
CREDIT AGREEMENT

among

AQUA PENNSYLVANIA, INC.

and

THE BANKS PARTY HERETO

and

**PNC BANK, NATIONAL ASSOCIATION
as Agent**

Dated as of November 30, 2010

\$100,000,000

SECTION 6. NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect, any Note remains outstanding and unpaid or any other amount is owing to any Bank or the Agent hereunder, the Borrower shall not directly or indirectly:

6.1 Financial Covenants.

(a) Equity to Capital Ratio. Permit as of the end of any fiscal quarter the Equity to Capital Ratio to be less than thirty eight percent (38%).

(b) Interest Coverage Ratio. Permit as of the end of any fiscal quarter the Interest Coverage Ratio to be less than 1.8 to 1.

6.2 Limitation on Certain Debt. Except for the Commitments under the Loan Documents, at any time enter into, assume or suffer to exist lines of credit or comparable extensions of credit from one or more commercial banks (or their Affiliates) under which the Borrower has incurred or may incur aggregate Debt in excess of \$15,000,000.

6.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, including, without limitation, the stock of its Subsidiaries, whether now owned or hereafter acquired, except for:

(a) The following, (i) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed or (ii) if a final judgment is entered and such judgment is discharged within thirty (30) days of entry, and in either case they do not materially impair the ability of the Borrower to perform its obligations hereunder or under the other Loan Documents:

(A) Claims or Liens for taxes, assessments or charges due and payable and subject to interest or penalty, provided that the Borrower maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any such Lien;

(B) Claims, Liens or encumbrances upon, and defects of title to, real or personal property including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits; and

(C) Claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens;

(b) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(c) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance

“Commitment”: as to any Bank, the obligation of such Bank to make Loans to the Borrower hereunder in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Bank’s name on Schedule I or in the Assignment and Acceptance pursuant to which such Bank becomes a party to this Agreement, as the same may be permanently terminated, reduced and extended from time to time pursuant to the provisions of Section 2.9 or changed by subsequent assignments pursuant to subsection 9.6(b).

“Commitment Percentage”: as to any Bank at any time, the proportion (expressed as a percentage) that such Bank’s Commitment bears to the Total Commitment (or, at any time after the Commitments shall have expired or been terminated, the percentage which the amount of such Bank’s Loans constitutes of the aggregate amount of the Loans of the Banks then outstanding).

“Commonly Controlled Entity”: an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414 of the Code.

“Consolidated Assets”: at any time, the amount at which all assets (including, without duplication, the capitalized value of any leasehold interest under any Capital Lease) of the Borrower would be reflected on a consolidated balance sheet of the Borrower at such time.

“Consolidated EBIT”: for any period, Consolidated Net Income for such period, plus the amount of income taxes and interest expense deducted from earnings in determining such Consolidated Net Income.

“Consolidated EBITDA”: for any period, Consolidated Net Income for such period, plus the amount of income taxes, interest expense, depreciation and amortization deducted from earnings in determining such Consolidated Net Income.

“Consolidated Funded Debt”: at any time, all Debt of the Borrower determined on a consolidated basis consisting of, without duplication (a) borrowed money Debt, including without limitation capitalized lease obligations;(b) reimbursement obligations in respect of letters of credit, bank guarantees and the like; and (c) Debt in the nature of a Contingent Obligation, whether or not required to be reflected on a balance sheet of the Borrower in accordance with GAAP.

“Consolidated Interest Expense”: for any period, the amount of cash interest expense deducted from earnings of the Borrower in determining Consolidated Net Income for such period in accordance with GAAP.

“Consolidated Net Income”: for any fiscal period, net earnings (or loss) after income and other taxes computed on the basis of income of the Borrower for such period determined on a consolidated basis in accordance with GAAP, but excluding:

(a) the amount of any extraordinary items included in such calculation of net earnings (or loss);

(b) any gain or loss resulting from the write-up or write-off of fixed assets;

(c) earnings of any Subsidiary accrued prior to the date it became a Subsidiary;

(d) earnings of any Person, substantially all assets of which have been acquired in any manner, realized by such Person prior to the date of such acquisition; and

(e) any gain arising from the acquisition of any Securities of the Borrower or any Subsidiary thereof.

"Consolidated Shareholders' Equity": at a particular date, the net book value of the shareholders' equity of the Borrower as would be shown on a consolidated balance sheet at such time determined in accordance with GAAP.

"Contingent Obligation": with respect to any Person (for the purpose of this definition, the "Obligor") any obligation (except the endorsement in the ordinary course of business of instruments for deposit or collection) of the Obligor guaranteeing or in effect guaranteeing any indebtedness of any other Person (for the purpose of this definition, the "Primary Obligor") in any manner, whether directly or indirectly, including (without limitation) indebtedness incurred through an agreement, contingent or otherwise, by the Obligor:

(a) to purchase such indebtedness of the Primary Obligor or any Property or assets constituting security therefor;

(b) to advance or supply funds

(i) for the purpose of payment of such indebtedness (except to the extent such indebtedness otherwise appears on Borrower's balance sheet as indebtedness), or

(ii) to maintain working capital or other balance sheet condition or any income statement condition of the Primary Obligor or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation; or

(c) to lease Property or to purchase Securities or other Property or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of the Primary Obligor to make payment of the indebtedness or obligation.

has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment (it being understood that a Defaulting Bank shall cease to be a Defaulting Bank if the Borrower, the Agent and the Swing Line Bank shall each agree that such Defaulting Bank has adequately remedied all matters that caused such Bank to be a Defaulting Bank).

“Distribution”: in respect of any corporation, (a) dividends, distributions or other payments on account of any capital stock of the corporation (except distributions in common stock of such corporation); (b) the redemption or acquisition of such stock or of warrants, rights or other options to purchase such stock (except when solely in exchange for common stock of such corporation); and (c) any payment on account of, or the setting apart of any assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of any share of any class of capital stock of such corporation or any warrants or options to purchase any such stock.

“Dollars” and **“\$”**: dollars in lawful currency of the United States of America.

