

I. STATEMENT OF INCOME

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Statement of Income

FR I.1

Pennsylvania-American Water Company
Northeast Wastewater Operations
I. Statement of Income

1. Provide comparative operating statements for the historic test year and the immediately preceding 12 months showing increases and decreases between the two periods. These statements should supply detailed explanation of the causes of the major (greater than 15%) variances between the historic test year and preceding year by detailed account number. Limit the explanation to differences of \$10,000 or greater.

Answer: Please see attached.

PENNSYLVANIA AMERICAN WATER COMPANY
 NORTHEAST WASTEWATER OPERATIONS - 2469
 FR I.1

FR I.1

DESCRIPTION	PER BOOKS 12/31/2008	PER BOOKS 12/31/2009	VARIANCE	% VARIANCE	VARIANCE EXPLANATIONS
OPERATING REVENUE	885,571	916,589	31,017	3.50%	
WASTEWATER SALES REVENUE					
461.1 RESIDENTIAL	790,222	811,633	21,411	2.71%	
461.2 COMMERCIAL	70,381	69,829	(552)	-0.78%	
461.3 INDUSTRIAL		0	0		
461.4 PUBLIC AUTHORITY		0	0		
462.1 PUBLIC FIRE		0	0		
462.2 PRIVATE FIRE		0	0		
466.0 BULK SALES		0	0		
TOTAL WATER SALES	880,603	881,462	20,859		
OTHER WATER REVENUES					
469.0 OTHER REVENUE INTERCO					
470.0 PENALTIES	24,968	35,127	10,158	40.68%	Any fluctuations in this account are due to more or less customers paying their bills late and being assessed a penalty.
471.0 MISCELLANEOUS SERVICE REVENUES		0	0		
472.0 RENTS FROM WATER PROPERTY		0	0		
474.0 OTHER WASTEWATER REVENUES		0	0		
TOTAL OTHER WATER REVENUES	24,968	35,127	10,158		
400.0 OPERATING REVENUES	885,571	916,589	31,017		
EXPENSES					
601.0 SALARY AND WAGES	184,966	218,210	33,244	17.97%	2009 included \$27,098 of additional field services supervisor labor for Wartella. Wartella labor was not included in proforma labor expense claim.
603.8 SALARY -OFF/DIR AG					
604.0 EMPLOYEE PENSION AND BENEFITS	47,112	49,172	2,060	4.37%	
610.0 PURCHASED WATER		0	0		
615.0 PURCHASED POWER	159,606	118,771	(40,835)	-25.56%	Decrease due to the new plant upgrades done in 2008 which resulted in more energy efficient usage in 2009.
616.0 PURCHASED FUEL		0	0		
618.0 CHEMICALS	13,070	21,375	8,305	63.54%	Increase due to higher unit costs and use of sodium hydroxide in treatment process

DESCRIPTION	PER BOOKS		VARIANCE	% VARIANCE	VARIANCE EXPLANATIONS
	12/31/2008	12/31/2009			
MATERIALS AND SUPPLIES	7,326	6,663	(663)	-9.05%	
620.0 CONTRACT SERVICES - ENGINEERING			0		
632.0 CONTRACT SERVICES - ACCOUNTING			0		
633.0 CONTRACT SERVICES - LEGAL			0		
634.0 CONTRACT SERVICES - MANAGEMENT			0		
635.0 CONTRACT SERVICES - TEST	16,453	15,870	(583)	-3.54%	
636.0 CONTRACT SERVICES OTHER	(1,680)	0	1,680	-100.00%	
641.0 RENTAL OF BUILDING			0		
642.0 RENTAL OF EQUIPMENT			0		
650.0 TRANSPORTATION	19,709	26,201	6,492	32.94%	2009 reflects of lease costs for 2 units assigned to Northeast WW operations, 2008 reflects lease costs for 1 unit.
656.0 INSURANCE - VEHICLES			0		
657.0 INSURANCE			0		
658.0 WORKERS COMPENSATION			0		
659.0 INSURANCE			0		
660.0 ADVERTISING			0		
666.0 REGULATORY EXPENSE - RATE CASE			0		
667.0 REGULATORY EXPENSE - OTHER			0		
670.0 BAD DEBT	24,443	45,297	20,855	85.32%	Per books based on corporate allocation of expense which includes actual write offs and reserve provisions. Proforma claim based on 3yr average of actual write offs for Northeast area customers.
675.0 MISCELLANEOUS MAINTENANCE EXPENSE	209,137	252,364	43,227	20.67%	2009 increase associated with waste disposal costs, the proforma waste disposal cost adjustment is a \$56,966 reduction to 2009 per book cost.
401.0 OPERATING EXPENSES	680,142	753,923	73,782	10.85%	
403.0 DEPRECIATION EXPENSE	134,617	172,033	37,416	27.79%	Increase associated with treatment upgrades for Lehman Pike/Saw Creek Plant
406.0 AMORTIZATION UTIL PLANT ACQ ADJ		(10,727)	0		
407.1 AMORTIZATION LIMITED TERM PLANT			0		
407.3 AMORTIZATION OTHER UTIL PLANT			0		
407.4 AMORT REGULATORY ASSET			0		
408.10 TAXES OTHER THAN INCOME - REGULATORY ASSESSMENT	5,371	4,031	(1,340)	-24.95%	
408.11 PROPERTY TAXES	8,193	8,419	226	2.76%	
408.12 PAYROLL TAXES	15,351	16,778	1,427	9.30%	
408.13 TAXES OTHER THAN INCOME - OTHER			0		
409.10 INCOME TAXES - FIT OPER			0		
409.11 INCOME TAXES - SIT OPER			0		
410.10 DEFERRED TAX - FIT			0		
410.11 DEFERRED TAX - SIT			0		

