001	554.48	30173045 WINONA WTR ACQ
240405.101000.304400	6653.78	30173046 WINONA WTR ACQ
240405.101000.333000	19210.16	30173047 WINONA WTR ACQ
240405.101000.334100	282.34	30173054 WINONA WTR ACQ
247505.101000.353300	1	30173058 WINONA WW ACQ
247505.101000.354300	5773.3	30173059 WINONA WW ACQ
247505.101000.354300	10600	30173060 WINONA WW ACQ
247505.101000.354300	557	30173061 WINONA WW ACQ
247505.101000.360000	17194.6	30173062 WINONA WW ACQ
247505.101000.360000	22391.7	30173063 WINONA WW ACQ
247505.101000.360000	15628.1	30173064 WINONA WW ACQ
247505.101000.360000	931.56	30173065 WINONA WW ACQ
247505.101000.360000	573.87	30173066 WINONA WW ACQ
247505.101000.360000	207.38	30173067 WINONA WW ACQ
247505.101000.360000	920.82	30173068 WINONA WW ACQ
247505.101000.363000	21953.69	30173069 WINONA WW ACQ
240405.108105	0	30173034 WINONA WTR ACQ
240405.108105.01	-7251.56	30173035 WINONA WTR ACQ
240405.108105.06	-1077.6	30173036 WINONA WTR ACQ
240405.108105.06	-411.99	30173037 WINONA WTR ACQ
240405.108105.06	-81	30173038 WINONA WTR ACQ
240405.108105.06	-111	30173039 WINONA WTR ACQ
240405.108105.06	-2504.83	30173040 WINONA WTR ACQ
240405.108105.05	-5980.93	30173041 WINONA WTR ACQ
240405.108105.05	-20659.36	30173042 WINONA WTR ACQ
240405.108105.05	-107.32	30173043 WINONA WTR ACQ
240405.108105.05	-687.65	30173044 WINONA WTR ACQ
240405.108105.05	-296.47	30173045 WINONA WTR ACQ
240405.108105.01	-3557.71	30173046 WINONA WTR ACQ
240405.108105.05	-10271.47	30173047 WINONA WTR ACQ
240405.108105.05	-201.93	30173054 WINONA WTR ACQ
247505.108105	0	30173058 WINONA WW ACQ
247505.108105.01	-5009.2	30173059 WINONA WW ACQ
247505.108105.01	-2651	30173060 WINONA WW ACQ
247505.108105.01	-139.33	30173061 WINONA WW ACQ

247505.108105.05	-9194	30173062 WINONA WW ACQ
247505.108105.05	-11972.56	30173063 WINONA WW ACQ
247505.108105.05	-8356	30173064 WINONA WW ACQ
247505.108105.05	-497.82	30173065 WINONA WW ACQ
247505.108105.05	-307	30173066 WINONA WW ACQ
247505.108105.05	-111	30173067 WINONA WW ACQ
247505.108105.05	-492.35	30173068 WINONA WW ACQ
247505.108105.06	-14135.06	30173069 WINONA WW ACQ
240405.104000	-45644.03	WINONA WW ACQ
240405.114100	-82962.18	WINONA WW ACQ

