(iii) Minimum Benefit: Amount determined in schedule below multiplied by total Years of Service.

Date of Termination, or if earlier, Normal Retirement Date	Amount
On or before November, 30, 1977	$ 84
December 1, 1977–November 30, 1978	108
December 1, 1978–November 30, 1979	120
December 1, 1979–November 30, 1981	144
December 1, 1981–November 30, 1982	180
December 1, 1982–November 30, 1983	240
December 1, 1983–November 30, 1984	264
December 1, 1984 and thereafter	300

(iv) Benefit accrued to December 31, 1988 based on the plan in effect at that date.

(v) Effective January 1, 2002 and amended January 1, 2005 and January 1, 2008, a schedule of minimum benefits, for certain individuals, applicable at normal retirement age.

4. Early Retirement Benefit:

(a) Eligibility: The first of the month on or next following attainment of age 55 and completion of 10 Years of Service.

(b) Prospective Benefit:

(i) Payable at age 65 — benefit as described in 3(b) above based on Average Applicable Compensation, Years of Service and Covered Compensation at date of termination.

(ii) Payable at an Early Retirement Date — benefit as described in 4(b)(i) above, reduced 1/4 of 1% for each calendar month payment precedes age 65.

(iii) Effective December, 1, 1986, participants who have attained age 62 and completed 30 years of service are eligible for unreduced early retirement benefits.

5. Postponed Retirement Benefit:

(a) Eligibility: All participants retiring after their normal retirement date.

(b) Pension Benefit: The greater of the benefit payable at normal retirement date, increased 1/2 of 1% for each month between normal retirement date and deferred retirement date and the benefit accrued to actual retirement.

6. Vested Benefit:

   (a) Eligibility: Completion of five Years of Service.

   (b) Prospective Benefit: Benefit as described in (3)(b) above based on Average Applicable Compensation, Years of Service and Covered Compensation at termination. Participants who had completed 10 Years of Service are applicable for benefits as early as age 55, reduced as described in (4)(b)(ii) above.

7. Disability Benefit:

   (a) Eligibility: Completion of 10 Years of Service and eligibility for disability retirement benefits under the Federal Social Security Act.

   (b) Prospective Benefit: The benefit described in (3)(b) above, assuming Applicable Compensation at date of disability remains level and Years of Service continue to accrue until actual retirement. Participants not covered by a long-term disability plan may elect to receive a pension commencing on the first day of the month following the determination of disability.

8. Preretirement Death Benefit:

   (a) Eligibility: Spouses of participants who die after earning a vested accrued benefit whether or not employed at death.

   (b) Prospective Benefit: A monthly benefit for life equal to 75% of the benefit described in (3)(b) calculated as if the participant had separated from service on the date of death, survived to the earliest retirement age and retired with a qualified contingent annuity.

9. Postretirement Death Benefit: None except as provided under normal or optional forms of annuities.

10. Employee Contributions: None.

11. Forms of Benefit:

    (a) Normal Form: For single participants the benefits are payable for life. For married participants the benefits are actuarially reduced to provide a 75% joint and survivor annuity with the spouse as beneficiary.

    (b) Optional Forms: Life annuity option for married participants; 5-year, 10-year or 15-year certain and continuous annuities; 50%, 66 2/3%, 75% or 100% joint and survivor annuities. Optional forms of benefit are determined to be actuarially equivalent to a life annuity.

12. <u>Maximums on Benefit and Pay</u>: All benefits and pay subject to maximum limitations specified by the Employee Retirement Income Security Act of 1974, as amended and defined by the Code for that calendar year.

Plan Provisions — Part B for SEIU Local 32BJ Employees

1. Eligibility for Participation: Participants in the plan on December 31, 1995 continue as participants in this plan. All other Eligible Class Employees become participants on the earlier of (a) or (b):

   (a) the January 1 on or following completion of six months of continuous employment.

   (b) the January 1 nearest the completion of one Year of Service.

   This plan is closed to new entrants who were hired or rehired on or after January 1, 2004.

2. Definitions:

   (a) Predecessor Plan: Retirement Income Plan for Employees of Philadelphia Suburban Water Company as of December 31, 1980.

   (b) Computation Period: Calendar year.

   (c) Eligible Class Employee: Any employee whose terms and conditions of employment are determined pursuant to a collective bargaining agreement between the employer and the union.

   (d) Year of Service: One year is earned for each Computation Period during which 1,000 hours or more are credited. For vesting purposes Years of Service as of January 1, 1981 cannot be less than the number credited under the Predecessor Plan. For benefit accrual purposes, Years of Service prior to January 1, 1981 are calculated under the terms of the Predecessor Plan.

   Service prior to January 1, 1985 for former employees of Great Valley Water Company and January 1, 1993 for former employees of Uwchlan is counted for eligibility purposes and ignored for vesting and benefit accrual purposes.

   Former employees of Media Water Company and Hatboro Water Company are credited with years of service with the former employer for eligibility and vesting purposes only; service prior to January 1, 1995 for former Media employees and prior to November 1, 1996 for Hatboro employees is ignored for benefit accrual purposes.

   Former employees of Borough of West Chester, Bristol and Bensalem are credited with years of service with the former employer for eligibility and vesting purposes only; service prior to January 1, 1997 for former Bensalem employees, prior to January 1, 1998 for former West Chester employees and prior to January 1, 1997 for Bristol employees is ignored for benefit accrual purposes.

(e) Applicable Compensation: Total earnings of an employee, paid during the Computation Period, which are subject to withholding of federal income taxes, excluding values of fringe benefits and income resulting from exercising of stock options, sale of stock, stock appreciation rights and deferred or contingent compensation arrangements.

(f) Average Applicable Compensation: The annual average of the Applicable Compensation during the 5 consecutive Computation Periods of the final 10 Computation Periods as an active participant yielding the highest such average.

(g) Covered Compensation: The average of the Social Security wage bases in effect during the 35 years ending with the year the participant attains Social Security Retirement Age. Covered Compensation is calculated as though the participant attains Social Security Retirement Age in year prior to termination.

3. Normal Retirement Benefit:

(a) Eligibility: The first day of the month coincident with or next following attainment of age 65.

(b) Prospective Benefit: The sum of (i) and (ii), minimum the greater of (iii) or (iv):

(i) 1.0% of Average Applicable Compensation up to Covered Compensation plus 1.4% of the excess; the sum multiplied by Years of Service to a maximum of 25.

(ii) 0.5% of Average Applicable Compensation multiplied by Years of Service in excess of 25.

(iii) Minimum Benefit: Amount determined in Schedule below multiplied by Years of Service.

Date of Termination or Normal Retirement Date, if Earlier Amount	Amount
On or before November 30, 1977	$ 84.00
December 1, 1977 – November 30, 1978	108.00
December 1, 1978 – November 30, 1979	120.00
December 1, 1979 – November 30, 1981	144.00
December 1, 1981 – November 30, 1982	180.00
December 1, 1982 – November 30, 1983	240.00
December 1, 1983 – November 30, 1984	264.00
December 1, 1988 – November 30, 1989	324.00
December 1, 1984 – November 30, 1988	300.00
December 1, 1989 – November 30, 1990	336.00
December 1, 1990 – November 30, 1991	348.00

December 1, 1991 – November 30, 1993	$ 360.00
December 1, 1993 – November 30, 1994	372.00
December 1, 1994 – November 30, 1995	384.00
December 1, 1996 – November 30, 1997	396.00
December 1, 1997 – November 30, 1998	420.00
December 1, 1998 – November 30, 1999	444.00
December 1, 1999 – November 30, 2000	468.00
December 1, 2000 – November 30, 2001	492.00
December 1, 2001 – November 30, 2002	528.00
December 1, 2002 – December 31, 2003	552.00
January 1, 2004 – November 30, 2004	588.00
December 1, 2004 – November 30, 2005	624.00
December 1, 2005 – December 31, 2006	648.00
January 1, 2007 – November 30, 2007	672.00
December 1, 2007 – November 30, 2008	684.00
December 1, 2008 – December 31, 2009	696.00
January 1, 2010 – December 31, 2010	717.00
January 1, 2011 and thereafter	738.00

(iv) Benefit accrued to December 31, 1988 based on the plan in effect at that date.

4. Pension Benefit at Early Retirement:

(a) Eligibility: The first of the month on or next following attainment of age 55 and completion of 15 Years of Service.

(b) Prospective Benefit:

(i) Payable at age 65 – benefit as described in (3)(b) above based on Average Applicable Compensation, Covered Compensation and Years of Service at date of termination.

(ii) Payable at an Early Retirement Date -- benefit as described in (4)(b)(i) above, reduced 1/4 of 1% for each calendar month payment precedes age 65. Effective December 1, 1986, participants who have attained age 62 and completed 30 Years of Service are eligible for unreduced early retirement benefits.

5. Postponed Retirement Benefit:

(a) Eligibility: All participants retiring after their normal retirement date.

(b) Pension Benefit: The greater of the benefit payable at normal retirement date, increased 1/2 of 1% for each month between normal retirement date and deferred retirement date and the benefit accrued to actual retirement.

6. Vested Benefit:

   (a) Eligibility: Completion of 5 Years of Service or age 65, if earlier.

   (b) Prospective Benefit: Benefit as described in (3)(b) above based on Average Applicable Compensation and Years of Service at termination is payable at age 65. Participants who had completed 15 Years of Service are eligible for benefits as early as age 55, reduced as described in (4)(b)(ii) above.

7. Disability Benefit:

   (a) Eligibility: Completion of 10 Years of Service and eligibility for disability retirement benefits under the Federal Social Security Act.

   (b) Prospective Benefit: The benefit described in (3)(b) above assuming Applicable Compensation and Years of Service at date of disability. Benefit is payable anytime after date of disability for as long as participant is disabled.

8. Preretirement Death Benefit:

   (a) Eligibility: For spouses of participants who die after earning a vested accrued benefit whether or not they are employed at the time of death.

