

## **I. STATEMENT OF INCOME**

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

FR I.1

**Pennsylvania-American Water Company**  
**Coatesville 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  
 COATESVILLE WASTEWATER OPERATIONS - 2467  
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DESCRIPTION	PER BOOKS		VARIANCE	% VARIANCE	VARIANCE EXPLANATIONS
	12/31/2008	12/31/2009			
OPERATING REVENUE	2,452,255	4,014,228	1,561,973	63.70%	Rate Increase 11/14/2008
WASTEWATER SALES REVENUE					
461.1 RESIDENTIAL	1,067,358	1,861,902	794,544	74.44%	Rate Increase 11/14/2008
461.2 COMMERCIAL	193,086	334,864	141,778	73.43%	Rate Increase 11/14/2008
461.3 INDUSTRIAL	259,884	168,859	(91,025)	-35.03%	Rate Increase 11/14/2008. Mittal Steel had large leaks in 2008.
461.4 PUBLIC AUTHORITY	127,823	143,388	15,575	12.19%	Rate Increase 11/14/2008
462.1 PUBLIC FIRE	0	0	0		
462.2 PRIVATE FIRE	0	0	0		
466.0 BULK SALES	804,105	1,505,200	701,095	87.19%	Rate Increase 11/14/2008
TOTAL WATER SALES	2,452,255	4,014,223	1,561,968		
OTHER WATER REVENUES					
469.0 OTHER REVENUE INTERCO					
470.0 PENALTIES	13,509	21,663	8,154	60.36%	Rate Increase 11/14/2008
471.0 MISCELLANEOUS SERVICE REVENUES	35,976	2,097	(33,879)	-94.17%	Company began recording capacity fees as contribution 11/14/2008.
472.0 RENTS FROM WATER PROPERTY	52,004	55,892	3,888	7.48%	
474.0 OTHER WASTEWATER REVENUES	101,489	79,652	(21,837)		
TOTAL OTHER WATER REVENUES	2,553,745	4,093,875	1,540,131		
400.0 OPERATING REVENUES	511,850	620,096	108,246	21.15%	Capital expense for supervisory labor was lower in 2009 then 2008. 2009 has 12 months of expense for 1 new employee who was hired in July 08 and for one employee who was transferred into the business unit in September 2008.
EXPENSES					
601.0 SALARY AND WAGES	138,895	148,003	9,108	6.56%	
603.8 SALARY -OFF/ DIR AG					
604.0 EMPLOYEE PENSION AND BENEFITS	248,235	356,783	108,548	43.73%	Increased power costs associated with new plant upgrades.
610.0 PURCHASED WATER	4,808	784	(4,024)	-83.69%	In 2009 installed new electrical line install which has increased service reliability and reduce the use of the emergency generator.
615.0 PURCHASED POWER					
616.0 PURCHASED FUEL	110,587	110,496	(91)	-0.08%	
618.0 CHEMICALS					