PENNSYLVANIA AMERICAN WATER
 WINONA LAKES UTILITIES INC. - ACQUISITION
 ACQUISITION COSTS

WINONA LAKES UTILITIES INC.	Combined	POCONO Record	98.00	PV	40156309	
WINONA LAKES UTILITIES INC.	Combined	POCONO Record	96.60	PV	40192585	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	167.25	PV	40250577	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	259.00	PV	40282529	
WINONA LAKES UTILITIES INC.	Combined	P & J PRINTING	353.14	PV	40284022	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	167.50	PV	40301634	
WINONA LAKES UTILITIES INC.	Combined	Commonwealth of PA	2.00	PV	40370024	
WINONA LAKES UTILITIES INC.	Combined	Commonwealth of PA	28.00	PV	40370028	
WINONA LAKES UTILITIES INC.	Combined	Commonwealth of PA	2.00	PV	40377021	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	207.00	PV	40378922	
WINONA LAKES UTILITIES INC.	Combined	Commonwealth of PA	2.00	PV	40399710	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	399.88	PV	40404882	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	219.00	PV	40435039	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	69.50	PV	40459103	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	76.50	PV	40484209	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	699.75	PV	40634172	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	297.00	PV	41021657	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	884.75	PV	41126035	
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	451.49	PV	41143291	9/7/2005
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	276.00	PV	41175761	10/7/2005
WINONA LAKES UTILITIES INC.	Combined	Gold Star Wide For	49.29	PV	41194071	11/29/05
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	156.13	PV	41195659	11/8/2005
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	94.00	PV	41229895	2/2/2006
WINONA LAKES UTILITIES INC.	Combined	Commonwealth of PA	40.00	PS	41254980	2/20/2006
WINONA LAKES UTILITIES INC.	Combined	Commonwealth of PA	40.00	PS	41254981	2/20/2006
WINONA LAKES UTILITIES INC.	Combined	Commonwealth of PA	40.00	PS	41254983	2/20/2006
WINONA LAKES UTILITIES INC.	Combined	Commonwealth of PA	2.00	PS	41254985	2/20/2006
WINONA LAKES UTILITIES INC.	Combined	Commonwealth of PA	2.00	PS	41254986	2/20/2006
WINONA LAKES UTILITIES INC.	Combined	Commonwealth of PA	2.00	PS	41254987	2/20/2006
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	83.60	PV	41265736	3/9/2006
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	1,250.28	PV	41276035	3/22/2006
WINONA LAKES UTILITIES INC.	Combined	Misc	242.72	AFUDC DEB 24570115.105350.31		50007772
WINONA LAKES UTILITIES INC.	Combined	Misc	166.72	AFUDC DEB 24570115.105350.31		50007772
WINONA LAKES UTILITIES INC.	Combined	Misc	392.21	AFUDC EQL 24570115.105375.31		50007772
WINONA LAKES UTILITIES INC.	Combined	Misc	35.04	EN OH 24680115.105260.31		50007772
WINONA LAKES UTILITIES INC.	Combined	Misc	19.31	Eng OH 24680115.105260.31		50007772
WINONA LAKES UTILITIES INC.	Combined	Misc	139.32	AFUDC DEB 24680115.105350.31		50007772
WINONA LAKES UTILITIES INC.	Combined	Misc	31.9	AFUDC DEB 24680115.105350.31		50007780
WINONA LAKES UTILITIES INC.	Combined	Misc	32.57	AFUDC DEB 24680115.105350.31		
WINONA LAKES UTILITIES INC.	Combined	Misc	492.28	AFUDC eQU 24680115.105375.31		50007772
WINONA LAKES UTILITIES INC.	Combined	Misc	77.03	AFUDC EQL 24680115.105375.31		50007772
WINONA LAKES UTILITIES INC.	Combined	Misc	113.21	AFUDC EQL 24680115.105375.31		50007780
WINONA LAKES UTILITIES INC.	Combined	Misc	15.22	AFUDC EQL 24680115.105375.31		
WINONA LAKES UTILITIES INC.	Combined	Misc	423.12	Eng OH 24570015.105260.31		
WINONA LAKES UTILITIES INC.	Combined	Westervelt, George	884.75	PV 41126035		
WINONA LAKES UTILITIES INC.	Combined	Misc	0.06	OH		
WINONA LAKES UTILITIES INC.	Combined	Misc	8.63	MISC		
WINONA LAKES UTILITIES INC.	Combined	Misc	86.14	ENG OH		
WINONA LAKES UTILITIES INC.	Combined	Misc	34.19	AFUDC Debt		
WINONA LAKES UTILITIES INC.	Combined	Misc	19.48	AFUDC Equity		
WINONA LAKES UTILITIES INC.	Combined	Misc	3.03	Eng OH 24680015.105260.31		50007780
WINONA LAKES UTILITIES INC.	Combined	Misc	0.82	Eng OH 24680015.105260.31		
WINONA LAKES UTILITIES INC.	Water	AUS Consulting	925.00	PV	41342254	6/28/2006
WINONA LAKES UTILITIES INC.	Water	AUS Consultants	937.50	PV	41383589	8/25/2006
WINONA LAKES UTILITIES INC.	Water	AUS Consultants	906.00	PV	41411337	
WINONA LAKES UTILITIES INC.	Water	AUS Consultants	12.63	PV	41460336	
WINONA LAKES UTILITIES INC.	Water	AUS Consulting	976.25	PV	40411612	
WINONA LAKES UTILITIES INC.	Water	AUS Consultants	300	PV	40458790	
WINONA LAKES UTILITIES INC.	Water	Commonwealth of PA	350.00	PV	40074095	
WINONA LAKES UTILITIES INC.	Water - PP	Commonwealth of PA	5,000.00	PS	41237795	01/24/06
WINONA LAKES UTILITIES INC.	WW	AUS Consulting	176.14	PV	41261879	2/20/2006
WINONA LAKES UTILITIES INC.	WW	AUS Consulting	925.00	PV	41342256	6/28/2006
WINONA LAKES UTILITIES INC.	WW	AUS Consultants	370.00	PV	41374446	8/25/2006
WINONA LAKES UTILITIES INC.	WW	AUS Consultants	834.50	PV	41411341	
WINONA LAKES UTILITIES INC.	WW	AUS Consultants	12.63	PV	41460337	
WINONA LAKES UTILITIES INC.	WW	AUS Consultants	1178	PV	40411609	
WINONA LAKES UTILITIES INC.	WW	AUS Consultants	300	PV	40458789	
WINONA LAKES UTILITIES INC.	WW	Commonwealth of PA	350.00	PV	40074128	
WINONA LAKES UTILITIES INC.	WW - PP	Commonwealth of PA	11,157.00	PS	41237794	01/24/06
WINONA LAKES UTILITIES INC.	WW - PP	Anders & Masington	3,843.00	PS	41237796	01/24/06

