

1. REPORT DATE: 00/00/00 :  
2. BUREAU: FUS :  
3. SECTION(S): : 4. PUBLIC MEETING DATE:  
5. APPROVED BY: : 00/00/00  
DIRECTOR: :  
SUPERVISOR: :  
6. PERSON IN CHARGE: : 7. DATE FILED: 03/14/02  
8. DOCKET NO: A-230073 F0005 : 9. EFFECTIVE DATE: 00/00/00

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PARTY/COMPLAINANT: WINONA LAKES UTILITIES, INC

RESPONDENT/APPLICANT: PA-AMERICAN WATER CO-SEWER

COMP/APP COUNTY:

UTILITY CODE: 230073

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ALLEGATION OR SUBJECT

JOINT APPLICATION OF PENNSYLVANIA-AMERICAN WATER COMPANY (SEWER DIVISION) AND WINONA LAKES UTILITIES, INC., FOR APPROVAL OF: 1) THE TRANSFER, BY SALE, OF THE WINONA LAKES UTILITIES, INC., ASSETS, PROPERTY AND RIGHTS RELATED TO SECTION 18 OF ITS WASTEWATER SYSTEM TO PENNSYLVANIA-AMERICAN WATER COMPANY; 2) THE COMMENCEMENT BY PENNSYLVANIA-AMERICAN WATER COMPANY OF WASTEWATER SERVICE IN THE SECTION 18 PORTION OF THE CERTIFICATED SERVICE TERRITORY OF WINONA LAKES UTILITIES, INC, (DOCKETED TOGETHER AT A-230073F0005); AND 3) THE ABANDONMENT BY WINONA LAKES UTILITIES, INC., OF ALL WASTEWATER SERVICE TO THE PUBLIC IN THE SECTION 18 PORTION OF ITS WASTEWATER SYSTEM (DOCKETED AT A-230536F2000).

DOCUMENT  
FOLDER

DOCKETED

APR 10 2002



# Pennsylvania-American Water Company

800 West Hershey Park Drive • P.O. Box 888 • Hershey, PA 17033-0888

(717) 533-5000 • FAX: (717) 531-3252

e-mail: [vredmond@pawc.com](mailto:vredmond@pawc.com)

Velma A. Redmond  
Vice President, Corporate Counsel  
and Secretary

March 14, 2002

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MAR 14 2002

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
PO Box 3265  
Harrisburg, PA 17105-3265

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

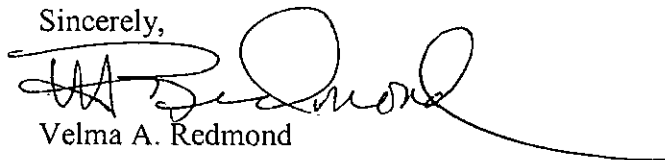
A- 230073 F0005

**In re: Joint Application of Pennsylvania-American Water Company and Winona Lakes Utilities, Inc. for Approval of (1) the transfer, by sale, of the Winona Lakes Utilities, Inc. assets, property and rights related to Section 18 of its wastewater system to Pennsylvania-American Water Company, and (2) the commencement by Pennsylvania-American Water Company of wastewater service in the Section 18 portion of the certificated service territory of Winona Lakes Utilities, Inc., and (3) the abandonment by Winona Lakes Utilities, Inc. of all wastewater service to the public in the Section 18 portion of its wastewater system.**

Dear Mr. McNulty:

On behalf of Pennsylvania-American Water Company, enclosed for filing with you are an original and three copies of the above-referenced Application. Also included is a check in the amount of \$350 for the Commission's filing fee. Please time stamp the additional copy of this letter and return it to me the enclosed, self-addressed stamped envelope.