“Environmental Laws”: any and all applicable foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees or binding requirements of any Governmental Authority, or binding Requirement of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or public health, remediation of environmental conditions, or damages arising from such conditions, as now or may at any time hereafter be in effect.

“Equity to Capital Ratio”: at the date of determination, the ratio of Consolidated Shareholders' Equity to the sum of (i) Consolidated Funded Debt and (ii) Consolidated Shareholders' Equity.

“ERISA”: the Employee Retirement Income Security Act of 1974, as amended from time to time.

“Eurocurrency Reserve Requirements”: for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of such Board) maintained by a member bank of such System.

“Eurodollar Rate”: with respect to the Loans comprising any Eurodollar Borrowing for any Interest Period, the interest rate per annum determined by the Agent

"Indenture": means the Indenture of Mortgage dated as of January 1, 1941 between the Borrower and Chase Manhattan Trust Company, National Association, as successor Trustee, as amended and supplemented.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Interest Coverage Ratio": at the date of determination, the ratio of Consolidated EBIT to Consolidated Interest Expense, in each case for the prior four (4) consecutive fiscal quarters.

"Interest Payment Date": (a) as to any Base Rate Loan or Swing Line Loan, the last day of each month, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period, and (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day which is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period.

"Interest Period": with respect to any Eurodollar Loan:

(i) initially the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in their notice of borrowing or notice of conversion, given with respect thereto; and

(ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto;

provided that, the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month;

(iii) an Interest Period that otherwise would extend beyond the Termination Date shall end on the Termination Date; and

RECYCLED
SON P.C.M.

CREDIT AGREEMENT

Dated as of May 23, 2007

among

AQUA AMERICA, INC.

and

THE BANKS PARTY HERETO

and

**PNC BANK, NATIONAL ASSOCIATION,
as Agent**

**PNC CAPITAL MARKETS, LLC,
as Lead Arranger**

by all of its Significant Unregulated Subsidiaries to the maximum extent permitted under the laws of the jurisdiction of organization of any such Significant Unregulated Subsidiary.

5.11 Anti-Terrorism Laws. Neither the Borrower nor its Affiliates, Subsidiaries or agents shall (a) conduct any business or engage in any transaction or dealing with any Blocked Person, including the making or receiving of any contribution of funds, goods or services to or for the benefit of any Blocked Person, (b) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224; or (c) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or the USA Patriot Act. The Borrower shall deliver to Agent any certification or other evidence requested from time to time by the Agent in its sole discretion, confirming Borrower's and its Affiliates' and Subsidiaries' compliance with this Section 5.11.

5.12 Designation of Subsidiaries. The Borrower may from time to time cause any Regulated Subsidiary or any Unregulated Subsidiary which is not a Significant Subsidiary, in each case, acquired after the Closing Date to be designated as an Unrestricted Subsidiary or any Unrestricted Subsidiary to be designated as a Restricted Subsidiary, provided, however, that at the time of such designation and immediately after giving effect thereto, no Default or Event of Default would exist under the terms of this Agreement, and provided, further, that once a Subsidiary has been designated an Unrestricted Subsidiary, it shall not thereafter be redesignated as a Restricted Subsidiary on more than one occasion. Within ten (10) days following any designation described above, the Borrower will deliver to the Agent a notice of such designation accompanied by a certificate signed by a Responsible Officer certifying compliance with all requirements of this Section 5.12 and setting forth all information required in order to establish such compliance.

SECTION 6. NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect, any Note remains outstanding and unpaid, any Letter of Credit remains outstanding or any other amount is owing to any Bank or the Agent hereunder, the Borrower shall not, and, shall not permit any of (i) its Restricted Subsidiaries (except in the case of Sections 6.1, 6.2, 6.11 and 6.14 which apply only to the Borrower), or (ii) its Subsidiaries (in the case of Section 6.13 only), to, directly or indirectly:

6.1 Financial Covenants.

(a) Leverage Ratio. Permit as of the end of any fiscal quarter the Leverage Ratio to be greater than sixty-five percent (65%).

(b) Interest Coverage Ratio. Permit as of the end of any fiscal quarter the Interest Coverage Ratio to be less than 1.8 to 1.

6.2 Limitation on Certain Debt. Except for the Commitments under the Loan Documents, at any time enter into, assume or suffer to exist lines of credit or comparable

(a) any Person or group of Persons (within the meaning of Sections 13(d) or 14(a) of the Securities Exchange Act of 1934, as amended) shall have acquired, after the Closing Date, beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) of more than 50% of the Voting Stock of the Borrower; or

(b) the Borrower ceasing to own, whether directly or indirectly, beneficially and of record less than one hundred percent (100%) of each class of Capital Stock of each Significant Subsidiary.

"Closing": as defined in Section 4.3.

"Closing Date": as defined in Section 4.3.

"Closing Fee": as defined in subsection 2.4(a)

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Commitment": as to any Bank, the obligation of such Bank to make Revolving Credit Loans, issue and/or acquire participating interests in Letters of Credit and make or participate in Swing Line Loans hereunder, in an aggregate amount at any one time outstanding not to exceed (a) as to any Bank which is an original signatory to this Agreement, the amount set forth opposite such Bank's name on Schedule I hereto under the caption "Commitment", as the same may be changed from time to time in accordance with the provisions of this Agreement or (b) as to any Bank which is not an original signatory to this Agreement but which becomes a Bank by executing an Assignment and Assumption, Increased Commitment and Acceptance or a New Bank Joinder, the Commitment for such Bank set forth on Schedule I to such Assignment and Assumption, Increased Commitment and Acceptance or New Bank Joinder, as such amount may be changed from time to time in accordance with the provisions of this Agreement.

"Commitment Percentage": as to any Bank at any time, the proportion (expressed as a percentage) that such Bank's Commitment bears to the Total Commitment at such time (or, at any time after the Commitments shall have expired or been terminated, the percentage which the amount of such Bank's Exposure constitutes of the aggregate amount of the Total Exposure at such time).

"Commitment Period": the period from, and including, the Closing Date to, but not including, the Termination Date.

"Compliance Certificate": as defined in subsection 5.2(a).

