

**AQUA PENNSYLVANIA, INC.**  
**2011 RATE CASE**  
**FILING REQUIREMENTS**

**E. Rate Base**

RB1. Provide a schedule showing the measures of value and the rates of return at the original cost in the current case. All claims made on this exhibit should be cross-referenced to appropriate exhibits.

A. Refer to Exhibit 1-A, pages 80 and 81.

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- RB2. If a claim is made for construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expended at the end of the historic and future test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion dates and estimated total amounts to be spent on each project. (This exhibit should be updated at the conclusion of these proceedings).
- A. The Company is not making a claim for CWIP as a component of rate base

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RB3. If a claim is made for non-revenue producing construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expended at the end of the historic and future test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion data and estimated total amounts to be spent on each project. (These exhibits should be updated at the conclusion of these proceedings.)

A. None.

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- RB4. If a claim is made for plant held for future use, supply the following:
- a. A brief description of the plant or land site and its original cost.
  - b. Expected date of use for each item claimed.
  - c. Explanation as to why it is necessary to acquire each item in advance of its date of use.
  - d. Date when each item was acquired.
  - e. Date when each item was placed in the plant held for future use.
- A. None.

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- RB5. If fuel stocks comprise part of the cash working capital claim, provide an exhibit showing the actual book balances (quantity and price) for the fuel inventories by type of fuel for the thirteen months prior to the end of the historic test year by location, station, etc. (Explain the method of determining claim if other than that described above.)
- A. Fuel for heating, transportation and power production is not inventoried, but expensed at the time of purchase. Working capital requirements for these types of fuels are reflected as part of "other" in the lag day calculation shown on page 83-2 of the major accounting exhibit, Exhibit 1A.

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RB6. Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not previously mentioned, in the measures of value.

A. None.

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RB7. Provide schedules and data in support of the following working capital items:

- a. Prepayments List and identify all items
- b. Federal Income Tax accrued or prepaid
- c. Pa. State Income Tax accrued or prepaid
- d. Pa. Capital Stock Tax accrued or prepaid
- e. Pa. Public Utility Realty Tax accrued or prepaid
- f. Payroll taxes accrued or prepaid
- g. Any adjustments related to the above items for ratemaking purposes.

A. Refer to Exhibit 1-A, pages 84 and 84-1.

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- RB8. Supply an exhibit supporting the claim for cash working capital requirement based on the lead-lag method.
- a. Pro forma expenses and revenues are to be used in lieu of book data for computing lead-lag days.
- A. Please see Working Capital supporting documents on pages 83 through 83-2 of the major accounting exhibit, Exhibit 1A



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RB9. Please indicate if amortized expenses have been removed from the lead/lag study. If so, please provide documentation showing such removal. If not, provide a list of such amortization expenses included.

A. Yes. Refer to Page 83 of Exhibit 1-A.

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RB10. Please identify the funds availability arrangements or terms which the Company has with its banks with respect to deposits of customer checks. For example, does the Company have same day or next day access to funds deposited?

A. When funds from a check become available for use depends on several factors: the time and day the check is deposited, the drawee endpoint, and the bank of deposit's ledger cutoff time and availability schedule. The Company utilizes a retail lockbox site for the processing of the vast majority of customer remittances, which generally results in an acceleration of availability from 0 to 2 days. Typically, out of state checks fall into the 2 day range, while checks drawn on local banks have a 0 or 1 day delay depending on when they're processed by the lockbox.

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RB11. In reference to Materials and Supplies:

- a. What method of inventory valuation was used to develop the claim for materials and supplies?
  - b. Does the utility use a material and supply model to calculate needed material and supply levels?
  - c. If so, provide the model. Supply an illustrative example of how the monthly balances are derived.
  - d. Provide the actual monthly value for the inventory of materials and supplies for the past 12 months. Supply as of the end of the test year, a 13-month average, by month, for the material and supply account.
  - e. Provide the monthly level of materials and supplies for three years prior to the conclusion of the historic test year.
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- A.
    - a. Inventories are recorded at cost, not in excess of market value. Cost is determined using the first in, first-out method.
    - b. No.
    - c. Not Applicable
    - d. Refer to Exhibit 1-A, page 82.
    - e. See attached schedule.

