

AQUA PENNSYLVANIA, INC.

NUMBER OF CUSTOMERS SERVED

AND WHOSE BILLS WILL BE INCREASED

<u>Classification</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
<u>Metered</u>			
Residential	370,768	371,176	371,600
Commercial	20,659	20,655	20,657
Public	7,104	7,104	7,104
Industrial	822	821	822
Metered Fire	4,483	4,490	4,490
Sales To Other Utilities	14	14	14
	<u>403,850</u>	<u>404,260</u>	<u>404,687</u>
Private Fire Hydrants	1,071	1,071	1,071
Public Fire Hydrants	239	240	240
Availability	0	0	0
	<u>405,160</u>	<u>405,571</u>	<u>405,998</u>



AQUA PENNSYLVANIA, INC.  
 ALL DIVISIONS

STATEMENT OF OPERATING REVENUE FOR THE TWELVE MONTHS ENDED JUNE 30, 2011  
 ANTICIPATED OPERATING REVENUES UNDER PRESENT RATES FOR THE TEST YEARS ENDED JUNE 30, 2011 AND 2012  
 ANTICIPATED OPERATING REVENUES UNDER PROPOSED RATES FOR THE TEST YEAR ENDED JUNE 30, 2012

CLASSIFICATION	(1) REVENUE FOR 12 MOS. ENDED 6/30/11	(2) ADJUSTMENTS	(3) REVENUE FROM CHANGES DURING 12 MOS. ENDED 6/30/11	(4) TOTAL ANTICIPATED REVENUE UNDER PRES RATES 6/30/11	(5) REVENUE FROM CHANGES DURING 12 MOS. ENDED 6/30/12	(6) TOTAL ANTICIPATED REVENUE UNDER PRES RATES 6/30/12	(7) ADDITIONAL REVENUE RATE INCREASE		(9) TOTAL REVENUE UNDER PROPOSED RATES 6/30/12
							%	AMOUNT	
SALES TO GENERAL CUSTOMERS:									
METERED:									
RESIDENTIAL	252,640,268	16,856,317	125,410	269,621,995	250,820	269,872,815	9.9%	26,850,194	296,723,009
COMMERCIAL	86,585,031	4,935,922	95,126	91,616,079	(418,683)	91,197,396	10.2%	9,313,864	100,511,260
PUBLIC	7,545,468	734,609	4,148	8,284,225	8,296	8,292,521	10.6%	878,686	9,171,207
INDUSTRIAL	16,557,054	907,567	222	17,464,843	(389,366)	17,075,477	9.5%	1,616,107	18,691,584
PRIVATE FIRE PROTECTION	10,223,790	-	623,844	10,847,634	185,362	11,032,995	-5.3%	(587,029)	10,445,966
SALES TO WATER UTILITIES	3,269,596	(473,795)	-	2,795,801	-	2,795,801	6.1%	171,133	2,966,934
SUB-TOTAL	376,821,206	22,960,621	848,750	400,630,577	(363,571)	400,267,006	9.6%	38,242,954	438,509,960
OTHER:									
AVAILABILITY CHARGE	(268)	-	-	-	-	-	0.0%	-	-
PRIVATE FIRE PROTECTION	980,477	268	58,544	1,039,020	(2,755)	1,036,265	-6.3%	(65,254)	971,011
PUBLIC FIRE PROTECTION	5,342,856	-	161,254	5,504,111	55,211	5,559,322	4.9%	273,118	5,832,440
TOTAL SALES TO GENERAL CUSTOMERS	383,144,271	22,960,888	1,068,548	407,173,708	(311,115)	406,862,593	9.5%	38,450,818	445,313,411
OTHER WATER REVENUE:									
UTILITY TAX SURCHARGE	15,999	(15,999)	-	-	-	-	0.0%	-	-
FORFEITED DISCOUNTS	1,406,878	-	173,614	1,580,492	(1,208)	1,579,284	9.5%	149,251	1,728,535
MISC. WATER REVENUE	478,426	-	-	478,426	-	478,426	0.0%	-	478,426
SUB-TOTAL	1,901,302	(15,999)	173,614	2,058,917	(1,208)	2,057,709	7.3%	149,251	2,206,961
TOTAL OPERATING REVENUE	385,045,573	22,944,889	1,242,162	409,232,625	(312,322)	408,920,303	9.4%	38,600,069	447,520,372

\* Refer to Exhibits 5A Part I & II, Exhibit 50A, and Exhibit 50B for Details and AP Statements No. 5 & No. 1

AQUA PENNSYLVANIA, INC.

Pages 4 and 5 are not being used in this exhibit.

Witness: William C. Packer

AQUA PENNSYLVANIA, INC.Summary of Additional Operating Revenue from Customer Changes During  
12 Months Ended June 30, 2011 to Give Effect of 12 Full Months of Service

<u>Customer Class</u>	<u>Revenue Adjustment</u>	<u>Reference</u>
<b>Main Div.:</b>		
Residential	\$ 112,066	Pg. 7
Commercial	\$ 103,623	Pg. 7
Public	\$ (114)	Pg. 7
Industrial	\$ 222	Pg. 7
<b>Applewood, Marienville Div:</b>		
Residential	\$ 1,587	Pg. 7
Commercial	\$ 1,379	Pg. 7
<b>Cove Village Div.:</b>		
Residential	\$ 456	Pg. 7
Commercial	\$ 135	Pg. 7
<b>Emlenton Div.:</b>		
Residential	\$ (724)	Pg. 7-1
Commercial	\$ 1,745	Pg. 7-1
<b>Fawn Lake Div.:</b>		
Residential	\$ 10,011	Pg. 7-1
<b>Honesdale Divs.:</b>		
Residential	\$ (5,321)	Pg. 7-1
Commercial	\$ (10,805)	Pg. 7-1
Public	\$ 4,262	Pg. 7-1
<b>Kratzerville/Clarendon Div.:</b>		
Residential	\$ (601)	Pg. 7-1
Commercial	\$ (207)	Pg. 7-2

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Witness: William C. Packer

AQUA PENNSYLVANIA, INC.Summary of Additional Operating Revenue from Customer Changes During  
12 Months Ended June 30, 2011 to Give Effect of 12 Full Months of Service

<u>Customer Class</u>	<u>Revenue Adjustment</u>	<u>Reference</u>
<b>Masthope Div:</b>		
Residential	\$ 5,655	Pg. 7-1
Commercial	\$ (392)	Pg. 7-1
<b>Oakland Beach/Lakeside Acres Div.:</b>		
Residential	\$ 1,683	Pg. 7-1
Commercial	\$ (852)	Pg. 7-2
<b>Washington Park Div.:</b>		
Residential	\$ 598	Pg. 7-2
<b>White Haven Div:</b>		
Commercial	\$ 500	Pg. 7-2

AQUA PENNSYLVANIA, INC.Summary of Additional Operating Revenue from Customer Changes During  
12 Months Ended June 30, 2011 to Give Effect of 12 Full Months of Service

	Y/E 6/2011 Customer Increase/ (Decrease)	Median Monthly Bill	Median Consumption	Multiplier To Reflect Full Year	Historic Test Year Revenue Adjustment
(1) Residential - Main Div.:					
(2) 5/8"	336	52.86	4.0	6	106,561
3/4"	7	77.19	5.3	6	3,242
1"	2	104.37	6.1	6	1,252
1 1/2"	1	215.45	13.0	6	1,293
2"	(1)	498.41	38.0	6	(2,990)
4"	1	451.28	3.3	6	2,708
					<u>112,066</u>
Commercial - Main Div.:					
5/8"	(8)	37.02	2.2	6	(1,777)
3/4"	(2)	66.67	4.1	6	(800)
1"	3	135.39	9.3	6	2,437
1 1/2"	1	344.08	29.0	6	2,064
2"	7	478.43	42.0	6	2,871
3"	1	1,276.47	138.5	6	53,612
4"	1	2,448.55	284.4	6	14,691
6"	1	5,087.48	626.0	6	30,525
					<u>103,623</u>
Industrial - Main Div.:					
5/8"	1	37.02	2.2	6	222
					<u>222</u>
Public - Main Div.:					
5/8"	(1)	18.97	0.3	6	(114)
					<u>(114)</u>
Residential - Applewood, Marienville Div.:					
1"	1	264.56	28.9	6	1,587
					<u>1,587</u>
Commercial - Applewood, Marienville Div.:					
5/8"	(1)	39.64	2.7	6	(238)
1 1/2"	1	269.46	21.0	6	1,617
					<u>1,379</u>
Residential-Cove Village Div.:					
5/8"	2	37.99	2.7	6	456
					<u>456</u>
Commercial-Cove Village Div.:					
5/8"	1	22.52	0.8	6	135
					<u>135</u>

AQUA PENNSYLVANIA, INC.Summary of Additional Operating Revenue from Customer Changes During  
12 Months Ended June 30, 2011 to Give Effect of 12 Full Months of Service

	Y/E 6/2011 Customer Increase/ (Decrease)	Median Monthly Bill	Median Consumption	Multiplier To Reflect Full Year	Historic Test Year Revenue Adjustment
Residential-Emlenton Div.:					
5/8"	(3)	40.21	3.2	6	(724)
					<u>(724)</u>
Commercial-Emlenton Div.:					
5/8"	1	31.80	1.8	6	191
3"	1	259.08	0.0	6	1,554
					<u>1,745</u>
Residential-Fawn Lake Div.:					
5/8"	44	37.92	1.7	6	10,011
					<u>10,011</u>
Residential-Honesdale Div.:					
5/8"	(5)	177.38	30	6	(5,321)
					<u>(5,321)</u>
Commercial-Honesdale Div.:					
5/8"	(4)	90.30	12	6	(2,167)
3/4"	(1)	179.39	30	6	(1,076)
1"	1	260.09	62	6	(3,243)
4"	(1)	4,143.95	1,800	6	(4,319)
					<u>(10,805)</u>
Public-Honesdale Div.:					
5/8"	1	95.14	13.0	6	571
1"	(1)	298.52	54.0	6	(1,791)
1 1/2"	1	913.71	350.0	6	5,482
					<u>4,262</u>
Residential-Kratzerville/Clarendon Div.:					
5/8"	(3)	33.36	3.0	6	(601)
					<u>(601)</u>
Commercial-Kratzerville/Clarendon Div.:					
5/8"	(1)	34.51	3.2	6	(207)
					<u>(207)</u>
Residential - Masthope (CS Water) Div.:					
5/8"	32	29.46	0.6	6	5,655
					<u>5,655</u>
Commercial - Masthope (Cs Water) Div.:					
5/8"	(1)	65.32	4.8	6	(392)
					<u>(392)</u>
Residential-Oakland Beach/Lakeside Acres Div.:					
5/8"	9	31.18	2.0	6	1,683
					<u>1,683</u>