   (b) Prospective Benefit: A monthly benefit for life equal to 75% of the benefit described in (4)(b) calculated as if the participant had separated from service on the date of death, survived to the earliest retirement age and retired with a qualified contingent annuity.

9. Postretirement Death Benefit: None except as provided under normal or optional forms of annuities.

10. Employee Contributions: None.

11. Forms of Benefit:

    (a) Normal Form: For single participants the benefits are payable for life. For married participants the benefits are actuarially reduced to provide a 75% joint and survivor annuity, with the spouse as beneficiary.

    (b) Optional Forms: Life annuity option for married participants; 5-year, 10-year or 15-year certain and continuous annuities; 50%, 66 2/3%, 75%, or 100% joint and survivor annuities. Optional forms of benefit are determined to be actuarially equivalent to a life annuity.

12. Maximum Benefit: All benefits subject to maximum limitations specified by the Employee Retirement Income Security Act of 1974, as amended.

Plan Provisions — Part C for Consumer Water Company and Associated Companies Employees

1. Eligibility for Participation: Effective January 1, 2003, employees become participants on the earlier of (a) or (b):

   (a) the January 1 on or following completion of six months of continuous employment.

   (b) the January 1 nearest the completion of one Year of Service.

   This plan is closed to new entrants who were hired or rehired on or after April 1, 2003 for nonunion participants, and for union participants, the date the union contract was ratified.

2. Definitions:

   (a) Computation Period: Calendar year.

   (b) Year of Service (vesting): One year is earned for each plan year during which 1,000 hours or more are credited.

   (c) Credited Service: Number of plan years during which an employee has completed 2,080 hours of service. Partial years are credited in years with less than 2,080 hours in proportion to the number of hours of service divided by 2,080 (to the nearest one-twelfth).

   (d) Applicable Compensation: Basic annual rate of pay as of January 1 of each year.

   (e) Average Compensation: The annual average of the Applicable Compensation during the five consecutive Computation Periods as an active participant yielding the highest such average.

3. Normal Retirement Benefit:

   (a) Eligibility: The first day of the month coincident with or next following attainment of age 65.

   (b) Prospective Benefit: 1.50% of Average Compensation multiple by Years of Credited Service to a maximum of 35 years.

4. Early Retirement Benefit:

   (a) Eligibility: When the sum of member's age and Years of Service equals or exceeds 95.

(b) Prospective Benefit:

(i) Payable at age 65 — benefit as described in (3)(b) above based on Average Compensation and Credited Service at date of termination.

5. Premature Retirement:

(a) Eligibility:

(i) Attained age 55 and 20 Years of Service.

A. Deferred Benefit — Unreduced benefit commencing at Normal Retirement Date or Projected Early Retirement Date, based on Average Compensation and Credited Service on Premature Retirement Date.

B. Immediate Benefit — Benefit as computed in (3)(b), reduced by 1/4 of 1% for each month by which Premature Retirement Date precedes the earlier of Normal or Projected Early Retirement Date.

(ii) Attained age 62 and 5 Years of Service.

A. Deferred Benefit — Unreduced benefit commencing at Normal Retirement Date or Projected Early Retirement Date, based on Average Compensation and Credited Service on Premature Retirement Date.

B. Immediate Benefit — Benefit as computed in (3)(b), reduced by 1/2 of 1% for each month by which Premature Retirement Date precedes Normal Retirement Date.

6. Vested Benefit:

(a) Eligibility: Completion of at least five Years of Service after member's 18th birthday.

(b) Prospective Benefit: Benefit as described in (3)(b) above based on Average Compensation and Credited Service at termination. Participants with 20 Years of Service can commence benefits as early as age 55, reduced as described in (5)(a) above.

7. Preretirement Death Benefit:

(a) Eligibility: Spouses of participants who die after earning a vested accrued benefit.

(b) Prospective Benefit: The amount that would have been paid to the spouse if the member had terminated employment on his date of death, survived to retire at age 55 and elected the 50% Spouse Joint and Survivor Annuity. Payments will not commence prior to the month following the date that would have been the member's 55th birthday.

8. Postretirement Death Benefit: None except as provided under normal or optional forms of annuities.

9. Employee Contributions: None.

10. Forms of Benefit:

(a) Normal Form: For single participants the benefits are payable for life. For married participants the benefits are actuarially reduced to provide a 50% joint and survivor annuity with the spouse as beneficiary if such an option was elected.

(b) Optional Forms: Life annuity option for married participants; Social Security level income options; 10-year certain and continuous annuities; 50%, 66 2/3%, 75% and 100% joint and survivor annuities. Optional forms are determined to be actuarially equivalent to a life annuity.

11. Maximums on Benefit and Pay: All benefits and pay subject to maximum limitations specified by the Employee Retirement Income Security Act of 1974, as amended and defined by the Code for that calendar year.

Plan Provisions Effective After January 1, 2010

No future plan provisions were recognized in determining pension cost or minimum and maximum contributions.

Changes in Benefits Valued Since Prior Year

For ERISA calculations and pension cost calculations, the minimum monthly benefit level for SEIU Local 32BJ employees was increased from $58.00 to $59.75 (effective January 1, 2010) and from $59.75 to $61.50 (effective January 1, 2011).

For plan reporting purposes, the minimum monthly benefit level for SEIU Local 32BJ employees was increased from $57.00 to $58.00 (effective January 1, 2009) and from $58.00 to $59.75 (effective January 1, 2010).

There have been no other changes in the benefits valued since the prior valuation.

Appendix A — Pension Cost Allocation

Allocation of ASC 715-30 [Formerly FAS 87] Pension Expense/(Income)

	2009 Allocation	2010 Allocation
Corporate Segment		
Aqua Services, Inc.		
Aqua ACO	$ 236,461	$ 180,582
All other Aqua Services, Inc.	768,532	509,403
Total	$ 1,004,993	$ 689,985
Water Company		
Aqua NC	$ 39,100	$ 14,986
Aqua NY Sea Cliff	47,789	18,159
Water Company - NYWS (incl. salaried transfers)	8,633	68,332
Water Company - Other	2,549,415	1,508,449
Total	$ 2,644,937	$ 1,609,926
Subtotal	**$ 3,649,930**	**$ 2,299,911**
Local 32BJ Segment	**$ 2,517,091**	**$ 2,462,275**
Consumers Water Company Segment		
Consumers Service Company Group	$ 0	$ 120,262
Consumers Information Services Group	0	12,439
Consumers New Jersey Water Co.	333,573	342,974
Consumers Illinois Water Co. (Kankakee)	769,683	647,419
Consumers Illinois Water Co. (Vermillion)	316,349	219,419
Consumers Maine Water Co.	512,480	403,461
Consumers Ohio Water Co.	1,639,929	1,506,614
Consumers Water Co. – Dart Div.	0	6,705
Consumers Pennsylvania – Susquehanna Div.	104,814	94,839
Consumers Penn. - Roaring Creek Div.	454,881	352,593
Consumers Penn.- Shenango Valley Div.	491,912	452,578
Consumers Water Co. - Waymart Div.	0	240
Aqua Texas, Inc.	36,782	14,338
Aquasource Florida	40,476	38,845
Aqua Virginia, Inc.	33,408	23,488
Consumers New Hampshire Water Company	0	39,333
Consumers Water Co. – WANA Div.	0	8,964
Aqua Services, Inc.	281,851	104,153
Subtotal	**$ 5,016,139**	**$ 4,388,664**
Total	**$ 11,183,160**	**$ 9,150,850**

Does Ms. Dismukes analysis demonstrate that AUF's customer service expenses are unreasonably high?

No, they do not. A review of Ms. Dismukes analysis reveals that AUF's customer services expenses are considerably lower than the comparison group, which demonstrates that Florida customers do in fact benefit from the economies of scale of Aqua America's customer operations organization.

Ms. Dismukes customer service analysis schedules are not included in her testimony, since these beneficial effects contradict her conclusions related to A&G expenses. Ms. Dismukes customer service expense analysis shows that the peer group's customer service expenses per ERC for Water is $30, compared to Aqua's $22, which amounts to a $137,835 beneficial impact to Florida customers. The peer group's customer service expenses for Sewer is $22 compared to Aqua's $14, which amounts to a $55,796 benefit impact to Florida customers.

On Page 78 Lines 1&2 Ms. Dismukes testimony confirms this beneficial effect to Florida customers, "In all instances the cost per customer services related expenses were less than the comparison group.

Aqua America, Inc.
Postretirement Welfare Plans

Actuarial Valuation Report

Postretirement Welfare Cost for Fiscal Year Ending December 31, 2010

Employer Contributions for Plan Year Beginning January 1, 2010

September 2010

TOWERS WATSON

Table of Contents

Management Summary of Valuation Results

Financial Results

This report summarizes the financial results for Aqua America, Inc.'s postretirement welfare plans based on actuarial valuations as of January 1, 2010 and January 1, 2009.

	January 1, 2010	**January 1, 2009**
ASC 715-60 Postretirement Welfare Cost (formerly FAS 106)		
Amount	$ 1,861,481	$ 1,605,468
Amount per active participant	4,029	3,468
ASC 715-60 Funded Position (formerly FAS 106)		
Accumulated postretirement benefit obligation [APBO]	$ 30,771,035	$ 26,758,785
Fair value of assets [FV]	19,020,938	17,120,881
Overfunded (underfunded) APBO	(11,750,097)	(9,637,904)
APBO funded percentage [FV ÷ APBO]	61.8%	64.0%
Employer Contributions		
Estimated maximum deductible employer contribution	$ 5,175,000*	$ 5,304,000**
Expected benefit payments and expenses, net of participant contributions	893,304	857,643

* Estimated based on January 1, 2010 assets, projected to year-end.

** Estimated based on July 31, 2009 assets, projected to year-end.

The following plans are reflected in this report:

- Retiree and Surviving Dependent Medical and Life Insurance Plan for SEIU Local 32BJ Employees of Aqua America, Inc. (referred to as "SEIU Local 32BJ" in this report).
- Retiree Medical Plan for nonrepresented Employees of Aqua America, Inc. and Subsidiaries (referred to as "Salaried" in this report).

