

**TABLE OF CONTENTS
COATESVILLE WW**

DESCRIPTION	PAGE NO
INCOME STATEMENT	1
OPERATING REVENUES	
REVENUES BY TARIFF SUBDIVISION.....	2
SUMMARY OF ADJUSTMENTS	4
PENALTIES	5
SPECIFIC CUSTOMERS ADJUSTMENTS.....	6
CHANGE IN NUMBER OF CUSTOMERS (HISTORIC).....	7
CHANGE IN NUMBER OF CUSTOMERS (FUTURE).....	8
NUMBER OF CUSTOMERS SERVED	9
RATE BASE	
SUMMARY OF RATE BASE ADJUSTMENTS.....	10
SUMMARY OF DETAILED PLANT ACCOUNTS.....	11
CONTRIBUTIONS IN AID OF CONSTRUCTION	12
CUSTOMER ADVANCES FOR CONSTRUCTION.....	13
UNRECOVERED RESERVE - EXISTING TREATMENT PLANT.....	14
MATERIALS AND SUPPLIES	15
CASH WORKING CAPITAL REQUIREMENTS.....	16
SUPPORT OF EXPENSE DAYS	17
ACCRUED AND PREPAID TAXES.....	18
CALCULATION OF LAG DAYS FOR ACCRUED & PREPAID TAXES.....	19
CASH WORKING CAPITAL REQUIREMENTS - INTEREST & DIVIDENDS.....	20
CALCULATION OF DEFERRED INCOME TAXES.....	21
OPERATING EXPENSES	
SUMMARY OF EXPENSE ACCOUNTS.....	22
SUMMARY OF OPERATING EXPENSE ADJUSTMENTS	24
SALARY AND WAGES & AIP.....	25
GROUP INSURANCE	26
401K & DEFINED CONTRIBUTION PLAN.....	27
CHEMICALS	28
POWER.....	29
LEASED VEHICLES	30
RATE CASE EXPENSE	31
INFLATION.....	32
WASTE DISPOSAL.....	33
DEFERRED DEPRECIATION & POST AFUDC.....	34
ELIMINATED ITEMS	35
UNCOLLECTABLE ACCOUNTS	36
ANNUAL DEPRECIATION.....	37
TAXES, OTHER THAN INCOME	
PAYROLL	38
GENERAL ASSESSMENT	39
PROPERTY.....	40
INCOME TAX	
STATE AND FEDERAL INCOME TAXES UNDER PRESENT AND PROPOSED RATES	41
CALCULATION OF STATE AND FEDERAL INCOME TAXES	42
INCOME DEDUCTIONS	
INTEREST UNDER PRESENT AND PROPOSED RATES.....	43
APPLICATION OF INCOME DEDUCTIONS	44

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

PRO FORMA STATEMENT OF INCOME FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2009

AND DECEMBER 31, 2010 UNDER PRESENT AND PROPOSED RATES

LINE NO.	DESCRIPTION	PRESENT RATES				PROPOSED RATES			
		PER BOOKS	ADJUSTMENT	12/31/09 AMOUNT	12/31/10 AMOUNT	ADJUSTMENT	ADJUSTMENT	AMOUNT	LINE NO.
1	OPERATING REVENUE	\$4,093,875	\$2,494	\$4,096,369	\$4,132,757	\$36,388	\$8,156,652	\$12,289,409	1
2	OPERATING REVENUE DEDUCTIONS:								2
3	OPERATING EXPENSES	2,587,243	16,349	2,603,592	2,731,394	127,802	174,832	2,906,226	3
4	DEPRECIATION	1,253,351	561,736	1,815,087	2,864,962	1,049,875	0	2,864,962	4
5	AMORTIZATIONS	-456,503	0	-456,503	-456,503	0	0	-456,503	5
6	TAXES, OTHER THAN INCOME:								6
7	LOCAL PROPERTY AND MISCELLANEOUS	72,289	0	72,289	275,590	203,301	0	275,590	7
8	FEDERAL ENVIRONMENTAL TAX	0	0	0	0	0	0	0	8
9	PUBLIC UTILITY REALTY TAXES	0	0	0	0	0	0	0	9
10	PAYROLL TAXES	46,310	0	46,310	54,428	8,118	0	54,428	10
11	GENERAL ASSESSMENT	18,357	6,948	25,305	25,533	228	51,111	76,644	11
12	STATE CAPITAL STOCK TAX	0	0	0	0	0	0	0	12
13	TOTAL TAXES OTHER THAN INCOME	136,956	6,948	143,904	355,551	211,647	51,111	406,662	13
14	UTILITY OPERATING INCOME BEFORE INCOME TAXES	572,828	-582,539	-9,711	-1,362,647	-1,352,936	7,930,709	6,568,062	14
15	INCOME TAXES:								15
16	STATE INCOME TAX	0	0	0	0	0	0	0	16
17	FEDERAL INCOME TAX	0	0	0	0	0	0	0	17
18	AMORTIZATION OF ITC & EXCESS DEFERRED	0	0	0	0	0	0	0	18
19	TOTAL INCOME TAXES	0	0	0	0	0	0	0	19
20	TOTAL OPERATING REVENUE DEDUCTIONS	3,521,047	585,033	4,106,080	5,495,404	1,369,324	1,126,232	6,621,636	20
21	UTILITY OPERATING INCOME	572,828	-582,539	-9,711	-1,362,647	-1,352,936	7,030,420	5,667,773	21
22	INCOME DEDUCTIONS:								22
23	INTEREST ON LONG TERM DEBT	635,880	0	635,880	928,479	292,599	156	928,635	23
24	AMORTIZATION OF DEBT DISCOUNT EXPENSE	0	0	0	0	0	0	0	24
25	INTEREST ON LONG TERM DEBT - PEDFA	2,485,776	0	2,485,776	2,960,715	474,939	500	2,961,215	25
26	TOTAL INCOME DEDUCTIONS	3,121,656	0	3,121,656	3,889,194	767,538	656	3,889,850	26
27	NET INCOME	-2,548,828	-582,539	-3,131,367	-5,251,641	-2,120,474	7,029,764	1,777,923	27
28	PREFERRED DIVIDENDS	12,141		12,141	17,625			17,625	28
29	NET INCOME TO COMMON	-2,560,969		-3,143,508	-5,269,466			-1,760,295	29

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2009

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS \$2/31/2009	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				CHANGE IN NUMBER OF CUSTOMERS	SPECIFIC CUSTOMER ADJUSTMENTS	OTHER REVENUE ADJUSTMENTS						PRO FORMA PRESENT RATES 12/31/2009
1		OPERATING REVENUES										
2		METERED SALES										
3	461.1	RESIDENTIAL	\$1,830,024	\$14,815	\$1,515	\$0	\$0	\$0	\$0	\$0	\$0	\$1,846,354
4	461.2	COMMERCIAL	334,528	(6,009)	(7,161)	0	0	0	0	0	0	321,368
5	461.3	INDUSTRIAL	168,859	0	0	0	0	0	0	0	0	168,859
6	464	MUNICIPAL	143,398	0	0	0	0	0	0	0	0	143,398
7	465	SALES FOR RESALE	1,505,200	0	0	0	0	0	0	0	0	1,505,200
9		TOTAL METERED SALES	3,982,009	8,806	(5,646)	0	0	0	0	0	0	3,985,169
10		UNMETERED SALES										
11	460	RESIDENTIAL	31,878	0	0	0	0	0	0	0	0	31,878
12	460	COMMERCIAL	336	0	0	0	0	0	0	0	0	336
13	460	INDUSTRIAL	0	0	0	0	0	0	0	0	0	0
14	460	MUNICIPAL	0	0	0	0	0	0	0	0	0	0
15	460	MISCELLANEOUS	0	0	0	0	0	0	0	0	0	0
16		TOTAL UNMETERED SALES	32,214	0	0	0	0	0	0	0	0	32,214
17	462.1	PRIVATE FIRE PROTECTION	0	0	0	0	0	0	0	0	0	0
18	462.2	PUBLIC FIRE PROTECTION	0	0	0	0	0	0	0	0	0	0
19		TOTAL WATER SALES	4,014,223	8,806	(5,646)	0	0	0	0	0	0	4,017,383
20		OTHER OPERATING REVENUES										
21	470	PENALTIES	21,663	0	0	(666)	0	0	0	0	0	20,997
22	471	MISC SERVICE REVENUES	2,097	0	0	0	0	0	0	0	0	2,097
23	472	RENTS FROM PROPERTIES	0	0	0	0	0	0	0	0	0	0
24	474	OTHER WATER REVENUES	55,892	0	0	0	0	0	0	0	0	55,892
25		TOTAL OTHER OPERATING REVENUES	79,652	0	0	(666)	0	0	0	0	0	78,986
26		TOTAL OPERATING REVENUES	\$4,093,875	\$8,806	(\$5,646)	(\$666)	\$0	\$0	\$0	\$0	\$0	\$4,096,369
27		TOTAL OPERATING REVENUES										