Witness: William C. Packer

AQUA PENNSYLVANIA, INC.Summary of Additional Operating Revenue from Customer Changes During  
12 Months Ended June 30, 2011 to Give Effect of 12 Full Months of Service

	<u>Y/E 6/2011 Customer Increase/ (Decrease)</u>	<u>Median Monthly Bill</u>	<u>Median Consumption</u>	<u>Multiplier To Reflect Full Year</u>	<u>Historic Test Year Revenue Adjustment</u>
Commercial-Oakland Beach/Lakeside Acres Div.:					
5/8"	1	32.68	1.9	6	196
1"	(1)	174.69	19.3	6	(1,048)
					<u>(852)</u>
Residential-Washington Park Div.:					
5/8"	2	49.85	4.1	6	598
					<u>598</u>
Commercial-White Haven Div.:					
5/8"	2	41.66	3.0	6	500
					<u>500</u>

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AQUA PENNSYLVANIA, INC.  
REVENUE ADJUSTMENT  
PECO & BLAIR MILL VILLAGE APARTMENTS

This adjustment reflects the declining usage for two of Aqua Pennsylvania, Inc's customers PECO (Industrial) & Blair Mill Village Apartments (Commercial). Over the past year Blair Mill Village has repaired several leaks and as a result, decreased their consumption by 71% by the end of the historic test year. With regard to PECO, their Eddystone facility shut down 2 coal fired energy producing units during the historic test year. One is permanently decommissioned, with the second expected to be permanently decommissioned around May 2012. Both units are not expected to be used prior to their permanent decommissioning. As a result, the Company has projected a near 50% decline in water usage.

PECO EDDYSTONE (Industrial)

Annual Usage during the HTY (Kgals) =	146,260
Projected Annual Usage during FTY (Kgals) =	<u>73,180</u>
Difference (Kgals) =	<u>-73,080</u>
USE	<u><u>(\$389,810) *</u></u>

BLAIR MILL VILLAGE (Commercial)

Annual Usage during the HTY (Kgals) =	136,180
Projected Annual Usage during FTY (Kgals) =	<u>40,008</u>
Difference (Kgals) =	<u>-96,172</u>
USE	<u><u>(\$608,935) *</u></u>

\*Amounts include DSIC at 7.5%

AQUA PENNSYLVANIA, INC.

Pages 9 through 11 are not being used in this exhibit.

AQUA PENNSYLVANIA, INC.REVENUE FROM PROJECTED CUSTOMER CHANGES  
DURING THE YEAR ENDED 6/30/12

For purposes of estimating the annual revenue to be derived from customers to be added during the year ended 6/30/12, the Company used the following procedures:

- (1.) The rate adjustment for customers added during the year ended June 30, 2011 captures half a year of revenue based on the assumption that, on average, the new customers paid a half year of revenue in the historic test year. (See pages 6 & 7).
- (2.) The Company multiplied the revenue calculated in (1.) above, by a factor of 2 in order to derive the rate adjustment for the future test year period.
- (3.) The resulting calculations increased pro-forma future test year revenues by \$686,422 as set forth in column (5) page 3 and excluding the adjustments for Blair Mill Village and PECO as set forth in Page 8.

AQUA PENNSYLVANIA, INC.

HUBBARD REVENUE ADJUSTMENT

During the Fall of 1994, Consumers Water Company-Shenango Valley Division entered into a water supply contract with the town of Hubbard, PA. During its 1997 rate case at Docket No. R-00973972, Consumers requested to treat the annual Hubbard rate base, revenue, and expense as below-the-line items. This adjustment removes the test year Hubbard revenue, which was recorded as above-the-line revenue, from the instant rate case. Refer to pages 30 and 81 of this exhibit for the removal of the Hubbard expenses and rate base.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Hubbard rate base, revenue & expense shown as below-the-line in accordance with Docket No. R-00973972		
Pro-Forma Operating Revenue	<u>-</u>	<u>-</u>
Less: Amount Recorded For Twelve Months Ended June 30, 2011 Increase/(Decrease)	<u>486,654</u> <u>(486,654)</u>	<u>486,654</u> <u>(486,654)</u>
Sales for Resale Operating Revenue-Main Division	(486,654)	(486,654)

AQUA PENNSYLVANIA, INC.

Pages 14 through 19 are not being used in this exhibit.

AQUA PENNSYLVANIA, INC.SUMMARY OF ADJUSTMENTS TO OPERATING EXPENSES  
UNDER PRESENT AND PROPOSED RATES

	DETAILS SHOWN ON PAGE #	PRESENT RATES 6/30/11	YEAR ENDED 6/30/12	
			PRESENT RATES	PROPOSED RATES
Increases / (Decreases) in operating expenses				
Payroll	21	\$435,800	\$2,171,200	
Additional Cost of Serving Customers	22	\$0	\$86,100	
General Price Level Adjustment	23	\$0	\$284,300	
Customer Service & Sundry Expense	27	\$38,200	\$254,000	
Insurance	28	\$0	\$121,100	
Hubbard Expense Elimination	30	(\$253,800)	(\$265,800)	
Electric Expense	31	(\$89,700)	\$539,300	
Eliminate Portion of NAWC Bill	32	(\$38,000)	(\$38,000)	
Amort. of New Negative Acq. Adj.	34	\$0	(\$25,800)	
Legal Expense Normalization	35	\$260,900	\$260,900	
Uncollectible Accounts	36	\$540,900	\$539,000	\$242,800
Purchased Water	37	(\$11,000)	(\$577,900)	
Water Production Adjustment	37-2	\$0	\$975,900	
Chemicals	38	\$0	\$130,400	
Management Service & Sundry Expense	39	540,500	969,500	
Rate Case Expense	40	\$45,000	\$45,000	
Healthcare Expense	41	\$495,200	\$915,200	
Pension	43	\$1,812,300	\$1,812,300	
SFAS106 Post Retirement Benefits	45	\$8,200	\$57,400	
		\$3,784,500	\$8,254,100	\$242,800

AQUA PENNSYLVANIA, INC.PAYROLL

The following amounts summarize the Company's estimated additional annual payroll expense. This results from the calculation of employee compensation levels scheduled to be in effect during the first year that new rates resulting from this proceeding are effective.

	Historic Test Year 6/30/2011	Future Test Year 6/30/2012
<b><u>Non-Union Payroll</u></b>		
Payroll increase assignable to operations and maintenance (re: pg 21-1)	238,987	1,072,616
<b><u>Union Payroll</u></b>		
Payroll increase assignable to operations and maintenance (re: pg 21-2)	196,825	1,098,543
Total Payroll increase applicable to operations and maintenance	435,812	2,171,160
USE	435,800	2,171,200

\* Refer to Exhibit 2A for Details



AQUA PENNSYLVANIA, INC.  
PAYROLL SUMMARY - NON-UNION EMPLOYEES  
TEST YEARS ENDED 6-30-11 and 6-30-12

	GROSS PAYROLL	CAPITAL PAYROLL	NON-OPERATING PAYROLL	SEWER PAYROLL	EXPENSE PAYROLL
<b>HISTORIC TEST YEAR - 2011</b>					
ANNUALIZED PAYROLL	18,977,708	4,345,567	321,964	621,688	13,688,489
PAYROLL HYE 6-30-11	18,646,376	4,269,697	316,343	610,834	13,449,502
<b>INCREASE</b>					<b>238,987</b>
<b>FUTURE TEST YEAR - 2012</b>					
ANNUALIZED PAYROLL	20,133,451	4,610,212	341,572	659,549	14,522,118
PAYROLL HYE 6-30-11	18,646,376	4,269,697	316,343	610,834	13,449,502
<b>INCREASE</b>					<b>1,072,616</b>

\* Refer to Exhibit 2A for Details

AQUA PENNSYLVANIA, INC.  
PAYROLL SUMMARY - UNION EMPLOYEES  
TEST YEARS ENDED 6-30-11 and 6-30-12

	GROSS PAYROLL	CAPITAL PAYROLL	NON-OPERATING PAYROLL	SEWER PAYROLL	EXPENSE PAYROLL
<b>HISTORIC TEST YEAR - 2011</b>					
ANNUALIZED PAYROLL	23,767,956	6,878,238	121,759	263,247	16,504,712
PAYROLL HYE 6-30-11	23,484,514	6,796,213	120,307	260,108	16,307,887
<b>INCREASE</b>					<b>196,825</b>
<b>FUTURE TEST YEAR - 2012</b>					
ANNUALIZED PAYROLL	25,066,494	7,254,024	128,411	277,630	17,406,430
PAYROLL HYE 6-30-11	23,484,514	6,796,213	120,307	260,108	16,307,887
<b>INCREASE</b>					<b>1,098,543</b>

\* Refer to Exhibit 2A for Details

AQUA PENNSYLVANIA, INC.