TOTAL WINONA WATER AND WASTEWATER 38,287.04

TOTAL WINONA WATER AND WASTEWATER WO#50007772 and 50007780

Combined	9,733.39	
Water	9,407.38	
Wastewater	19,146.27	
	<u>38,287.04</u>	
GL	47,409.79	
Mid Monro	(9,122.75)	

September 7, 2006

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

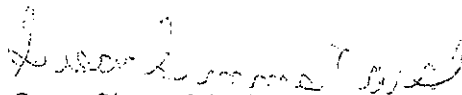
Re: In re: Joint Application of Pennsylvania-American Water Company and Winona Lakes Utilities, Inc. for Approval of (1) the transfer, by sale, of the Winona Lakes Utilities, Inc. assets, property and rights related to Section 18 of its wastewater system to Pennsylvania-American Water Company, (2) the commencement by Pennsylvania-American Water Company of wastewater service in the Section 18 portion of the certificated service territory of Winona Lakes Utilities, Inc., and (3) the abandonment by Winona Lakes Utilities, Inc. of all wastewater service to the public in the Section 18 portion of its certificated service territory.
Docket Nos. A-230073F0005, A-230536F2000, F-00466514

Dear Secretary McNulty:

Pennsylvania-American Water Company acquired Winona Lakes Utilities, Inc. wastewater system on January 26, 2006. As directed in Paragraph 7 of the Commission's Order entered June 28, 2002, I am forwarding a copy of the Original Cost Study to the Bureau of Audits and the Bureau of Fixed Utility Services.

If you require any additional information, please do not hesitate to contact me.
Thank you.

Sincerely,


Susan Simms Marsh

eth

Enclosure

VIA Federal Express
Overnight Delivery

cc: Bureau of Audits w/ Enc. - VIA Federal Express: Overnight Delivery
Bureau of Fixed Utility Services w/ Enc. - VIA Federal Express: Overnight Delivery

Pennsylvania American Water

Susan Simms Marsh
Corporate Counsel
800 West Hersheypark Drive
Hershey, PA 17033 USA
T 717-533-5000
F 717-531-3252
E smarsh@pawc.com
www.pawc.com

**PENNSYLVANIA-AMERICAN
WATER COMPANY, INC.
Acquisition of the
Winona Lakes Utilities, Inc. - Sewer**

Original Cost of Sewer Utility Plant
at December 31, 2005

By

Scott D. Fogelsanger
Vice President

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

August 2006

Pennsylvania-American Water Company, Inc.

Valuation of the Winona Lakes Utilities, Inc. - Sewer

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of December 31, 2005
Based Upon Whole Life/Average Life Depreciation

Acct. No.	Description	Original Cost at 12/31/05	ASL/lowa Curve	Calculated Depreciation Reserve	Depreciated Original Cost at 12/31/05
<u>Non-Depreciable Plant:</u>					
353.3	Land & Land Rights - System Pumping Plant	\$1.00			\$1.00
	Total Non-Depreciable Plant	\$1.00		\$0.00	\$1.00
<u>Depreciable Plant:</u>					
354.3	Structures & Improvements - System Pumping Plant	\$16,930.30	25-R3	\$7,799.53	\$9,130.77
360.10	Collection Sewers - Force - Mains	\$55,214.40	50-R3	\$29,522.56	\$25,691.84
360.20	Collection Sewers - Force - Valves	1,712.81	50-R3	915.82	796.99
360.30	Collection Sewers - Force - Cleanouts	920.82	50-R3	492.35	428.47
	Total Account 360	\$57,848.03		\$30,930.73	\$26,917.30
363	Services to Customers	\$21,953.69	40-R3	\$14,135.06	\$7,818.63
	Total Depreciable Plant	\$96,732.02		\$52,865.32	\$43,866.70
	Total Plant in Service	\$96,733.02		\$52,865.32	\$43,867.70



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

#86
MAY 8 2006
IN REPLY PLEASE
REFER TO OUR FILE

May 4, 2006

A-230073 F0005
A-230536 F2000

VELMA A REDMOND
SUSAN SIMMS MARSH ESQUIRES
PENNSYLVANIA AMERICAN WATER
800 WEST HERSHEY PARK DRIVE
HERSHEY PA 17033

Joint Application of Pennsylvania American Water Company and Winona Lakes Utilities, Inc. for approval of the transfer, by sale, of the assets, properties, and rights of Winona Lakes Utilities, Inc., related to Section 18 of its wastewater system to Pennsylvania American Water Company; the commencement by Pennsylvania American Water Company of public wastewater service in Section 18 of the certificated service territory of Winona Lakes Utilities, Inc.; and the abandonment by Winona Lakes Utilities, Inc. of all wastewater service to the public in the Section 18 portion of its certificated service territory.