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS
 TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO
 AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2010

LINE NO.	ACCT NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2010 (1)	CUSTOMER CHANGES (2)	SPECIFIC CUSTOMERS (3)	OTHER OPERATING REVENUES (4)	RECLASSIFY REVENUE (5)	PRO FORMA PRESENT RATES 12/31/2010 (6)	PERCENT (7)	AMOUNT (8)	PRO FORMA PROPOSED RATES (9)
1		OPERATING REVENUES									
2		METERED SALES									
3	461.1	RESIDENTIAL	\$1,846,354	\$37,201	\$0	\$0	\$0	\$1,883,555	227.77%	4,290,143	\$6,173,698
4	461.2	COMMERCIAL	321,358	(1,002)	0	0	0	320,356	191.56%	613,663	934,019
5	461.3	INDUSTRIAL	168,859	0	0	0	0	168,859	123.46%	208,468	377,327
6	464	MUNICIPAL	143,398	0	0	0	0	143,398	178.04%	255,306	398,704
7	466	SALES FOR RESALE	1,505,200	0	0	0	0	1,505,200	177.71%	2,674,888	4,180,088
9		TOTAL METERED SALES	3,985,169	36,199	0	0	0	4,021,368	199.99%	8,042,468	12,063,836
10		UNMETERED SALES									
11	460	RESIDENTIAL	31,878	0	0	0	0	31,878	222.82%	71,030	102,908
12	460	COMMERCIAL	336	0	0	0	0	336	221.73%	745	1,081
13	460	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
14	460	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
15	460	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
16		TOTAL UNMETERED SALES	32,214	0	0	0	0	32,214	0.00%	71,775	103,989
17	462.1	PRIVATE FIRE PROTECTION	0	0	0	0	0	0	0.00%	0	0
18	462.2	PUBLIC FIRE PROTECTION	0	0	0	0	0	0	0.00%	0	0
19		TOTAL WASTEWATER SALES	4,017,383	36,199	0	0	0	4,053,582	200.17%	8,114,243	12,167,825
20		OTHER OPERATING REVENUES									
21	470	PENALTIES	20,997	0	0	189	0	21,186	200.17%	42,409	63,595
22	471	MISC SERVICE REVENUES	2,097	0	0	0	0	2,097	0.00%	0	2,097
23	472	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
24	474	OTHER REVENUES	55,892	0	0	0	0	55,892	0.00%	0	55,892
25		TOTAL OTHER OPERATING REVENUE	78,986	0	0	189	0	79,175	53.56%	42,409	121,584
26		TOTAL OPERATING REVENUES	\$4,096,369	\$36,199	\$0	\$189	\$0	\$4,132,757	197.37%	\$8,156,652	\$12,289,409
27											

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES	
		ADJUSTMENT	12/31/09 AMOUNT	ADJUSTMENT	12/31/10 AMOUNT
1	PER BOOKS		\$4,093,875		
2	PRESENT RATES AT 12-31-09				\$4,096,369
3	SPECIFIC CUSTOMER ADJUSTMENT	(5,646)			
4	OTHER OPERATING REVENUES				
5	470 - PENALTIES	(666)		189	
6	CHANGE IN CUSTOMERS ADJUSTMENT	8,806		36,199	
7	PRO FORMA ADJUSTMENT		<u>2,494</u>		<u>36,388</u>
8	PRO FORMA PRESENT RATES AT DECEMBER 31, 2009		<u>\$4,096,369</u>		
9	PRO FORMA PRESENT RATES AT DECEMBER 31, 2010				<u>\$4,132,757</u>

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

PENALTIES

The following adjustment reflects the annualization of penalty revenues associated with billed sales projected during 2010. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/09	PRESENT RATES 12/31/10	PROPOSED RATES
1	TOTAL BILLED SALES	\$4,014,223	\$4,053,582	\$12,167,825
2	% OF PENALTIES TO TOTAL			
3	SALES (3 YEAR AVERAGE)		0.5226454%	0.5226454%
4	PENALTIES	21,663	21,186	63,595
5	LESS: PER BOOKS AT 12-31-09		21,663	
6	LESS: PRESENT RATES AT 12-31-10			21,186
7	PRO FORMA ADJUSTMENTS		<u>(\$477)</u>	<u>\$42,409</u>

WITNESS: JO ANNE LONTZ

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

SPECIFIC CUSTOMER ADJUSTMENTS

LINE NO.	DESCRIPTION	PRESENT RATES 12-31-09 AMOUNT
1	RESIDENTIAL - Annualize Valley Road Customer Increase	\$1,515
2	COMMERCIAL	
3	A DUIE PYLE INC - Leak Adjustment	(7,161)
4	INDUSTRIAL	
5	MUNICIPAL	
6	SALE FOR RESALE	
7	TOTAL	<u><u>(\$5,646)</u></u>

WITNESS: JO ANNE LONTZ
REFERENCE: FR II. 2

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

CHANGE IN REVENUES DUE TO CHANGE IN NUMBER OF CUSTOMERS

The following adjustment reflects the change in revenues due to the average change in number of customers during the twelve months ended December 31, 2009.

LINE NO.	DESCRIPTION	CALCULATION REFERENCE	PRESENT RATES 12/31/2009 REVENUE ADJUSTMENT
1	RESIDENTIAL METERED CUSTOMERS	FR II.2	\$14,815
2	An analysis of residential accounts indicates that		
3	various accounts were lost, added or reclassified during		
4	the test year. Revenue was adjusted by applying the		
5	average annual consumption per residential customer		
6	to the difference between the actual number of customers		
7	at December 2009 and the average number of customers		
8	between December 2008 and December 2009.		
9	COMMERCIAL METERED CUSTOMERS	FR II.2	(\$6,009)
10	An analysis of commercial accounts indicates that		
11	various accounts were lost, added or reclassified during		
12	the test year. The difference between the actual number of		
13	customers at December 2009 and the average number of		
14	customers between December 2008 and December 2009		
15	was zero, therefore an adjustment was not made.		
16	INDUSTRIAL, MUNICIPAL AND SALE FOR RESALE		\$0
17	METERED CUSTOMERS.	FR II.2	
18	Any change to these revenue classes large enough to warrant		
19	an adjustment will be shown as a specific customer adjustment.		
20	PRO FORMA ADJUSTMENT		<u>\$8,806</u>
21	WITNESS: JO ANNE LONTZ		

PENNSYLVANIA AMERICAN WATER - COATESVILLE OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

CHANGE IN REVENUES DUE TO CHANGE IN NUMBER OF CUSTOMERS

The following adjustment reflects the change in revenues due to the projected change in number of customers during the twelve months ending December 31, 2010.