ADDITIONAL COST OF SERVING CUSTOMERS  
CONNECTED DURING THE TWO YEARS ENDED JUNE 30, 2012

The Company computes the additional cost of providing service to customers connected during the two years ended June 30, 2012 as follows:

	Future Test Year <u>6/30/2012</u>
Estimated Additional Revenue from new customers connected during the two years ended June 30, 2012	\$686,422 <small>pg. 3 col. 5 (not including Page 8 adjustment)</small>
Operating Ratio	12.55%
Cost of providing service to such new customers	<u>\$86,128</u>
USE	<u>\$86,100</u>
The operating ratio specifically related to the adjusted cost of serving new customers was computed as follows:	
Electric Power Expense	\$12,302,799
Chemical Expense	4,104,527
Bill Processing & Postage Expense	2,385,059
ACO & Service & Sundry Expense	20,085,353
Purchased Water Expense	<u>12,431,058</u>
	<u>\$51,308,796</u>
Total Water Sales at Present Rates	<u>\$408,920,303</u>
Operating Ratio	<u>12.55%</u>

AQUA PENNSYLVANIA, INC.GENERAL PRICE LEVEL ADJUSTMENT

	Future Test Year <u>6/30/2012</u>
Total Operation and Maintenance Expenses (HTY):	\$113,363,194
Less amounts specifically adjusted in this filing or not otherwise subject to inflation:	
Amort. of UP Acq. Costs	(312,138)
Payroll	29,757,388
Hubbard Expenses	253,848
NAWC Lobbying Expense	38,005
Electric Expense	11,763,491
Chemicals	3,974,146
Legal Expense Normalization	132,198
Insurance	4,488,262
Service & Sundry Fees	14,017,619
Customer Service Fees	4,844,292
Purchased Water Expense	13,008,949
Rate Case Expense	462,504
Uncollectible Accounts	2,033,634
Healthcare Expense	4,053,333
Pension Expense	7,184,333
Post-Retirement Benefits	1,584,821
Total Operating Expenses adjusted for separately	97,284,685
Total Operating Expenses subject to effects of inflation	<u>\$16,078,509</u>
Estimated effect of inflation at 1.768% annual rate (1)	<u>\$284,300</u>

(1) Rate based on the forecasted GDP chained price index forecast for the second quarter 2012, i.e. the end of the future test year, divided by the actual GDP chained price index for the second quarter of 2011, i.e. end of the historic test year. This data is contained in the Blue Chip Economic Indicators dated September 10, 2011  
 $(115.1 / 113.1) = 1.017683\%$

AQUA PENNSYLVANIA, INC.

Pages 24 through 26 are not being used in this exhibit.

AQUA PENNSYLVANIA, INC.AQUA CUSTOMER OPERATIONS

The following amounts summarize the Company's estimated additional annual payroll expense and the increase of the Company portion of health care premiums and pension expense of the Aqua Customer Operations employees whose time was charged to Aqua Pennsylvania during the test year.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Aqua Customer Operations Service Fees	3,315,350	3,399,783
HTY Payroll Annualization Increase	84,433	
FTY Payroll Increase		128,184
FTY Health Care Premium Increase		68,944
FTY Pension Contribution Increase		18,620
HTY & FTY Sundries	<u>1,482,712</u>	<u>1,482,712</u>
Total Expense Claim	<u>\$4,882,495</u>	<u>\$5,098,243</u>
Less: Amount Expended for the 12 months ended 6/30/11	<u>\$4,844,292</u>	<u>\$4,844,292</u>
Increase/(Decrease)	<u>\$38,203</u>	<u>\$253,951</u>
USE	<u>\$38,200</u>	<u>\$254,000</u>

\* Please refer to Exhibit 2A for Details

AQUA PENNSYLVANIA, INC.INSURANCE EXPENSE

The Company's self insured policies for General Liability, Workers Compensation, Vehicle, and Other are evaluated annually by a third party insurance broker, using multiple year claims history. The Company has based its future test year expense claim on the most recent evaluation of insurance claims history for the Company and the premiums that will be charged during the first year rates are in effect.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
General Liability	\$1,927,004	\$1,974,866
Workers Compensation	954,462	1,539,733
Vehicle	180,282	188,627
Other (Exec Risk, Property, Surety Bond)	1,426,514	906,160
Subtotal Insurance	<u>\$4,488,262</u>	<u>\$4,609,386</u>
Less: Amount expended for the 12 months ended 6/30/11	<u>4,488,262</u>	<u>4,488,262</u>
Increase/(Decrease)	<u>\$ -</u>	<u>\$ 121,124</u>
USE	<u>\$ -</u>	<u>\$ 121,100</u>

AQUA PENNSYLVANIA, INC.

Page 29 is not being used in this exhibit.



AQUA PENNSYLVANIA, INC.HUBBARD CONTRACT EXPENSE

During the Fall of 1994, Consumers Water Company Shenango Valley Division entered into a water supply contract with the town of Hubbard, PA. During its 1997 rate case, at Docket No. R-00973972, Consumers requested to treat the annual Hubbard revenue as below-the-line income. The resultant compromise, which was eventually approved by the Commission, involved removing specific portions of utility plant from rate base as an offset to the below-the-line treatment for the Hubbard revenue and expenses. In this case, the formula developed in the last Shenango Valley case has been utilized along with updated production test year figures. Refer to page 81 of this exhibit for the Hubbard rate base adjustment. The Hubbard revenue has been adjusted on page 13 of this exhibit.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Eliminate Impact of Hubbard Expenses From Operating Expenses:		
A/C#6021 Operating Supplies & Expense	(5,077)	(5,316)
A/C#6022 Maint Supplies & Expense	(5,077)	(5,316)
A/C#6151 Electric Expense	(54,926)	(54,926)
A/C#6183 Chemical Expense	(181,153)	(192,252)
A/C#6206 Maint Materials & Supplies	(2,538)	(2,658)
A/C#6424 Maint Equip Rental	<u>(5,077)</u>	<u>(5,316)</u>
Increase/ (Decrease)	<u>(253,848)</u>	<u>(265,783)</u>
USE	<u>(253,800)</u>	<u>(265,800)</u>

AQUA PENNSYLVANIA, INC.ELECTRIC EXPENSE

Aqua Pennsylvania's primary electric power supplier is PECO Energy. However, the Company also purchases electricity from various other providers, as listed below. This adjustment develops the Company's electric expense claim based on historic test year consumption levels and 2012/2013 expected rate levels during the first year rates are in effect for the instant proceeding.

<u>Utility</u>	<u>Location</u>	<u>Historic KW Hrs</u>	<u>Historic Test Year</u>	<u>Pro-Forma Future KW Hrs</u>	<u>Future Test Year</u>
PECO	Southeastern Pennsylvania	116,971,796	\$ 9,625,126	116,971,796	\$ 11,093,956
PP&L	Southeastern Pennsylvania	197,057	\$ 20,801	197,057	\$ 21,239
MetEd	Southeastern Pennsylvania	639,876	\$ 75,025	639,876	\$ 72,536
PP&L	Roaring Creek	5,323,847	\$ 527,954	5,323,847	\$ 556,096
MetEd	Roaring Creek	188,697	\$ 22,057	188,697	\$ 21,181
Adams Co-op	Roaring Creek	51,648	\$ 7,476	51,648	\$ 5,951
PenElec	Susquehanna	1,005,279	\$ 88,083	1,005,279	\$ 85,112
TriCounty REC	Susquehanna	4,096	\$ 605	4,096	\$ 570
PP&L	Waymart	3,918,092	\$ 415,513	3,918,092	\$ 426,019
PennPower	Shenango	9,012,192	\$ 694,504	9,012,192	\$ 536,343
PenElec	Shenango	748,813	\$ 66,021	748,813	\$ 65,586
PP&L	White Haven	1,500,265	\$ 165,723	1,500,265	\$ 168,018
UGI	White Haven	674,758	\$ 89,393	674,758	\$ 88,820
Claverack	White Haven	18,876	\$ 2,167	18,876	\$ 2,109
PenElec	White Haven	126,761	\$ 13,523	126,761	\$ 12,871
MetEd	White Haven	134,906	\$ 12,398	134,906	\$ 12,282
CTC Amortization			\$ 573,252		\$ -
EnerNOC			\$ (725,785)		\$ (431,005)
Solar (Power Savings)	Pickering		\$ -		\$ (238,563)
Solar Recs	Pickering		\$ -		\$ (132,535)
Solar Recs	Ingrams Mill		\$ -		\$ (63,787)
			<u>\$ 11,673,836</u>		<u>\$ 12,302,799</u>
Less: Amount expended for the 12 Months Ended 6/30/11			<u>\$ 11,763,491</u>		<u>\$ 11,763,491</u>
Increase/(Decrease)			<u>(89,655)</u>		<u>539,307</u>
USE			<u>(89,700)</u>		<u>539,300</u>

AQUA PENNSYLVANIA, INC.LOBBYING EXPENSE

This adjustment removes the lobbying expense portion, approximately 17% of the National Association of Water Companies annual dues for the historic test year.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Claimed Lobbying Expense	-	-
Less: Amount expended for the 12 months ended 6/30/11	<u>38,005</u>	<u>38,005</u>
Increase/(Decrease)	<u>\$ (38,005)</u>	<u>\$ (38,005)</u>
USE	<u>\$ (38,000)</u>	<u>\$ (38,000)</u>

AQUA PENNSYLVANIA, INC.

Page 33 is not being used in this exhibit.

AQUA PENNSYLVANIA, INC.AMORTIZATION OF NEW NEGATIVE ACQUISITION ADJUSTMENTS

The Company is proposing to amortize certain negative acquisition adjustments involving acquisitions that were closed after the last AP rate case was filed. Listed below is the first year amortization of the acquisition adjustments. A twenty year amortization period was selected similar to the treatment of prior acquisition adjustments approved by the Commission.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>	Closing Date	Monthly Amort. <u>Beg. 7/1/12</u>
<u>Amort. Of New Negative Acquisition Adjustments</u>				
Athens Acquisition		\$ (165,581)	12/23/2009	(689.92)
Paupacken Lakes Acquisition		(350,760)	9/23/2010	(1,461.50)
Total		<u>\$ (516,341)</u>		
Amortization Period		20 Years		
Annual Amortization		\$ (25,817)		\$ 481,683
Less: Amount Expended For Twelve Months Ended June 30, 2011		-		
Increase/(Decrease)		<u>\$ (25,817)</u>		
USE		<u>\$ (25,800)</u>		

AQUA PENNSYLVANIA, INC.LEGAL EXPENSE NORMALIZATION

The Company incurs cost for general legal services during the normal course of business to protect and defend the Company's interests in a variety of legal matters. This adjustment normalizes the Company's legal expense claim experienced in the historic test year to levels that are expected to be realized during the first year rates are in effect and more in line with prior experience.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Legal Expense Claim (3 yr Average)	<u>\$393,101</u>	<u>\$393,101</u>
Less: Amount expended for the 12 months ended 6/30/11	<u>132,198</u>	<u>132,198</u>
Increase/(Decrease)	<u>\$ 260,903</u>	<u>\$ 260,903</u>
USE	<u>\$ 260,900</u>	<u>\$ 260,900</u>

AQUA PENNSYLVANIA, INC.UNCOLLECTIBLE ACCOUNTS

For the three years ended June 30, 2011, the Company experienced an uncollectible accounts factor of .62912% with regard to sales to general customers.