"Consolidated Assets": at any time, the amount at which all assets (including, without duplication, the capitalized value of any leasehold interest under any Capital Lease) of the Borrower and its Subsidiaries would be reflected on a consolidated balance sheet of the Borrower at such time.

"Consolidated EBIT": for any period, Consolidated Net Income for such period, plus the amount of income taxes and interest expense deducted from earnings in determining such Consolidated Net Income.

“Consolidated Funded Debt”: at any time, all Debt of the Borrower and its Subsidiaries determined on a consolidated basis consisting of, without duplication (a) borrowed money Debt, including without limitation capitalized lease obligations, (b) reimbursement obligations in respect of letters of credit and the like, and (c) Debt in the nature of a Contingent Obligation, whether or not required to be reflected on a consolidated balance sheet of the Borrower in accordance with GAAP.

“Consolidated Interest Expense”: for any period, the amount of cash interest expense deducted from the consolidated earnings of the Borrower and its Subsidiaries in determining Consolidated Net Income for such period in accordance with GAAP.

“Consolidated Net Income”: for any fiscal period, net earnings (or loss) after income and other taxes computed on the basis of income of the Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

“Consolidated Shareholders’ Equity”: at a particular date, the net book value of the shareholders’ equity of the Borrower and its Subsidiaries as would be shown on a consolidated balance sheet of the Borrower at such time determined in accordance with GAAP.

“Contingent Obligation”: with respect to any Person (for the purpose of this definition, the **“Obligor”**) any obligation (except the endorsement in the ordinary course of business of instruments for deposit or collection) of the Obligor guaranteeing or in effect guaranteeing any indebtedness of any other Person (for the purpose of this definition, the **“Primary Obligor”**) in any manner, whether directly or indirectly, including (without limitation) indebtedness incurred through an agreement, contingent or otherwise, by the Obligor:

(a) to purchase such indebtedness of the Primary Obligor or any Property or assets constituting security therefor;

(b) to advance or supply funds

(i) for the purpose of payment of such indebtedness (except to the extent such indebtedness otherwise appears on Borrower’s consolidated balance sheet as indebtedness), or

(ii) to maintain working capital or other balance sheet condition or any income statement condition of the Primary Obligor or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation; or

(c) to lease Property or to purchase Securities or other Property or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of the Primary Obligor to make payment of the indebtedness or obligation; or

(d) to make any future “earnout” payment or similar payments in connection with a Permitted Acquisition.

is derived, or, in the case of any such computation, as in effect on the date when such computation is required to be determined, subject to subsection 1.3(b).

“Governmental Acts”: as defined in subsection 2.5(j).

“Governmental Authority”: any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Guarantor”: as of the Closing Date, each Significant Unregulated Subsidiary and each Subsidiary now or hereafter, pursuant to Section 5.10, executing and delivering a Guaranty.

“Guaranty”: any Guaranty Agreement executed and delivered to the Agent by a Guarantor substantially in the form of Exhibit E hereto.

“Increased Commitment and Acceptance”: any Increased Commitment and Acceptance executed and delivered by a Bank, the Borrower and the Agent, substantially in the form of Exhibit F hereto, as amended, supplemented or otherwise modified from time to time.

“Insolvency”: with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

“Insolvent”: pertaining to a condition of Insolvency.

“Interest Coverage Ratio”: at the date of determination, the ratio of (a) Consolidated EBIT to (b) Consolidated Interest Expense, in each case for the prior four (4) consecutive fiscal quarters then ending.

“Interest Payment Date”: (a) as to any Base Rate Loan or Swing Line Loan, each March 31, June 30, September 30 and December 31, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period, and (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day which is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period.

“Interest Period”: with respect to any Eurodollar Loan:

(i) initially the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in their notice of borrowing or notice of conversion, given with respect thereto; and

(ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto;

“Letter of Credit Obligations”: at any time, an amount equal to the sum of (a) 100% of the maximum amount available to be drawn under all Letters of Credit outstanding at such time (determined without regard to whether any conditions to drawing could be met at such time) and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to subsection 2.5(d)(i).

“Letter of Credit Participant”: in respect of each Letter of Credit, each Bank (other than the Issuing Bank) in its capacity as the holder of a participating interest in such Letter of Credit.

“Letters of Credit”: collectively, the Existing Letters of Credit and any letters of credit issued by the Issuing Bank under Section 2.5, as amended, supplemented, extended or otherwise modified from time to time.

“Leverage Ratio”: at the date of determination, the ratio of (a) Consolidated Funded Debt to (b) the sum of (i) Consolidated Funded Debt and (ii) Consolidated Shareholders' Equity.

“Lien”: any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Capital Lease having substantially the same economic effect as any of the foregoing).

“Loan Documents”: the collective reference to this Agreement, the Notes, the Guaranty, the Applications, the Letters of Credit, any New Bank Joinders, any Increased Commitment and Acceptances, any Joinder entered into with any Bank or any Affiliate thereof, and all other documents, instruments, agreements or certificates delivered in connection herewith, in each case as amended, supplemented or otherwise modified from time to time.

“Loan Parties”: the Borrower and each of its Subsidiaries that is party to a Loan Document.

“Loans”: the collective reference to the Revolving Credit Loans and the Swing Line Loans.

“Material”: material in relation to the business, operations, affairs, financial condition, assets or properties of the Borrower and its Subsidiaries taken as a whole.

“Material Adverse Effect”: a material adverse effect on (a) the validity or enforceability of this Agreement or any other Loan Document, (b) the business, prospects, Property, assets, financial condition, results of operations or prospects of the Borrower and its Subsidiaries taken as a whole, (c) the ability of the Borrower and the other Loan Parties to duly and punctually to pay their Debts and perform their obligations under the Loan Documents, or (d) the ability of the Agent or any of the Banks, to the extent permitted, to enforce their legal remedies pursuant to this Agreement or any other Loan Document.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

RR8. Attach copies of the summaries of the Company's projected revenues, expenses and capital budgets for the next two years.

A. The Company's projected revenues and expense budget is presented below. Refer to RR26 for a listing of the future test year capital expenditures.