Sincerely,



Velma A. Redmond

blg  
Enclosures

cc: Office of Trial Staff  
Office of Small Business Advocate  
Office of Consumer Advocate  
Department of Environmental Protection



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MAR 14 2002

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**In re: Joint Application of Pennsylvania-American Water Company and Winona Lakes Utilities, Inc. for Approval of (1) the transfer, by sale, of the Winona Lakes Utilities, Inc. assets, property and rights related to Section 18 of its wastewater system to Pennsylvania-American Water Company, (2) the commencement by Pennsylvania-American Water Company of wastewater service in the Section 18 portion of the certificated service territory of Winona Lakes Utilities, Inc., and (3) the abandonment by Winona Lakes Utilities, Inc. of all wastewater service to the public in the Section 18 portion of its wastewater system.**

Application No. A-230073 F000 DOCUMENT FOLDER

To Pennsylvania Public Utility Commission:

Pennsylvania-American Water Company ("Pennsylvania-American") and Winona Lakes Utilities, Inc. ("Winona Lakes"), by their respective attorneys, hereby request, pursuant to Section 1102 (a) of the Public Utility Code (66 Pa.C.S. § 1102 (a)), that the Commission approve (1) the transfer, by sale, of Winona Lakes' assets, property and rights related to Section 18 of its wastewater system to Pennsylvania-American; (2) the commencement by Pennsylvania-American of wastewater service in the Section 18 portion of the certificated territory of Winona Lakes, and (3) the abandonment by Winona Lakes of wastewater service to the public in the Section 18 portion of its wastewater system. In support of this request, Pennsylvania-American and Winona Lakes (hereinafter collectively referred to as the "Joint Applicants"), state as follows:

1. The names and addresses of the Applicants are:

Pennsylvania-American Water Company  
("Pennsylvania-American")  
800 West Hersheypark Drive  
Hershey, PA 17033

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Winona Lakes Utilities, Inc.  
("Winona Lakes ")  
Joseph G. Lubeck  
13575 58<sup>th</sup> Street North  
Suite 144  
Clearwater, Florida 33760

2. The names and addresses of the Applicants' attorneys are:

For Pennsylvania-American:

Velma A. Redmond, Esquire  
Susan Simms Marsh, Esquire  
Corporate Counsel  
Pennsylvania-American Water Company  
800 West Hersheypark Drive  
Hershey, PA 17033

For Winona Lakes :

Marshall E. Anders, Esquire, P.C.  
Attorney at Law  
18 North 8<sup>th</sup> Street  
Stroudsburg, PA 18360

3. Winona Lakes Utilities, Inc. ("Winona Lakes ") is a Pennsylvania corporation which furnishes wastewater service to the public. Wastewater service is furnished in portions of Lehman Township, Pike County and Middle Smithfield Township, Monroe County, Pennsylvania. Winona Lakes holds a certificate of public convenience from the Pennsylvania Public Utility Commission pursuant to which it currently renders wastewater service to the public. In 1988, Winona Lakes received a certificate of public convenience at Docket No. A-230536 authorizing it

to provide wastewater service in portions of Lehman Township, Pike County and Middle Smithfield Township, Monroe County, Pennsylvania.

4. Pennsylvania-American is a Pennsylvania public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and is engaged in the business of supplying and distributing water and the collection, treating transporting and disposing of wastewater and sewage for the public. Water service is furnished to the public in a service territory encompassing more than 355 communities across the Commonwealth with a combined population of over 2,000,000. Wastewater service is furnished to the public in a service territory encompassing Coolbaugh Township, Monroe County, Pennsylvania, with a population of approximately 14,000 and the City of Coatesville and Parkesburg Borough, Chester County and portions of Calm Township, East Fallowfield Township, Valley Township, Sadsbury Township and West Sadsbury Township, Chester County, Pennsylvania, with a population of approximately 18,000. A description of Pennsylvania-American's certificated water and wastewater service territory is found at Exhibit A, along with a detailed corporate history, outlining all of the mergers, acquisitions and consolidations which have created Pennsylvania-American as it exists today.

**A. TRANSFER, BY SALE, OF THE WATER WORKS  
PROPERTY AND RIGHTS OF WINONA LAKES UTILITIES,  
INC. TO PENNSYLVANIA-AMERICAN**

All of the preceding and succeeding paragraphs are incorporated by reference into this sub-part A.