	ANTICIPATED ADJUSTMENT UNDER		
	PRESENT RATES 6/30/11	PRESENT RATES 6/30/12	PROPOSED RATES 6/30/12
Total Sales to General Customers	409,232,625	408,920,303	447,520,303
Uncollectible Accounts based on Experience Factor of .62912%	2,574,549	2,572,584	2,815,423
Amount charged to Operating Expense for the year ended June 30, 2011	2,033,634	2,033,634	
Pro-forma under present rates			2,572,584
Increase	540,915	538,950	242,839
USE	540,900	539,000	242,800

AQUA PENNSYLVANIA, INC.PURCHASED WATER

The Company summarized the actual gallons and expenses from each of its purchased water vendors and projected the Future Test Year expense claim using historical test year gallons, adjusted to reflect the termination of purchases from Bucks County for the Bensalem Account and new rates that are scheduled to be in effect during the future test year.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Claimed Purchased Water Expense	\$ 12,997,938	\$ 12,431,058
Less: Amount expended for the 12 months ended 6/30/11	<u>13,008,949</u>	<u>13,008,949</u>
Increase/(Decrease)	<u>\$ (11,011)</u>	<u>\$ (577,891)</u>
USE	<u>\$ (11,000)</u>	<u>\$ (577,900)</u>



AQUA PENNSYLVANIA, INC.

PURCHASED WATER

Supplier	Account Name	Year 2008 Gallons	Year 2008 Expense	Year 2009 Gallons	Year 2009 Expense	Historic Test Year 2010-2011 Gallons	Historic Test Year 2010-2011 Expense	Future Test Year 2011-2012 Gallons	Future Test Year 2011-2012 Expense
Chester Water Authority	Ridley	141,435,000	\$ 352,743	142,535,000	\$ 378,406	148,129,000	\$ 429,970	148,129,000	\$ 460,068
Chester Water Authority	Eddystone	-	-	-	-	-	-	-	-
Chester Water Authority	Cheyney Rd	66,734,000	\$ 183,323	63,198,000	\$ 191,989	54,984,000	\$ 189,303	54,984,000	\$ 202,554
Chester Water Authority	Pocopson	89,773,000	\$ 241,356	41,269,000	\$ 126,825	16,798,000	\$ 61,243	16,798,000	\$ 65,530
Chester Water Authority	Birney Highway	36,479,000	\$ 96,976	36,830,000	\$ 106,245	37,106,000	\$ 120,933	37,106,000	\$ 129,398
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	1,454,485,000	\$ 7,286,970
Bucks County Water Authority and Sewer	Neshaminy	16,725,000	\$ 35,959	8,400,000	\$ 22,512	-	\$ -	-	\$ -
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	115,651,000	\$ 106,837
Lower Bucks County Water and Sewer Authority	Radcliff	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Fa American	Sparango	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Phoenixville Water	Schuylkill	1,848,000	\$ 3,707	1,112,000	\$ 2,224	1,027,000	\$ 2,063	1,027,000	\$ 2,269
Philadelphia Water Department	Miquon	1,220,736	\$ 7,104	2,755,144	\$ 11,837	1,663,632	\$ 10,104	1,663,632	\$ 11,114
Philadelphia Water Department	Knights Rd	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Philadelphia Water Department	Timicum and Cheltenham	1,509,600,000	\$ 2,935,632	1,396,300,000	\$ 3,276,365	1,336,400,000	\$ 3,445,542	1,409,980,800	\$ 3,979,804
White Haven Center	White Haven	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Aqua Ohio	Shenango	28,409,000	\$ 136,929	29,784,000	\$ 148,463	34,617,440	\$ 182,949	34,617,440	\$ 182,949
Shamokin Dam Borough	Roaring Creek	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Shenandoah Municipal Authority	Roaring Creek	-	\$ 2,000	-	\$ 2,000	-	\$ 2,000	-	\$ 2,000
Ashland Borough	Roaring Creek	-	\$ -	-	\$ -	-	\$ -	-	\$ -
<b>Total</b>		<b>4,711,449,736</b>	<b>\$ 10,690,800</b>	<b>4,577,659,544</b>	<b>\$ 11,726,614</b>	<b>4,508,227,072</b>	<b>\$ 12,997,938</b>	<b>3,274,441,872</b>	<b>\$ 12,431,058</b>

AQUA PENNSYLVANIA, INC.WATER PRODUCTION ADJUSTMENT

As a result of eliminating a portion of the Company's purchased water source from Bucks County Water and Sewer Authority - Bensalem, the Company is claiming the production costs associated with producing its own water in the future test year. Ninety five percent of the annual gallons purchased from Bucks County will be produced from the Company's own source water and of the remaining 5% will be purchased through the Company's contract with Philadelphia Water Department, which is reflected in the Purchased Water Expense claim in Exhibit 1A - Page 37.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Production Gallons in lieu of purchased gallons	-	1,747,544
Production Cost / 1,000 Gallons	-	<u>\$0.56</u> *
Total Production Cost Adjustment	-	\$ 975,906
Less: Amount expended for the 12 months ended 6/30/11	<u>-</u>	<u>-</u>
Increase/(Decrease)	<u>\$ -</u>	<u>\$ 975,906</u>
USE	<u>\$ -</u>	<u>\$ 975,900</u>

\* Production cost / 1,000 gallons calc:

HTY 6/30/2011 Expenses for OPER & MAINT Excl. Labor and PWater:	\$25,688,450
Estimated Production Gallons (Kgals)	46,000,000
Production Cost per 1,000 gallons	\$0.56

AQUA PENNSYLVANIA, INC.CHEMICALS

The Company has calculated its pro-forma future test year chemical expense based on the average prices of chemicals used during the three years ended June 30, 2011.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Claimed Chemicals Expense	3,974,146	4,104,527
Less: Amount expended for the 12 months ended 6/30/11	<u>3,974,146</u>	<u>3,974,146</u>
Increase/(Decrease)	<u>\$ -</u>	<u>\$ 130,381</u>
USE	<u>\$ -</u>	<u>\$ 130,400</u>

AQUA PENNSYLVANIA, INC.  
CHEMICALS ANALYSIS 2008 - 2010

R_NAME	DESCRIPTION	ITEM	HTY Qty Issued	2012 3 yr Avg Unit Prices	RATE CASE 2012 FTY
BRISTOL PLANT - CHEMICALS	AMMONIA AQUA (19%)	90245	7,430.00	0.4491 \$	3,336
	AMMONIA SULPHATE	90242	4,400.00	0.5259 \$	2,314
	AQUA NUCHAR (BULK)	90307	34,081.00	0.7634 \$	26,018
	CHLORINE - 150 CYL	90206	3,618.00	0.6306 \$	2,282
	CHLORINE - TONS	90205	72,071.00	0.3167 \$	22,826
	HYDRATED LIME (BULK)	90404	8,354.00	0.0836 \$	699
	LIME(HYDRATE-BAG)	90403	700.00	0.1510 \$	106
	MAGNAFLOC LT 7985	90161	3,911.00	0.9204 \$	3,600
	MAGNAFLOC-E42	90179	2,325.00	2.5410 \$	5,908
	PACL (HIGH BASICITY)	90152	323,762.00	0.1860 \$	60,228
	SHAN-NO-COR BMP	90501	15,900.00	1.2578 \$	19,999
BRISTOL PLANT - CHEMICALS Total			476,552.00	\$	147,315
CRUM CREEK CHEMICALS	ALUM LIQUID	90110	0.00	0.0000 \$	-
	AMMONIA AQUA (19%)	90245	35,542.00	0.3980 \$	14,147
	AQUA NUCHAR (BULK)	90307	62,665.00	0.8411 \$	52,710
	CARBON - WESTVACO SA-20	90301	0.00	0.0000 \$	-
	CARBON - PAC2000-600 (BULK)	90308	0.00	0.0000 \$	-
	CAUSTIC SODA - DRUM 25%	90405	0.00	0.0000 \$	-
	CHLORINE - 150 CYL	90206	2,400.00	1.7935 \$	4,304
	CHLORINE - TONS	90205	269,859.00	0.2815 \$	75,972
	DELTAFLC 801	90178	1,134,913.00	0.1086 \$	123,244
	FERRIC CHLORIDE - BULK	90125	0.00	0.0000 \$	-
	FOOD GRADE SALT	90915	0.00	0.0000 \$	-
	HYDRATED LIME (BULK)	90404	31,210.00	0.5919 \$	18,474
	LIME(HYDRATE-BAG)	90403	0.00	0.0000 \$	-
	LT340	90163	2,186.00	3.2713 \$	7,151
	MAGNAFLOC LT 7985	90161	292.00	2.0546 \$	600
	MAGNAFLOC LT225	90162	0.00	0.0000 \$	-
	SLI-333 ZINC ORTHOPHOSPHATE	90502	184,536.00	0.5337 \$	98,491
	SODIUM HYPOCHLORITE(CARBOYS)	90212	1,995.00	1.0173 \$	2,030
	SULFUR DIOXIDE	90250	0.00	0.0000 \$	-
CRUM CREEK CHEMICALS Total			1,725,598.00	\$	397,124
FERN HILL - PLANT	ALUM LIQUID	90110	0.00	0.0000 \$	-
	SODIUM HYPOCHLORITE (SM BULK)	90211	0.00	0.0000 \$	-
FERN HILL - PLANT Total			0.00	\$	-
GREAT VALLEY CHEMICALS	CHLORINE - 150 CYL	90206	0.00	0.0000 \$	-
	SHAN-NO-COR BMP	90501	0.00	0.0000 \$	-
	SMALL BULK CAUSTIC 25%	90407	428,526.20	0.2259 \$	96,818
	SMALL BULK CAUSTIC 50%	90408	11,395.00	0.2655 \$	3,025
	SODIUM HYPOCHLORITE (SM BULK)	90211	9,904.00	1.2393 \$	12,274
	SODIUM HYPOCHLORITE(CARBOYS)	90212	0.00	0.0000 \$	-
	SOLAR SALT	90914	0.00	0.0000 \$	-
GREAT VALLEY CHEMICALS Total			449,825.20	\$	112,118
GREAT VALLEY STORES OPERATIONS	SODIUM HYPOCHLORITE(CARBOYS)	90212	355.00	1.4205 \$	504
GREAT VALLEY STORES OPERATIONS Total			355.00	\$	504
INGRAMS MILL - PLANT	ALUM LIQUID	90110	75,424.40	0.8181 \$	61,705
	AQUA NUCHAR (BULK)	90307	51,059.00	0.6447 \$	32,919
	CHLORINE - TONS	90205	44,399.00	0.3927 \$	17,434
	HYDRATED LIME (BULK)	90404	77,048.00	0.1106 \$	8,521
	HYDROFLUOSILICIC(GAL-GAL BULK)	90908	2,659.00	2.6720 \$	7,105
	LIME(HYDRATE-BAG)	90403	0.00	0.0000 \$	-
	LT340	90163	220.00	2.7127 \$	597
	MAGNAFLOC LT 7985	90161	3,408.00	1.5100 \$	5,146
	SLI-5225	90512	82,330.00	0.5030 \$	41,408
INGRAMS MILL - PLANT Total			336,547.40	\$	174,835
NESHAMINY CREEK - CHEMICALS	ALUM LIQUID	90110	181,547.00	0.7898 \$	143,390
	AMMONIA AQUA (19%)	90245	16,532.00	0.4699 \$	7,768
	AMMONIA SULPHATE	90242	4,150.00	1.9532 \$	8,106
	AQUA NUCHAR (BULK)	90307	122,830.00	0.6514 \$	80,014
	CARBON SA-20 BULK	90302	0.00	0.0000 \$	-
	CHLORINE - 150 CYL	90206	3,150.00	1.6497 \$	5,197
	CHLORINE - TONS	90205	197,475.00	0.2899 \$	57,246
	FOOD GRADE SALT	90915	20,350.00	0.2742 \$	5,579
	HYDRATED LIME (BULK)	90404	193,196.00	0.0765 \$	14,785
	LIME(HYDRATE-BAG)	90403	100.00	0.2648 \$	26
	LT340	90163	1,430.00	2.4906 \$	3,562
	MAGNAFLOC LT 7985	90161	8,365.00	1.1186 \$	9,357
	SHAN-NO-COR BMP	90501	49,250.00	1.5640 \$	77,025
	SLI-5225	90512	684.00	2.2010 \$	1,505
	SODIUM HYPOCHLORITE(CARBOYS)	90212	2,965.00	5.2647 \$	15,610
	SULFUR DIOXIDE	90250	19,340.00	0.4997 \$	9,665
NESHAMINY CREEK - CHEMICALS Total			821,364.00	\$	438,837
PICKERING EAST - CHEMICALS	ALUM LIQUID	90110	153,880.01	0.8511 \$	130,975
	AMMONIA AQUA (19%)	90245	19,776.00	0.5588 \$	11,052
	AQUA NUCHAR (BULK)	90307	139,055.00	0.5498 \$	76,459
	CARBON SA-20 BULK	90302	0.00	0.0000 \$	-
	CHLORINE - TONS	90205	139,180.00	0.3357 \$	46,718
	HYDRATED LIME (BULK)	90404	15,200.00	0.3018 \$	4,587
	LT340	90163	1,270.00	3.8097 \$	4,838
	MAGNAFLOC LT 7985	90161	7,044.00	0.9769 \$	6,881
	SHAN-NO-COR BMP	90501	68,050.00	1.1379 \$	77,431