ASC 715-60 Postretirement Welfare Cost and Funded Position

Postretirement welfare cost is determined in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP"). The fiscal 2010 postretirement welfare cost for the plan is $1,861,481.

Under U.S. GAAP, the funded position (fair value of assets less the accumulated postretirement benefit obligation (APBO)) of each postretirement welfare plan at fiscal year-end is required to be reported as an asset (for overfunded plans) or a liability (for underfunded plans). The APBO is the actuarial present value of projected benefits attributed to service rendered prior to the measurement date. The plan's underfunded APBO as of January 1, 2010 was $11,750,097, based on the fair value of assets of $19,020,938 and an APBO of $30,771,035.

Fiscal year-end financial reporting and disclosures are prepared before detailed participant data and the full valuation results are available. Therefore, the December 31, 2009 postretirement benefit asset (liability) was derived from the January 1, 2009 valuation results. The next fiscal year financial reporting information will be developed based on the results of the January 1, 2010 valuation, rolled forward to the end of the year and adjusted for the year-end discount rate and asset values, as well as significant changes in plan provisions and participant population.

Change in Postretirement Welfare Cost and Funded Position

The postretirement welfare cost increased from $1,605,468 in fiscal 2009 to $1,861,481 in fiscal 2010 and the underfunded APBO deteriorated from $9,637,904 on January 1, 2009 to $11,750,097 on January 1, 2010 as set forth below:

	Postretirement Welfare Cost	Funded Position
Prior year	$ 1,605,468	$ (9,637,904)
Change due to:		
▸ Expected based on prior valuation	(56,513)	(145,315)
▸ Unexpected noninvestment experience	130,908	(543,613)
▸ Unexpected investment experience	(14,876)	63,921
▸ Assumption changes	196,494	(1,487,186)
▸ Changes in substantive plan	0	0
Current year	$ 1,861,481	$ (11,750,097)

History of Postretirement Welfare Cost and Funded Position

The following table shows the history of the plan's postretirement welfare cost and funded position.

History of Postretirement Welfare Cost and Funded Position

Fiscal year	*Postretirement welfare cost*	*APBO funded percentage*	*Discount rate*
2010	$ 1,861,481	61.8%	5.91%
2009	1,605,468	64.0	6.11
2008	975,917	80.5	6.25
2007	1,153,547	74.7	5.90
2006	1,067,589	73.5	5.65

Employer Contributions

Employer contributions are the amounts paid by Aqua America to provide for postretirement benefits, net of participant cash contributions. Participants receiving benefits are required to contribute toward the cost of the plan.

Aqua America's funding policy is to contribute an amount equal to the postretirement welfare cost not to exceed the maximum tax-deductible limit. Aqua America may change its contribution if appropriate to its tax and cash position and the plan's funded position. The estimated maximum deductible contribution under the Internal Revenue Code is $5.1 million.

For 2009 the actual employer contribution was $1,214,916.

Basis for Valuation

Economic Assumptions

The discount rate for postretirement welfare cost purposes is the rate at which the postretirement welfare obligation could be effectively settled. The rate is developed from yields on available high-quality bonds and reflects the cash flows from Aqua's retirement plan.

The assumed rate of return on plan assets reflects long-term expectations. The rate of return on assets for postretirement welfare cost purposes is the weighted average of expected asset returns, net of taxes. The assumptions selected by Aqua America, Inc. for postretirement welfare cost purposes are:

	January 1, 2010	**January 1, 2009**
Discount rate	5.91%	6.11%
Rate of return on VEBA assets, pre-tax*	8.00%	8.00%
Assumed tax rate on VEBA investment income**	33.33%	33.33%
Rate of return on VEBA assets, post-tax	5.33%	5.33%

* Applies to assets invested in SEIU Local 32BJ VEBA

** Applies to assets invested in Salaried VEBAs

Assumptions used to determine the statutory contribution limits must be reasonable taking into account the experience of the plan and reasonable expectations. The discount rate used to determine the normal cost and present value of projected benefits is based on the long-term expected return on assets, net of taxes. The assumptions selected by Aqua America, Inc. for contribution purposes are:

	January 1, 2010	**January 1, 2009**
Discount rate for normal cost and present value of projected benefits:		
▸ SEIU Local 32BJ (bargained)	8.00%	8.00%
▸ Salaried (non-bargained)	5.33%	5.33%

Health Care Cost Assumptions

The health care cost trend rates used in the valuation are:

	January 1, 2010		January 1, 2009	
	Under age 65	*Age 65 and older*	*Under age 65*	*Age 65 and older*
2009 to 2010	N/A	N/A	7.50%	7.50%
2010 to 2011	8.00%	8.00%	7.00%	7.00%
Ultimate trend	5.00%	5.00%	5.00%	5.00%
Year ultimate reached	2016	2016	2014	2014

The assumed per capita health care costs used in the 2009 and 2010 valuations are:

	Under age 65 Retiree	*Age 65 and older Dependent*
2009 Valuation:		
▸ 2009 assumed per capita cost	$ 7,638	$ 9,077
▸ Assumed trend to 2010	7.50%	7.50%
▸ 2010 assumed per capita cost	$ 8,211	$ 9,758
2010 Valuation:		
▸ 2010 assumed per capita cost	$ 8,934	$ 10,444

Actuarial Certification, Reliances and Distribution

Aqua America, Inc. retained Towers Watson Pennsylvania Inc. ("Towers Watson") to perform a valuation of its postretirement welfare benefit plans for the purpose of determining (1) the value of benefit obligations and its postretirement welfare cost in accordance with ASC 715-60 and (2) the maximum tax-deductible contribution allowed by the Internal Revenue Code. This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The consulting actuaries are members of the Society of Actuaries and other professional actuarial organizations and meet their "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to the postretirement welfare plans.

In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions, plan participants, and plan assets. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

The actuarial assumptions and the accounting policies and methods employed in the development of the postretirement welfare cost have been selected by the plan sponsor, with the concurrence of Towers Watson. ASC 715-60 require that each significant assumption "individually represent the best estimate of a particular future event."

The actuarial assumptions and methods employed in the development of the contribution limits have been selected by Towers Watson, with the concurrence of the plan sponsor. The Internal Revenue Code requires the use of assumptions each of which is reasonable (taking into account the experience of the plan and reasonable expectations) and which, in combination, offer the actuary's best estimate of anticipated experience under the plan.

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by Towers Watson, are considered to be reasonable and within the "best-estimate range" as described by the Actuarial Standards of Practice. Other actuarial assumptions could also be considered to be reasonable and within the best-estimate range. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for various assumptions.

The information contained in this report was prepared for the internal use of Aqua America, Inc. and its auditors in connection with our actuarial valuation of the postretirement welfare plan. It is neither intended nor necessarily suitable for other purposes. Aqua America, Inc. may also distribute this actuarial valuation report to the appropriate authorities who have the legal right to require Aqua America, Inc. to provide them with this report, in which case Aqua America, Inc. will use best efforts to notify Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Towers Watson's prior written consent.

Kevin J Halfpenny — Lauren F. Levine

Kevin J. Halfpenny, FSA, EA — Lauren F. Levine, FSA, MAAA

Towers Watson
September 2010

Supplemental Information

Asset Values

	SEIU Local 32BJ	Salaried	Total
Asset Values for Calculating Postretirement Welfare Cost			
Fair value, excluding contributions receivable:			
▸ As of January 1, 2009	$ 10,201,155	$ 6,919,726	$ 17,120,881
▸ Employer contributions	883,654	331,262	1,214,916
▸ Participant contributions	15,569	46,325	61,894
▸ Disbursements	(274,150)	(323,515)	(597,665)
▸ Investment return, net of taxes	1,213,625	7,287	1,220,912
▸ As of January 1, 2010	$ 12,039,853	$ 6,981,085	$ 19,020,938
▸ Rate of return*	12.1%	0.1%	7.2%
Market-related value:			
▸ As of January 1, 2009	$ 10,201,155	$ 6,919,726	$ 17,120,881
▸ As of January 1, 2010	12,039,853	6,981,085	19,020,938
▸ Rate of return*	12.1%	0.1%	7.2%
Actuarial value:			
▸ As of January 1, 2009	$ 10,201,155	$ 6,919,726	$ 17,120,881
▸ As of January 1, 2010	12,039,853	6,981,085	19,020,938
▸ Rate of return*	12.1%	0.1%	7.2%

* Assumes disbursements and employee contributions are made uniformly throughout the year and on average at mid-year. Assumes employer contributions are made at end of year.

