

PRESS RELEASE



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PENNSYLVANIA AMERICAN WATER FILES RATE REQUEST FOR NORTHEAST PA WASTEWATER SYSTEMS

Proposed rates driven by \$8.5 million capital investment

WILKES-BARRE, Pa. (April 23, 2010) -- Pennsylvania American Water today filed a request with the Pennsylvania Public Utility Commission (PUC) to increase sewer rates for customers of three wastewater systems in Pike and Monroe counties.

Pennsylvania American Water's rate filing applies to approximately 3,100 wastewater customers in its Lehman Pike system, nearly 700 wastewater customers in Blue Mountain Lake and approximately 100 wastewater customers in Winona Lakes. It is the company's first rate request since acquiring the wastewater systems -- Lehman Pike in April 2002, Blue Mountain Lake in October 2005, and Winona Lakes in January 2006.

Under the proposed new rates, the typical residential customer's wastewater bill in Lehman Pike would increase from \$16.90 per month to \$57.70. In Winona Lakes, the typical residential customer's wastewater bill would increase from \$27.33 per month to \$69.03, while the typical residential wastewater bill in Blue Mountain Lake would increase from \$23.05 per month to \$80.02. The company requested that the new rates become effective June 22, 2010, however the PUC typically suspends such requests for up to six-to-nine months to permit a complete investigation and analysis.

Pennsylvania American Water President Kathy L. Pape said, "The proposed increase is needed to help recover approximately \$8.5 million that our company will have invested since acquiring the three systems to address past environmental issues and to improve the quality and reliability of wastewater service. Our significant capital investment equates to spending more than \$2,100 per customer in northeast Pennsylvania."

Pennsylvania American Water's capital improvements include a \$3 million upgrade for the Saw Creek wastewater treatment facility, which serves both Winona Lakes and Lehman Pike customers. In addition, the company invested approximately \$2.3 million in Lehman Pike and \$185,000 in Winona Lakes for collection system improvements. In the Blue Mountain Lake system, Pennsylvania American Water's capital improvements include a \$2.9 million upgrade to the wastewater treatment plant.

Pape said the rate increase is also needed to recover increased operational expenses, such as electricity, treatment chemicals and labor.

In its rate case filing, Pennsylvania American Water is proposing to establish an assistance fund through the H2O (Help to Others) Program™ to help disadvantaged customers with their wastewater bills. It