To Whom It May Concern:

Regarding the above Docket Numbers and referenced Captions, please be advised that compliance has been met and we are therefore enclosing your Certificates of Public Convenience.

Very truly yours,

James J. McNulty
Secretary

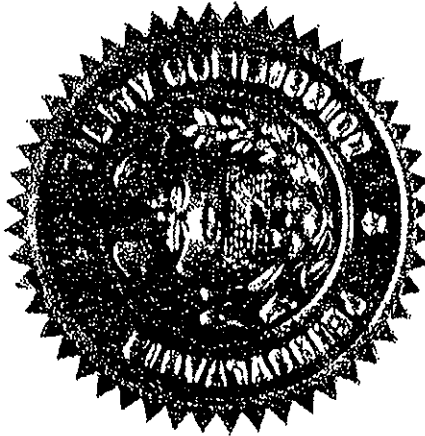
ljm
encls
cert. mail

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

IN THE MATTER OF THE APPLICATION OF: A-230073 F0005

Joint Application of Pennsylvania-American Water Company and Winona Lakes Utilities, Inc., for approval of the transfer, by sale, of the assets, properties, and rights of Winona Lakes Utilities, Inc., related to Section 18 of its wastewater system to Pennsylvania-American Water Company; and, the commencement by Pennsylvania-American Water Company for the right to being to offer, render, furnish, or supply wastewater service, to the Public, in Section 18 of the certificated service territory of Winona Lakes Utilities, Inc.

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



In Witness Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its secretary at its office in the city of Harrisburg this 27th day of June 2002.

James J. McNeilly

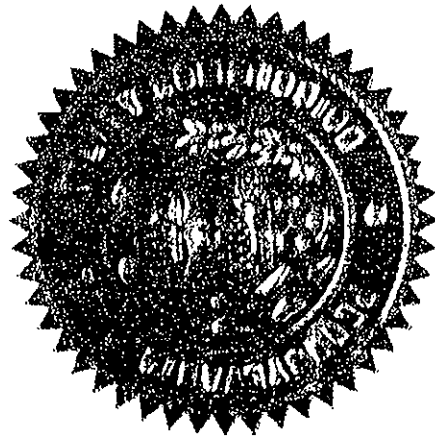
Secretary

PENNSYLVANIA
PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF: A-230536 F2000

Application of Winona Lakes Utilities, Inc., for approval of the right to abandon all wastewater service, to the Public, in Section 18 portion of its certificated service territory.

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



In Witness Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its secretary at its office in the city of Harrisburg this 27th day of June 2002.

James F. McNeilly

Secretary



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

JUL 0 1 2002

IN REPLY PLEASE
REFER TO OUR FILE

JUNE 28, 2002

A-230073F0005
A-230536F2000
F-00466514

VELMA A REDMOND
SUSAN SIMMS MARSH ESQS
PENNSYLVANIA AMERICAN WATER
800 WEST HERSHEY PARK DRIVE
HERSHEY PA 17033

Joint Application of Pennsylvania-American Water Company and Winona Lakes Utilities, Inc., for approval of the transfer, by sale, of the assets, properties, and rights of Winona Lakes Utilities, Inc., related to Section 18 of its wastewater system to Pennsylvania-American Water Company; the commencement by Pennsylvania American Water Company of public wastewater service in Section 18 of the certificated service territory of Winona Lakes Utilities, Inc.; and, the abandonment by Winona Lakes Utilities, Inc., of all wastewater service to the public in the Section 18 portion of its certificated service territory.

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on June 27, 2002 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

James J. McNulty
Secretary

fg
encls
cert. mail

- R. M. Ross
- W. C. Kelvington
- D. R. Kaufman
- C. W. Johnston
- S. S. Marsh
- P. T. Diskin
- File

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

Public Meeting held June 27, 2002

Commissioners Present:

Glen R. Thomas, Chairman
Robert K. Bloom, Vice Chairman
Aaron Wilson, Jr.
Terrance J. Fitzpatrick
Kim Pizzingrilli

Joint Application of Pennsylvania-American Water Company and Winona Lakes Utilities, Inc. for approval of (1) the transfer, by sale, of the assets, properties, and rights of Winona Lakes Utilities, Inc. related to Section 18 of its wastewater system to Pennsylvania-American Water Company, (2) the commencement by Pennsylvania-American Water Company of public wastewater service in Section 18 of the certificated service territory of Winona Lakes Utilities, Inc., and (3) the abandonment by Winona Lakes Utilities, Inc. of all wastewater service to the public in the Section 18 portion of its certificated service territory.