Basic Results for ASC 715-60 Postretirement Welfare Cost and Funded Position as of January 1, 2010

	SEIU Local 32 BJ	Salaried	Total
Service Cost			
Medical	$ 526,655	$ 407,889	$ 934,544
Life Insurance	11,260	0	11,260
Total	$ 537,915	$ 407,889	$ 945,804
Accumulated Postretirement Benefit Obligation [APBO]			
Medical:			
▸ Participants currently receiving benefits	$ 3,161,469	$ 3,860,818	$ 7,022,287
▸ Other participants	13,014,825	9,979,872	22,994,697
▸ Total	$ 16,176,294	$ 13,840,690	$ 30,016,984
Life Insurance:			
▸ Participants currently receiving benefits	$ 431,276	$ 0	$ 431,276
▸ Other participants	322,775	0	322,775
▸ Total	$ 754,051	$ 0	$ 754,051
All Benefits:			
▸ Participants currently receiving benefits	$ 3,592,745	$ 3,860,818	$ 7,453,563
▸ Other participants	13,337,600	9,979,872	23,317,472
▸ Total	$ 16,930,345	$ 13,840,690	$ 30,771,035
Assets			
Fair value [FV]	$ 12,039,853	$ 6,981,085	$ 19,020,938
Unrecognized investment losses (gains)	0	0	0
Market-related value	$ 12,039,853	$ 6,981,085	$ 19,020,938

	SEIU Local 32BJ	Salaried
Key Economic Assumptions		
Discount rate	5.91%	5.91%
Rate of return on VEBA assets, pre-tax	8.00%	8.00%
Tax rate on VEBA assets	0.00%	33.33%
Rate of return on VEBA assets, post-tax	8.00%	5.33%
Health care cost trend rate:		
► First year	8.00%	8.00%
► Ultimate	5.00%	5.00%
► Year ultimate reached	2016	2016

	SEIU Local 32BJ	Salaried	Total
Funded Position			
Overfunded (underfunded) APBO	$ (4,890,492)	$ (6,859,605)	$ (11,750,097)
APBO funded percentage	71.1%	50.4%	61.8%
AOCI (Amounts Not Yet Recognized in Net Periodic Cost)			
Transition obligation (asset)	$ 0	$ 0	$ 0
Prior service cost (credit)	(722,534)	(774,677)	(1,497,211)
Net actuarial loss (gain)	7,362,859	3,752,054	11,114,913
Total	$ 6,640,325	$ 2,977,377	$ 9,617,702
Effect of Change in Health Care Cost Trend Rate			
One-percentage-point increase:			
▸ Sum of service cost and interest cost	$ 101,763	$ 72,225	$ 173,988
▸ APBO	996,531	729,268	1,725,799
One-percentage-point decrease:			
▸ Sum of service cost and interest cost	(106,875)	(70,662)	(177,537)
▸ APBO	(1,029,305)	(705,511)	(1,734,816)

Postretirement Welfare Cost for Fiscal 2010

	SEIU Local 32BJ	Salaried	Total
Postretirement Welfare Cost			
Service cost	$ 537,915	$ 407,889	$ 945,804
Interest cost	1,020,068	828,379	1,848,447
Expected return on assets	(946,613)	(359,708)	(1,306,321)
Amortization:			
▸ Transition obligation	0	0	0
▸ Prior service cost (credit)	(131,693)	(136,531)	(268,224)
▸ Net loss (gain)	431,493	210,282	641,775
Postretirement welfare cost	$ 911,170	$ 950,311	$ 1,861,481
Per active participant	$ 3,559	$ 4,613	$ 4,029

Actuarial Present Value of Benefit Obligation for SOP 92-6 (as amended by SOP 01-2) as of January 1, 2010

	SEIU Local 32BJ	Salaried	Total
Actuarial Present Value of Benefit Obligation			
Participants currently receiving benefits	$ 3,592,745	$ 3,860,818	$ 7,453,563
Other fully eligible participants	4,005,144	3,515,561	7,520,705
Other participants	9,332,456	6,464,311	15,796,767
Total	$ 16,930,345	$ 13,840,690	$ 30,771,035
Fair value of assets	12,039,853	6,981,085	19,020,938
Effect on obligation of one-percentage-point increase in health care cost trend rate	996,531	729,268	1,725,799
Effect on obligation of one-percentage-point-decrease in health care cost	(1,029,305)	(705,511)	(1,734,816)

	SEIU Local 32BJ	Salaried	Total
Change in Actuarial Present Value of Benefit Obligation			
Actuarial present value of benefit obligation as of January 1, 2009	$ 14,701,846	$ 12,056,939	$ 26,758,785
Change from 2009 to 2010:			
▸ Additional benefits accumulated (including the effect of noninvestment experience)	751,314	764,450	1,515,764
▸ Effect of time value of money	890,032	726,650	1,616,682
▸ Benefits paid	(274,150)	(333,232)	(607,382)
▸ Assumption changes	861,303	625,883	1,487,186
▸ Changes in benefits valued	0	0	0
Actuarial present value of benefit obligation as of January 1, 2010	$ 16,930,345	$ 13,840,690	$ 30,771,035

The key actuarial assumptions used for SOP 92-6 (as amended by SOP 01-2) calculations are the same as those used to determine the postretirement welfare cost and are shown in the Actuarial Assumptions and Methods section.

Basic Results for Employer Contributions – VEBA: as of January 1, 2010

	Bargaining	Nonbargaining Water Company	Nonbargaining Corporate
Present Value			
Gross present value of projected benefits [PVPB]	$ 16,600,560	$ 8,817,676	$ 200,296
Assets*			
Market value	$ 12,039,853	$ 6,826,030	$ 155,055
Unrecognized investment losses (gains)	0	0	0
Actuarial value [AV]	12,039,853	6,826,030	155,055
Funded Position			
Unfunded PVPB [PVPB –AV]	$ 4,560,707	$ 1,991,646	$ 45,241
PVPB funded percentage [AV ÷ PVPB]	72.5%	77.4%	77.4%
Key Economic Assumptions			
Discount rate for liabilities, after-tax	8.00%	5.33%	5.33%

* Assets maintained in non-bargaining VEBA are allocated based on the PVPB as of the beginning of the year.

Maximum Deductible Employer Contribution – VEBA: as of December 31, 2010 (estimated)*

	Nonbargaining Water Company	Nonbargaining Corporate
Maximum Deductible Employer Contribution		
Qualified direct costs	$ 521,000	$ 0
Permitted addition to qualified asset account	205,000	5,000
Investment income	(351,000)	(8,000)
Maximum deductible employer contribution (minimum of $0)	$ 375,000	$ 0

	Bargaining
Maximum Deductible Employer Contribution	
Expected present value of projected benefits as of December 31, 2010	$ 17,400,000
Expected asset value as of December 31, 2010	12,600,000
Maximum deductible employer contribution (minimum of $0)	4,800,000

* Results estimated based on assets collected as of January 1, 2010, projected to year-end.

Expected Benefits, Administrative Expenses and Participant Contributions as of January 1, 2010

	SEIU Local 32BJ	Salaried	Total
Medical			
Gross disbursements	$ 407,760	$ 548,345	$ 956,105
Participant contributions	23,491	77,555	101,046
Net disbursements	$ 384,269	$ 470,790	$ 855,059
Life Insurance			
Gross disbursements	$ 38,245	$ 0	$ 38,245
Participant contributions	0	0	0
Net disbursements	$ 38,245	$ 0	$ 38,245
Total			
Gross disbursements	$ 446,005	$ 548,345	$ 994,350
Participant contributions	23,491	77,555	101,046
Net disbursements	$ 422,514	$ 470,790	$ 893,304

Actuarial Assumptions and Methods

	Postretirement Welfare Cost	Employer Contributions
Economic Assumptions		
Discount rate:		
▸ Pre-tax	5.91%	N/A
▸ After-tax:		
– Nonbargained VEBAs	N/A	5.33%
– Bargained VEBA	N/A	8.00%
▸ After-tax rate of return on assets:		
– Salaried (nonbargained)	5.33%	N/A
– SEIU Local 32BJ (bargained)	8.00%	N/A

Medical and Prescription Drug Benefit Assumptions

		Amount	
Average per capita claims cost:	*Age*	*Retiree*	*Dependent*
▸ Overall average	< 65	$ 8,934	$ 10,444
▸ Under age 65	< 55	5,801	6,782
	55 - 59	7,628	8,917
	60 - 64	9,347	10,926
▸ Average group premiums	< 65	4,829	6,738
▸ Capped Costs (DDB caps)	< 65	5,745	7,821
▸ Premium Reimbursement maximum	Medical	$2,143	$2,143
	Drug	440	440

	Postretirement Welfare Cost	Employer Contributions
Health care cost trend rate:	8.00% in 2010 reducing 0.50% per year for 6 years, and then reaching 5.00% in 2016 and after	None for nonbargained VEBA. Same for bargaining VEBA
Participant contribution trend rate	Same as applicable medical plan trend rate	Same as applicable medical plan trend rate
Administrative expenses	Included in above per capita costs	Included in above per capita costs
Annual increase in AA's capped costs (pre-65)	5% per year	N/A
Premium Reimbursement Account (post-65)	Medical: 5% Drug: 5.5% per year beginning in 2010	N/A

Basis for Health Plan Per Capita Claim Cost Assumptions

Medical and prescription drug

Gross per capita claim costs (i.e., cost prior to participant contributions) for pre-65 retirees were developed by age-relating average group premium rates for the insured, partially experience-rated commercial HMO/POS plan. The age-relating of premium is intended to recognize the expected higher health care costs each retiree contributes toward the experience of the plan which extends coverage to both early retirees and active employees.

Demographic and Other Assumptions

Mortality

RP-2000 Mortality table with a phased-out projection over 15 years

Termination

Rates varying by age

Sample rates:

Age	*Rate*
25	0.09
40	0.04
50	0.01

Disability

None assumed

Retirement	Rates varying by age Sample rates:

Age	*Rate*
60	0.05
61	0.05
62	0.20
63	0.15
64	0.15
65	0.50
66	1.00

Percent married	For current retirees, based on data provided by Aqua America; for future retirees, 80% are assumed to be married at retirement.
Spouse age	Wives three years younger than husbands
Participation	85% of future retirees participate pre-65; 100% of future retirees participate post-65

Methods

Postretirement welfare cost:

▸ Measurement date	Fiscal year-end
▸ Service cost and APBO	Projected unit credit actuarial cost method, allocated from the valuation date on or after date of hire to full eligibility date
▸ Market-related value of assets	The fair value of assets on the measurement date
▸ Amortization of unrecognized amounts:	
– Transition obligation	Amortized on a straight-line basis over 20 years beginning January 1, 1993
– Prior service cost (credit)	Increase in APBO resulting from a change in the benefits valued is amortized on a straight-line basis over the expected average remaining service until full eligibility date of active participants. Decrease in APBO first reduces any unrecognized prior service cost, then any unrecognized transition obligation. Any remaining amount is amortized on a straight-line basis as described above.
– Net loss (gain)	Net loss (gain) in excess of 10% of the greater of APBO or market-related value of assets is amortized on a straight-line basis over the expected average remaining service of active employees.

Employer contributions:

- Valuation date — First day of plan year
- Normal cost and present value of projected benefits: — Aggregate cost method for Bargained; entry age normal for Nonbargained
- Actuarial value of assets: — Market value
- Funding policy — Aqua America's funding policy is to contribute an amount no less than that required under PUC order (rate recovery amount) not to exceed the maximum tax deductible limit.