AQUA PENNSYLVANIA, INC.  
CHEMICALS ANALYSIS 2008 - 2010

R_NAME	DESCRIPTION	ITEM	HTY	2012 3 yr Avg	RATE CASE
			Qty Issued	Unit Prices	2012 FTY
	SULFUR DIOXIDE	90250	13,960.00	0.4947 \$	6,906
PICKERING EAST - CHEMICALS Total			557,415.01	\$	365,847
PICKERING WEST - CHEMICALS	ALUM LIQUID	90110	604,461.09	0.7316 \$	442,200
	AMMONIA AQUA (19%)	90245	63,566.00	0.4794 \$	30,472
	AMMONIA SULPHATE	90242	16,150.00	0.2910 \$	4,699
	AQUA NUCHAR (BULK)	90307	193,255.00	0.7660 \$	148,038
	CARBON - WESTVACO SA-20	90301	0.00	0.0000 \$	-
	CARBON SA-20 BULK	90302	0.00	0.0000 \$	-
	CAUSTIC SODA - DRUM 25%	90405	62,060.00	0.2756 \$	17,106
	CHLORINE - 150 CYL	90206	12,600.00	0.4957 \$	6,246
	CHLORINE - TONS	90205	547,260.00	0.2890 \$	158,164
	FOOD GRADE SALT	90915	203,950.00	0.0826 \$	16,841
	HYDRATED LIME (BULK)	90404	456,026.00	0.0721 \$	32,888
	LIME(HYDRATE-BAG)	90403	0.00	0.0000 \$	-
	LT340	90163	4,179.80	2.6080 \$	10,901
	MAGNAFLOC LT225	90162	990.00	3.3294 \$	3,296
	NALCO CUPROSE	90903	0.00	0.0000 \$	-
	SHAN-NO-COR BMP	90501	0.00	0.0000 \$	-
	SLI-1226BLENDED ORTHOPHOSPHATE	90506	6,468.00	2.4407 \$	15,787
	SLI-321	90514	0.00	0.0000 \$	-
	SLI-5225	90512	8,550.00	1.1905 \$	10,178
	SNC TYPE L	90523	237,912.18	0.9862 \$	234,629
	SODIUM BI-SULFATE	90904	0.00	0.0000 \$	-
	SODIUM HYPOCHLORITE(CARBOYS)	90212	33,855.00	0.9837 \$	33,303
PICKERING WEST - CHEMICALS Total			2,451,283.07	\$	1,164,748
RIDLEY CREEK - CHEMICALS	ALUM LIQUID	90110	37,476.00	1.0146 \$	38,024
	AMMONIA AQUA (19%)	90245	11,209.00	0.3157 \$	3,539
	AQUA NUCHAR (BULK)	90307	29,618.00	0.6964 \$	20,627
	CARBON - SA (BULK)	90305	0.00	0.0000 \$	-
	CAUSTIC SODA - DRUM 25%	90405	0.00	0.0000 \$	-
	CHLORINE - TONS	90205	57,779.00	0.2829 \$	16,348
	DELTAFLC 801	90178	60,418.00	0.1754 \$	10,597
	FOOD GRADE SALT	90915	4,900.00	0.1640 \$	804
	HYDRATED LIME (BULK)	90404	38,827.00	0.1101 \$	4,276
	HYDROFLUOSILICIC ACID 25%	90907	30,697.00	0.3810 \$	11,695
	LT340	90163	250.00	2.8337 \$	708
	MAGNAFLOC LT 7985	90161	2,039.00	0.9722 \$	1,982
	SLI-333 ZINC ORTHOPHOSPHATE	90502	30,657.00	0.7911 \$	24,254
RIDLEY CREEK - CHEMICALS Total			303,870.00	\$	132,855
ROARING CREEK DIVISION-OFFICE	CAUSTIC SODA - DRUM -50%	90402	18,220.00	0.4289 \$	7,814
	SODIUM HYPOCHLORITE(DRUMS)	90213	2,036.00	2.8950 \$	5,894
ROARING CREEK DIVISION-OFFICE Total			20,256.00	\$	13,708
ROARING CREEK DIVISION-PLANT	CALCIQUEST LIQUID	90513	33,355.00	0.5857 \$	19,534
	CAUSTIC SODA	90401	0.00	0.0000 \$	-
	CAUSTIC SODA - DRUM -50%	90402	351.00	14.3518 \$	5,037
	CHLORINE - 150 CYL	90206	8,942.00	0.6377 \$	5,702
	CHLORINE - TONS	90205	35,441.00	0.2914 \$	10,329
	FOOD GRADE SALT	90915	7,700.00	0.0872 \$	672
	HYDRATED LIME (BULK)	90404	86,336.00	0.1058 \$	9,134
	KLENPHOS 100 (DRUM)	90519	1,934.00	0.5099 \$	986
	POLYALUMINUM CHLORIDE	90153	292,531.00	0.1315 \$	38,469
	SMALL BULK CAUSTIC 25%	90407	152,216.00	0.0745 \$	11,339
	SODA ASH (BAGS)	90411	1,675.00	0.2380 \$	399
	SODIUM CHLORITE LIQUID	90230	54,228.00	0.7136 \$	38,697
	SODIUM HYPOCHLORITE(DRUMS)	90213	0.00	0.0000 \$	-
ROARING CREEK DIVISION-PLANT Total			674,709.00	\$	140,299
SHENANGO DIVISION - PLANT	ALUM LIQUID	90110	297,405.00	0.7245 \$	215,456
	AMMONIA GAS	90241	27,450.00	0.4945 \$	13,575
	CALCIQUEST LIQUID	90513	53,524.00	0.5217 \$	27,924
	CARBON(50 LB BAG-WPH)	90306	630.00	0.4800 \$	302
	CAUSTIC SODA	90401	414,197.67	0.3935 \$	163,003
	CHLORINE - TONS	90205	221,736.00	0.1952 \$	43,284
	HYDRATED LIME (BULK)	90404	289,002.00	0.0308 \$	8,901
	HYDROFLUOSILICIC ACID (BULK)	90909	153,483.00	0.2884 \$	44,264
	MAGNAFLOC-LT225	90173	11,190.00	1.8386 \$	20,574
	OPTIMER-7194	90174	7,304.00	1.3068 \$	9,545
	PHOSPHATE (AQUA-MAG)	90511	0.00	0.0000 \$	-
	POTASSIUM PERMANGANATE	90260	0.00	0.0000 \$	-
	SILICA SAND - ACTIFLO (BAGS)	90913	47,200.00	0.0564 \$	2,662
	SODA ASH (BAGS)	90411	0.00	0.0000 \$	-
	SODIUM CHLORIDE	90905	5,460.00	0.1184 \$	647
	SODIUM HYPOCHLORITE (SM BULK)	90211	0.00	0.0000 \$	-
	SULPHUR DIOXIDE 150 # CYL	90251	4,798.00	0.5449 \$	2,614