5. As of December 31, 2001 Winona Lakes furnished wastewater service to 90 customers as follows:

Residential	90
Commercial	0
Industrial	0
Municipal, sales for resale and others	0

6. As of December 31, 2001, Pennsylvania-American furnished wastewater service to 9,283 customers, as follows:

Residential	8,925
Commercial	331
Industrial	7
Fire service	0
Municipal, sales for resale and others	20

Background Financial Information

7. The balance sheet for Winona Lakes is not available. Attached is Pennsylvania-American's balance sheet as of December 31, 2001 (Exhibit B). Pennsylvania-American will undertake an original cost study to determine the original cost and accumulated depreciation of Winona Lakes' wastewater utility plant in service.

8. The income statement for Winona Lakes is not available. Attached is Pennsylvania-American's income statement for the 12 months ended December 31, 2001 (Exhibit C).

9. All the annual reports, tariffs, certificates of public convenience, applications, securities certificates and similar documents filed with your Honorable Commission by Pennsylvania-American and its predecessors are made a part hereof by reference.

### Terms And Impact of the Transaction

10. This Application seeks approval of the transfer to Pennsylvania-American of Winona Lakes' assets, property and rights related to Section 18 of its wastewater system. The terms and conditions of the transaction are contained in the executed Purchase Agreement between Pennsylvania-American and Winona Lakes (Exhibit D). The specific property to be transferred is defined and described in Paragraph 1 of the Purchase Agreement.

11. The consideration for the transfer of the wastewater system is Fifteen Thousand (\$15,000) Dollars as outlined in paragraph 2.1 of the Purchase Agreement. The transaction is at arm's length.

12. The fixed capital installed and depreciation accumulated thereon is not stated on the books and records of Winona Lakes . Pennsylvania-American is undertaking an original cost study to establish the depreciated original cost of Winona Lakes' utility plant. Upon completion of the original cost study, Pennsylvania-American will establish the depreciated original cost for Winona Lakes' utility plant based on the results of the study.

13. There are no investment securities owned by Winona Lakes that are being transferred to Pennsylvania-American.

14. There is attached hereto a pro forma balance sheet of Pennsylvania-American as of December 31, 2001, giving effect to the transfer (Exhibit E). However, as noted in Paragraph 12, above, Pennsylvania-American is undertaking an original cost study for the purpose of establishing the depreciated original cost of the utility plant of Winona Lakes. Once the original cost

study is complete and the property depreciated original cost and book value are established, Pennsylvania-American will amend the pro forma balance sheet giving effect to the transfer, accordingly.

15. There is attached hereto a pro forma consolidated income statement of Pennsylvania-American and Winona Lakes for the 12 months ended December 31, 2001 (Exhibit F).

16. Tentative journal entries to record the transfer in Pennsylvania-American's accounts are set forth below, based upon the original cost of Twenty-Two Thousand Five Hundred (\$22,500) Dollars, a depreciation reserve of one third of the original cost and the depreciated original cost equaling the purchase price of Fifteen Thousand (\$15,000) Dollars. However, as stated above, Pennsylvania-American is undertaking an original cost study. Pennsylvania-American will establish depreciated original costs for Winona Lakes' utility plant based on the results of the study.

Utility plant	\$22,500
Accumulated depreciation	\$ 7,500
Cash	15,000

17. There is attached a certified copy of the resolutions adopted by the Board of Directors of Pennsylvania-American (Exhibit G). A certified copy of the resolutions adopted by the Board of Directors of Winona Lakes are attached as Exhibit H.

18. The proposed transfer will have no effect on the service provided to Pennsylvania-American's existing customers. Pennsylvania-American believes that the proposed transfer will be beneficial to the customers of Winona Lakes in that they will receive the

benefit of Pennsylvania-American's experience in managing and operating wastewater systems which will result in efficiencies and improvements in the service to the customers to be transferred:

a. Pennsylvania-American has the managerial, technical and financial capabilities to safely and adequately operate the Winona Lakes system in compliance with the Public Utility Code, the Clean Streams Law and other requisite regulatory requirements, and to make improvements as needed, on a short and long term basis.

b. Pennsylvania-American will provide the Winona Lakes system with improved centralized management, customer service and administrative services.