LINE NO.	DESCRIPTION	CALCULATION REFERENCE	PRESENT RATES 12/31/2010 REVENUE ADJUSTMENT
1	RESIDENTIAL METERED CUSTOMERS	FR II.2	\$37,201
2	Residential revenue was adjusted by applying		
3	the average annual consumption per residential		
4	customer to the projected increase in customers		
5	for the test year 2010.		
6	COMMERCIAL METERED CUSTOMERS	FR II.2	(1,002)
7	The Company does not expect an increase in		
8	commercial customers for 2010.		
9	INDUSTRIAL, MUNICIPAL AND SALE FOR RESALE	FR II.2	\$0
10	METERED CUSTOMERS		
11	Those large enough to warrant an adjustment are		
12	shown as specific customer adjustments.		
13	PRO FORMA ADJUSTMENT		<u>\$36,199</u>
14	WITNESS: JO ANNE LONTZ		

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

NUMBER OF CUSTOMERS

The following is a list of the number of customers served at December 31, 2008 and 2009 and the estimated number of customers to be served at December 31, 2010. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2008	SERVED AT 12/31/2009	TO BE			
					SERVED AT 12/31/2010	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		METERED						
2	601.1	RESIDENTIAL	5,548	5,626	5,739	5,739	0	0
3	601.2	COMMERCIAL	334	324	323	323	0	0
4	601.3	INDUSTRIAL	2	2	2	2	0	0
5	606	MUNICIPAL	17	22	22	22	0	0
6	607	BULK	4	4	4	4	0	0
7	601.4	MISCELLANEOUS	0	0	0	0	0	0
8		METERED	5,905	5,978	6,090	6,090	0	0
9		UNMETERED						
10	602.1	RESIDENTIAL	54	56	56	56	0	0
11	602.2	COMMERCIAL	1	1	1	1	0	0
12	602.3	INDUSTRIAL	0	0	0	0	0	0
13	606	MUNICIPAL	0	0	0	0	0	0
14	602.4	MISCELLANEOUS	0	0	0	0	0	0
15		UNMETERED	55	57	57	57	0	0
16	604	PRIVATE FIRE	0	0	0	0	0	0
17	605	PUBLIC FIRE	0	0	0	0	0	0
18	TOTAL CUSTOMERS		5,960	6,035	6,147	6,147	0	0

WITNESS: JO ANNE LONTZ

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	DEPRECIATED	DEPRECIATED	DEPRECIATED	
		ORIGINAL COST 12/31/09	ORIGINAL COST 12/31/10	ORIGINAL COST PROPOSED	
1	NON-DEPRECIABLE PLANT	\$1,197,912	\$1,197,912	\$1,197,912	
2	DEPRECIABLE PLANT	81,547,896	96,669,929	96,669,929	
3	TOTAL UTILITY PLANT IN SERVICE	82,745,808	97,867,841	97,867,841	
4	DEDUCT:				
5	CONTRIBUTIONS IN AID OF CONSTRUCTION	14,126,851	16,243,299	16,243,299	
6	CUSTOMER ADVANCES FOR CONSTRUCTION	537,464	442,679	442,679	
7	SUB-TOTAL	14,664,315	16,685,978	16,685,978	
8	NET UTILITY PLANT IN SERVICE	68,081,493	81,181,863	81,181,863	
9	ACCRUED DEPRECIATION	6,249,241	1,354,814	1,354,814	
10	DEPRECIATED UTILITY PLANT IN SERVICE	61,832,252	79,827,049	79,827,049	
11	ADD:				
12	MATERIALS AND SUPPLIES	7,510	7,510	7,510	
13	CASH WORKING CAPITAL - EXPENSES	204,811	215,871	215,871	
14	ACCRUED AND PREPAID TAXES	41,285	133,099	146,237	
15	UNRECOVERED RESERVE	445,885	395,408	395,408	
16	DEDUCT:				
17	CASH WORKING CAPITAL - INT AND DIV	348,760	434,530	434,570	
18	DEFERRED TAXES	2,300,197	2,530,066	2,530,066	
19	TOTAL RATE BASE ELEMENTS	\$59,882,786	\$77,614,341	\$77,627,439	
20	UTILITY OPERATING INCOME				
21	PER BOOKS	\$572,828	0.96%	0.74%	0.74%
22	PRESENT RATES AT 12-31-09	-\$9,711	-0.02%	-	-
23	PRESENT RATES AT 12-31-10	-\$1,362,647	-	-1.76%	-
24	PROPOSED RATES	\$5,667,773	-	-	7.30%

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

SUMMARY OF DETAILED PLANT ACCOUNTS

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/09	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/10
1		INTANGIBLE PLANT				
2	352.0	WW FRANCHISES	150,569	0	0	150,569
3		TOTAL INTANGIBLE PLANT	<u>150,569</u>	<u>0</u>	<u>0</u>	<u>150,569</u>
4		TANGIBLE PLANT				
5	353.4	WW LAND & LD RIGHTS TDP	1,172,343	0	0	1,172,343
6		TOTAL LAND AND LAND RIGHTS	<u>1,172,343</u>	<u>0</u>	<u>0</u>	<u>1,172,343</u>
7	354.2	WW STRUCT & IMP COLL	145,922	0	0	145,922
8	354.3	WW STRUCT & IMP SPP	5,237,134	1,176,099	0	6,413,233
9	354.4	WW STRUCT & IMP TDP	25,407,851	4,245,926	0	29,653,777
10	354.5	WW STRUCT & IMP GEN	153,421	502,726	0	656,147
11	354.51	WW STRUCT & IMP GEN LEASED	11,151	0	0	11,151
12	355.2	WW PWR GEN EQUIP COLL	11,649	0	0	11,649
13	355.3	WW PWR GEN EQUIP SPP	4,461	0	0	4,461
14	355.4	WW PWR GEN EQUIP TDP	145,441	38,741	0	184,182
15	355.5	WW PWR GEN EQUIP RWTP	1,161	0	0	1,161
16	360.0	WW COLLECTIONS SEWERS FORCED	6,578,161	0	0	6,578,161
17	361.1	WW COLLECTING MAINS	20,739,889	3,992,779	(66,888)	24,665,780
18	363.0	WW SERVICES SEWER	3,506,191	171,457	(5,000)	3,672,648
19	364.0	WW FLOW MEASURING DEVICES	53,656	0	0	53,656
20	365.0	WW FLOW MEASURING INSTALLS	7,244	5,902	0	13,146
21	370.0	WW RECEIVING WELLS	15,134	61,000	0	76,134
22	371.1	WW PUMP EQUIP ELECT	712,256	98,182	0	810,438
23	371.2	WW PUMP EQUIP OTH POWER	83,055	0	0	83,055
24	380.0	WW TD EQUIPMENT	7,996,493	7,160,599	0	15,157,092
25	380.4	WW TD EQUIP OTH SEW REM	259,175	0	0	259,175
26	380.5	WW TD EQUIP CHEM TRMT PLT	232,312	0	0	232,312
27	380.625	WW TD EQUIP GEN TRMT	105,925	0	0	105,925
28	381.0	WW TD EQUIP OTH DISP	5,238,418	1,059,391	0	6,297,809
29	389.1	WW OTH PLT & MISC EQUIP INT	11,489	0	0	11,489
30	389.6	WW OTHER P/E - OPS	-	0	0	0
31	390.0	WW OFFICE FURNITURE & EQUIP	12,877	0	0	12,877
32	390.2	WW COMPUTER & PERIPHERAL	72,438	6,196	0	78,634
33	390.3	WW COMPUTER SOFTWARE	17,385	187	0	17,572
34	392.0	WW STORES EQUIP	6,779	0	0	6,779
35	393.0	WW TOOL SHOP & GARAGE EQUIP	25,056	0	0	25,056
36	394.0	WW LAB EQUIPMENT	65,554	0	0	65,554
37	395.0	WW POWER OPERATED EQUIP	80,079	0	0	80,079
38	396.0	WW COMMUNICATIONS EQUIP	688,613	99,208	0	787,821
39	397.0	WW MISC EQUIP	372,057	0	0	372,057
40	398.0	WW OTHER TANGIBLE PLANT	3,424,472	0	(3,424,472)	0
41		TOTAL TANGIBLE PROPERTY	<u>82,595,239</u>	<u>18,618,393</u>	<u>(3,496,360)</u>	<u>97,717,272</u>
42		TOTAL UTILITY PLANT IN SERVICE	<u>82,745,808</u>	<u>\$18,618,393</u>	<u>(\$3,496,360)</u>	<u>\$97,867,841</u>

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

CONTRIBUTIONS IN AID OF CONSTRUCTION

The Company receives Contributions in Aid of Construction (CIAC) on an annual basis. The following adjustment reflects the projected CIAC to be received during the future test year.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	CONTRIBUTIONS IN AID OF CONSTRUCTION AT 12-31-09	14,126,851
2	PLUS: PROJECTED CONTRIBUTIONS DURING 2010	2,116,448
3	CONTRIBUTIONS IN AID OF CONSTRUCTION AT 12-31-10	<u>(\$16,243,299)</u>

WITNESS: JOHN R. COX
REFERENCE: FR V.16

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

CUSTOMER ADVANCES FOR CONSTRUCTION

The following adjustment reflects the projected change in Customer Advances during the future test year.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	CUSTOMER ADVANCES FOR CONSTRUCTION AT 12-31-09	537,464
2	LESS: TRANSFER TO CONTRIBUTIONS IN AID OF CONSTRUCTION DURING 2010	-94,785
3	CUSTOMER ADVANCES FOR CONSTRUCTION AT 12-31-10	<u>(\$442,679)</u>

WITNESS: JOHN R. COX
REFERENCE: FR V.16

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

UNRECOVERED ORIGINAL COST OF EXISTING WASTEWATER TREATMENT PLANT

In accordance with Commission order at Docket No. R-2008-2032689 adopted November 13, 2008, the Company was authorized to recover the un-recovered original cost of the existing wastewater treatment plant property over a period of 10 years, beginning on the effective date of the rates established in that case. The following adjustment reflects the pro forma un-recovered original cost at 12/31/10.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	ORIGINAL AMOUNT ESTABLISHED AT R-2008-2032689	504,775
2	AMORTIZATION	
3	2008	(8,413)
4	2009	(50,477)
	2010	(50,477)
5	UNRECOVERED RESERVE AT 12/31/10	<u>\$395,408</u>

WITNESS: JOHN R. COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

MATERIALS AND SUPPLIES

The allowance for materials and supplies for Present Rates at December 31, 2009 is calculated on the basis of the average monthly balances in the materials and supplies account during the period December 2008 to December 2009.