Benefits Not Valued

All benefits described in the Plan Provisions section of this report were valued. Life insurance benefits in excess of $50,000 and health care benefits for key employees were not included in determining the maximum deductible contribution. Towers Watson is not aware of any significant benefits required to be valued that were not.

Benefits for UMS employees are not included in this report.

Change in Assumptions and Methods Since Prior Valuation

Postretirement welfare cost	The discount rate was changed from 6.11% to 5.91%. The health care cost trend rate was changed from 7.5% in 2009 grading down by 0.5% per year to 5.0% in 2014 to 8.0% in 2010 grading down by 0.5% per year to 5.0% in 2016.
Employer contributions	The health care cost trend rate was changed from 7.5% in 2009 grading down by 0.5% per year to 5.0% in 2014 to 8.0% in 2010 grading down by 0.5% per year to 5.0% in 2016.

Data Sources

Aqua America, Inc. furnished trust assets, participant and claims data as well as the accrued postretirement benefit cost as of December 31, 2009. Data were reviewed for reasonableness and consistency, but no audit was performed. Assumptions or estimates were made by the Towers Watson actuaries, at the direction of Aqua America, when data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Participant Data as of January 1, 2010

	SEIU Local 32BJ	Salaried	Total
Actives and Deferred Participants			
Number:			
▸ Eligible actives	47	47	94
▸ Other actives	209	159	368
▸ Total	256	206	462
Average age	48.6	51.4	49.8
Average past service	19.1	17.6	18.4
Average future service:			
▸ To full eligibility age	8.543	7.660	N/A
▸ To expected retirement	13.140	11.261	N/A
Currently Receiving Benefits			
Retirees and surviving spouses:			
▸ Number:			
– Under age 65	6	17	23
– Age 65 and over	70	73	143
– Total	76	90	166
Total participants included in valuation			
Number	332	296	628

Plan Provisions

Life Insurance

No coverage provided for salaried employees or employees at UMS.

SEIU Local 32BJ retirees who retire after age 55 with 15 years of service are eligible for $10,000 of coverage.

Medical Benefits

Eligibility

Retire from active status and attain age 55 with 15 years of service. Employees hired after April 1, 2003 are not eligible for future benefits.

Employee must be enrolled in medical plan the day before they retire.

For participants acquired from Media, Great Valley, Hatboro Water Company, Utility Group Services, Bristol, Borough of West Chester and Bensalem Township eligibility is 5 years of service with Philadelphia Suburban Corporation and 15 years of service from original hire date.

Spouse of employee who dies while in active status and was otherwise eligible for medical coverage from this plan.

Benefits

For all eligible retired employees:

- Retirees and dependents under age 65:
  - HMO (insured)
  - Point-of-Service (POS) (insured)
  - Self-insured PPO (only for those outside of HMO/POS managed care service area)
- Retirees and dependents age 65 and over:
  - Premium Reimbursement Account (PRA) – the company will provide the retiree contributions into the PRA and the retiree and/or spouse will need to purchase their own medical and drug coverage.

Pre-65 contributions

- Participant contribution is the Plan's group premium minus a percentage of the lesser of the group premium and the Capped Costs for the medical plan in which the retiree/dependent is enrolled. The Percentage is based on the combination of age + service at retirement (points) as shown below. The Percentage for all retired employees as of January 1, 1994 and those employees eligible to retire on January 1, 1994 is assumed to be 100%.
- Company cost is the gross medical plan per capita claim cost less applicable participant contribution.

Age + Service Points	Percentage* (Effective for Retirements prior to January 1, 2001)
70–79	25.0%
80–81	37.5
82–83	40.0
84–85	42.5
86–87	45.0
88–89	47.5
90+	50.0

Percentage* (Effective for Retirements after December 31, 2000)

Age + Service Points	**Age <62**	**Age 62**	**Age 63**	**Age 64**	**Age 65**
70–79	25.0%	30.0%	37.50%	45.0%	50.0%
80–81	37.5	45.0	56.25	67.5	75.0
82–83	40.0	48.0	60.00	72.0	80.0
84–85	42.5	51.0	63.75	76.5	85.0
86–87	45.0	54.0	67.50	81.0	90.0
88–89	47.5	57.0	71.25	85.5	95.0
90+	50.0	60.0	75.00	90.0	100.0

* This percentage is frozen at age of retirement until the participant attains age 65, when the percentage in the "Age 65" column is applicable. It is applied to the premium reimbursement account maximum for post-65 contributions.

Capped costs	**Retiree**	**Dependent**
<65	$ 5,745	$ 7,821

Plan Changes

There have been no changes in benefits valued since the prior valuation.

Consumers Water Company
Retiree Welfare Plan

Actuarial Valuation Report

Postretirement Welfare Cost for Fiscal Year Ending December 31, 2010

Employer Contributions for Plan Year Beginning January 1, 2010

August 2010

TOWERS WATSON

Table of Contents

Management Summary of Valuation Results

Financial Results

This report summarizes the financial results for Consumers Water Company's (CWC) Retiree Welfare Plan based on actuarial valuations as of January 1, 2010 and January 1, 2009.

	January 1, 2010	January 1, 2009
ASC 715-60 Postretirement Welfare Cost (formerly FAS 106)		
Amount	$ 248,836	$ 212,479
Per active participant	964	799
FAS 106 Funded Position		
Accumulated postretirement benefit obligation [APBO]	$ 5,376,390	$ 5,093,699
Fair value of assets [FV]	3,436,781	3,434,816
Overfunded (underfunded) APBO	(1,939,609)	(1,658,883)
APBO funded percentage [FV ÷ APBO]	63.9%	67.4%
Employer Contributions		
Estimated maximum deductible employer contribution	$ 1,956,000*	$ 1,727,000**
Expected benefit payments and expenses, net of participant contributions	252,551	230,645

* Estimated based on January 1, 2010 assets projected to year-end.

** Estimated based on July 31, 2009 assets projected to year-end.

ASC 715-60 Postretirement Welfare Cost and Funded Position

Postretirement welfare cost is determined in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP"). The fiscal 2010 postretirement welfare cost for the plan is $248,836 or $964 per active participant.

Under U.S. GAAP, the funded position (fair value of assets less the accumulated postretirement benefit obligation (APBO)) of each postretirement welfare plan at fiscal year-end is required to be reported as an asset (for overfunded plans) or a liability (for underfunded plans). The APBO is the actuarial present value of projected benefits attributed to service rendered prior to the measurement date. The plan's underfunded APBO as of January 1, 2010 was $1,939,609, based on the fair value of assets of $3,436,781 and an APBO of $5,376,390.

Fiscal year-end financial reporting and disclosures are prepared before detailed participant data and the full valuation results are available. Therefore, the December 31, 2009 postretirement benefit asset (liability) was derived from the January 1, 2009 valuation results. The next fiscal year financial reporting information will be developed based on the results of the January 1, 2010 valuation, rolled forward to the end of the year and adjusted for the year-end discount rate and asset values, as well as significant changes in plan provisions and participant population.

Change in Postretirement Welfare Cost and Funded Position

The postretirement welfare cost increased from $212,479 in fiscal 2009 to $248,836 in fiscal 2010 and the underfunded APBO deteriorated from $1,658,883 on January 1, 2009 to $1,939,609 on January 1, 2010 as set forth below:

	Postretirement Welfare Cost	Funded Position
Prior Year	$ 212,479	$ (1,658,883)
Change due to:		
▸ Expected based on prior valuation	(4,564)	75,534
▸ Noninvestment experience	(27,245)	108,887
▸ Investment experience	41,827	(286,373)
▸ Assumption changes	26,339	(178,774)
▸ Changes in substantive plan	0	0
Current Year	$ 248,836	$ (1,939,609)

History of Postretirement Welfare Cost and Funded Position

The following table shows the history of the plan's postretirement welfare cost and funded position.

History of Postretirement Welfare Cost and APBO Funded Percentage

Fiscal year	*Postretirement welfare cost*	*APBO funded percentage*	*Discount rate*
2010	$ 248,836	63.9%	5.91%
2009	212,479	67.4	6.11
2008	298,117	59.4	6.25
2007*	315,408	54.2	5.90
2006**	339,831	50.0	5.65

* Excludes one-time FAS 88 special termination benefit charges of $51,592.

** Excludes one-time FAS 88 special termination benefit charges of $35,233.

Employer Contributions

Employer contributions are the amounts paid by Aqua America to provide for postretirement benefits, net of participant cash contributions. Participants receiving benefits are required to contribute toward the cost of the plan.

Aqua America's funding policy is to contribute an amount equal to the postretirement welfare cost not to exceed the maximum tax-deductible limit. Aqua America may change its contribution if appropriate to its tax and cash position and the plan's funded position. The estimated maximum deductible contribution under the Internal Revenue Code is $1.9 million.

For 2009, the actual employer contribution was $206,217.

Basis for Valuation

Economic Assumptions

The discount rate for postretirement welfare cost purposes is the rate at which the postretirement welfare obligation could be effectively settled. The rate is developed from yields on available high-quality bonds and reflects the cash flows from Aqua's retirement plans.

The assumed rate of return on plan assets and salary increase rate both reflect long-term expectations. The rate of return on assets for postretirement welfare cost purposes is the weighted average of expected asset returns, net of taxes. The salary increase rate is based on current expectations of future pay increases. The assumptions selected by Aqua America, Inc. for postretirement welfare cost purposes are:

	January 1, 2010	January 1, 2009
Discount rate	5.91%	6.11%
Rate of return on VEBA assets, pre-tax*	8.00%	N/A
Assumed tax rate on VEBA investment income**	33.33%	N/A
Rate of return on VEBA assets, post-tax	5.33%	N/A
Weighted average rate of return on VEBA assets	7.36%	7.75%
Salary increase rate	4.00%	4.00%

* Applies to assets invested in union medical and life VEBAs and nonunion life VEBA.