AQUA PENNSYLVANIA, INC.  
CHEMICALS ANALYSIS 2008 - 2010

R_NAME	DESCRIPTION	ITEM	HTY Qty Issued	2012 3 yr Avg Unit Prices	RATE CASE 2012 FTY
SHENANGO DIVISION - PLANT Total			1,533,379.67		\$ 552,751
SPRINGFIELD STORES OPERATIONS	SODIUM HYPOCHLORITE(CARBOYS)	90212	485.00	2.0990	\$ 1,018
SPRINGFIELD STORES OPERATIONS Total			485.00		\$ 1,018
SUSQUEHANNA DIVISION	HYDROFLUOSILICIC(GAL-GAL BULK)	90908	2,914.00	2.1913	\$ 6,386
	SODIUM HYPOCHLORITE (BULK)	90210	21,719.00	0.9192	\$ 19,965
SUSQUEHANNA DIVISION Total			24,633.00		\$ 26,350
UPPER MERION RES . CHEMICALS	AMMONIA AQUA (19%)	90245	12,726.00	0.4227	\$ 5,380
	AQUA NUCHAR (BULK)	90307	4,635.00	1.1083	\$ 5,137
	CARBON - WESTVACO SA-20	90301	4,995.00	1.0877	\$ 5,433
	CES-8105 (NALCO- 8105)	90164	2,796.00	1.8134	\$ 5,070
	COPPER SULPHATE	90901	1,050.00	7.1051	\$ 7,460
	MAGNAFLOC LT 7985	90161	0.00	0.0000	\$ -
	NALCO CUPROSE	90903	0.00	0.0000	\$ -
	PACL (HIGH BASICITY)	90152	0.00	0.0000	\$ -
	SODIUM BI-SULFATE	90904	50.00	7.5433	\$ 377
	SODIUM HEXAMETAPHOSPHATE	90505	26,850.00	1.0706	\$ 28,746
	SODIUM HYPOCHLORITE (BULK)	90210	64,797.00	0.8421	\$ 54,562
UPPER MERION RES . CHEMICALS Total			117,899.00		\$ 112,166
WILLOW GROVE STORES OPERATIONS	SODIUM HYPOCHLORITE(CARBOYS)	90212	347.00	1.8383	\$ 638
WILLOW GROVE STORES OPERATIONS Total			347.00		\$ 638
<b>Grand Total</b>			<b>9,494,518.35</b>		<b>\$ 3,781,112</b>

Add	
3yr Avg direct purchases	323,415
<b>Total-FTY</b>	<b>4,104,527</b>
HTY	3,974,146
USE	130,381

AQUA PENNSYLVANIA, INC.MANAGEMENT FEES

The following amounts summarize the Company's estimated additional annual payroll expense and the increase of the Company portion of health care premiums and pension expense of the Aqua Services, Inc. employees whose time was charged to Aqua Pennsylvania during the test year.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Management Service Fees	9,727,357	10,286,563
HTY Payroll Annualization Increase	559,206	
FTY Payroll Increase		323,747
FTY Health Care Premium Increase		99,958
FTY Pension Contribution Increase		5,292
HTY & FTY Sundries	<u>4,271,550</u>	<u>4,271,550</u>
Total Expense Claim	<u>\$14,558,113</u>	<u>\$14,987,110</u>
Less: Amount Expended for the 12 months ended 6/30/11	<u>\$14,017,619</u>	<u>\$14,017,619</u>
Increase/(Decrease)	<u>\$540,494</u>	<u>\$969,491</u>
USE	<u>\$540,500</u>	<u>\$969,500</u>

\* Refer to Exhibit 2A for Details

AQUA PENNSYLVANIA, INC.RATE CASE EXPENSE

The estimated cost of this rate filing, as summarized below, is \$1,015,000. The Company proposes to normalize this cost over a twenty-four month period, which is consistent with the rate treatment in previous rate cases.

	Historic Test Year 6/30/2011	Future Test Year 6/30/2012
Engineering and Cost Allocation	\$ 145,000	\$ 145,000
Legal	525,000	525,000
Other Consultants	10,000	10,000
Rate of Return	52,000	52,000
Notices and Postage	218,000	218,000
Miscellaneous	65,000	65,000
	<u>\$ 1,015,000</u>	<u>\$ 1,015,000</u>
Normalization Period	24 Months	24 Months
Annual expense on a 24 month normalized basis	\$ 507,500	\$ 507,500
Less: Amount expended for the 12 months ended 6/30/11	<u>462,504</u>	<u>462,504</u>
Increase/(Decrease)	<u>\$ 44,996</u>	<u>\$ 44,996</u>
USE	<u>\$ 45,000</u>	<u>\$ 45,000</u>



AQUA PENNSYLVANIA, INC.ACTIVE EMPLOYEE HEALTHCARE EXPENSE

The Company offers healthcare coverage to all full time employees. This adjustment utilizes the coverage level in effect during the test year times the 2011 actual and 2012 contract prices, less the employee co-pay.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Medical/Prescription/Vision	\$ 5,357,412	\$ 5,884,031
Life/Add	179,334	194,326
LTD	128,509	141,367
Dental	<u>502,853</u>	<u>517,948</u>
	<u>6,168,108</u>	<u>6,737,672</u>
Capitalized Portion	<u>(1,619,571)</u>	<u>(1,769,123)</u>
Expense Claim	<u>4,548,537</u>	<u>4,968,550</u>
Less: Amount expensed for the 12 months ended 6/30/11	<u>4,053,333</u>	<u>4,053,333</u>
Increase/(Decrease)	<u>495,203</u>	<u>915,217</u>
USE	<u>495,200</u>	<u>915,200</u>

AQUA PENNSYLVANIA, INC.

Page 42 is not being used in this exhibit.

AQUA PENNSYLVANIA, INC.PENSION EXPENSE

The Company's pension expense claim is based on its analysis of ERISA minimum and IRS maximum deductible pension contribution data provided by its outside actuary, Towers Perrin.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
<u>ERISA Minimum Pension Contribution</u>		
Based on Towers Perrin		
2011 Actuarial Report	12,115,405	
2012 Forecast		12,115,405
<u>IRS Maximum Deductible Pension Contribution</u>		
Based on Towers Perrin		
2011 Actuarial Report	136,402,464	
2012 Forecast		136,402,464
<u>Resulting Mid-Point Contribution - Mid-point between the above minimum and maximum contributions (the Company's past practice for selecting a contribution level)</u>		
	<u>74,258,935</u>	<u>74,258,935</u>
<u>Company's Claim</u>		
Aqua Pennsylvania's claim based on range of actuarial results	12,200,000	12,200,000
Less: Capitalized Portion	<u>(3,203,376)</u>	<u>(3,203,376)</u>
	8,996,624	8,996,624
Less: Amount expended for the 12 months ended June 30, 2011	<u>7,184,333</u>	<u>7,184,333</u>
Increase/(Decrease)	<u>1,812,292</u>	<u>1,812,292</u>
USE	<u>1,812,300</u>	<u>1,812,300</u>

AQUA PENNSYLVANIA, INC.

Page 44 is not being used in this exhibit.

AQUA PENNSYLVANIA, INC.POST RETIREMENT BENEFITS

The following rate adjustment is based on the results of the 2011 valuation of the post retirement benefits which was performed for AP by Towers Watson. The future test year claim is based on the estimated 2012 SFAS 106 expense attributed to postretirement welfare benefits for the Pennsylvania jurisdiction. The estimated 2012 expense is included with the Company's filing as OE-14, which is the most recent actuarial report for SFAS 106, received September 2011. Included in the claim is the remainder of a twenty year amortization of the incremental SFAS 106 costs from the stub period for both AP and Consumers PA. In addition, the amortization of the AP funding deficit conforms with the Commission's 1997 Order at Docket No. R-00973952.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
SFAS 106		
Annual Expense for Aqua PA Water Employees	\$ 1,750,116	\$ 1,991,876
Amort. of Deferred Costs (Stub Period)	136,959	68,480
Funding Deficit (7/1/08 - 6/30/10) \$333,272/ 2	273,120	166,636
Capitalized Portion	<u>(567,206)</u>	<u>(584,745)</u>
Expense Portion	1,592,989	1,642,246
Less:		
Amount Expended for 12 Months Ended 6/30/11	<u>1,584,821</u>	<u>1,584,821</u>
Incremental Annual Expense	<u>\$ 8,168</u>	<u>\$ 57,426</u>
USE	<u>\$ 8,200</u>	<u>\$ 57,400</u>

AQUA PENNSYLVANIA, INC.

Pages 46 through 59 are not being used in this exhibit.

AQUA PENNSYLVANIA, INC.STATEMENT OF CALCULATED ANNUAL DEPRECIATION  
COMPARED WITH BOOK ANNUAL DEPRECIATION

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Annual provision for depreciation as computed by Gannett Fleming, Inc. Valuation and Rate Division*	\$ 64,058,746	\$ 68,805,557
Provision for depreciation for the 12 months ended 6/30/11	<u>61,572,513</u>	<u>61,572,513</u>
Increase/(Decrease)	<u>\$ 2,486,233</u>	<u>\$ 7,233,044</u>
USE	<u>\$ 2,486,200</u>	<u>\$ 7,233,000</u>

\* Refer to AP Statement No. 6 & Exhibit 6A Parts I & II

AQUA PENNSYLVANIA, INC.PENNSYLVANIA PUBLIC UTILITY COMMISSION  
GENERAL ASSESSMENT

	ANTICIPATED ADJUSTMENT UNDER		
	PRESENT RATES 6/30/11	PRESENT RATES 6/30/12	PROPOSED RATES 6/30/12
Gross Utility Water Revenues	409,232,625	408,920,303	447,520,303
General Assessment at the rate of 0.00459234	1,879,335	1,877,901	2,055,165
Amount charged to Expense in the year ended June 30, 2011	1,490,758	1,490,758	
Pro-forma under present rates			1,877,901
Pro-forma Increase	<u>388,600</u>	<u>387,100</u>	<u>177,300</u>



AQUA PENNSYLVANIA, INC.OFFICE OF CONSUMER ADVOCATE  
GENERAL ASSESSMENT

	ANTICIPATED ADJUSTMENT UNDER		
	PRESENT RATES 6/30/11	PRESENT RATES 6/30/12	PROPOSED RATES 6/30/12
Gross Utility Water Revenues	409,232,625	408,920,303	447,520,303
General Assessment at the Rate of 0.00127591	522,143	521,744	570,994
Amount charged to Expense in the year ended June 30, 2011	324,699	324,699	
Pro-forma under present rates			521,744
Pro-forma Increase	<u>197,400</u>	<u>197,000</u>	<u>49,300</u>