LINE NO.	MONTH	DETAIL	PRESENT RATES 12/31/2009 AMOUNT
1	DECEMBER, 2008	7,770	
2	JANUARY, 2009	4,969	
3	FEBRUARY	11,360	
4	MARCH	7,894	
5	APRIL	6,684	
6	MAY	7,470	
7	JUNE	9,067	
8	JULY	8,132	
9	AUGUST	10,985	
10	SEPTEMBER	6,263	
11	OCTOBER	6,289	
12	NOVEMBER	5,541	
13	DECEMBER, 2009	5,204	
14	TOTAL	97,628	
15	AVERAGE		7,510
16	ALLOWANCE FOR MATERIALS AND SUPPLIES		
17	AT DECEMBER 31,2009		<u><u>\$7,510</u></u>

WITNESS: JOHN R. COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

CALCULATION OF CASH WORKING CAPITAL REQUIREMENTS

Charges for water and wastewater services are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2009, and as annualized under present rates for the twelve months ending December 31, 2009 and 2010. The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO.	DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES	PRESENT RATES
			12/31/09 AMOUNT	12/31/10 AMOUNT
1	OPERATING REVENUE BILLED DURING THE TWELVE MONTHS ENDED 12/31/9			
2	BI-MONTHLY BILLINGS			
3	LAG DAYS			
4	DOLLAR DAYS			
5	QUARTERLY			
6	LAG DAYS			
7	DOLLAR DAYS			
8	MONTHLY BILLINGS	4,014,223	4,017,383	4,053,582
9	LAG DAYS	50.5	50.5	50.5
10	DOLLAR DAYS	202,718,262	202,877,842	204,705,891
11	TOTAL BILLED REVENUE	\$4,014,223	\$4,017,383	\$4,053,582
12	TOTAL DOLLAR DAYS	\$202,718,262	\$202,877,842	\$204,705,891
13	AVERAGE LAG IN RECEIPT OF REVENUE			
14	(LINE 12 / LINE11)	50.5	50.5	50.5
15	DEDUCT:			
16	AVERAGE LAG IN PAYMENT			
17	OF OPERATING EXPENSES	20.8	20.8	20.7
18	AVERAGE LAG BETWEEN PAYMENT OF OPERATING			
19	EXPENSES AND RECEIPT OF REVENUES	29.7	29.7	29.8
20	WORKING CAPITAL REQUIREMENTS			
21	ANNUAL OPERATING EXPENSES		\$2,517,032	\$2,644,054
22	OPERATING EXPENSES PER DAY			
23	(LINE 18 / 365 DAYS)		6,896	7,244
24	CASH WORKING CAPITAL REQUIRED			
25	(LINE 16 * LINE 20)		\$204,811	\$215,871

WITNESS: JOHN COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

SUPPORT OF EXPENSE DAYS

LINE NO.	DESCRIPTION	LAG DAYS	PER BOOKS		PRESENT RATES 12-31-09		PRESENT RATES 12-31-10	
			AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS
1	CHEMICALS	30.0	\$110,496	\$3,314,880	\$110,496	\$3,314,880	\$138,727	\$4,161,810
2	GROUP INSURANCE	(13.4)	119,846	(1,605,936)	119,846	(1,605,936)	126,758	(1,698,557)
3	LABOR AND LABOR RELATED	12.5	647,355	8,091,938	647,355	8,091,938	701,171	8,764,638
4	LEASED EQUIPMENT	2.0	2,954	5,908	2,954	5,908	2,954	5,908
5	TRANSPORTATION	29.1	131,543	3,827,901	131,543	3,827,901	124,658	3,627,548
6	MISCELLANEOUS	25.3	927,846	23,474,504	927,846	23,474,504	917,861	23,221,883
7	PURCHASED POWER / GAS	26.5	399,298	10,581,397	399,298	10,581,397	476,876	12,637,214
8	WASTE DISPOSAL	26.1	177,694	4,637,813	177,694	4,637,813	155,049	4,046,779
9	TOTALS		2,517,032	52,328,405	2,517,032	52,328,405	2,644,054	54,767,223
10	AVERAGE LAG			20.8		20.8		20.7

WITNESS: JOHN COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

ACCRUED AND PREPAID TAXES

LINE NO. DESCRIPTION	NET LEAD/ LAG DAYS FUTURE	PRESENT RATES 12-31-08		PRESENT RATES 12-31-10		PROPOSED RATES	
		TAXES PAYABLE	ACCRUED TAXES ADJ	TAXES PAYABLE	ACCRUED TAXES ADJ	TAXES PAYABLE	ACCRUED TAXES ADJ
1 GENERAL ASSESSMENT	125	\$25,305	\$8,666	\$25,533	\$8,744	\$76,644	\$26,248
2 PROPERTY TAX	164.7	72,289	32,619	275,590	124,355	275,590	124,355
3 STATE INCOME TAX	21.8	0	0	0	0	188,203	11,241
4 FEDERAL INCOME TAX	-8.0	0	0	0	0	712,086	-15,607
5 TOTALS			<u>\$41,285</u>		<u>\$133,099</u>		<u>\$146,237</u>

WITNESS: JOHN COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

CALCULATION OF LAG DAYS FOR ACCRUED AND PREPAID TAXES

LINE NO.	DESCRIPTION	TAX PERIOD BEGINNING	TAX PERIOD ENDING	PAYMENTS 2009 TAX					TOTAL TAX LAG DAY
1	GENERAL ASSESSMENT	01-Jul-09	30-Jun-10	16-Oct-09					
2	PERCENT OF PAYMENT			100.00%					
3	LAG DAYS			(74.5)					(74.5)
4	PROPERTY TAX			<u>Amount</u>	<u>Pmt Date</u>	<u>Lag Days</u>	<u>Dollar Days</u>		
5	BOROUGH OF S. COATESVILLE	01-Jan-09	31-Dec-09	\$ 13,003	27-Mar-09	(96.5)	\$(1,254,806)		
6	CHESTER COUNTY	01-Jan-09	31-Dec-09	7,271	30-Mar-09	(93.5)	(679,853)		
7	PARKESBURG BOROUGH	01-Jan-09	31-Dec-09	1,003	28-May-09	(34.5)	(34,604)		
8	OCTARA SCHOOL DISTRICT	01-Jul-09	30-Jun-10	3,961	31-Aug-09	(120.5)	(477,278)		
9	COATESVILLE AREA SCH. DIST	01-Jul-09	30-Jun-10	47,051	28-Aug-09	(123.5)	(5,810,791)		
				<u>\$ 72,289</u>			<u>\$(8,257,332)</u>		(114.2)
10	STATE INCOME TAX	01-Jan-09	31-Dec-09	15-Mar-09	15-Jun-09	15-Sep-09	15-Dec-09		
11	PERCENT OF PAYMENT			25.00%	25.00%	25.00%	25.00%		
12	LAG DAYS			(27.3)	(4.3)	18.8	41.5		28.7
13	FEDERAL INCOME TAX	01-Jan-09	31-Dec-09	15-Apr-09	15-Jun-09	15-Sep-09	15-Dec-09	15-Mar-10	
14	PERCENT OF PAYMENT			22.50%	22.50%	22.50%	22.50%	10.00%	
15	LAG DAYS			(17.6)	(3.8)	16.9	37.4	25.6	58.5

WITNESS: JOHN COX
STATEMENT:

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

**CALCULATION OF CASH WORKING CAPITAL REQUIREMENTS
INTEREST AND PREFERRED DIVIDENDS**

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine capital requirements.