DESCRIPTION	PER BOOKS 12/31/2008	PER BOOKS 12/31/2009	VARIANCE	% VARIANCE	VARIANCE EXPLANATIONS
412.11 ITC RESTORED			0		
TOTAL OPERATING EXPENSE	832,947	944,457	37,729		
TOTAL UTILITY OPERATING INCOME	52,625	(27,866)	80,493		
NON OPERATING INCOME					
415.0 M & J REVENUES			0		
416.0 M & J EXPENSES			0		
419.0 INTEREST & DIVIDEND INCOME			0		
420.0 AFUDC	31,322	225	(31,097)		
NON OPERATING DEDUCTIONS			0		
409.20 INCOME TAXES OTHER INC/DED			0		
408.20 TAXES OTHER THAN INCOME - OTHER INC/DED			0		
426.0 MISC NON-UTILITY EXPENSE			0		
TOTAL OTHER INCOME	31,322	225			
INTEREST EXPENSE					
427.2 INTEREST EXPENSE - SHORT TERM DEBT			0		
427.3 INTEREST EXPENSE - LTD			0		
427.5 INTEREST EXPENSE - OTHER			0		
428.0 AMORTIZED DEBT EXPENSE			0		
437.0 DIVIDEND DECLARED - PREF STOCK			0		
TOTAL INTEREST EXPENSE	0	0	0		
NET INCOME	83,947	(27,644)	80,493		

Certain per book costs associated with the Wastewater Operations were recorded on the Company's Corporate Business unit and allocated / transferred to the Wastewater Operations to correctly state per book expenses.

	2008	2009
604.8 ALLOCATE GROUP INSURANCE PREMIUM	38,506	38,180
670.7 ALLOCATE UNCOLLECTIBLES	24,443	45,297
675.0 TRANSFER GROUNDSKEEPING EXPENSE		
408.1 TRANSFER PROPERTY TAXES	8,193	8,419
408.1 ALLOCATE GENERAL ASSESSMENT	5,371	4,031
406.0 TRANSFER UPAA AMORT FROM CORP	(10,727)	(10,727)
470.0 PENALTIES	24,968	35,127
CHANGE TO NET INCOME	(40,817)	(50,074)

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

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Statement of Income

FR I.2

Pennsylvania-American Water Company
Northeast Wastewater Operations
I. Statement of Income

2. Prepare an Income Statement for the various time frames of the rate proceeding including:
 - Col. 1 - Book recorded income statement for the test year.
 - 2 - Adjustments to book recorded income statement to annualize and normalize under present rates.
 - 3 - Income statement under present rates after adjustments in Col. 2.
 - 4 - Adjustments to Col. 3 for revenue increase requested.
 - 5 - Income statement under proposed rates.

Answer: Please refer to income statement page of Exhibit No. 3-A.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Statement of Income

FR I.3

Pennsylvania-American Water Company
Northeast Wastewater Operations
I. Statement of Income

3. If a company has separate operating divisions, an income statement must be shown for each division, plus an income statement for the company as a whole.

Answer: Please refer to income statement contained on page 1 of Exhibit No. 3-A.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Statement of Income

FR I.4

Pennsylvania-American Water Company
Northeast Wastewater Operations
I. Statement of Income

4. Provide Operating Income claims under:
- a. Present rates
 - b. Pro forma present rates (annualized & normalized)
 - c. Proposed rates (annualized & normalized)

Answer: Please refer to income statement on page 1 of Exhibit No. 3-A.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Statement of Income

FR I.5

Pennsylvania-American Water Company
Northeast Wastewater Operations
I. Statement of Income

5. Provide Rate of Return on Original Cost under:
- a. Present rates
 - b. Pro forma present rates
 - c. Proposed rates

Answer: Please refer to the summary of rate base adjustments in Exhibit No. 3-A.