Aqua Pennsylvania Projected Revenue and Expense Budgets
(000) Omitted

	<u>2012</u>	<u>2013</u>
Revenues	420,256	443,680
Operating Expenses	125,419	128,320
Depreciation & Amortization	64,832	71,240
Other Taxes	10,997	11,715
Income Taxes	49,679	50,771
Utility Operating Income	<u>169,329</u>	<u>181,634</u>

Note 2012 and 2013 are based on 5 YR plan

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

RR9. Describe long-term debt reacquisitions by Company and Parent as follows:

- a. Reacquisitions by issue by year.
- b. Total gain on reacquisitions by issue by year.
- c. Accounting of gain for income tax and book purposes.

A. The Company has called certain debt issuances in the past when the decision was to the benefit of the customer to do so.

- a. Please see attached schedule.
- b. None
- c. None

Aqua Pennsylvania, Inc.
2011 Rate Case
Filing Requirements

G. Rate of Return

RR9.

Long Term Debt Refunding

<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year of Refunding</u>
\$ 7,200,000	8.875%	6/1/2010	1992
\$ 3,150,000	9.200%	12/15/2001	1993
\$ 4,400,000	10.125%	5/15/1995	1993
\$ 10,000,000	12.450%	8/1/2003	1993
\$ 8,000,000	13.000%	7/1/2005	1995
\$ 5,000,000	7.875%	12/1/1997	1996
\$ 4,150,000	8.400%	5/1/2002	1996
\$ 10,000,000	10.650%	4/1/2006	1996
\$ 3,200,000	6.500%	6/1/2010	2002
\$ 14,000,000	6.375%	10/15/2023	2004
\$ 22,000,000	6.350%	8/15/2025	2005
\$ 2,132,180	9.220%	11/15/2019	2007
\$ 18,360,000	6.000%	7/1/2030	2010
\$ 25,000,000	6.000%	6/1/2029	2010

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

RR10. Provide the following information concerning compensating bank balance requirements for actual test year:

- a. Name of each bank
- b. Address of each bank
- c. Type of accounts with each bank (checking, savings, escrow, other services, etc.)
- d. Average Daily Balance in each account
- e. Amount and percentage requirements for compensating bank balances at each bank
- f. Average daily compensating bank balance at each bank
- g. Documents from each bank explaining compensating bank balance requirements
- h. Interest earned on each type of account

A. None. Compensating bank balances are not required.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

RR11. Provide the following information concerning bank notes payable for actual test year:

- a. Line of Credit at each bank.
- b. Average daily balances of notes payable to each bank, by name of bank.
- c. Interest rate charged on each bank note (Prime rate, formula)
- d. Purpose of each bank note (e.g., construction, fuel storage, working capital, debt retirement).
- e. Prospective future need for this type of financing.

A. Please see attached.

Aqua Pennsylvania, Inc.
2011 Rate Case
Filing Requirements

G. Rate of Return

RR11.

Lines of Credit

- | a. <u>Bank Name</u> | <u>Amount</u> | |
|---------------------------------------|----------------------|---|
| PNC Bank Revolver | \$ 100,000,000 | (includes \$10,000,000 Swing Line Loan) |
| PNC Bank Discretionary Line of Credit | \$ 10,000,000 | |
| PNC Bank Letter of Credit Facility | \$ 5,000,000 | |
-
- | b. <u>Average Daily Balance for Test Year</u> | | |
|--|---------------|--|
| PNC Bank Revolver | \$ 55,532,829 | |
| PNC Bank Discretionary Line of Credit | \$ 833,333 | |
| PNC Bank Letter of Credit Facility | \$ 3,951,268 | |
-
- c. Formula Rate as Follows:**
- | | |
|---------------------------------------|---|
| PNC Bank Revolver | LIBOR rate + 75 basis points for 30, 60, 90 or 180 days, or
PNC Bank prime rate, or
Federal Funds rate + 50 basis points
Swing Line Loan: Federal Funds rate + 75 basis points |
| PNC Bank Discretionary Line of Credit | LIBOR rate + 100 basis points (for overnight borrowing) |
| PNC Bank Letter of Credit Facility | 125 basis points |
-
- d. The proceeds of the lines of credit are used for working capital
-
- e. The Company anticipates that it will utilize bank loans in the future to provide interim funding for capital expenditures and acquisitions.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

RR12. Submit details on Company or Parent common stock offerings (past five year to present) as follows:

- a. Date of Prospectus.
- b. Date of offering.
- c. Record date.
- d. Offering period--dates and number of days.
- e. Amount and number of shares of offering.
- f. Offering ratio (if rights offering).
- g. Percent subscribed.
- h. Offering price.
- i. Gross proceeds per share.
- j. Expenses per share.
- k. Net proceeds per share (i-j).
- l. Market price per share.
 - (1) At record date
 - (2) At offering date
 - (3) One month after close of offering
- m. Average market price during offering.
 - (1) Price per share
 - (2) Rights per share--average value of rights
- n. Latest reported earnings per share at time of offering.
- o. Latest reported dividends at time of offering.

A. Please see attached Schedule.

Aqua America, Inc.
2011 Rate Case
Filing Requirements

a. Date of Prospectus	8/10/2006	6/7/2006	11/9/2004
b. Date of Offering	8/10/2006	6/7/2006	11/9/2004
c. Record Date	8/16/2006	6/12/2006	11/12/2004
d. Offering Period	8/10/2006	6/7/2006	11/9/2004
e. Amt & No. of Shares	3,500,000 @ \$22.65	1,750,000 @ \$22.31	1,955,000 @ \$22.70
f. Offering Ratio	N/A	N/A	N/A
g. % Subscribed	100%	100%	100%
h. Offering Price	\$22.65	\$22.31	\$22.70
i. Gross Proceeds/Shr.	\$22.65	\$22.31	\$22.70
j. Expenses/Shr.	\$0.79	\$0.81	\$0.86
k. Net Proceeds/Shr.	\$21.86	\$21.50	\$21.84
l. Market Price/Shr.			
At record date	\$22.59	\$21.40	\$23.28
At offering date	\$22.75	\$22.31	\$22.84
One month after	\$22.24	\$22.57	\$23.40
m. Avg. Mkt. Price Price/Shr. Rights/Shr.	\$22.36 N/A	\$22.38 N/A	\$21.89 N/A
n. Latest reported eps	\$0.72	\$0.72	\$0.85
o. Latest reported dps	\$0.46	\$0.43	\$0.52 Annually

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
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G. Rate of Return

RR13. Attach chart explaining Company's corporate relationship to its affiliates showing system structure.