LINE NO.	DESCRIPTION	LONG TERM INTEREST	SHORT TERM INTEREST	PREFERRED DIVIDEND	
1	AVERAGE LAG CALCULATION				
2	FUTURE REVENUE LAG DAYS	50.5	50.5	50.5	
3	LESS: INTEREST PAYMENTS LAG DAYS	<u>91.3</u>	<u>15.2</u>	<u>45.6</u>	
4	AVERAGE LAG BETWEEN THE PAYMENT				
5	OF INTEREST AND THE RECEIPT				
6	OF REVENUES	-40.8	35.3	4.9	
		PRESENT RATES	PRESENT RATES	PROPOSED	
7	LONG TERM DEBT	12/31/09	12/31/10	AMOUNT	
8	WORKING CAPITAL REQUIREMENTS				
9	PRO FORMA ANNUAL INTEREST EXPENSE	\$635,880	\$928,479	\$928,635	
10	INTEREST EXPENSE PER DAY				
11	(LINE 9 / 365 DAYS)	<u>1,742</u>	<u>2,544</u>	<u>2,544</u>	
12	CASH WORKING CAPITAL REQUIRED				
13	(LINE 6 COL.1 x LINE 10)		(71,074)	(103,795)	(103,795)
14	LONG TERM DEBT - PEDFA				
15	WORKING CAPITAL REQUIREMENTS				
16	PRO FORMA ANNUAL INTEREST EXPENSE	2,485,776	2,960,715	2,961,215	
17	INTEREST EXPENSE PER DAY				
18	(LINE 16 / 365 DAYS)	<u>6,810</u>	<u>8,112</u>	<u>8,113</u>	
19	CASH WORKING CAPITAL REQUIRED				
20	(LINE 6 COL.2 x LINE 17)		(277,848)	(330,970)	(331,010)
21	PREFERRED DIVIDENDS				
22	WORKING CAPITAL REQUIREMENTS				
23	PRO FORMA ANNUAL DIVIDEND EXPENSE	12,141	17,625	17,628	
24	DIVIDEND EXPENSE PER DAY				
25	(LINE 23 / 365 DAYS)	<u>33</u>	<u>48</u>	<u>48</u>	
26	CASH WORKING CAPITAL REQUIRED				
27	(LINE 6 COL.3 x LINE 24)		<u>162</u>	<u>235</u>	<u>235</u>
28	TOTAL CASH WORKING CAPITAL REQUIRED				
29	(LINE 13 + LINE 20 + LINE 27)		<u>(\$348,760)</u>	<u>(\$434,530)</u>	<u>(\$434,570)</u>

WITNESS: JOHN COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

CALCULATION OF DEFERRED INCOME TAXES

The following calculation is being made to reflect the tax difference between using accelerated and straight-line depreciation, and is carried as a rate base reduction.

LINE NO.	VINTAGE YEARS	TAX BASE PROPERTY	ACCELERATED TAX DEPRECIATION	STRAIGHT-LINE REMAINING LIFE	EXCESS DEPRECIATION	DEFERRED FEDERAL TAXES
1	03/01 - 12/10	\$72,147,545	\$2,389,616	\$1,732,847	\$656,769	\$229,869
2						<u>229,869</u>
3	BALANCE OF DEFERRED INCOME TAXES AT 12-31-09					<u>(2,300,197)</u>
4	BALANCE OF DEFERRED INCOME TAXES AT 12-31-10					<u><u>(\$2,530,066)</u></u>

WITNESS: JOHN COX
 REFERENCE: FR IV.4

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

SUMMARY OF EXPENSE ACCOUNTS

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/09	PRESENT RATES 12/31/09	PRESENT RATES 12/31/10
1		SOURCE OF SUPPLY EXPENSES			
2		-OPERATIONS-			
3	601.1	SALARY AND WAGES	\$0	\$0	\$0
4	601.2	SALARY AND WAGES	0	0	0
5	610.1	PURCHASED WATER	0	0	0
6	615.1	PURCHASED POWER	54,040	54,040	64,539
7	616.1	PURCHASED FUEL	784	784	784
8	618.1	CHEMICALS	0	0	0
9	620.1	MATERIALS AND SUPPLIES	0	0	0
10	620.2	MATERIALS AND SUPPLIES	33	33	33
11	631.1	CONTRACT SERVICES - ENGINEERING	0	0	0
12	633.1	CONTRACT SERVICES - LEGAL	0	0	0
13	636.1	CONTRACT SERVICES	0	0	0
14	636.2	CONTRACT SERVICES MAINTENANCE	0	0	0
15	642.1	RENTAL OF EQUIPMENT	0	0	0
16	675.1	MISCELLANEOUS OPERATING EXPENSE	805	805	805
17	675.2	MISCELLANEOUS MAINTENANCE EXPENSE	0	0	0
18					
19		TOTAL SOURCE OF SUPPLY EXPENSES	55,662	55,662	66,161
20					
21		WASTEWATER TREATMENT			
22		-OPERATION-			
23	601.3	SALARY AND WAGES	237,712	237,712	256,612
24	601.4	SALARY AND WAGES	47,757	47,757	51,554
25	615.3	PURCHASED POWER	302,743	302,743	361,562
26	618.3	CHEMICALS	110,496	110,496	138,727
26	620.3	MATERIALS AND SUPPLIES	338	338	338
27	620.4	MATERIALS AND SUPPLIES	19,252	19,252	19,252
28	631.3	CONTRACT SERVICES - ENGINEERING	0	0	0
29	633.3	CONTRACT SERVICES - LEGAL	0	0	0
30	634.3	CONTRACT SERVICES - MANAGEMENT	0	0	0
31	635.3	CONTRACT SERVICES - TEST	15,868	15,868	15,868
32	636.3	CONTRACT SERVICES	1,078	1,078	1,078
33	636.4	CONTRACT SERVICES	3,945	3,945	3,945
34	641.3	RENTAL OF BUILDING	0	0	0
35	642.3	RENTAL OF EQUIPMENT	2,797	2,797	2,797
36	650.3	TRANSPORTATION	0	0	0
37	650.4	TRANSPORTATION	0	0	0
38	675.4	MISCELLANEOUS MAINTENANCE EXPENSE	3,258	3,258	3,258
39		-MISCELLANEOUS-			
40	675.3	MISCELLANEOUS OPERATING EXPENSE	228,267	228,267	221,153
41					
42		TOTAL WASTEWATER TREATMENT EXPENSE	973,511	973,511	1,076,144
43					
44					
45		TRANSMISSION AND DISTRIBUTION			
46		-OPERATION-			
47	601.5	SALARY AND WAGES	57,928	57,928	62,534
48	601.6	SALARY AND WAGES	227,951	227,951	246,076
49	604.5	EMPLOYEE PENSION AND BENEFITS	0	0	0
50	620.5	MATERIALS AND SUPPLIES	0	0	0
51	631.5	CONTRACT SERVICES - ENGINEERING	0	0	0
52	636.5	CONTRACT SERVICES	193,316	193,316	13,316
53	641.5	RENTAL OF BUILDING	0	0	0
54	642.5	RENTAL OF EQUIPMENT	0	0	0
55	650.5	TRANSPORTATION	0	0	0
56	675.5	MISCELLANEOUS OPERATING EXPENSE	46,236	46,236	48,167