**Aqua Pennsylvania  
Materials and Supplies  
Account Balance  
July 2008 through June 2011**

	2011 Balance	2010 Balance	2009 Balance	2008 Balance
January	\$ 5,615,509	\$ 4,163,365	\$ 4,137,715	\$ -
February	\$ 5,711,802	\$ 4,057,876	\$ 12,812,999	\$ -
March	\$ 5,897,481	\$ 4,425,797	\$ 3,923,999	\$ -
April	\$ 5,824,794	\$ 4,663,700	\$ 4,084,948	\$ -
May	\$ 5,862,138	\$ 4,470,347	\$ 4,178,426	\$ -
June	\$ 6,351,505	\$ 3,764,553	\$ 4,074,186	\$ -
July	\$ -	\$ 4,666,908	\$ 4,202,687	\$ 3,960,270
August	\$ -	\$ 4,460,244	\$ 4,748,027	\$ 4,256,725
September	\$ -	\$ 4,694,697	\$ 4,988,066	\$ 4,140,231
October	\$ -	\$ 4,432,217	\$ 4,428,779	\$ 4,447,731
November	\$ -	\$ 4,468,946	\$ 4,523,057	\$ 4,592,292
December	\$ -	\$ 4,309,476	\$ 4,114,402	\$ 3,877,801

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RB12. For each non-blanket or projected plant addition to cost the lesser of \$6,000,000 or 0.5% of current rate base, included in the future test year, please provide:

- a. a description of the project,
- b. original budgeted cost (broken down by AFUDC and non-AFUDC components),
- c. current budgeted cost (broken down by AFUDC and non-AFUDC components),
- d. reason for change in budgeted cost,
- e. original estimated date of completion and in service,
- f. current estimated date of completion and in service,
- g. reason for change in completion date,
- h. anticipated retirement related to the plant addition,
- i. starting date of project,
- j. amount expended to date,
- k. percent of project currently complete,
- l. the depreciation rate applicable, and
- m. identify which projects are due to a PA-DEP or EPA requirement.

A. There are no projects that meet these criteria in this case.

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RB13. Please explain how the future test year plant balances were projected and provide supporting workpapers and documentation.

- A. 6/30/12 future test year plant balances were projected on the basis of 6/30/11 actual plus 6/30/11 CWIP. Projected retirements as well as budgeted capital expenditures for 7/11 – 6/12 projected to be in service as of 6/30/12 are also components of the future test year plant balances. Please see Exhibit 6-A Part II for supporting work papers and documentation.

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RB14. Are all of the assets used in the Plant-In-Service, i.e. claim used exclusively by the utility? If not, provide the estimated percentage that each shared asset is used by other entities.

A. All the assets in the plant and utility account are use exclusively by Aqua PA except the corporate headquarters located at 762 W Lancaster Ave Bryn Mawr, PA 19010. Whereby, 20% is used by corporate affiliates of Aqua America

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RB15. Is all plant included in rate base currently being used in providing water service? If not, please provide a schedule which presents those plant items which are not, and indicate the corresponding amounts and account numbers. Further, please provide a detailed narrative explaining the reason why such plant is not being used and the anticipated future disposition of the plant.

A. All plant included in the Company's rate base claim is currently or, by June 30, 2012 will be used and useful.



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RB16. Please provide all workpapers and supporting documentation showing the derivation of the projected balances of Contributions in Aid of Construction, Customers Advances for Construction and Company service line and customer deposits for the future test year.

A. The Company's future test year claim does not include any projects to be funded by CAC or CIAC. Any increase in CAC or CIAC would trigger a corresponding and offsetting adjustment to plant in service.