Docket Number:
A-230073F0005
A-230536F2000
F-00466514

ORDER

BY THE COMMISSION:

By the Joint Application filed on March 14, 2002, Pennsylvania-American Water Company (PAWC) seeks approval for (1) the transfer, by sale, of the assets, properties, and rights of Winona Lakes Utilities, Inc. (Winona Lakes) related to Section 18 of its wastewater system to PAWC, (2) the commencement

by PAWC of public wastewater service in Section 18 in the certificated service territory of Winona Lakes, (3) the abandonment by Winona Lakes of all wastewater service to the public in Section 18 of its certificated service territory. On March 14, 2002, PAWC and Winona Lakes filed a Joint Application for approval of the transfer of the water property and rights of Winona Lakes to PAWC at Docket Nos. A-212285F0100 and A-213495F2000.

All existing customers of Winona Lakes have been provided notice of this proposed Joint Application. Proper proofs of service and publication were submitted by PAWC. No protests were filed and no hearings were held.

PAWC is a regulated public utility company, duly organized and existing under the laws of Pennsylvania and engaged in the business of supplying and distributing water and treating wastewater. Water service is furnished to the public in a service territory encompassing more than 355 communities with a combined population of over 2,000,000 and wastewater treatment service is provided to 9,283 customers located in Monroe County and Chester County.

Winona Lakes is a Pennsylvania corporation, which furnishes public wastewater service in portions of Lehman Township, Pike County and Middle Smith Field Township, Monroe County. On October 11, 1989, at Docket No. A-230536, we granted Winona Lakes a certificate of public convenience, authorizing it to provide wastewater service in a residential resort community called Stony Hollow Village developed by the American Landmark Corporation and now owned by Joseph Lubeck. As of December 31, 2001, Winona Lakes provided wastewater service to 90 unmetered residential customers and 24 availability customers located within this development.

On July 7, 2001, the Middle Smithfield Township Municipal Authority (Authority) filed an Application at Docket No. A-230536F2001 seeking our approval for the abandonment by Winona Lakes of wastewater service to the public in a portion of Middle Smithfield Township, Monroe County. This portion of Winona Lakes was not connected with other wastewater facilities in other portions of Middle Smithfield Township or Lehman Township, Pike County, known as Section 18. This Application was approved on September 26, 2001.

Section 18 of Winona Lakes, the subject of this Joint Application, is physically interconnected with PAWC through the acquisition of LP Water and Sewer Company (LP Sewer) which we approved February 21, 2002, at Docket Nos. A-230073F0003 and A-230242F2000.

Section 18 of Winona Lakes conveys sewerage through a pump station and a force main to the LP Sewer treatment plant. In May of 1999, this pump station failed and began to overflow into a roadside ditch and threaten a nearby creek. The Department of Environmental Protection (DEP) was required to expend emergency funds in the amount of \$11,157 to correct this situation because of Winona Lakes' failure to do so. Per Paragraph 2.1.1 of the Purchase Agreement contained in the Joint Application, this amount will be paid directly to DEP by Winona Lakes through PAWC at the closing of this sale.

On January 25, 2000, at Docket No. F-00466514, we ordered Winona Lakes to replace a leaking wastewater main in response to customer complaints. On July 15, 2001, a Complaint in Mandamus (300 M.D. 2001) was filed in Commonwealth Court directing Winona Lakes to comply with the January 25, 2000 Order and pay a fine of \$5,000 which is still outstanding. As

with the above money owned to DEP, we will direct Winona Lakes through PAWC to pay this fine from the proceeds of this sale to the Commission at closing.

The purchase price of Winona Lakes (Water and Sewer) is \$20,000. PAWC will finance the purchase by cash. PAWC is undertaking an original cost study to establish an actual depreciated original cost for each utility.

PAWC will adopt Winona Lakes' schedule of rates immediately upon closing. Currently, an unmetered residential customer pays \$328 per year for wastewater service and an availability customer pays \$180 per year. PAWC plans to meter all usage customers as soon as feasible.

As noted above, Winona Lakes has a history of noncompliance with both Commission and DEP orders. In addition, Winona Lakes has not filed annual reports since 1995. However, regulatory assessments are current.

Upon full consideration of all matters of record, we find that approval of this Joint Application is necessary and proper for the service, accommodation, and convenience of the public; **THEREFORE,**

IT IS ORDERED:

1. That the Joint Application of Pennsylvania-American Water Company and Winona Lakes Utilities, Inc. is hereby approved.
2. That a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1) authorizing Pennsylvania-American Water Company to begin to offer or furnish wastewater

service to the public in Section 18 of the certificated service territory of Winona Lakes Utilities, Inc., as described in Exhibit I-3 and shown on Exhibit I-1 and Exhibit I-2 of the Joint Application, upon notice of closing.