	DESCRIPTION	PER BOOKS 12/31/2008	PER BOOKS 12/31/2009	VARIANCE	% VARIANCE	VARIANCE EXPLANATIONS
620.0	MATERIALS AND SUPPLIES	39,903	22,613	(17,290)	-43.35%	2009 miscellaneous maintenance expense associated with wastewater plant maintenance was lower than in 2008. The decrease can be attributed to the Company installing plant upgrades in 2009.
631.0	CONTRACT SERVICES - ENGINEERING	0	0	0		
632.0	CONTRACT SERVICES - ACCOUNTING	0	0	0		
633.0	CONTRACT SERVICES - LEGAL	0	0	0		
634.0	CONTRACT SERVICES - MANAGEMENT	0	0	0		
635.0	CONTRACT SERVICES - TEST	10,056	15,868	5,812	57.80%	In 2009 the laboratory at the plant was decertified, resulting in increase in outside lab testing costs.
636.0	CONTRACT SERVICES OTHER	388,820	586,632	197,812	33.72%	2009 includes a \$180,000 reserve adjustment for conveyance fees from Valley Twp - eliminated in proforma claim.
641.0	RENTAL OF BUILDING	0	0	0		
642.0	RENTAL OF EQUIPMENT	4,199	2,954	(1,245)	-29.65%	2008 includes 4 invoices for copier rental and 2009 includes 3 invoices for copier rental.
650.0	TRANSPORTATION	98,833	131,543	32,710	33.10%	2009 includes a repair bill to vehicle number 40429 in the amount of \$31,224, proforma claim reduced by \$24,979.
656.0	INSURANCE - VEHICLES	0	0	0		
657.0	INSURANCE	0	0	0		
658.0	WORKERS COMPENSATION	0	0	0		
659.0	INSURANCE	0	0	0		
660.0	ADVERTISING	236	236	0		Charged in error - eliminated in proforma claim.
666.0	REGULATORY EXPENSE - RATE CASE	29,373	176,990	147,617	502.56%	2009 includes 12 months of the amortization of rate case expense for the 2008 rate case - Docket No. R-2008-2032689
667.0	REGULATORY EXPENSE - OTHER	0	0	0		
670.0	SAD DEBT	36,270	70,211	33,941	93.58%	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	364,826	344,034	(20,792)	-5.70%	2009 miscellaneous maintenance expenses associated with contractor services maintenance of the transmission system were lower than in 2008.
401.0	OPERATING EXPENSES	1,986,655	2,587,243	600,588	30.23%	
403.0	DEPRECIATION EXPENSE	475,304	1,253,351	778,047	163.69%	2009 major portion of the treatment plant upgrade in service
406.0	AMORTIZATION UTIL PLANT ACO ADJ	(506,981)	(506,981)	0		
407.1	AMORTIZATION LIMITED TERM PLANT	0	0	0		
407.3	AMORTIZATION OTHER UTIL PLANT	0	0	0		
407.4	AMORT REGULATORY ASSET	8,413	50,478	42,065	500.00%	Amortization of un-recovered reserve existing plant
408.10	TAXES OTHER THAN INCOME - REGULATORY ASSESSMENT	15,304	18,357	3,053	19.95%	

DESCRIPTION	PER BOOKS		VARIANCE	% VARIANCE	VARIANCE EXPLANATIONS
	12/31/2008	12/31/2009			
408.11 PROPERTY TAXES	66,470	72,289	5,819	8.75%	
408.12 PAYROLL TAXES	40,086	46,310	6,224	15.53%	
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		
412.11 ITC RESTORED			0		
TOTAL OPERATING EXPENSE	2,085,251	3,521,047	835,208		
TOTAL UTILITY OPERATING INCOME	468,494	572,828	(104,334)		
NON OPERATING INCOME					
415.0 M & J REVENUES	0		0		
416.0 M & J EXPENSES	0		0		
419.0 INTEREST & DIVIDEND INCOME	0		0		
420.0 AFUDC	322,226	126,402	(195,824)		
NON OPERATING DEDUCTIONS	0		0		
409.20 INCOME TAXES OTHER INC/DED	0		0		
408.20 TAXES OTHER THAN INCOME - OTHER INC/DED	0		0		
426.0 MISC NON-UTILITY EXPENSE	0		0		
TOTAL OTHER INCOME	322,226	126,402			
INTEREST EXPENSE					
427.2 INTEREST EXPENSE - SHORT TERM DEBT	0	0	0		
427.3 INTEREST EXPENSE - LTD	0	0	0		
427.5 INTEREST EXPENSE - OTHER	0	0	0		
428.0 AMORTIZED DEBT EXPENSE	0	0	0		
437.0 DIVIDEND DECLARED - PREF STOCK	0	0	0		
TOTAL INTEREST EXPENSE	0	0	0		
NET INCOME	790,720	699,230	(104,334)		
	790,720	699,230			

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

	2008	2009
604.8 ALLOCATE GROUP INSURANCE PREMIUM	112,228	116,172
670.7 ALLOCATE UNCOLLECTIBLE	36,270	70,211
675.0 TRANSFER GROUNDS KEEPING EXPENSE		
408.1 TRANSFER PROPERTY TAXES	66,470	72,289
408.1 ALLOCATE GENERAL ASSESSMENT	15,304	18,357
406.0 TRANSFER UPAA AMORT FROM CORP	(506,981)	(506,981)
470.0 PENALTIES	13,509	21,663
CHANGE TO NET INCOME	290,219	251,615

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FR I.2

**Pennsylvania-American Water Company**  
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**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.

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FR 1.3

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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.

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FR I.4

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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.

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FR I.5

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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.