AQUA PENNSYLVANIA, INC.OFFICE OF SMALL BUSINESS ADVOCATE  
GENERAL ASSESSMENT

	ANTICIPATED ADJUSTMENT UNDER		
	PRESENT RATES 6/30/11	PRESENT RATES 6/30/12	PROPOSED RATES 6/30/12
Gross Utility Water Revenues	409,232,625	408,920,303	447,520,303
General Assessment at the rate of 0.00009859	40,347	40,316	44,122
Amount charged to Expense in the year ended June 30, 2011	25,452	25,452	
Pro-forma under present rates			40,316
Pro-forma Increase	<u>14,900</u>	<u>14,900</u>	<u>3,800</u>

AQUA PENNSYLVANIA, INC.PUBLIC UTILITY REALTY TAX (PURTA)

PURTA for the future test year is based on the year 2011 tax liability. This is the latest statement that the Company has received from the Commonwealth of Pennsylvania.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
2011 PURTA Liability:		
Aqua Pennsylvania	3,609,619	3,609,619
Claim	3,609,619	3,609,619
Less: Amount Expended in the 12 Months Ended 6/30/11	<u>4,181,529</u>	<u>4,181,529</u>
Increase/(Decrease)	<u>(571,910)</u>	<u>(571,910)</u>
USE	<u>(571,900)</u>	<u>(571,900)</u>

AQUA PENNSYLVANIA, INC.PA CAPITAL STOCK TAX

The Pennsylvania Capital Stock Tax for the future test year is based on actual average net income for 2008 through 2010 and budgeted Net Income and Net Worth figures through December 31, 2012 and results in an adjustment of (\$415,900) as follows:

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
FACTORS		
Estimated average net income 2008 through 2012 (2007 through 2011 HTY)	<u>\$ 84,640,045</u>	<u>\$ 95,644,791</u>
Capitalized at 9.5% (a)	<u>\$ 890,947,838</u>	<u>\$ 1,006,787,269</u>
Estimated net worth	<u>\$ 884,012,000</u>	<u>\$ 993,372,000</u>
75% (b)	<u>\$ 663,009,000</u>	<u>\$ 745,029,000</u>
VALUE		
Total ((a) + (b))/2	\$ 776,978,419	\$ 875,908,135
Less Exclusion	<u>(160,000)</u>	<u>(160,000)</u>
Capital Stock Tax Value	<u>\$ 776,818,419</u>	<u>\$ 875,748,135</u>
TAX		
Tax at 2.89 mills	\$ 2,245,005	
Tax at 1.89 mills		\$ 1,655,164
Tax per books for the 12 Months Ended 6/30/11	<u>2,071,106</u>	<u>2,071,106</u>
Increase/(Decrease)	<u>\$ 173,900</u>	<u>\$ (415,942)</u>
USE	<u>173,900</u>	<u>(415,900)</u>

AQUA PENNSYLVANIA, INC.  
ANALYSIS OF PAYROLL TAX EXPENSE  
TEST YEARS ENDED 6-30-11 and 6-30-12

FICA OASDI	FICA MEDHI	FICA COMBINED	FUTA	SUI
6.20%	1.45%		0.80%	2.79%
106,800	No Limit		7,000	8,000

**HISTORIC TEST YEAR - 2011**

Annualized Taxes	2,509,978	619,812	3,129,790	34,165	196,684
Less Capitalized Portion			822,057	8,974	51,660
Tax Expensed HTY 6-30-11			2,102,334	24,188	145,655

Increase			205,400	1,004	(631)
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USE	205,772				
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**FUTURE TEST YEAR - 2012**

Annualized Taxes	2,631,080	655,399	3,286,480	34,247	197,136
Less Capitalized Portion			863,212	8,995	51,779
Tax Expensed HTY 6-30-11			2,102,334	24,188	145,655

Increase			320,934	1,064	(298)
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USE	321,700				
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AQUA PENNSYLVANIA, INC.COMPUTATION OF CURRENT FEDERAL AND STATE INCOME TAXES  
UNDER PRESENT AND PROPOSED RATES

	CALCULATION OF CURRENT TAXES UNDER		
	PRESENT RATES 6/30/11	PRESENT RATES 6/30/12	PROPOSED RATES 6/30/12
Pre-tax income	170,618,376	160,206,877	198,333,677
Adjustments to determine taxable income:			
Add:			
Depreciation-book basis	64,058,713	68,805,513	68,805,513
Stock Options	469,216	328,723	328,723
Meals and Entertainment	39,750	52,999	52,999
Uniform Cap Basis Difference	(300,000)	(571,428)	(571,428)
	64,267,679	68,615,807	68,615,807
Deduct:			
Depreciation-state tax basis	78,000,000	80,948,494	80,948,494
	78,000,000	80,948,494	80,948,494
Pa. taxable income	156,886,055	147,874,190	186,000,990
Pa. CNI tax @ 9.99%	15,672,900	14,772,600	18,581,500
Sub-Total	141,213,155	133,101,590	167,419,490
Reduced Depreciation-federal tax basis	38,500,000	100,514,871	100,514,871
Federal taxable income	102,713,155	32,586,719	66,904,619
Consolidated Tax Savings Adjustment	(539,292)	(539,292)	(539,292)
Federal tax @ 35%	35,410,300	10,866,100	22,877,300
Federal tax-deferred (see page 67 for details)	58,471,000	41,357,034	41,357,034

AQUA PENNSYLVANIA, INC.COMPUTATION OF DEFERRED FEDERAL AND STATE INCOME TAXES  
UNDER PRESENT AND PROPOSED RATES

	<u>TAX</u> <u>BASIS</u>	<u>TAX</u> <u>DEPRECIATION</u>	<u>NORMALIZED</u> <u>DEPRECIATION</u>	<u>EXCESS</u>	<u>DEFERRED</u> <u>FEDERAL</u> <u>TAX</u>
1970 TO 2008 VINTAGE YRS		179,963,365	62,207,131	117,756,234	41,214,682
LESS: FTY PORTION OF UNIFORM CAPITALIZATION BASIS DIFFERENCE					200,000
LESS: FLOWBACK OF 46%-35% DEFERRED FEDERAL TAX					(57,648)
					<u>41,357,034</u>

ACCUMULATED DEFERRED FEDERAL TAX

JUNE 30, 2012 BALANCE-DEPRECIATION DIFFERENCES	249,067,105
JUNE 30, 2012 CIAC	(3,645,388)
FTY DEPRECIATION DIFFERENCES	41,357,034
FTY CIAC	306,400
	<u>287,085,151</u>

AQUA PENNSYLVANIA, INC.

Pages 68 through 70 are not being used in this exhibit.



AQUA PENNSYLVANIA, INC.  
INTEREST ON LONG-TERM DEBT

For the purposes of calculating long-term debt interest expense, the Company is using the pro-forma capital structure and cost rates as noted below:

Capital Structure	Capital Structure @ 6/30/11		COST RATE	Capital Structure @ 6/30/12		COST RATE
	\$	%		\$	%	
Long-term Debt	791,317,233	48.55%	5.56%	874,438,000	47.02%	5.41%
Common Equity	838,566,814	51.45%	11.75%	984,770,000	52.98%	11.75%
	<u>1,629,884,047</u>	<u>100.00%</u>	<u>8.74%</u>	<u>1,859,208,000</u>	<u>100.00%</u>	<u>8.77%</u>

Calculation of interest	HTY 6/30/11	FTY 6/30/12
Original Cost Rate Base	1,700,740,471	1,858,216,823
Applicable Percentage	<u>48.55%</u>	<u>47.02%</u>
Applicable Portion of Rate Base	825,726,506	873,733,550
Cost Rate	5.56%	5.41%
Pro-Forma Interest Expense	<u>\$45,910,394</u>	<u>\$47,268,985</u>

AQUA PENNSYLVANIA, INC.AMORTIZATION OF DEBT DISCOUNT AND EXPENSE

Since the debt discount and expense is considered in calculating the cost rate of debt used to calculate interest on long-term debt, it should be eliminated.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Eliminate Amortization of Debt Discount and Expense	<u>\$ (1,045,188)</u>	<u>\$ (1,045,188)</u>

AQUA PENNSYLVANIA, INC.OTHER INTEREST CHARGES

Other Interest Charges for the year ending June 30, 2011 were principally for funds borrowed through bank loans to finance the Company's capital expenditures. The bank loans outstanding are anticipated to be refinanced with long-term debt prior to the end of the future test year. Therefore, the interest on bank loans is eliminated.

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Eliminate Other Interest Charges	<u>\$ 265,564</u>	<u>\$ 265,564</u>

AQUA PENNSYLVANIA, INC.INTEREST DURING CONSTRUCTION

The Company eliminates interest during construction to allow for full recovery of the Company's interest expense claim (weighted cost of debt times rate base).

	Historic Test Year <u>6/30/2011</u>	Future Test Year <u>6/30/2012</u>
Eliminate Interest During Construction	<u>\$ 4,703,339</u>	<u>\$ 4,703,339</u>

AQUA PENNSYLVANIA, INC.

Pages 75 through 79 are not being used in this exhibit.

AQUA PENNSYLVANIA, INC.

STATEMENT OF UTILITY'S CALCULATION OF RATE OF RETURN  
EARNED IN THE YEAR ENDED JUNE 30, 2011 AND  
ANTICIPATED UNDER PRESENT AND PROPOSED RATES  
FOR THE TEST YEAR ENDED JUNE 30, 2012

	NET UTILITY OPERATING INCOME	VALUATION AT ORIGINAL COST	RATE OF RETURN
June 30, 2011:	144,402,792	1,858,216,823	7.77%
Anticipated June 30, 2012:			
Under present rates	140,676,863	1,858,216,823	7.57%
Under proposed rates	162,983,563	1,858,216,823	8.77%

AQUA PENNSYLVANIA, INC.