3. That Winona Lakes Utilities, Inc. be issued a Certificate of Public Convenience to abandon upon verification of closing and the record at A-230536F2000 shall be marked closed by the Secretary of the Commission.

4. That Pennsylvania-American Water Company shall, at closing, submit a corporate check in the amount of \$11,157 payable directly to the Department of Environmental Protection from the proceeds of the sale due to Winona Lakes Utilities, Inc.

5. That Pennsylvania-American Water Company shall at closing submit a corporate check in the amount of \$5,000 payable directly to the Pennsylvania Public Utility Commission from the proceeds of the sale due to Winona Lakes Utilities, Inc. and upon verified receipt of payment to the Commission, the Law Bureau is directed to seek a discontinuance of the pending Complaint in Mandamus before the Commonwealth Court at Docket No. 300 MD 2001.

6. That Pennsylvania-American Water Company shall submit, within ten days after said closing, a tariff or tariff supplement reflecting the adoption of Winona Lakes Utilities, Inc.'s current rates and the additional service territory granted herein.

7. That Pennsylvania-American Water Company shall provide to the Bureau of Audits and the Bureau of Fixed Utility Services an original cost study,

including depreciation and contributions-in-aid-of-construction, for the additional service territory upon completion or within one year of the effective date of this Order whichever comes first.

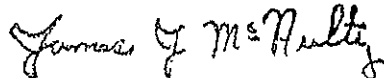
8. That a copy of this Order be served upon the Department of Revenue, Bureau of Corporate Taxes, the Office of Trial Staff, the Office of Consumer Advocate, the Small Business Advocate, and the Department of Environmental Protection, Northeast Field Operation – Pocono District Office.

9. That Winona Lakes Utilities, Inc. be deleted from the active lists of the Secretary's Bureau and Administrative Services Bureau upon notice of closing by Pennsylvania-American Water Company.

10. That the folder docketed at A-230073F0005 be marked closed following the completion of ordering paragraphs No. 6 and 7.

11. That the folder docketed at F-00466514 be marked closed following the completion of ordering paragraph No. 5.

BY THE COMMISSION,



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: June 27, 2002

ORDER ENTERED: JUN 28 2002

BLUE MOUNTAIN LAKES ASSOC. L.P.

PENNSYLVANIA AMERICAN WATER COMPANY
 BLUE MOUNTAIN LAKE ASSOCIATES L.P.
 CLOSED 10/31/05

	Total	Water	Wastewater
UPIS	\$ 4,927,715.72	\$ 2,217,656.93	\$ 2,710,058.79
Accumulated Depreciation	(608,247.28)	(228,201.29)	(380,045.99)
CIAC/CA	0.00	0.00	0.00
Accumulated Depreciation	0.00	0.00	0.00
Net UPIS	4,319,468.44	1,989,455.64	2,330,012.80
Costs	1,444,015.38	783,363.44	660,651.94
WW Plant expansion	652,199.35		652,199.35
Total	2,096,214.73	783,363.44	1,312,851.29
Utility Plant Acquisition Adjustment	(2,223,253.71)	(1,206,092.20)	(1,017,161.51)
Account Reconciliation 114350	(2,223,253.71)		
Difference	-		

**PENNSYLVANIA AMERICAN WATER
 JOURNAL ENTRY
 BLUE MOUNTAIN LAKE ASSOCIATES L.P. - ACQUISITION**

Account No.	Original Cost	
240405.101000.303200	1.00	30218612
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PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

**Acquisition of the
Blue Mountain Lakes Associates, L.P. - Sewer Division**

Original Cost of Water Utility Plant,
Depreciation Reserve Calculations,
and Replacement Cost New Less Depreciation
at October 31, 2005

By

Scott D. Fogelsanger
Principal

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

December 2006

Pennsylvania-American Water Company, Inc.