A. Please see attached agreement.

AFFILIATED INTEREST AGREEMENT

This Affiliated Interest Agreement (AIA) dated as of OCTOBER 8, 2010 between Aqua Services, Inc., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal place of business located at 762 W. Lancaster Avenue, Bryn Mawr, PA 19010 (hereinafter "Service Company"), and Aqua Pennsylvania, Inc., located at 762 W. Lancaster Avenue, Bryn Mawr, PA 19010 (hereinafter referred to individually as a "Aqua PA"), and collectively hereinafter referred to jointly as the "Parties" or individually as a "Party".

RECITALS

1. WHEREAS, both Service Company and Aqua PA are direct or indirect subsidiaries of Aqua America, Inc., a Pennsylvania corporation (hereinafter "Aqua America"); and
2. WHEREAS, Aqua PA has been organized for and is presently engaged in the business of providing water and/or wastewater services as a public utility in the Commonwealth of Pennsylvania (hereinafter Aqua PA and any of its affiliates that are also engaged in the business of providing water and/or wastewater services as a public utility in the same state are collectively referred to in this Agreement as Aqua PA); and
3. WHEREAS, Service Company maintains an organization whose officers and employees are familiar with the water and wastewater utility business, including the business and operations of Aqua PA, and have experience and expertise in accounting and financial services, administration, communications, corporate secretarial, customer service and billing, engineering, financial, fleet services, human resources, information systems, operation, rates and regulatory, risk management, water quality, legal, and purchasing, contracts and sales of real estate of water and wastewater utilities. The officers and employees of Service Company are qualified to aid, assist and advise Aqua PA in its business operations through the services to be performed under this AIA; and

4. WHEREAS, Aqua PA is entering into this AIA with Service Company to specifically define the types of services available to it as set forth in Exhibit A attached hereto and made a part hereof; and
5. WHEREAS, Service Company has entered or proposes to enter into agreements similar to this agreement with other affiliated companies that are direct or indirect subsidiaries of Aqua America (hereinafter individually a "Subsidiary" or collectively the "Subsidiaries"), including those Subsidiaries that are regulated public utilities (hereinafter individually a "Utility Company" or collectively the "Utility Companies") and those Subsidiaries that are other non-regulated businesses (hereinafter individually a "Non-Regulated Company" or collectively the "Non-Regulated Companies"); and
6. WHEREAS, Service Company may engage or subcontract with other companies or persons, including other affiliated companies, to provide portions of the services hereunder;
7. WHEREAS, the services to be rendered under this AIA are to be rendered by Service Company to Aqua PA at the lower of their cost or market to Service Company, as hereinafter provided; and

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, Service Company and Aqua PA agree as follows:

ARTICLE I. PERSONNEL AND SERVICES TO BE PROVIDED

1.1 During the term of this AIA as set forth in Article V and upon the terms and conditions hereinafter set forth, Service Company may provide to Aqua PA the Accounting and Financial Services, Administration, Communication, Corporate Secretarial, Customer Service and Billing, Engineering, Financial, Fleet Services, Human Resources, Information Systems, Operation, Rates

and Regulatory, Risk Management, Water Quality, Legal, and Purchasing as set forth on Exhibit A attached hereto, provided, however, that Aqua PA may perform any such services with its own personnel or engage another company or person to provide those services on its behalf. Service Company may engage or subcontract with another company or person to provide such services on its behalf. If Service Company engages other affiliates of Aqua America to provide any of the services hereunder, such services shall be charged to Aqua PA on the same basis as the services provided by the Service Company.

1.2 Service Company shall employ qualified officers and employees to provide the services hereunder and those persons shall be available to serve as officers of Aqua PA.

ARTICLE II. PAYMENT FOR SERVICES

2.1 In consideration for the services to be rendered by Service Company as herein provided, Aqua PA agrees to pay to Service Company the cost of the services provided to it at the lower or cost or market as determined as provided in this Article II and in Article III.

2.2 The costs for service rendered by Service Company personnel directly for Aqua PA shall be charged to Aqua PA based on such personnel's time sheets.

2.3 For services that are made available by Service Company in common to other Aqua America Subsidiaries, including Aqua PA, which cannot be identified and related exclusively to a particular Subsidiary, the cost for such services will be first allocated between the Utility Companies and the Non-Regulated Companies based on the relative proportion of the total Utility Companies assets and the Non-Regulated Companies assets at the most recent fiscal year end to the total assets of all the Utility and Non-Regulated Companies assets combined.

2.4 The portion of the costs for such common services allocated to the Utility Companies or a group of Utility Companies will be further allocated to each Utility Company or group of

Utility Companies, including Aqua PA, based on the ratio of the number of customers served by each Utility Company or the group of Utility Companies at the most recent fiscal year end to the number of customers served by all Utility Companies, subject to adjustment during any year for a substantial change in the number of customers at any Utility Company or among the Utility Companies since the previous year-end in accordance with the Service Company's accounting policies.

- (a) For purposes of this calculation, customers of the Utility Companies who receive both water and wastewater services from a Utility Company will be counted as 1.5 customers.
- (b) For Customer Service and Billing Services provided to the Aqua America Utility Companies, including Aqua PA, and non-affiliated entities ("Third Party Clients") utilizing the Customer Service Billing System employed by the Service Company to provide these Services, which Services cannot be identified and related exclusively to a particular Utility Company or Third Party Client, the cost for such Customer Service and Billing Services will first be allocated between the Third Party Clients and the Utility Companies based on the relative proportion of Third Party Client and Utility Companies revenues budgeted to be generated from the Customer Service Billing System for the current year to the total budgeted revenues to be generated from the Customer Service Billing System for the current year for all Third Party Clients and Utility Companies combined.