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

SUMMARY OF EXPENSE ACCOUNTS

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/09	PRESENT RATES 12/31/09	PRESENT RATES 12/31/10
		-MAINTENANCE-			
1	620.6	MATERIALS AND SUPPLIES	2,990	2,990	2,990
2	636.6	CONTRACT SERVICES	388,293	388,293	388,293
3	675.6	MISCELLANEOUS MAINTENANCE EXPENSE	56,708	56,708	56,708
4					
5		TOTAL TRANSMISSION AND DISTRIBUTION	973,422	973,422	818,084
6					
7		CUSTOMER ACCOUNTING			
8		-OPERATION-			
9	601.7	SALARY AND WAGES	1,215	1,215	1,312
10	620.7	MATERIALS AND SUPPLIES	0	0	0
11	633.7	CONTRACT SERVICES - LEGAL	0	0	0
12	634.7	CONTRACT SERVICES - MANAGEMENT	0	0	0
13	636.7	CONTRACT SERVICES	0	0	0
14	642.7	RENTAL OF EQUIPMENT	0	0	0
15	650.7	TRANSPORTATION	0	0	0
16	670.7	BAD DEBT	70,211	86,560	87,340
17		-MISCELLANEOUS-			
18	675.7	MISCELLANEOUS EXPENSE	2,573	2,573	2,573
19					
20		TOTAL CUSTOMER ACCOUNTING	73,999	90,348	91,225
21					
22					
23		ADMINISTRATIVE AND GENERAL			
24	601.8	SALARY AND WAGES	47,533	47,533	51,313
25	603.8	SALARY OF OFFICERS	0	0	0
26	604.8	EMPLOYEE PENSION AND BENEFITS	148,003	148,003	159,426
27	615.8	PURCHASED POWER	0	0	0
28	620.8	MATERIALS AND SUPPLIES	0	0	0
29	631.8	CONTRACT SERVICES	0	0	0
30	632.8	CONTRACT SERVICES - ACCOUNTING	0	0	0
31	633.8	CONTRACT SERVICES - LEGAL	0	0	0
32	634.8	CONTRACT SERVICES - MANAGEMENT	0	0	0
33	635.8	CONTRACT SERVICES - TEST	0	0	0
34	636.8	CONTRACT SERVICES	0	0	0
35	641.8	RENTAL OF BUILDING	0	0	0
36	642.8	RENTAL OF EQUIPMENT	157	157	157
37	650.8	TRANSPORTATION	131,543	131,543	99,679
38	656.8	INSURANCE - VEHICLES	0	0	0
39	657.8	INSURANCE	0	0	0
40	658.8	WORKERS COMPENSATION	0	0	0
41	659.8	INSURANCE	0	0	0
42	660.8	ADVERTISING	236	236	0
43	666.8	AMORTIZATION OF RATE CASE	176,990	176,990	201,578
44	667.8	REGULATORY COMMISSION	0	0	0
45		-MISCELLANEOUS-			
46	675.8	MISCELLANEOUS EXPENSE	6,187	6,187	167,627
47					
48		TOTAL ADMINISTRATIVE AND GENERAL	510,649	510,649	679,780
49					
50					
51					
52		TOTAL OPERATING EXPENSES	2,587,243	2,603,592	2,731,394

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

SUMMARY OF OPERATING EXPENSE ADJUSTMENTS

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES	
		12/31/09 DETAIL	12/31/09 AMOUNT	12/31/10 DETAIL	12/31/10 AMOUNT
1	PER BOOKS		\$2,587,243		
2	PRESENT RATES AT 12-31-09				\$2,603,592
3	SALARIES AND WAGES	0		49,305	
4	GROUP INSURANCE	0		6,912	
5	401K & DEFINED CONTRIBUTION PLAN	0		4,511	
6	CHEMICALS	0		28,231	
7	PURCHASED POWER	0		77,578	
8	LEASED VEHICLES	0		(6,885)	
9	RATE CASE EXPENSE	0		24,588	
10	INFLATION	0		9,202	
11	WASTE DISPOSAL	0		(22,645)	
12	POST IN SERVICE AFUDC & DEPRECIATION	0		161,440	
13	ELIMINATED ITEMS	0		(205,215)	
14	UNCOLLECTABLES		<u>16,349</u>		<u>780</u>
15	PRO FORMA ADJUSTMENTS		<u>16,349</u>		<u>127,802</u>
16	PRESENT RATES 12-31-09		<u>\$2,603,592</u>		
17	PRESENT RATES 12-31-10				<u>\$2,731,394</u>

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

SALARY AND WAGES

The following adjustment sets forth a summary of the Company's annualization of labor expenses. The pro forma payroll for the future annualization was developed by applying pay rates and associated incentive pay that will become effective during the six month period immediately following the end of the future test year, as approved at Docket No. R-943231, to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	ANNUALIZED SALARY AND WAGES	\$682,271
2	ANNUALIZED INCENTIVE PLAN (O & M EXPENSE)	12,988
3	LESS: 3.77% NOT CHARGED TO OPERATING EXPENSE	<u>25,858</u>
4	SUB-TOTAL	669,401
5	LESS: AMOUNT CHARGED TO OPERATING EXPENSE	
6	DURING THE TWELVE MONTHS ENDED 12-31-09	<u>620,096</u>
7	PRO FORMA ADJUSTMENT	<u><u>\$49,305</u></u>
	601.1 SALARY AND WAGES - SOURCE OF SUPPLY	\$0
	601.2 SALARY AND WAGES - SOURCE OF SUPPLY	0
	601.3 SALARY AND WAGES - WATER TREATMENT	18,900
	601.4 SALARY AND WAGES - WATER TREATMENT	3,797
	601.5 SALARY AND WAGES - TRANSMISSION & DISTRIBUTION	4,606
	601.6 SALARY AND WAGES - TRANSMISSION & DISTRIBUTION	18,125
	601.7 SALARY AND WAGES - CUSTOMER ACCOUNTING	97
	601.8 SALARY AND WAGES - ADMINISTRATIVE AND GENERAL	3,780
	603.8 SALARY AND WAGES - SALARY OF OFFICERS	0

REFERENCE: EXHIBIT NO. 3-B
WITNESS: DANIEL P. HUNNELL II

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

GROUP INSURANCE

The annualization of the group insurance cost was based on the January 2010 premiums annualized for the future test year number of employees less the annualized employee contribution. The following calculation reflects the annualization less the adjustment for that portion not charged to operations.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	ANNUALIZED GROUP INSURANCE COST	\$131,724
2	LESS: 3.77% NOT CHARGED TO OPERATING EXPENSE	4,966
3	SUB-TOTAL	126,758
4	LESS: AMOUNT CHARGED TO OPERATING EXPENSE	
5	DURING THE TWELVE MONTHS ENDED 12-31-09	119,846
6	PRO FORMA ADJUSTMENT	<u>\$6,912</u>
	604.8 A&G EMPLOYEES PENSION AND BENEFITS	\$6,912

REFERENCE: EXHIBIT NO. 3-B
WITNESS: DANIEL P. HUNNELL II

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

401K & DEFINED CONTRIBUTION PLAN COST (DCP)

The following adjustment is being made to annualize the cost associated with the Company's contribution for 401k and DCP associated with the full complement of employees at December 31, 2010.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	ANNUALIZED 401 K & DCP COST	\$33,022
2	LESS: 3.77% NOT CHARGED TO OPERATING EXPENSE	\$1,252
3	SUBTOTAL	\$31,770
4	LESS: AMOUNT CHARGED TO OPERATING EXPENSE	
5	DURING THE TWELVE MONTHS ENDED 12-31-09	<u>\$27,259</u>
6	PRO FORMA ADJUSTMENT	<u>\$4,511</u>
	604.8 A&G EMPLOYEES PENSION AND BENEFITS	\$4,511

REFERENCE: EXHIBIT NO. 3-B
WITNESS: DANIEL P. HUNNELL II

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

CHEMICALS

The following adjustment annualizes chemical costs based on historic test year usage, adjusted for known changes and applying this usage to the actual bid prices in effect at January 1, 2010 to arrive at the pro forma level of expense.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	ANNUALIZED CHEMICAL COST	\$138,727
2	LESS: AMOUNT CHARGED TO OPERATING EXPENSE	
3	DURING THE TWELVE MONTHS ENDED 12-31-09	110,496
4	PRO FORMA ADJUSTMENT	<u>\$28,231</u>
	618.3 CHEMICALS - WASTEWATER TREATMENT	28,231

REFERENCE: EXHIBIT 3-B
WITNESS: JOHN COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

PURCHASED POWER

This adjustment reflects the application of rates for power in effect as of December 31, 2010 and December 31, 2011 to anticipated billing units for the future test years.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	ANNUALIZED POWER COST	\$476,876
2	LESS: AMOUNT CHARGED TO OPERATING EXPENSE	
3	DURING THE TWELVE MONTHS ENDED 12-31-09	<u>\$399,298</u>
4	PRO FORMA ADJUSTMENT	<u>\$77,578</u>
	615.1 PURCHASED POWER	\$10,499
	615.3 PURCHASED POWER	\$58,819
	675.3 HEAT - OIL/GAS	\$6,329
	675.5 HEAT - OIL/GAS	\$1,931

REFERENCE: EXHIBIT 3-B
WITNESS: JOHN COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