RATE BASE AS OF JUNE 30, 2011 AND 2012

	REFERENCE	ORIGINAL COST 6/30/11	ORIGINAL COST 6/30/12
<b>Utility Plant in Service</b>			
NUI & White Rock Acquisition Adjustment	Approved at Docket No. R-00038805	942,131	870,121
Meribah, Marienville, Oneida Acquisition Adjustment	Approved at Docket No. R-00051030	417,573	389,735
Barrett, Hex Acres, Tambur Acquisition Adjustment	Approved at Docket No. R-00051030	117,840	109,984
Stanton, Christian Springs, Meadowcrest Acquisition Adjustment	Approved at Docket No. R-00051030	111,836	104,380
Garbush Acquisition Adjustment	Approved at Docket No. R-00072711	55,449	52,219
Lakeside Acres Acquisition Adjustment	Approved at Docket No. R-00072711	92,325	86,920
C S Water Acquisition Adjustment	Approved at Docket No. R-00072711	754,162	710,016
Country Club Estates Water Acquisition Adjustment	Approved at Docket No. R-00072711	51,772	48,741
Honesdale Water Acquisition Adjustment	Approved at Docket No. R-2009-2132019	1,445,831	1,369,734
Clarendon Water Acquisition Adjustment	Approved at Docket No. R-2009-2132019	191,052	180,996
Kratzerville Water Acquisitions Adjustment	Approved at Docket No. R-2009-2132019	53,769	50,939
Washington Park and Sleepy Hollow Neg. Rate Base Adjustment	Approved at Docket No. R-2009-2132019	(105,843)	(100,272)
Intangible Plant	Depreciation Report	9,100,774	9,101,974
Non Depreciable Plant	Depreciation Report	20,849,692	21,429,390
Depreciable Plant	Depreciation Report	2,480,784,966	2,730,554,052
		<u>2,514,863,327</u>	<u>2,764,958,928</u>
Less Accrued Depreciation	Depreciation Report	(442,225,807)	(495,268,612)
Depreciated Utility Plant		<u>2,072,637,520</u>	<u>2,269,690,316</u>
<b>Add:</b>			
Materials and Supplies	Pg. 82	5,081,559	5,081,559
Cash Working Capital-Expenses	Pg. 83	0	0
Cash Working Capital-Taxes	Pg. 84	0	0
Cash Working Capital-P/R Tax	Pg. 84-1	0	0
		<u>5,081,559</u>	<u>5,081,559</u>
<b>Deduct:</b>			
Hubbard Contract Adjustment (Net)		973,295	1,031,693
Contributions in Aid of Constr.	Depreciation Report	88,781,442	90,281,442
Customers' Advances for Constr.	Depreciation Report	38,156,767	38,156,767
Deferred Income Taxes	Pg. 67	249,067,105	287,085,151
Accrued Interest	Pg. 86	0	0
		<u>376,978,608</u>	<u>416,555,052</u>
<b>Rate Base</b>		<u>1,700,740,471</u>	<u>1,858,216,823</u>

AQUA PENNSYLVANIA, INC.MATERIALS AND SUPPLIES

<u>Month</u>	<u>Material and Supplies Balance</u>
June-2010	3,764,553
July-2010	4,666,908
August-2010	4,460,244
September-2010	4,694,697
October-2010	4,432,217
November-2010	4,468,946
December-2010	4,309,476
January-2011	5,615,509
February-2011	5,711,802
March-2011	5,897,481
April-2011	5,824,794
May-2011	5,862,138
June-2011	6,351,505
Total	<u>\$ 66,060,271</u>
Average	<u>\$ 5,081,559</u>



AQUA PENNSYLVANIA, INC.CASH WORKING CAPITAL REQUIREMENT  
OPERATING EXPENSES

<u>AVERAGE LAG IN RECEIPT OF REVENUES</u>	<u>AMOUNT</u>	<u>LAG IN DAYS</u>	<u>DOLLAR DAYS</u>
Gross Utility Water Revenues recorded during the year ended June 30, 2011:			
Monthly	385,040,051	42.0	16,171,682,125
	<u>385,040,051</u>	<u>42.0</u>	<u>16,171,682,125</u>
Average lag days in receipt of revenues (Dollar days / Amount)			
		42.0	
Deduct average lag days in payment of operating expenses			
		<u>48.2</u>	
Average lag days between payment of operating expenses and receipt of revenue			
		<u>(6.2)</u>	

WORKING CAPITAL REQUIREMENT:

Pro-forma annual operating expenses		121,860,094
Less annual uncollectible accounts expense and other non-cash items		<u>(3,946,297)</u>
Pro-forma annual cash expenses		<u>117,913,796</u>
Cash operating expenses per day	/365	<u>323,051</u>
Cash working capital required		<u>(2,012,608)</u>
USE		<u><u>0</u></u>

\*The Company's Lead/Lag study yielded a negative result. As a result, the Company has claimed zero cash working capital for the purposes of this case.

AQUA PENNSYLVANIA, INC.CALCULATION OF LAG DAYS IN RECEIPT OF REVENUE

The time between rendering of a bill and receipt of payment is determined by dividing the average accounts receivable balances for the test year by the average daily billing as follows:

	MONTHLY
Average accounts receivable - year ended 6/30/11	26,195,247
Average daily billing	1,054,904
Lag in receipt of payment	24.8
Average use period (1)	15.2
Bill issue period	2.0
Lag days in receipt of revenue	42.0

(1) One-half of monthly billing period.

AQUA PENNSYLVANIA, INC.DETERMINATION OF LAG DAYS IN PAYMENT OF EXPENSES

ITEM	AMOUNT	LAG DAYS	Ref. #	DOLLAR DAYS
Hourly Labor	17,406,430	7.5	(1)	130,548,223
Non-Union Labor	14,522,118	11.0	(2)	159,743,297
Management Fee	14,987,110	31.3	(3)	469,096,541
Electric Power	12,302,799	35.5	(3)	436,749,360
Water Purchased	12,431,058	40.8	(3)	507,187,171
Employee Group Insurance	4,968,550	(3.0)	(3)	(14,905,650)
Liability Insurance	4,609,386	61.2	(3)	282,094,407
SFI Postage	1,721,904	(2.4)	(4)	(4,132,569)
Pension	8,996,624	320.1	(3)	2,879,819,455
SFAS106	1,642,246	35.2	(4)	57,807,073
Other	24,325,572	32.2	(5)	783,283,409
Total	<u>117,913,796</u>			<u>5,687,290,719</u>
Average Lag Days in Payment of Expenses		<u>48.2</u>		

Reference:

- (1) Weekly payroll paid on Thursday for preceding weeks work.
- (2) Bi-weekly payroll paid on Thursday for the preceding two weeks work.
- (3) Calculated based on test year actual experience.
- (4) Based on normal payment schedule.
- (5) Assumes service rendered on 15th of the month, paid 10th of the following month. (same procedure as was used in prior rate cases.)

## AQUA PENNSYLVANIA, INC.

CASH WORKING CAPITAL REQUIREMENT  
TAXES

ITEM	PAYABLE UNDER PROPOSED RATES	LAG DAYS	DOLLAR DAYS
Public Utility Commission- General Assessment	2,055,158	(198) (a)	(405,893,705)
OCA & SBA - General Assess.	615,151	(198) (a)	(121,492,323)
Public Utility Realty Tax	3,609,629	55 (a)	198,529,595
Pa. Capital Stock Tax	1,655,164	81 (a)	133,902,766
Local School Tax	723,056	(106) (a)	(76,282,381)
Local County & Municipal Tax		0 (a)	0
Pa. Income Tax	18,581,500	55 (a)	1,023,376,113
Federal Income Tax	<u>22,877,300</u>	59 (a)	<u>1,348,616,835</u>
	50,116,958		2,100,756,900
Average Lag Days in Payment of Taxes		<u>41.9</u>	
Average Lag Days in Receipt of Revenues		42.0	
Deduct average lag in payment of taxes		<u>41.9</u>	
Average lag days between payment of taxes and receipt of revenue		<u>0.1</u>	
<b>WORKING CAPITAL REQUIREMENT</b>			
Pro-forma annual tax expense per day		137,307	
Cash working capital required		10,985	
USE		<u>0</u> *	

(a) The lag days are based on current tax regulation.

\*The Company's Lead/Lag study yielded a negative result. As a result, the Company has claimed zero cash working capital for the purposes of this case.

AQUA PENNSYLVANIA, INC.ESTIMATE OF CASH WORKING CAPITAL REQUIREMENT  
PAYROLL TAXES

ITEM	PROPOSED RATES	LAG DAYS	DOLLAR DAYS
FICA taxes:			
Hourly	1,138,936	8.5	9,680,955
Executive & Exempt	1,284,332	12.0	15,411,983
Federal unemployment tax	25,252	75.0	1,893,884
PA. unemployment tax	<u>145,357</u>	75.0	<u>10,901,772</u>
	2,593,876		37,888,593
Average lag days in payment of taxes		<u>14.6</u>	
Average lag days in receipt of revenue		42.0	
Deduct average lag in payment of taxes		<u>14.6</u>	
Average lag days between payment of taxes and receipt of revenue		<u>27.4</u>	
<b>WORKING CAPITAL REQUIREMENT</b>			
Pro-forma annual tax expense per day		7,107	
Cash working capital required		194,669	
USE		<u>0</u> *	

\*The Company's Lead/Lag study yielded a negative result. As a result, the Company has claimed zero cash working capital for the purposes of this case.

AQUA PENNSYLVANIA, INC.

Page 85 is not being used in this exhibit.

AQUA PENNSYLVANIA, INC.

ACCRUED INTEREST

<u>AVERAGE LAG IN PAYMENT OF INTEREST</u>	<u>AMOUNT</u>	<u>LAG IN DAYS</u>	<u>DOLLAR DAYS</u>
Long Term Debt- Interest paid Semi-annually	45,768,945	91.5	4,187,858,468
PennVest-Interest paid Monthly	<u>1,500,040</u>	15.2	<u>22,813,108</u>
	47,268,985		4,210,671,576

Average lag days in payment of interest (Dollar Days/Amount)	<u>89.1</u>
Average lag days in receipt of revenues	42.0
Deduct average lag in payment of interest	<u>89.1</u>
Average lag days between receipt of revenue and payment of interest	<u>(47.1)</u>

WORKING CAPITAL REQUIREMENT

Pro-forma annual interest cost per day	129,504
Cash working capital required	(6,096,916)
USE	<u>0</u> *

\* Because the Company is not making a claim for cash working capital, there is nothing to offset.