Valuation of the Blue Mountain Lakes Associates, L.P. - Sewer Division

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of October 31, 2005
Based Upon Whole Life/Average Life Depreciation

Acct. No.	Description	Original Cost at 10/31/05	ASL/lowa Curve	Calculated Depreciation Reserve	Depreciated Original Cost at 10/31/05
<u>Non-Depreciable Plant:</u>					
353.2	Land & Land Rights - Collection Plant	\$1.00			\$1.00
353.4	Land & Land Rights - Treatment & Disposal Plant	1.00			1.00
	Total Non-Depreciable Plant	\$2.00		\$0.00	\$2.00
<u>Depreciable Plant:</u>					
354.3	Structures & Improvements - System Pumping Plant	\$7,035.93	25-R3	\$1,452.27	\$5,583.66
354.4	Structures & Improvements - Treatment & Disposal Plant	619,967.39	50-R3	77,200.03	542,767.36
360.10	Collection Sewers - Force - Mains	\$841,024.52	50-R3	\$103,960.80	\$737,063.72
360.20	Collection Sewers - Force - Valves	3,993.35	50-R3	822.74	3,170.61
360.30	Collection Sewers - Force - Cleanouts	30,013.34	50-R3	6,125.72	23,887.62
360.40	Collection Sewers - Force - Manholes	167,915.04	50-R3	16,385.38	151,529.66
	Total Account 360	\$1,042,946.25		\$127,294.64	\$915,651.61
363	Services to Customers	\$346,201.67	40-R3	\$48,974.22	\$297,227.45
371	Pumping Equipment	137,278.55	25-R3	17,769.55	119,509.00
380	Treatment & Disposal Equipment	523,898.11	40-R3	99,574.74	424,323.37
382	Outfall Sewer Lines	32,728.89	50-R3	7,780.54	24,948.35
	Total Depreciable Plant	\$2,710,056.79		\$380,045.99	\$2,330,010.80
	Total Plant in Service	\$2,710,058.79		\$380,045.99	\$2,330,012.80



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

SEP 15 2005

IN REPLY PLEASE
REFER TO OUR FILE

SEPTEMBER 14, 2005

A-230073F0010

VELMA A REDMOND VP
SUSAN SIMMS MARSH ESQUIRE
PENNSYLVANIA AMERICAN WATER
800 WEST HERSHEY PARK DRIVE
HERSHEY PA 17033

Amended Joint Application of Pennsylvania-American Water Company and Blue Mountain Lakes Associates, L.P., for approval of the transfer, by sale, of the assets, properties, and rights of Blue Mountain Lake Associates, L.P., related to its wastewater system to Pennsylvania-American Water Company; the commencement by Pennsylvania-American Water Company of wastewater service, to the Public, in the service territory of Blue Mountain Lakes Associates, L.P., and in additional portions of Stroud and Smithfield Township, Monroe County; and, Application of Blue Mountain Lakes Associates, L.P., for approval of the abandonment or discontinuance of all wastewater service, to the Public, in their certificated territory.

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on September 9, 2005 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

James J. McNulty
Secretary

fg
encls
cert. mail

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held September 9, 2005

Commissioners Present:

Wendell F. Holland, Chairman
James H. Cawley, Vice Chairman, Recusing
Bill Shane
Kim Pizzingrilli
Terrance J. Fitzpatrick

Amended Joint Application of Pennsylvania-American Water Company (PAWC) and Blue Mountain Lakes Associates, L.P. (BMLA) for approval of (1) the transfer, by sale, of the assets, properties, and rights of BMLA related to its wastewater system to PAWC, (2) the commencement by PAWC of wastewater service in the area currently being served by BMLA, (3) the commencement by PAWC of wastewater service to the public in additional portions of Stroud Township, Monroe County, and (4) the abandonment of all wastewater service by BMLA.

Docket Number:
A-230073F0010

ORDER

BY THE COMMISSION:

By Joint Application filed on March 30, 2005 and amended on May 10, 2005 and July 14, 2005, Pennsylvania-American Water Company (PAWC), 800 West Hersheypark Drive, Hershey, PA 17033 and Blue Mountain Lakes Associates, L.P. (BMLA), One Blue Mountain Lake, East Stroudsburg, PA 18301 seek approval of (1) the transfer, by sale, of the assets, properties, and rights of BMLA related to its wastewater system to PAWC, (2) the commencement by PAWC of wastewater service in

the area currently being served by BMLA, (3) the commencement by PAWC of wastewater service to the public in additional portions of Stroud Township, Monroe County, and (4) the abandonment of all wastewater service by BMLA.

All existing customers of BMLA have been provided notice of this proposed Application. Proper proofs of service and publication were submitted by PAWC. No protests were filed and no hearings were held.

PAWC is a regulated public utility, duly organized and existing under the laws of Pennsylvania and engaged in the business of supplying and distributing water and collecting and treating wastewater. PAWC currently furnishes water and wastewater service to more than 600,000 customer accounts (representing a population of over two million people) in various counties throughout Pennsylvania, including portions of the Pocono Mountains and northeastern Pennsylvania.

BMLA is a Pennsylvania Limited Partnership that owns water and wastewater systems and currently furnishes water and wastewater service to 628 metered customer accounts located within the Blue Mountain Lake Development (Development) in portions of Stroud and Smithfield Townships, Monroe County. BMLA has been providing water and wastewater service to residents of the Development as a *de facto* utility since June of 1993.