LEASED VEHICLES

The following adjustment reflects the annualization of vehicle lease expense during the year ended December 31, 2010. The December 2009 monthly lease costs were annualized for the number of vehicles that will be in-service at December 31, 2010.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	ANNUALIZED LEASED VEHICLES COST	\$62,155
2	LESS: 3.77% NOT CHARGED TO OPERATING EXPENSE	2,355
3	SUB-TOTAL	59,800
4	LESS: AMOUNT CHARGED TO OPERATING EXPENSE	
5	DURING THE TWELVE MONTHS ENDED 12-31-09	66,685
6	PRO FORMA ADJUSTMENT	<u>(\$6,885)</u>
	650.8 A & G - MISCELLANEOUS GENERAL EXPENSE	(\$6,885)
	REFERENCE: EXHIBIT 3B	
	WITNESS: JOHN R. COX	

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

RATE CASE EXPENSE

The following adjustment reflects the estimated cost of this rate case at December 31, 2010.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	LEGAL FEES AND EXPENSES	\$330,000
2	RATE OF RETURN	7,000
3	COST OF SERVICE AND RATE DESIGN	45,669
4	DEPRECIATION	6,750
5	MISCELLANEOUS	13,737
		<hr/>
6	TOTAL	403,156
		<hr/>
7	NORMALIZED OVER 2 YEARS	201,578
		<hr/>
8	LESS: AMOUNT CHARGED TO OPERATING EXPENSE	
9	DURING THE TWELVE MONTHS ENDED 12-31-09	176,990
		<hr/>
10	PRO FORMA ADJUSTMENT	\$24,588
		<hr/> <hr/>
	666.8 REGULATORY COMMISSION EXPENSE	\$24,588

REFERENCE: EXHIBIT 3B
WITNESS: JOHN COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

INFLATION

The Company has presented various pro forma adjustments for specific expense items. The remaining expense items are anticipated to continue to rise due to inflationary increases. The following adjustment reflects projection of increases due to inflation.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	TOTAL O & M EXPENSES	\$2,587,243
2	LESS: ADJUSTMENTS	<u>1,973,790</u>
3	EXPENSES SUBJECT TO INFLATION	613,453
4	INFLATION FACTOR	<u>1.50%</u>
5	PRO FORMA ADJUSTMENT	<u>\$9,202</u>
	675.3 MISCELLANEOUS EXPENSE	\$9,202

REFERENCE: EXHIBIT 3B
WITNESS: JOHN COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

WASTE DISPOSAL

The following adjustment annualizes waste disposal costs. Historic test year usage was reviewed and adjusted to reflect twelve months of usage, then applied to the actual contract prices that will be in effect at December 31, 2010 to arrive at the pro forma level of expense.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	ANNUALIZED WASTE DISPOSAL COST	\$155,049
2	LESS: AMOUNT CHARGED TO OPERATING EXPENSE	
3	DURING THE TWELVE MONTHS ENDED 12-31-09	177,694
4	PRO FORMA ADJUSTMENT	<u>(\$22,645)</u>
	675.3 WASTE DISPOSAL EXPENSE - WW TREATMENT	-\$22,645

REFERENCE: EXHIBIT 3-B
WITNESS: JOHN COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

DEFERRED DEPRECIATION & POST in SERVICE AFUDC

This adjustment is designed to recover the Company's carrying costs associated with the in-service dates of the Coatesville Wastewater Treatment Plant and in recognition of the fact Company delayed this rate filing for one year. Recovery is limited to the financing and depreciation costs for the period the plant was in service, but not reflected in rates to customers.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/10 AMOUNT
1	Post in Service AFUDC	\$ 4,010,430
2	Deferred Depreciation	1,478,520
3	Total Post In-service AFUDC & Depreciation	5,488,950
4	Amortization Period (Years)	34
5	Annual Amortization	<u>\$ 161,440</u>
	675.8 Misc Exp A&G	\$ 161,440

WITNESS: ROD NEVIRASKAS
REFERENCE: EXHIBIT 3-B

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

ELIMINATED ITEMS

The following adjustment is being made to eliminate certain items from pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	ADVERTISING	(236)
2	CONVEYANCE ACCRUAL - VALLEY TOWNSHIP	(180,000)
3	MAINTENANCE COST TRANSPORTATION (PUMP - VAC TRUCK)	(24,979)
4	PRO FORMA ADJUSTMENT	<u>(\$205,215)</u>
	660.8 ADVERTISING AG	(236)
	636.5 CONT SERV OTHER OPER TD	(180,000)
	650.8 TRANSPORTION OPER AG	(24,979)

WITNESS: JOHN COX

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

CALCULATION OF UNCOLLECTABLE ACCOUNTS EXPENSE

The following adjustment reflects the uncollectable accounts expense calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma water sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/09 AMOUNT	PRESENT RATES 12/31/10 AMOUNT	PROPOSED RATES AMOUNT
1	WASTEWATER SALES	\$4,014,223	\$4,017,383	\$4,053,582	\$12,167,825
2	3 YEAR AVERAGE	0.021546313	0.021546313	0.021546313	0.021546313
3	ANNUALIZED UNCOLLECTABLE EXPENSE		\$86,560	\$87,340	\$262,172
4	LESS: AMOUNT CHARGED TO OPERATING EXPENSE				
5	DURING THE TWELVE MONTHS ENDED 12-31-09		70,211	-	-
6	LESS: PRESENT RATES AT 12-31-09		-	86,560	-
7	LESS: PRESENT RATES AT 12-31-10		-	-	87,340
8	PRO FORMA ADJUSTMENT		16,349	\$780	\$174,832
670.7	CUSTOMER ACCOUNTING AND COLLECTING - BAD DEBT		16,349	\$780	\$174,832

WITNESS: JOHN COX
REFERENCE: EXHIBIT 3-B

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

ANNUAL DEPRECIATION CALCULATED BY STRAIGHT

LINE-REMAINING LIFE OVER BOOK ANNUAL DEPRECIATION

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	ANNUALIZED DEPRECIATION	\$2,864,962
2	PER BOOKS AT 12/31/09	<u>1,253,351</u>
3	PRO FORMA ADJUSTMENT	<u>\$1,611,611</u>
	403 DEPRECIATION	\$1,611,611

REFERENCE: DEPRECIATION EXHIBIT
WITNESS: JOHN J SPANOS

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

PAYROLL TAXES

The following adjustment is being made to annualize payroll tax expense based on the annualized salary and wage claim at December 31, 2010.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2010 AMOUNT
1	ANNUALIZED PAYROLL TAXES	\$56,572
2	LESS: 3.77% NOT CHARGED TO OPERATING EXPENSE	\$2,144
3	SUB-TOTAL	\$54,428
4	LESS: AMOUNT CHARGED TO OPERATING EXPENSE	
5	DURING THE TWELVE MONTHS ENDED 12-31-09	\$46,310
6	PRO FORMA ADJUSTMENT	<u>\$8,118</u>
	408.12 - TAXES - PAYROLL	\$8,118

REFERENCE: EXHIBIT NO. 3-B
WITNESS: DANIEL P. HUNNELL II

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

CALCULATION OF GENERAL ASSESSMENT BY THE PENNSYLVANIA PUBLIC UTILITY COMMISSION, CONSUMER ADVOCATE AND SMALL BUSINESS ADVOCATE FEES

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/09 AMOUNT	PRESENT RATES 12/31/10 AMOUNT	PROPOSED AMOUNT
1	TOTAL WASTEWATER SALES	\$4,017,383	\$4,053,582	\$12,167,825
2	ESTIMATED GENERAL ASSESSMENT BY THE PENNSYLVANIA			
3	PUBLIC UTILITY COMMISSION AT .004777980298			
4	PER DOLLAR OF TOTAL WASTEWATER SALES SUBJECT TO TAX	19,195	19,368	58,138
5	CONSUMER ADVOCATE FEE AT .001388377500			
6	PER DOLLAR OF TOTAL WASTEWATER SALES	5,578	5,628	16,894
7	SMALL BUSINESS ADVOCATE FEE AT .000132518596			
8	PER DOLLAR OF TOTAL WASTEWATER SALES	532	537	1,612
		25,305	25,533	76,644
9	LESS: AMOUNT CHARGED TO OPERATING EXPENSES DURING			
10	THE TWELVE MONTHS ENDED 12-31-09	18,357	-	-
11	LESS: PRO FORMA UNDER PRESENT RATES AT 12-31-09	-	25,305	-
12	LESS: PRO FORMA UNDER PRESENT RATES AT 12-31-10	-	-	25,533
13	PRO FORMA ADJUSTMENT	\$6,948	\$228	\$51,111
	507.1 TAXES OTHER THAN INCOME			\$58,287
	WITNESS: JOHN COX			