The portion of the costs for such common Customer Service and Billing Services allocated to the Utility Companies or a group of Utility Companies will be further allocated to each Utility Company or group of Utility Companies,

including Aqua, based on the ratio of the number of customers served by each Utility Company or the group of Utility Companies at the most recent fiscal year end to the number of customers served by all Utility Companies, subject to adjustment during any year for a substantial change in the number of customers at any Utility Company or among the Utility Companies since the previous year-end in accordance with the Service Company's accounting policies.

2.5 The amount for a Service Company employee's costs to be billed shall be computed on the employee's total labor rate, including base pay and other compensation, payroll taxes and fringe benefits (calculated on a per hour basis), plus a general overhead factor as set forth in Article III.

2.6 All direct expenses of Service Company incurred in connection with services rendered by Service Company which can reasonably be identified and related exclusively to Aqua PA, shall be charged directly to Aqua PA.

ARTICLE III. ALLOWANCE FOR OVERHEAD

3.1 In determining the cost for services rendered by the Service Company to Aqua PA as herein provided, there shall be added to the base pay rate of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the overhead of Service Company, as defined below, allocable to each such officer or employee. The overhead shall be calculated each year and shall be based on the ratio of the total overhead of the Service Company for the year to the total salaries of the Service Company officers and employees for whose services charges are to be made to the Subsidiaries, including Aqua PA. No general overhead or other markups by the Service Company shall be added to costs incurred for services of consultants or other third parties employed by Service Company.

3.2 The term "overhead" shall include, but not be limited to:

- (a) building costs, lease costs, utilities, and other costs associated with office space and equipment, and
- (b) taxes other than payroll taxes

ARTICLE IV BILLING PROCEDURES AND BOOKS AND RECORDS

4.1 As soon as practicable after the last day of each month, Service Company shall render a bill to Aqua PA for all amounts due from Aqua PA for services and expenses for such month, computed pursuant to Article II and Article III. Alternatively, Service Company may require any other affiliated company from which it procures services for Aqua PA to bill Aqua PA for such services and related expenses on the same basis as set forth in Articles II and Article III. Such bills shall be in sufficient detail to show the charge for each service rendered. All amounts shall be paid by Aqua PA within thirty (30) days after Aqua PA's receipt of the bill.

4.2 Service Company agrees to keep its books and records, and to require any other affiliated company providing services to Aqua PA hereunder to keep their books and records, available at all times for inspection by representatives of Aqua PA or by regulatory bodies having jurisdiction over Aqua PA during normal business hours and upon reasonable advance notice.

4.3 Service Company shall at any time, upon request of Aqua PA, furnish any and all information required by Aqua PA with respect to the services rendered by Service Company or any affiliated companies hereunder, the costs thereof, and the allocation of such costs among the Subsidiaries.

ARTICLE V TERM OF AGREEMENT

5.1 This AIA shall become effective as of the later of (a) the date first set forth above or (b) the date the parties receive the last of any necessary approvals of governmental regulatory agencies having jurisdiction over this AIA. Upon becoming effective, this AIA shall supersede all prior agreements, written or oral, which shall terminate on the date this AIA becomes effective. This AIA shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto thirty day's notice in writing; provided, however, that this AIA shall terminate as of the date Aqua PA or Service Company ceases to be an affiliate of Aqua America.

5.2 Upon termination of the AIA without cause by Aqua PA, Service Company shall continue to provide services to Aqua PA at Aqua PA's request for a period of no more than sixty (60) days from and after the effective date of the termination to facilitate Aqua PA's transition to another service provider. Such transition shall be provided on the same terms and conditions as set forth in this AIA, including compensation.

ARTICLE VI BREACH

6.1 Either Party to the AIA may terminate this AIA upon material breach by the other Party. The non-breaching Party shall provide written notice of such breach to the other Party by certified mail, setting forth in detail the alleged failure and/or deficiency. If such breach is not corrected by the breaching Party within thirty (30) days from receipt of written notice by certified mail, this Agreement shall thereupon terminate.

ARTICLE VII OTHER AGREEMENTS

7.1 It is understood by Aqua PA that Service Company has entered or may enter into similar agreements with other Subsidiaries to which similar services are to be furnished. The

Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

ARTICLE VIII INFORMATION EXCHANGE

8.1 Aqua PA shall provide such information as required by Service Company for Service Company to perform its obligations hereunder. Service Company agrees on behalf of it and its employees and contractors that it will maintain such information as confidential and not disclose such information to third parties unless required by law and applicable regulatory agencies (including the PUC). Service Company's obligation of confidentiality will not apply to information which (a) is or becomes available to the public other than as a result of a disclosure by Service Company or its employees or contractors, (b) was in Service Company's possession and obtained on a non-confidential basis prior to its disclosure by Aqua PA or (c) becomes available to the Service Company on a non-confidential basis from a person or entity other than Aqua PA who Service Company does not know or have reason to know is under an obligation of confidentiality to Aqua PA.

ARTICLE IX GENERAL PROVISIONS

9.1 **JOINT OBLIGATIONS OF THE PARTIES.** Service Company and Aqua PA agree to cooperate in all matters that are the subject of this AIA.

9.2 **ARBITRATION.** It is the stated purpose and goal of both Parties at all times to resolve any disputes and reach agreement by good faith negotiation between the Parties, without recourse to arbitration or other legal actions. In the event, however, that any such dispute cannot be settled through negotiation, either Party may request that the matter(s) in dispute be referred to arbitration. The demand for arbitration must be submitted to the American Arbitration

Association within sixty (60) calendar days after the date of such request, in which case the arbitration shall be conducted at a mutually agreed upon location, in accordance with the rules and procedures then existing under the Commercial Arbitration rules of the American Arbitration Association, provided that notwithstanding anything to the contrary contained in such Rules the following shall apply: The arbitration board shall consist of a single arbitrator. The Parties shall endeavor to agree upon the single arbitrator. If the Parties fail to agree on a single arbitrator within twenty (20) business days, the arbitrator shall be selected by the American Arbitration Association or otherwise in accordance with such Rules. After the appointment of the arbitrator, the arbitrator shall meet as necessary for the purpose of reaching a determination in the dispute, and the decision of the arbitrator, submitted in writing, to the Parties shall be final and binding upon both Parties. Judgment upon any decision rendered by arbitrator may be entered in any court having jurisdiction. Each Party shall bear the expense of its own witnesses, and the expenses of the arbitrator and any general expenses of the arbitration shall be borne equally by the Parties.