In a companion Application at A-212285F0123, PAWC and BMLA are seeking approval of (1) the transfer, by sale, of the assets, properties, and rights of BMLA related to its water system to PAWC, (2) the commencement by PAWC of water service in the area currently being served by BMLA, (3) the commencement by PAWC of water service to the public in additional portions of Stroud Township, Monroe County, (4) the abandonment of all water service by BMLA.

On May 10, 2005, PAWC filed an amendment to Part B of the Application, Paragraph 25, and Exhibits K, L-1, L-2, L-3, L-4, and L-5. This amendment more clearly identifies the service territory currently being served by BMLA. In addition, this amendment deletes an erroneous reference to BMLA as a "certificated" utility.

On July 14, 2005, PAWC filed a second amendment to delete a reference to "the commencement of service to an additional portion of Smithfield Township, Monroe County" as contained in the originally filed Application. PAWC only seeks permission to serve additional portions of Stroud Township, Monroe County.

On September 25, 2002, PAWC and BMLA have reached an agreement regarding the acquisition of the water and wastewater system assets and rights of BMLA, as contained in the Purchase Agreement attached as Exhibit D of the Joint Application. The purchase price of the systems is \$1,350,000. PAWC will initially finance the transfer by short-term bank debt and, when appropriate, replace it through the issuance of long-term debt. As stated in the Joint Application, PAWC will conduct a final original cost study in order to establish a depreciated original cost of the utility plant of BMLA.

The wastewater system consists of five rotating biological treatment units with a combined capacity of 275,000 gallons per day. The central sewer collection network is a total pressurized system augmented by two pump stations and one lift station. Over 43,500 feet of various sized low pressure main have been installed to date.

In addition to acquiring the assets and rights of BMLA, PAWC seeks permission in this Application to serve an additional portion of Stroud Township not presently being served by BMLA. Stroud Township has requested that PAWC provide water and wastewater service to four new developments in that Township, Mountain

View, Stonybrook Manor, Mountain Hollow, and Stonybrook Commons, that are contiguous to the area currently being served by BMLA. A total of approximately 415 residential customers will reside in these four developments when they are fully built out.

PAWC will adopt and apply the current of rates BMLA immediately upon closing with the exception of an availability charge of \$200 per annum that will be eliminated. Currently, a metered residential customer's annual wastewater bill is \$288.96 for 60,000 gallons.

The Department of Environmental Protection (DEP) has not reported any pending actions or outstanding violations against BMLA.

Based upon the foregoing, it is appropriate to permit BMLA to abandon its *de facto* operations to a viable jurisdictional utility and no public benefit will inure from prosecuting BMLA at this time for providing water service in violation of the Public Utility Code. Moreover, because PAWC is an existing utility, there is a continuing presumption of its fitness. Sufficient public need has been established by the fact that the 628 current customers in BMLA's service territory need the wastewater services that will be provided by PAWC and by the formal request from Stroud Township for PAWC to serve the four new residential developments

Upon consideration of these factors, we conclude that 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*, 449 Pa. 136, 295 A.2d 825 (1972); **THEREFORE,**

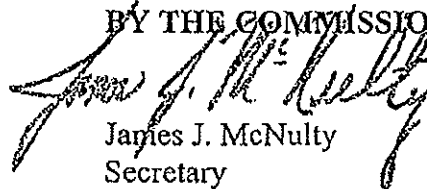
IT IS ORDERED:

1. That the Joint Application, as amended, of Pennsylvania-American Water Company and Blue Mountain Lake Associates, L.P. is hereby approved.
2. That upon notice of closing with Blue Mountain Lake Associates, L.P., a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1) authorizing the asset transfer and authorizing Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in portions of Stroud and Smithfield Townships, Monroe County, as shown on Exhibit K, as amended, and as described on Exhibits L-1, L-2, L-3, L-4, and L-5 of the Joint Application, as amended.
3. That Pennsylvania-American Water Company shall submit within ten days after said closing a tariff or tariff supplement reflecting the adoption of Blue Mountain Lake Associates, L.P.'s current rates for the Blue Mountain Lake Association, L.P. service territory and for the additional service territory in Stroud Township, Monroe Township granted herein.
4. That Blue Mountain Lake Associates, L.P. is hereby authorized to abandon water wastewater service to its current customers in Stroud and Smithfield Townships, Monroe County.
5. That a copy of this Order be served upon the Joint Applicants, the Department of Revenue, Bureau of Corporate Taxes, the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate, and the Department of

Environmental Protection, Northeast Field Operation – Pocono District Office and
Central Office - Bureau of Regulatory Counsel.

6. That the folder docketed at A-230073F0010 be marked closed following
the completion of the directives contained in Ordering Paragraph No. 3.

BY THE COMMISSION,



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: September 9, 2005

ORDER ENTERED: SEP 14 2005