c. The acquisition will further the goal of regionalization because the Winona Lakes wastewater system will be a part of a larger organization that is viable and is committed to providing improved service in the future. Any necessary system improvements can be completed within a reasonable period of time, without adversely affecting service to Pennsylvania-American existing customers.

d. The acquisition will improve the reliability and quality of wastewater treatment for the customers of Winona Lakes by operating a treatment system which is in compliance with current Department of Environmental Protection regulations. Winona Lakes' current system has a history of compliance problems based upon a lift station overflowing. Pennsylvania-American will operate the system within all regulatory requirements and make necessary improvements as needed, such as the planned installation of telemetry on the Section 18 pump station.

e. The acquisition will result in increased economies of scale as the Winona Lakes wastewater system will be operated as part of a larger system which will result in uniform standards of service to the customers.

19. The proposed transfer will have no immediate effect on the rates for service to be charged to Pennsylvania-American's existing customers or to those customers to be transferred by Winona Lakes to Pennsylvania-American. Rates in the service area to be acquired from Winona Lakes will remain at Winona Lakes' current level.

Pennsylvania-American will apply the rules and regulations contained in its tariff in effect on the date of Closing and as amended from time to time.

20. Pennsylvania-American will finance the transfer by cash.

21. The reason for the proposed transfer is the purchase by Pennsylvania-American of Winona Lakes public wastewater system.

22. Pennsylvania-American and Winona Lakes are not affiliated with each other.

23. To the best of Pennsylvania-American's knowledge Winona Lakes has no special or general assessments outstanding against it pursuant to Section 1201 of the Public Utility Code.

**B. THE COMMENCEMENT OF PENNSYLVANIA-AMERICAN OF WATER SERVICE TO THE PUBLIC IN THE CERTIFICATED TERRITORY OF THE SECTION 18 PORTION OF WINONA LAKES UTILITIES, INC.**

All of the preceding and succeeding paragraphs are incorporated by reference into this sub-part B.

24. Pennsylvania-American is currently furnishing service in the service territory as outlined in paragraph 4.

25. The location of the proposed service territory is the certificated service territory of the Section 18 of Winona Lakes Utilities, Inc. in Lehman Township, Pike County and Middle Smithfield Township, Monroe County as outlined in paragraph 3 and shown on Exhibit I-1 and Exhibit I-2 and described on Exhibit I-3.

26. With this Application, Pennsylvania-American is requesting the right to furnish wastewater service in portions of Lehman Township, Pike County and Middle Smithfield Township, Monroe County.

27. No additional permanent capital will be required by Pennsylvania-American for the purpose of financing the matters and things involved in this Application except as stated in paragraph 20.

28. No corporation, partnership or individual other than Winona Lakes is now furnishing or has corporate or franchise rights to furnish service similar to that to be rendered by Pennsylvania-American in the territory covered by this Application, and no competitive condition will be created. As part of this Application, Pennsylvania-American has requested approval to acquire, by purchase, all the Winona Lakes' assets, property and rights related to Section 18 of its wastewater system. Winona Lakes will permanently discontinue wastewater service to the public in Section 18 of its wastewater system.

29. The facilities to be employed are described in paragraph 1.1 of the Purchase Agreement. Specifically excluded assets are described in paragraph 1.3 of the Purchase Agreement.

30. Immediately upon Closing, Pennsylvania-American will adopt Winona Lakes' then existing initial phase rates in the Application territory, as shown on Exhibit J.

31. The estimated annual revenues and expenses of Pennsylvania-American in the Application territory are set forth in Exhibit K.

**C. THE ABANDONMENT BY WINONA LAKES UTILITIES, INC. OF ALL WASTEWATER SERVICE TO THE PUBLIC IN SECTION 18 OF ITS WASTEWATER SYSTEM**

32. All of the preceding and succeeding paragraphs are incorporated by reference into this sub-part C.

33. In accordance with the Asset Purchase Agreement, Winona Lakes will permanently discontinue all wastewater service to the public in Section 18 of its wastewater system upon the transfer of the system to Pennsylvania-American.