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

PRO FORMA STATE AND FEDERAL INCOME TAXES UNDER PRESENT AND PROPOSED RATES

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/09 AMOUNT	PRESENT RATES 12/31/10 AMOUNT	PROPOSED AMOUNT
1	STATE INCOME TAX PER COMPUTATION			
2	SHOWN ON FOLLOWING PAGE	\$0	\$0	\$188,203
3	LESS: STATE INCOME TAX PER BOOK			
4	COMPUTATION SHOWN ON FOLLOWING PAGE	0	-	-
5	LESS: PRESENT RATES 12-31-09	-	0	-
6	LESS: PRESENT RATES 12-31-10	-	-	0
7	PRO FORMA ADJUSTMENT	<u>\$0</u>	<u>\$0</u>	<u>\$188,203</u>
8	FEDERAL INCOME TAX PER COMPUTATION			
9	SHOWN ON FOLLOWING PAGE	\$0	\$0	\$712,086
10	LESS: FEDERAL INCOME TAX PER BOOK			
11	COMPUTATION SHOWN ON FOLLOWING PAGE	0	-	-
12	LESS: PRESENT RATES 12-31-09	-	0	-
13	LESS: PRESENT RATES 12-31-10	-	-	0
14	PRO FORMA ADJUSTMENT	<u>\$0</u>	<u>\$0</u>	<u>\$712,086</u>

WITNESS: ROD NEVIRASKAS

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

CALCULATION OF STATE AND FEDERAL INCOME TAXES

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES	PRESENT RATES	PROPOSED AMOUNT
			12/31/09 AMOUNT	12/31/10 AMOUNT	
1	UTILITY OPERATING INCOME BEFORE TAXES	\$572,828	-\$9,711	-\$1,362,647	\$6,568,062
2	LESS: INTEREST EXPENSE	3,121,656	3,121,656	3,889,194	3,889,850
3	TAXABLE OPERATING INCOME	-2,548,828	-3,131,367	-5,251,841	2,678,212
4	ADD:				
5	PREMATURE PROPERTY LOSSES	-456,503	-456,503	-456,503	-456,503
6	DEPR - STRAIGHT LINE-REMAINING LIFE	1,253,351	1,815,087	2,864,962	2,864,962
7	TAXABLE MEALS & ENTERTAINMENT	1,025	1,025	1,025	1,025
8	TOTAL	797,873	1,359,609	2,409,484	2,409,484
9	DEDUCT:				
10	TAX DEPRECIATION:				
11	ADR ON PRE 1981 ASSETS	0	0	0	0
12	ACRS ON POST 1980 ASSETS	0	0	0	0
13	MACRS ON POST 1986 ASSETS	1,522,416	1,522,416	2,528,175	2,528,175
14	COST OF REMOVAL	0	6,388	675,612	675,612
15	TOTAL	1,522,416	1,528,804	3,203,787	3,203,787
16	TAXABLE INCOME (IF NEGATIVE USE ZERO)	0	0	0	1,883,909
17	STATE INCOME TAX AT:				
18	HISTORIC - 9.99%, FUTURE - 9.99%	0	0	0	188,203
19	TAXABLE INCOME AFTER STATE INCOME TAX	0	0	0	1,695,706
20	ADD:				
21	COST OF REMOVAL NON ADR PROPERTY	0	6,388	675,612	675,612
22	ACRS ON POST 1980 ASSETS	0	0	0	0
23	MACRS ON POST 1986 ASSETS	1,522,416	1,522,416	2,528,175	2,528,175
24	DEDUCT:				
25	SLRL ON POST 1980 ASSETS	1,706,454	1,706,454	2,864,962	2,864,962
26	INCOME SUBJECT TO FEDERAL INCOME TAX (IF NEGATIVE USE 0)	0	0	0	2,034,531
27	FEDERAL INCOME TAX AT 35%	\$0	\$0	\$0	\$712,086
28	FEDERAL TAX LIABILITY	\$0	\$0	\$0	\$712,086

WITNESS: ROD NEVIRASKAS

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

PRO FORMA INTEREST UNDER PRESENT AND PROPOSED RATES

LINE NO. DESCRIPTION	PRESENT RATES	PRESENT RATES	PROPOSED AMOUNT
	12/31/09 AMOUNT	12/31/10 AMOUNT	
1 INTEREST ON LONG TERM DEBT PER COMPUTATION			
2 SHOWN ON FOLLOWING PAGE	\$635,880	\$928,479	\$928,635
3 LESS: INTEREST ON LONG TERM DEBT AS PER BOOK			
4 COMPUTATION ON FOLLOWING PAGE	635,880	-	-
5 LESS: PRESENT RATES AT 12-31-09	-	635,880	-
6 LESS: PRESENT RATES AT 12-31-10	-	-	928,479
7 PRO FORMA ADJUSTMENT	<u>\$0</u>	<u>\$292,599</u>	<u>\$156</u>
8 INTEREST ON LONG TERM DEBT - PEDFA PER COMPUTATION			
9 SHOWN ON FOLLOWING PAGE	\$2,485,776	\$2,960,715	\$2,961,215
10 LESS: INTEREST ON LONG TERM DEBT - PEDFA AS PER BOOK			
11 COMPUTATION ON FOLLOWING PAGE	2,485,776	-	-
12 LESS: PRESENT RATES AT 12-31-09	-	2,485,776	-
13 LESS: PRESENT RATES AT 12-31-10	-	-	2,960,715
14 PRO FORMA ADJUSTMENT	<u>\$0</u>	<u>\$474,939</u>	<u>\$500</u>

PENNSYLVANIA AMERICAN WATER - COATESVILLE WW OPERATIONS

NOTES TO STATEMENT OF INCOME

APPLICATION OF INCOME DEDUCTIONS

LINE NO. DESCRIPTION		PRESENT RATES AT DECEMBER 31, 2009			PRESENT RATES AT DECEMBER 31, 2010		
		AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	CAPITAL STRUCTURE						
2	LONG TERM DEBT	\$10,176,723	16.99%	6.25%	\$15,071,763	19.42%	6.16%
3	PEDFA DEBT	39,455,802	65.89%	6.30%	47,000,000	60.6%	6.30%
4	TOTAL DEBT	49,632,525	82.88%		62,071,763	79.97%	
5	PREFERRED STOCK	151,160	0.25%	8.11%	220,518	0.28%	8.11%
6	COMMON EQUITY	10,099,101	16.86%		15,335,158	19.75%	
7	TOTALS	<u>\$59,882,786</u>	<u>100.0%</u>		<u>\$77,627,439</u>	<u>100.0%</u>	
					PRESENT RATES	PRESENT RATES	PROPOSED
					12-31-09	12/31/2010	AMOUNT
					AMOUNT	AMOUNT	AMOUNT
8	APPLICATION OF LONG TERM DEBT INTEREST:						
9	ORIGINAL COST RATE BASE				\$59,882,786	\$77,614,341	\$77,627,439
10	DEBT PERCENTAGE (FROM ABOVE)				16.99%	19.42%	19.42%
11	DEBT PORTION OF RATE BASE				10,174,085	15,072,705	15,075,249
12	INTEREST COST (FROM ABOVE)				6.25%	6.16%	6.16%
13	PRO FORMA LONG TERM INTEREST DEDUCTION				<u>\$635,880</u>	<u>\$928,479</u>	<u>\$928,635</u>
14	APPLICATION OF PEDFA LONG TERM DEBT INTEREST:						
15	ORIGINAL COST RATE BASE				\$59,882,786	\$77,614,341	\$77,627,439
16	DEBT PERCENTAGE (FROM ABOVE)				65.89%	60.55%	60.55%
17	DEBT PORTION OF RATE BASE				39,456,768	46,995,483	47,003,414
18	INTEREST COST (FROM ABOVE)				6.30%	6.30%	6.30%
19	PRO FORMA PEDFA LONG TERM DEBT INTEREST DEDUCTION				<u>\$2,485,776</u>	<u>\$2,960,715</u>	<u>\$2,961,215</u>

WITNESS: ROD NEVIRASKAS