9.3 FORCE MAJEURE. Neither Party will be in default or otherwise liable for any delay in or failure of its performance hereunder due to any act of God, adverse weather condition, fire, flood, riot, strike, terrorism, accident, war, governmental requirement, inability to secure materials, labor or transportation, cable cut or other cause beyond the reasonable control of the affected party.

9.4 STANDARD OF CARE. Service Company shall perform its services with that degree of care, diligence and professional skill and judgment which is normally exercised by professionals in its industry. Except as otherwise expressly set forth in this AIA, the Service Company makes no warranties, representations or other agreements, expressed or implied with respect to this AIA and the services provided hereunder. Service Company's entire liability to Aqua PA for any claim, loss, expense or damage under this AIA, including any claims for special,

incidental, consequential, indirect or punitive damages shall in no event exceed the sums actually paid by Aqua PA to Service Company during the most recent calendar year.

9.5 ASSIGNMENT. Neither party may assign this AIA without the prior written consent of the other party, which consent shall not be unreasonably withheld.

9.6 GOVERNING LAW. This AIA shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

9.7 INDEMNIFICATION:

9.7.1 To the extent allowed by law, Service Company shall defend, indemnify and hold harmless Aqua PA, its officers, directors, employees and agents from and against any and all liability, including liability to third parties, for personal injury, including death, property damage, or other actions, damages, fines, penalties, claims, demands, judgments, losses, costs, expenses, suite and actions (including reasonable attorney's fees), for personal injury, including death, property damage or other injury, to the extent caused by or arising out of negligence or wrongful or willful misconduct on the part of Service Company or its officers, employees, agents, contractors and subcontractors in connection with services provided pursuant to the terms of this AIA.

9.7.2 To the extent allowed by law, Aqua PA shall defend, indemnify and hold harmless Service Company, its officers, directors, employees and agents from and against any and all liability, including liability to third parties, for personal injury, including death, property damage, or other actions, damages, fines, penalties, claims, demands, judgments, losses, costs, expenses, suite and actions (including reasonable attorney's fees), for personal injury, including death, property damage or other injury, to the extent caused by or arising out of negligence or wrongful or willful misconduct on the part of Aqua PA or its officers,

employees, agents, contractors and subcontractors in connection with services provided pursuant to the terms of this AIA.

9.8 SEVERABILITY. Each provision of this AIA is severable from the whole, and if one provision is declared invalid, the other provisions shall remain in effect.

9.9 NO WAIVER. Failure by a party to enforce any provision of this AIA, or the waiver thereof in any instance, shall not be construed as a general waiver of rights.

9.10 NOTICES. Any notice given or made pursuant to this AIA will be effective only if in writing and delivered in person, by messenger, by overnight delivery, or by certified mail, return receipt to a Party at the address first written above.

9.11 COMPLETE AGREEMENT. The terms of this AIA constitute the entire agreement between the Parties concerning the subject matter hereof, and this AIA may be modified only in a writing signed by both Parties. This AIA and the exhibits incorporated herein shall be modified and/or amended only by writing signed by both parties and shall not be effective until filed with and approved by applicable regulatory agencies, include the PA PUC

9.12 TITLES AND HEADINGS. Titles and headings to sections or paragraphs herein are inserted merely for convenience of reference and are not intended to be a part of or to affect the meaning or interpretation of this AIA.

9.13 COUNTERPARTS. This AIA may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Service Company and Aqua PA have caused this AIA to be signed in their respective corporate names by their respective Presidents or Vice Presidents, as of the day and year first above written.

AQUA PENNSYLVANIA, INC.

By: *Karl Kuper*
Title: *Pres.*

AQUA SERVICES, INC.

By: *Robert A. Lusk*
Title: *Vice President*

EXHIBIT A

Without limitation, services to be provided by the Service Company will include the following:

A. Accounting and Financial Services: Service Company will oversee and assist in the preparation and implementation of accounting methods and procedures that conform to the requirements, rules and regulation of governmental authorities having jurisdiction over Aqua PA and will oversee and assist in the preparation of Aqua PA's monthly financial reports, annual reports and other reports, including those for any governmental authorities. Service Company will oversee and assist in the establishment and maintenance of current record keeping techniques; review accounting procedures, methods and forms; and evaluate systems of internal controls for receipt and disbursement of funds, materials and supplies, and other assets. Service Company will assist in the maintenance of accounting records as required by Aqua PA. Service Company will oversee the work of and cooperate and consult with any independent certified public accountant for Aqua PA. Service Company will also provide services related to accounts payable, payroll, utility plant accounting, consolidation, SEC reporting/filing, ratemaking, regulatory relations, cash management, capital structure management, capital budgeting and allocation, operating budgeting and long-range planning.

Service Company will assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company will prepare or assist in the preparation of federal, state and local tax returns for and to the extent required by Aqua PA.

B. Administration: Service Company will assist in the performance of Aqua PA's corporate activities. Those employees will keep themselves informed on Aqua PA's operations. They will make recommendations to Aqua PA for operating expenditures and for additions to and

improvements of property, plant and equipment. They will keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect Aqua PA and advise Aqua PA of such developments and conditions to the extent that they may be important to Aqua PA. Service Company will provide an internal audit staff for periodic audits of accounts, records, policies and procedures of Aqua and submit reports thereon.

C. Communications: Service Company will recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of communication materials, (including press releases, brochures, audio visual presentations and speeches) plant tours, public exhibits and displays and other related services to inform the public.

D. Corporate Secretarial: Service Company will maintain, in such places and manner as may be required by applicable law, corporate documents of Aqua PA, such as minute books, charters, by-laws, contracts, deeds and other corporate records. It will maintain, or arrange for the maintenance of, records of stockholders of Aqua PA and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof.