34. A summary of the revenue derived from the operation of the service sought to be discontinued, together with a statement of the expenses accruing from the maintenance of that service, is contained in the financial information provided in Paragraph 8, hereto.

**D. CONCLUSION**

35. Approval of this Application is necessary and proper in order for the public now served by Winona Lakes to benefit by receiving wastewater service from a public wastewater supply company with the resources and personnel to provide safe and reliable treatment of wastewater at reasonable prices.

WHEREFORE, Applicants request your Honorable Commission to issue the necessary Certificates of Public Convenience under the Public Utility Code, as amended, 66 Pa. C.S. §1102(a), authorizing:

- (a) the transfer, by sale, of the assets, property and rights of the Section 18 of Winona Lakes Utilities, Inc., wastewater system. to Pennsylvania-American Water Company; and

- (b) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the certificated service territory of the Section 18 of Winona Lakes Utilities, Inc., wastewater system and;
- (c) the abandonment by Winona Lakes Utilities, Inc. of all wastewater service to the public in the Section 18 of its wastewater system.

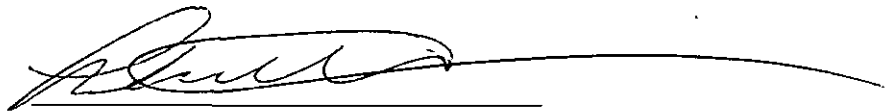
Respectfully submitted,



Velma A. Redmond, Esquire  
Susan Simms Marsh, Esquire

Counsel for

Pennsylvania-American Water Company  
800 West Hersheypark Drive  
Hershey, PA 17033



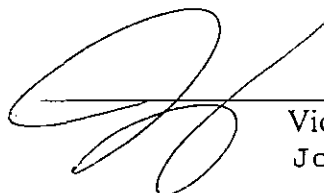
Marshall E. Anders, Esquire  
Counsel for Winona Lakes Utilities, Inc.  
18 North 8<sup>th</sup> Street  
Stroudsburg, PA 18360

Dated: March 19<sup>th</sup>, 2002



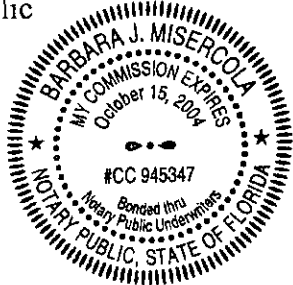
STATE OF FL FLORIDA )  
COUNTY OF PINELLAS PINELLAS ) SS:

Personally appeared before me, a Notary Public in and for said Commonwealth and County, Joseph G. Lubeck, Vice President of Winona Lakes Utilities, Inc. who, being duly sworn according to law, deposes and says that the facts set forth in the foregoing Application are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Vice President  
Joseph G. Lubeck

Sworn to and subscribed before me  
this 6th day of March,  
2002.

  
\_\_\_\_\_  
Notary Public



## PENNSYLVANIA-AMERICAN WATER COMPANY

Pennsylvania-American Water Company, an investor-owned water company, with corporate offices at 800 West Hersheypark Drive, Hershey, is a subsidiary of American Water Works Company, Inc. On February 1, 1989, the then-existing Pennsylvania-American Water Company (the result of the January 1, 1987 merger of Riverton Consolidated Water Company with and into Keystone Water Company) was merged with and into Western Pennsylvania Water Company, and the name of the surviving corporation was changed to Pennsylvania-American Water Company. A brief summary of each of the three predecessor companies follows.

Riverton Consolidated Water Company was formed by the merger and consolidation of six operating water companies in 1904. It subsequently acquired seven additional systems, and at the time of its merger with Keystone, supplied water to 12 municipalities on the Harrisburg west shore, Cumberland County, and Fairview Township in York County.

Keystone Water Company resulted from the 1973 merger of 14 companies with and into White Deer Mountain Water Company. The Company later acquired four systems. It provided water service in 14 eastern Pennsylvania counties through the following distribution systems: Abington, Bangor, Berwick, Frackville, Hallstead, Hershey/Palmyra, Montrose, Moshannon Valley, Norristown, Northumberland, Susquehanna, Thompson, White Deer (Milton), and Yardley.