** Applies to assets invested in nonunion medical VEBA.

Assumptions used to determine the statutory contribution limits must be reasonable taking into account the experience of the plan and reasonable expectations. The discount rate used to determine the normal cost and present value of projected benefits is based on the long-term expected return on assets, net of taxes. The assumptions selected by Aqua America for contribution purposes are:

	January 1, 2010	January 1, 2009
Discount rate for normal cost and present value of projected benefits:		
▸ Union Medical and Life and Non-Union Life	8.00%	7.75%
▸ Non-Union Medical	5.33%	5.00%
Salary increase rate	4.00%	4.00%

Health Care Cost Assumptions

The health care cost trend rates used in the valuation are:

	January 1, 2010		January 1, 2009	
	Under Age 65	*Age 65 and Older*	*Under Age 65*	*Age 65 and Older*
Medical				
2009 to 2010	N/A	N/A	7.50%	7.50%
2010 to 2011	8.00%	8.00%	7.00%	7.00%
Ultimate trend	5.00%	5.00%	5.00%	5.00%
Year ultimate reached	2016	2016	2014	2014

The assumed average gross (i.e., before participant contributions) medical plan per capita costs (notated with *) or defined contribution toward retiree medical plan costs (notated with +) used in the 2010 valuation are shown below (for defined company subsidies, no subsidies are provided for spouses or dependents):

	Under Age 65	*Age 65 and Over*
Nonunion	$ 840+	$ 840+
Union		
▸ Shenango Valley	11,696*	1,320*
▸ Roaring Creek	11,696*	840+
▸ Ohio	11,696*	394*
▸ Kankakee	1,080+	840+
▸ Susquehanna	840+	840+

Actuarial Certification, Reliances and Distribution

Aqua America, Inc. retained Towers Watson Pennsylvania Inc. ("Towers Watson") to perform a valuation of its postretirement welfare benefit plans for the purpose of determining (1) the value of benefit obligations and its postretirement welfare cost in accordance with ASC 715-60 and (2) the maximum tax-deductible contribution allowed by the Internal Revenue Code. This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The consulting actuaries are members of the Society of Actuaries and other professional actuarial organizations and meet their "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to the postretirement welfare plans.

In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions, plan participants, and plan assets. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

The actuarial assumptions and the accounting policies and methods employed in the development of the postretirement welfare cost have been selected by the plan sponsor, with the concurrence of Towers Watson. ASC 715-60 requires that each significant assumption "individually represent the best estimate of a particular future event."

The actuarial assumptions and methods employed in the development of the contribution limits have been selected by Towers Watson, with the concurrence of the plan sponsor. The Internal Revenue Code requires the use of assumptions each of which is reasonable (taking into account the experience of the plan and reasonable expectations) and which, in combination, offer the actuary's best estimate of anticipated experience under the plan.

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by Towers Watson, are considered to be reasonable and within the "best-estimate range" as described by the Actuarial Standards of Practice. Other actuarial assumptions could also be considered to be reasonable and within the best-estimate range. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for various assumptions.

The information contained in this report was prepared for the internal use of Aqua America, Inc. and its auditors in connection with our actuarial valuation of the postretirement welfare plan. It is neither intended nor necessarily suitable for other purposes. Aqua America, Inc. may also distribute this actuarial valuation report to the appropriate authorities who have the legal right to require Aqua America, Inc. to provide them with this report, in which case Aqua America, Inc. will use best efforts to notify Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Towers Watson's prior written consent.

Kevin J Halfpenny

Lauren F. Levine

Kevin J. Halfpenny, FSA, EA

Lauren F. Levine, FSA, MAAA

Towers Watson
August 2010

Supplemental Information

Asset Values

Asset Values for Calculating Postretirement Welfare Cost and Funded Position

Fair value (excludes contributions receivable)	
▸ As of January 1, 2009	$ 3,434,816
▸ Employer contributions	206,217
▸ Participant contributions	91,867
▸ Disbursements	(267,173)
▸ Investment return, net of taxes	(28,946)
▸ As of January 1, 2010	$ 3,436,781
▸ Rate of return	(0.9)%
Market-related value:	
▸ As of January 1, 2009	$ 3,434,816
▸ As of January 1, 2010	3,436,781
▸ Rate of return	(0.9)%

Asset Values for Calculating Employer Contributions

Actuarial value:	
▸ As of January 1, 2009	$ 3,434,816
▸ As of January 1, 2010	3,436,781
▸ Rate of return	(0.9)%

Basic Results for ASC 715-60 Postretirement Welfare Cost and Funded Position

	January 1, 2010	January 1, 2009
Service Cost		
Medical	$ 60,256	$ 65,199
Life Insurance	13,902	14,581
Total	$ 74,158	$ 79,780
Accumulated Postretirement Benefit Obligation [APBO]		
Medical:		
▸ Participants currently receiving benefits	$ 1,273,996	$ 1,249,456
▸ Other participants	2,737,686	2,566,343
▸ Total	$ 4,011,682	$ 3,815,799
Life Insurance:		
▸ Participants currently receiving benefits	$ 779,810	$ 754,050
▸ Other participants	584,898	523,850
▸ Total	$ 1,364,708	$ 1,277,900
All Benefits:		
▸ Participants currently receiving benefits	$ 2,053,806	$ 2,003,506
▸ Other participants	3,322,584	3,090,193
▸ Total	$ 5,376,390	$ 5,093,699
Assets		
Fair value [FV]	$ 3,436,781	$ 3,434,816
Unamortized investment losses (gains)	0	0
Market-related value	$ 3,436,781	$ 3,434,816

	January 1, 2010	January 1, 2009
Key Economic and Health Care Assumptions		
Discount rate	5.91%	6.11%
Salary increase rate	4.00%	4.00%
Rate of return on VEBA assets, pretax*	8.00%	N/A
Assumed tax rate on VEBA investment income**	33.33%	N/A
Rate of return on VEBA assets, post-tax	5.33%	N/A
Weighted average rate of return on VEBA assets	7.36%	7.75%
Health care cost trend rate:		
▸ First year	8.00%	7.50%
▸ Ultimate	5.00%	5.00%
▸ Year ultimate reached	2016	2014
Funded Position		
Overfunded (underfunded) APBO	$ (1,939,609)	$ (1,658,883)
APBO funded percentage	63.9%	67.4%
AOCI (Amounts Not Yet Recognized in Net Periodic Cost)		
Transition obligation (asset)	$ 311,366	$ 415,090
Prior service cost (credit)	0	0
Net actuarial loss (gain)	(353,177)	(732,193)
Total	$ (41,811)	$ (317,103)
Effect of Change in Health Care Cost Trend Rate		
One-percentage-point increase:		
▸ Sum of service cost and interest cost	$ 15,941	$ 17,352
▸ APBO	190,596	197,681
One-percentage-point decrease:		
▸ Sum of service cost and interest cost	$ (13,599)	$ (14,721)
▸ APBO	(163,736)	(169,056)

* Applies to assets invested in union medical and life VEBAs and nonunion life VEBA.

** Applies to assets invested in nonunion medical VEBA.

ASC 715-60 Postretirement Welfare Cost

	Fiscal 2010	Fiscal 2009
Postretirement Welfare Cost		
Service cost	$ 74,158	$ 79,780
Interest cost	314,772	309,158
Expected return on assets	(243,818)	(257,427)
Amortization:		
▸ Transition obligation	103,724	103,724
▸ Prior service cost (credit)	0	0
▸ Net actuarial loss (gain)	0	(22,756)
Postretirement welfare cost	$ 248,836	$ 212,479
Per active participant	$ 964	$ 799

Actuarial Present Value of Benefit Obligation for SOP 92-6 (as amended by SOP 01-2)

	January 1, 2010	January 1, 2009
Actuarial Present Value of Benefit Obligation		
Participants currently receiving benefits	$ 2,053,806	$ 2,003,506
Other fully eligible participants	1,613,219	1,255,743
Other participants	1,709,365	1,834,450
Total	$ 5,376,390	$ 5,093,699
Fair value of assets	3,436,781	3,434,816
Effect on obligation of one-percentage-point increase in health care cost trend rate	190,596	197,681

Change in Actuarial Present Value of Benefit Obligation	
Actuarial present value of benefit obligation as of January 1, 2009	$ 5,093,699
Change from 2009 to 2010:	
▸ Additional benefits accumulated (including the effect of noninvestment experience)	68,759
▸ Effect of time value of money	303,159
▸ Benefits paid	(268,001)
▸ Assumption changes	178,774
▸ Changes in benefits valued	0
Actuarial present value of benefit obligation as of January 1, 2010	$ 5,376,390

The key actuarial assumptions used for SOP 92-6 (as amended by SOP 01-2) calculations are the same as those used to determine the postretirement welfare cost and are shown in the Actuarial Assumptions and Methods section.

Basic Results for Employer Contributions – VEBA: as of January 1, 2010

	Union Health and Life	Non-Union Health	Non-Union Life	Total
Present Value				
Gross present value of projected benefits [PVPB]:	$ 3,624,639	$ 2,306,120	$ 629,575	$ 6,560,334
Assets				
Market value	$ 1,951,923	$ 823,691	$ 661,167	$ 3,436,781
Unrecognized investment losses (gains)	0	0	0	0
Actuarial value [AV]	1,951,923	823,691	661,167	3,436,781
Funded Position				
Unfunded PVPB [PVPB –AV]	$ 1,672,716	$ 1,482,429	$ (31,592)	$ 3,123,553
PVPB funded percentage [AV ÷ PVPB]	53.9%	35.7%	105.0%	52.4%
Key Economic Assumptions				
Discount rate for liabilities, after-tax	8.00%	5.33%	8.00%	
Salary increase rate	4.00%	N/A	4.00%	
Ultimate healthcare trend	5.00%	0.00%	N/A	

Maximum Deductible Employer Contribution – VEBA: as of December 31, 2010 (estimated)*

	Non-Union Health	Non-Union Life	Non-Union Total
Maximum Deductible Employer Contribution			
Qualified direct costs	$ 56,000	$ 32,000	$ 88,000
Permitted addition to qualified asset account	243,000	0	243,000
Investment income	(43,000)	(32,000)	(75,000)
Maximum deductible employer contribution (minimum of $0)	$ 256,000	$ 0	$ 256,000

	Union Health and Life
Maximum Deductible Employer Contribution	
Expected present value of projected benefits as of December 31, 2010	$ 3,700,000
Expected asset value as of December 31, 2010	2,000,000
Maximum deductible employer contribution (minimum of $0)	$ 1,700,000

* Results estimated based on assets collected as of January 1, 2010, projected to year-end.