Service Company will review and may assist in the preparation of documents and reports required by Aqua such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

E. Customer Service and Billing: Service Company may provide customer service and billing services to Aqua PA, including live and automated telephone service to customers, non-telephonic services (including regular mail, facsimile, e-mail and Internet based), rendering of periodic bills and notices to customers based on Aqua PA's tariffs, collections, assisting customers with water service changes, resolving customer disputes, work order distribution, remittance processing and data input to the customer information system.

F. Engineering: Service Company may provide engineering consulting regarding, and provide engineering services in connection with, the design, permitting and constructing of Aqua PA's facilities.

Service Company may conduct facility planning, hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data, as needed to support these engineering services. It may assist Aqua PA in the protection of Aqua PA's properties by periodic inspection of their structures, including, as applicable, tanks reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company may also include the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of Aqua PA's sources of supply, treatment plants, pumping stations, collection and distribution systems, and such other facilities as Aqua PA may request. Service Company may provide a materials management program to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to Aqua PA and assist in the evaluation of new and existing products and application procedures.

G. Financial: Service Company will assist in the development and implementation of financing programs for Aqua PA, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advice concerning arrangements for the sale of securities; and assistance in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. Service Company will prepare reports to be filed with, and reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company will assist Aqua PA in treasury and cash management functions, including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

H. Fleet Services: Service Company may provide various fleet management services, including assistance with vehicle ordering and leasing, fuel card management, vehicle maintenance support and oversight, vehicle signage, vehicle titles and driver training.

I. Human Resources: Service Company will assist in obtaining qualified personnel for Aqua PA, in establishing appropriate rates of pay for those employees, and in negotiating with bargaining units, if any, representing Aqua PA's employees. Service Company will recommend and/or carry out training programs for the development of personnel and advise and assist Aqua PA regarding personnel issues and human resource policies and procedure.. It will also advise and assist Aqua PA in regard to group employee insurance, pension and benefit plans and in the drafting or revising of those plans when required. It will provide advice regarding employment and benefit laws and procedures and assist in implementing controls for compliance with such laws.

J. Information Systems: Service Company will make available to Aqua PA electronic data processing systems, networks, applications and services. Service Company will design, implement and maintain a computer network, data communications system, database and applications services, desktop and laptop computers, and peripheral equipment along with periodic upgrades, data backups and recovery procedures for the benefit of Aqua PA.

K. Operation: Service Company may develop and assist in the implementation of operating procedures to promote the efficient and economic operation of Aqua PA. Periodic operational reviews may be performed by Service Company personnel and recommendations for improvements will be reported to Aqua PA.

L. Rates and Regulatory: Service Company personnel will make recommendations for changes in rates, tariffs, rules and regulations and will assist Aqua PA in the conduct of proceedings before, and in their compliance with the rulings of, regulatory bodies having jurisdiction over the Aqua PA's operation. These personnel will keep abreast of economic and regulatory developments and conditions that may affect Aqua PA and advise Aqua PA of developments and conditions to the extent that they may be important to Aqua PA. Service Company Rates and Regulatory personnel will assist in the preparation of rate filings or applications and the supporting documents and exhibits requested or required by Aqua PA and their respective regulatory commissions. Service Company will also provide qualified personnel to testify on behalf of Aqua PA as required during any regulatory proceedings.

M. Risk Management: Service Company will provide risk management services to review the exposures to accidental loss, recommend methods of protection, either through the purchase of insurance, self-insurance or other risk management techniques and arrange for the purchase of insurance coverage. Service Company will also supervise the investigation of claims against Aqua and assist in the negotiation and settlement of such claims at the request of Aqua PA. It will assist, as requested by Aqua PA, in the establishment of safety and security programs for Aqua PA.

N. Water Quality Service Company will provide information to Aqua PA on relevant current or pending water quality, drinking water, and other environmental regulations. It will review water quality data and provide advice and consultation to assist Aqua PA in complying with current and proposed water quality standards set by federal or state agencies. It will provide technical assistance and general direction for Aqua PA personnel on water quality issues, assist in selecting compliance strategies and evaluating alternatives for capital projects driven by environmental compliance or water quality, and assist in providing responses to and coordination with public agencies to maintain or achieve compliance.

Service Company will also provide laboratory testing services for compliance testing for which its or its affiliated lab is certified in a particular state, or for non-compliance testing where special testing services or a check on a local lab might be needed. Service Company will help evaluate pricing of local and regional laboratory services, provide competitive pricing where appropriate in negotiating pricing with contract laboratories, and will provide inspection and/or audits of contract labs where appropriate.

Service Company will provide services for the generation and distribution of Annual Water Quality Reports (CCR's) in compliance with state and federal requirements, and will post and maintain these documents on the Aqua web site. The Service Company will also assist in drafting and/or editing required public notices and public educations material related to water quality.

O. Legal Service Company will provide legal services, including legal advice and representation on legal matters. Service Company will also provide oversight of outside council retained to represent Aqua PA.

P. Purchasing, Contracts and Sales of Real Estate Service Company may (a) act as purchasing agent for the Aqua PA, so far as it is feasible, in the purchase of supplies, materials and equipment for which Aqua PA may submit a requisition through the Service Company's purchasing system; (b) endeavor to secure prompt shipment and delivery items ordered; (c) provide Aqua PA the benefit of cash, trade and quantity discounts obtained by Service Company with respect to items ordered for Aqua PA; (d) keep in touch with market conditions and endeavor to recommend to Aqua PA purchases at advantageous times; (e) negotiate purchases and sales of real estate and the terms of leases; (f) analyze quotations or competitive bids of suppliers or contractors submitted to Aqua PA and make recommendations relative thereto; and (g) establish and assist in the administration of purchasing card accounts.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
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G. Rate of Return

- RR14. If the utility plans to make a formal claim for a specified allowable rate of return, provide the following data in statement or exhibit form:
- a. Claimed capitalization and capitalization ratios with supporting data.
 - b. Claimed cost of long-term debt with supporting data.
 - c. Claimed cost of short-term debt with supporting data.
 - d. Claimed cost of total debt with supporting data.
 - e. Claimed cost of preferred stock with supporting data.
 - f. Claimed cost of common equity with supporting data.
- A. The Company's claim for a specific allowable rate of return, including the details requested in items (a) through (f) may be found in Schedules 1, 5 and 6 of Exhibit 4-A.