Expected Benefits and Administrative Expenses as of January 1, 2010

	Union Health and Life	Non-Union Health and Life	Total
Medical	$ 158,134	$ 34,427	$ 192,561
Life insurance	28,414	31,576	59,990
Total	$ 186,548	$ 66,003	$ 252,551

Actuarial Assumptions and Methods

	Postretirement Welfare Cost	Employer Contributions
Economic Assumptions		
Discount rate:		
▸ Pre-tax	5.91%	8.00%
▸ After-tax:	N/A	5.33%
Expected Return on Assets:		
▸ Rate of return on VEBA assets, pre-tax*	8.00%	N/A
▸ Assumed tax rate on VEBA investment income**	33.33%	N/A
▸ Rate of return on VEBA assets, post-tax	5.33%	N/A
▸ Weighted average rate of return on VEBA assets	7.36%	N/A
Salary increase rate	4.00%	4.00%

* Applies to assets invested in union medical and life VEBAs and nonunion life VEBA.

** Applies to assets invested in nonunion medical VEBA.

Basis for Per Capita Claim Cost

For many groups, the employer contribution toward coverage is a fixed dollar amount. For other groups, the employer obligation is based on the cost of health plan coverage:

- Pre-65 per capita claims costs for the insured medical portion of the PPO plan option are developed by age-relating average group premium rates for the insured, partially experience-rated PPO plan. The age-relating of premium is intended to recognize the expected higher health care costs each retiree contributes toward the experience of the plan which extends coverage to both early retirees and active employees; the prescription drug portion of the per capita claims cost is self-insured and is determined from a combination of Tillinghast Medical Rate manual prescription drug rates and claims experience.
- Post-65 retirees receive company contributions into a Premium Reimbursement Account.
- Dental per capita costs (if applicable) are based on the insured premium for the group.

Certain current retirees have negotiated premium contributions that differ from the current general plan structure.

Demographic and Other Assumptions

Mortality	RP-2000 Mortality tables with a phased-out projection over 15 years
Turnover	Rates varying by age Sample rates: *Age* — *Rate* 25 — 0.080 40 — 0.045 50 — 0.020
Retirement	Retirements are assumed to be distributed by age. Sample rates: *Age* — *Rate* 55 — 0.05 60 — 0.10 62 — 0.25 65 — 0.50
Age of spouses	Actual age, if reported. Otherwise, wives are assumed to be three years younger than husbands.

Medical trend	Medical plan per capita claim costs are assumed to increase in future years as follows:

Year	*Annual rate of increase*
2010	8.0%
2011	7.5%
2012	7.0%
2013	6.5%
2014	6.0%
2015	5.5%
2016+	5.0%

Prescription drug costs trend	5.5% per year beginning in 2010
	The company's defined contribution toward medical plan premiums for retirees of all groups are assumed to be fixed.

Plan Participation	*Pre-65 Medical*	*Post-65 Medical*	*Life*
Current Retirees	100%	100%	100%
Future Retirees	85%	100%	100%

Percent married	For current retirees, based on data provided by the Company; for future retirees, 80% are assumed married at retirement.

Methods

Postretirement welfare cost:

▸ Measurement date	Fiscal year-end
▸ Service cost and APBO	Projected unit credit actuarial cost method, allocated from the valuation date on or after date of hire to full eligibility date
▸ Market-related value of assets	The fair value of assets on the measurement date.
▸ Amortization of unrecognized amounts:	
– Transition obligation	Amortized on a straight-line basis over 20 years beginning January 1, 1993
– Prior service cost (credit)	Increase in APBO resulting from a change in the benefits valued is amortized on a straight-line basis over the expected average remaining service until full eligibility date of active participants. Decrease in APBO first reduces any unrecognized prior service cost, then any unrecognized transition obligation. Any remaining amount is amortized on a straight-line basis as described above.
– Net loss (gain)	Net loss (gain) in excess of 10% of the greater of APBO or market-related value of assets is amortized on a straight-line basis over the expected average remaining service of active employees.

Employer contributions:

▸ Valuation date	First day of plan year
▸ Normal cost and present value of projected benefits	Aggregate cost method
▸ Actuarial value of assets	Market value
▸ Funding policy	Aqua America's funding policy is to contribute an amount equal to the postretirement welfare cost, not to exceed the maximum tax-deductible limit.

Benefits Not Valued

All benefits described in the Plan Provisions section of this report were valued. Life insurance benefits in excess of $50,000 and health care benefits for key employees were not included in determining the maximum deductible contribution. Towers Watson is not aware of any significant benefits required to be valued that were not.

Change in Assumptions and Methods Since Prior Valuation

Postretirement welfare cost	The discount rate for benefit obligations was changed from 6.11% to 5.91%.
	The health care cost trend rate was changed from 7.5% in 2009 grading down by 0.5% per year to 5.0% in 2014 to 8.0% in 2010 grading down by 0.5% per year to 5.0% in 2016.
	The expected return on asset assumption was changed to explicitly reflect the taxable status of the VEBA trusts.
Employer contributions	The discount rate was changed to explicitly reflect the taxable status of the VEBA trusts.
	The health care cost trend rate was changed from 7.5% in 2009 grading down by 0.5% per year to 5.0% in 2014 to 8.0% in 2010 grading down by 0.5% per year to 5.0% in 2016.

Data Sources

Aqua America, Inc. furnished trust assets, participant and claims data as well as the accrued postretirement benefit cost as of December 31, 2009. Data were reviewed for reasonableness and consistency, but no audit was performed. Assumptions or estimates were made by the Towers Watson actuaries when data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Participant Data

	January 1, 2010	January 1, 2009
Actives		
Number	258	266
Average age	52.8	51.8
Average past service	22.7	21.8
Average future service:		
▸ To full eligibility age	6.849	7.036
▸ To expected retirement	9.077	9.792
Covered pay:		
▸ Total	$ 14,927,498	$ 14,813,122
▸ Average	57,859	55,688
Currently Receiving Benefits		
Retirees and surviving spouses:		
▸ Number:		
– Under age 65	21	23
– Age 65 and older	135	132
– Total	156	155
▸ Average age	73.6	73.1
Total Participants Included in Valuation		
Number	414	421

Plan Provisions

The following summary of plan provisions represents our understanding of the substantive plan.

Medical & Dental Benefits	
Eligibility	Retirement after age 55 with 20 years of service or attaining age 62 with five years of service or age plus service greater than or equal to 95. Employees hired after April 1, 2003 are not eligible for future benefits.
Dependent eligibility	Spouse and unmarried children under age 19 or a full-time student under age 23
Survivor eligibility	Dependent coverage continues upon death of the retiree, however, in most instances continued coverage requires the survivor to contribute 100% of the group premium rate. See below for specific details by group.
Postretirement contributions	Amount of group insurance premium that exceeds company payment
Benefits	Pre-65 medical plan is a partially self-insured national PPO plan administered by Blue Cross Blue Shield, with carve-out prescription drug benefit administered by Medco. Post-65 retirees receive company contributions in the form of a Premium Reimbursement Account.

AQUA AMERICA

2010 CWC Retiree Welfare Program

		NONUNION	UNION					
		All	**Shenango Valley**	**Roaring Creek (PA) Retire 1/1/95+**	**Ohio**	**Kankakee, IL Retire Pre 1/1/99**	**Kankakee, IL Retire Post 1/1/99**	**Susquehanna**
Retiree under 65	Retiree	Company pays $70/month	Company pays full premium (medical and dental) IF employee retires at or above age 60	Company pays full premium for those who retire after 1995 IF employee retires at or above age 60; pre-1995 retirees did not receive retiree medical	For retiree prior to age 62 company pays 45% of full retiree and spouse premium if retiree attains 95 points, otherwise company pays 25% of premiums. At age 62 company pays full premium (in effect at time of retirement) for retiree and spouse, with annual	Company pays $90.02/month	Company pays $90.02/month	Company pays $70/month
	Spouse	Spousal coverage is available at 100% of the group rate (access only)	Spousal coverage is available at 100% of the group rate (access only)	Spousal coverage is available at 100% of the group rate (access only)		Spousal coverage is available at 100% of the group rate (access only)	Spousal coverage is available at 100% of the group rate (access only)	Spousal coverage is available at 100% of the group rate (access only)
Retiree over 65	Retiree	Company pays $70/month	Equal to the Highmark Security Blue Standard Plan increased each year up to a max of $110.00. 2008 rate - $74.00	Company pays $70/month; pre-1995 retirees did not receive retiree medical	Company pays either $32.85/month (1/2 of the Medicare Supp rate as of 9/1/1992) or $15.00/month	Company pays $90.02/month	Company pays $70/month	Company pays $70/month
	Spouse	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy
Dental Coverage		None	Yes	None	Yes	None	None	None

Life Insurance Benefits

Eligibility	Same as for medical
Postretirement contributions	None
Benefits	None for Vermillion Union participants $5,000 for Ohio and Roaring Creek Union participants $15,000 for Kankakee participants $9,000 for all Susquehanna participants For all others: 25% of salary at retirement, not less than $5,000 and not more than $25,000

Changes in Benefits Valued

There were no changes in benefits valued since the prior valuation.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

C. OPERATING EXPENSE

OE15. Please identify the total pension expense under SFAS 87 for the historic test year and the portion charged to O&M. Include an analysis showing the contribution to the pension plan and the amount deferred or expensed for each of the past two years and the historic test year. Also provide any estimates for the future test year.

A See 2011 Actuarial Report attached to OE14 for the SFAS 87 pension expense amounts. See page 43 of Exhibit 1A for the amount of pension expense charged to O&M

C. Operating Expense

OE16. Please provide an analysis of OPEBs showing the accrual amount under SFAS 106 and the pay-as-you-go expense.

A. See page 45 of Exhibit 1A and the Company's response to filing requirement OE14.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

C. Operating Expense

OE17. Please reconcile the historical and future test year SFAS No. 106 expense levels with the amount identified in the actuarial report.

A. See page 45 of Exhibit 1-A.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

C. Operating Expense

OE18. Please identify the actual or projected amounts contributed to SFAS No. 106 funds for the historic and future test years. Identify the actual or projected dates and amounts of the contributions.

A. See page 45 of Exhibit 1A.

C. Operating Expense

OE19. Please explain the funding options or plans which are being used for SFAS No. 106 costs. Identify the portion of costs which are eligible for tax preferred funding.

A. The Company has selected two vehicles, i.e. two Voluntary Employee Beneficiary Association plans ("VEBA"), one each for its union employees and one for its non-union employees.

The Internal Revenue Service has made a determination that the VEBA plans meet the requirements of Section 501(c) 9 of the Internal Revenue Code and are generally exempt from federal or state taxes. The income from the VEBA plans is not included in the Company's taxable income.

Each year, the Company's actuary determines the Company's maximum tax-deductible funding limitations for the plans based on claim cost assumptions and asset values.

The Shenango, Roaring Creek and Susquehanna Divisions have a separate VEBA, which is utilized as a funding vehicle for SFAS No. 106 costs. Contributions are made to the plan on an annual basis based on the actuarial study.

<u>AQUA PENNSYLVANIA, INC.</u>
<u>2011 RATE CASE</u>
<u>FILING REQUIREMENTS</u>

C. Operating Expense

OE20. Is the Company studying and/or anticipating any changes to its post-retirement benefits offered to employees as a result of SFAS No. 106 or for other reasons? If yes, please provide such study and/or explain the anticipated change.

A. There are no plan changes anticipated at this time.

C. Operating Expense

OE21. Please state whether the historic test year expenses reflect any accruals for postemployment benefits under SFAS 112. If yes, please provide complete details including supporting documentation, assumptions, and funding mechanisms.

A. The historic test year expenses do not reflect any accruals for postretirement benefits under SFAS 112.

C. Operating Expense

OE22. Please provide a copy of all incentive compensation and/or bonus plans and provide the level of related bonus payments included in the cost of service. Provide information for the preceding two years and any changes since the last rate case.

A. Incentive Compensation Payment:

2009	743,381
2010	620,773
2011	901,099

a) The Incentive Compensation Plan will be provided upon request and forwarded under a Confidentiality Agreement.

C. Operating Expense

OE23. Please provide the most recent insurance premiums for each type of insurance coverage (both employee benefit and those purchased for the Company) reflected in the Company's filing. If available, please provide estimated premiums for the subsequent calendar year.

A. Keystone HMO & Prescription

Please see attached schedule

B. Please refer to Exhibit 1-A page 28 and see attachment.

OE23. Please provide the most recent insurance premiums for each type of insurance coverage (both employee benefit and those purchased for the Company) reflected in the Company's filing. If available, please provide estimated premiums for the subsequent calendar year.

MEDICAL

Monthly Rates	2011	Estimated 2012
Keystone D1N1 (Nonunion)		
Employee	$ 471.23	$ 485.78
Employee & Child	$ 722.44	$ 746.41
Employee & Children	$ 1,089.18	$ 1,121.68
Employee & Spouse	$ 1,057.36	$ 1,087.55
Employee & Family	$ 1,402.61	$ 1,445.12
Keystone D1N1 (Little Washington Union)		
Employee	$ 472.00	$ 486.50
Employee & Child	$ 723.52	$ 747.42
Employee & Children	$ 1,090.90	$ 1,123.30
Employee & Spouse	$ 1,059.08	$ 1,089.17
Employee & Family	$ 1,404.81	$ 1,448.19
Keystone Core Plus (SEPA 32BJ Union)		
Employee	$ 544.01	$ 553.82
Employee & Child	$ 837.66	$ 853.51
Employee & Children	$ 1,254.87	$ 1,277.02
Employee & Spouse	$ 1,215.18	$ 1,236.03
Employee & Family	$ 1,619.68	$ 1,649.00
Keystone Core (SEPA 32BJ Union)		
Employee	$ 525.50	$ 535.13
Employee & Child	$ 810.13	$ 825.71
Employee & Children	$ 1,211.51	$ 1,233.24
Employee & Spouse	$ 1,172.43	$ 1,192.86
Employee & Family	$ 1,564.71	$ 1,593.50
PPO HD1HC1 (Nonunion & Union)		
Employee	$ 556.82	$ 572.13
Employee & Child	$ 947.98	$ 974.02
Employee & Children	$ 1,225.16	$ 1,258.85
Employee & Spouse	$ 1,114.29	$ 1,144.91
Employee & Family	$ 1,668.65	$ 1,714.59

DENTAL

Monthly Rates	2011	Estimated 2012
Dental 5001 (All except SEPA 32BJ Union)		
Employee	$ 37.17	$ 38.29
Employee & Child	$ 64.88	$ 66.83
Employee & Children	$ 98.27	$ 101.22
Employee & Spouse	$ 64.88	$ 66.83
Employee & Family	$ 98.27	$ 101.22
Dental 1000 (SEPA 32BJ Union)		
Employee	$ 48.35	$ 49.80
Employee & Child	$ 83.63	$ 86.14
Employee & Children	$ 122.24	$ 125.91
Employee & Spouse	$ 83.63	$ 86.14
Employee & Family	$ 122.24	$ 125.91

LIFE/ADD/LTD

Monthly Rates	2011	Estimated 2012
Life	.256 per $1,000	.256 per $1,000
ADD	.02 per $1,000	.02 per $1,000
LTD	.38 per $100	.38 per $100

<u>**AQUA PENNSYLVANIA, INC.**</u>
<u>**2011 RATE CASE**</u>
<u>**FILING REQUIREMENTS**</u>

C. Operating Expense

OE24. Please provide the level of payments made to industry organizations included in the cost of service along with a description of each payee organization.

A. Listed below are the payments to industry organizations included in the cost of service in this case.

Pennsylvania Chapter of the National Association Of Water Companies	$ 223,559
AWWA Research Foundation	$ 20,211
AWWA Dues	$ 75,082

C. Operating Expense

OE25. If the Company has included any costs associated with cancelled construction projects or obsolete inventory in requested rates, please separately identify the items, provide the related amounts and explain the reason for the cancellation or obsolescence.

A. No obsolete inventory write-off or costs associated with cancelled construction projects have been included in the Company's claimed cost of service.

C. Operating Expense

OE26. Please explain how the Company accounts for vacation pay for book and ratemaking purposes.

A. The Company's vacation policy does not permit employees to carry any unused vacation from one year to another ("use it or lose it"). Accordingly, all payroll costs are charged to either expense or capital accounts each year.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

C. Operating Expense

OE27. Please indicate whether any employee positions have been eliminated since the commencement of the historic test year or is expected to be eliminated during the future test year.

A. There are no positions being eliminated during the future test year.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

C. Operating Expense

OE28. Furnish the name of each supplier, gallonage and expense for water purchased as recorded in Water Purchased for Resale- Account 706 for the historic test year and two preceding years.

A. Please see attached

Revised
Attachment to OE28

OE28

Supplier	Account Name	Year 2008 Gallons	Year 2008 Expense	Year 2009 Gallons	Year 2009 Expense	Test Year 2010-2011 Gallons	Test Year 2010-2011 Expense
Chester Water Authority	Ridley	141,435,000	$352,743	142,535,000	$378,406	148,129,000	$429,970
Chester Water Authority	Eddystone	0	$0	0	$0	0	$0
Chester Water Authority	Cheyney Rd	66,734,000	$183,323	63,198,000	$191,989	54,984,000	$189,303
Chester Water Authority	Pocopson	89,773,000	$241,356	41,269,000	$126,825	16,798,000	$61,243
Chester Water Authority	Birney Highway	36,479,000	$96,976	36,830,000	$106,245	37,106,000	$120,933
Bucks County Water Authority and Sewer	Southampton	1,265,435,000	$3,057,866	1,275,193,000	$3,417,517	1,290,235,000	$3,945,853
Bucks County Water Authority and Sewer	Neshaminy	16,725,000	$35,959	8,400,000	$22,512	0	$0
Bucks County Water Authority and Sewer	Bensalem	1,476,912,000	$3,569,223	1,473,158,000	$3,948,063	1,471,616,000	$4,502,831
Downingtown Municipal Authority	Rock Raymond	76,879,000	$66,715	107,125,400	$92,866	115,651,000	$103,725
Lower Bucks County Water and Sewer Authority	Radcliff	0	$0	0	$0	0	$0
Pa American	Sparango	0	$0	0	$0	0	$0
Phoenixville Water	Schulykill	1,848,000	$3,707	1,112,000	$2,224	1,027,000	$2,063
Philadelphia Water Department	Miquon	1,220,736	$7,104	2,755,144	$11,837	1,663,632	$10,104
Philadelphia Water Department	Knights Rd	0	$1,267	0	$1,302	0	$1,422
Philadelphia Water Department	Tinicum and Cheltenham	1,509,600,000	$2,935,632	1,396,300,000	$3,276,365	1,336,400,000	$3,445,542
White Haven Center	White Haven	0	$0	0	$0	0	$0
Shamokin Dam Borough	Roaring Creek	0	$0	0	$0	0	$0
Shenandoah Municipal Authority	Roaring Creek	0	$2,000	0	$2,000	0	$2,000
Ashland Borough	Roaring Creek	0	$0	0	$0	0	$0
Aqua Ohio	Shenango	28,409,000	$136,929	29,784,000	$148,463	34,617,440	$182,949
		4,711,449,736	10,690,800	4,577,659,544	11,726,614	4,508,227,072	12,997,938