Western Pennsylvania Water Company was the product of the merger of 17 water companies with and into South Pittsburgh Water Company at various times from 1970 to 1973. WPW added seven water distribution systems, extending its service territory into portions of 12 western Pennsylvania counties. The company operated through the following district offices: Butler, Clarion, Connellsville, Ellwood, Indiana, Kane, Kittanning, McDonald, Mon Valley, New Castle, Pittsburgh, Punxsutawney, Uniontown, Warren, and Washington.

After the merger of Riverton and Keystone in 1987, the former Pennsylvania-American Water Company purchased five systems: Red Land Water Company in York County, Campbelltown Water Company in Lebanon County, and three systems in the Moshannon Valley area, Clearfield County - Woodland-Bigler Area Authority, Allport Water Authority, and Graham Water Association.

Since the merger of the former Pennsylvania-American Water Company (Riverton and Keystone) into Western Pennsylvania Water Company on February 1, 1989, the Company has acquired the following water systems: Smith Township Municipal Authority system (Washington County, February 27, 1989); Abington Township system (Lackawanna County, August 5, 1989); Summit Township Municipal Authority system (Butler County, August 31, 1993); Skyline Water Company (Dauphin County, December 2, 1993); Gregg Township Municipal Authority system (Union County, April 25, 1994); P-F Area Water Association system (Washington County, October 1, 1994); Country Place Water Company, Inc. and Country Place Waste Treatment Company, Inc. (Monroe County, June 30, 1995); Hickory Water Company, Pocono Farms East Water Company, Inc., and Silver Water Company (Monroe and Pike Counties, December 21, 1995); the water utility assets of Pennsylvania Gas and Water Company (Lackawanna, Luzerne, Susquehanna and Wayne Counties, February 16, 1996); the Municipal Authority of the Township of Morris system (Clearfield County, April 24, 1996); Westford Water Company (Dauphin County, August 2, 1996); Clarion Township General Authority (Clarion County, January 28, 1998); Fairview Water Company, National Utilities, Inc.-Pocono Division, and Pocono Mountains Industrial Park Authority (Monroe County, May 7, 1998); Coolbaugh Township-Fire System (Monroe County, July 28, 1998); Greene Valley Water Company (Lackawanna County, August 28, 1998); Franklin Manor Utilities, Ltd. (Washington County, September 22, 1998); Taylor Township (Lawrence County, December 21, 1998); Evansburg Water Company (Montgomery County, December 30, 1998); Applewold Borough (Armstrong County, March 26, 1999); Cedar Grove Water Association (Washington County, July 8, 1999); Independence Township Municipal Authority (Washington

County, July 8, 1999); Koppel Borough (Beaver County, November 5, 1999); Center Township (Butler County, December 30, 1999); Strattanville Borough (Clarion County, April 6, 2000); Franklin Township Municipal Authority (Beaver County, August 30, 2000); Elk Forest Estates (Wayne County, November 18, 2000); T.O.W. Associates (Butler County, February 13, 2001); City of Coatesville Authority (Chester and Lancaster Counties, March 22, 2001); Fox Knoll Water Company (Chester County, April 26, 2001); Butler Township Area Water and Sewer Authority (Butler County, April 27, 2001) and Citizens Utilities Water Company of Pennsylvania (Adams, Berks, Chester, Monroe, Montgomery and Northampton Counties, January 15, 2002). On July 2, 1990, Brownsville Water Company (Fayette County) and California Water Company (Washington County) were acquired and merged into the Company. On June 16, 1992, the former Forge Road Acres water system (Cumberland County) was sold to South Middleton Township.

As a result of the various mergers and acquisitions, the Company furnishes water service to about 598,749 customers in the following municipalities:

All, or portions of, the Townships of Mount Joy, Mount Pleasant and Straban in Adams County;

All, or portions of, the Cities of Clairton and Pittsburgh (16th, 18th, 19th, 20th, 23rd, 29th, 30th, 31st and 32nd Wards), the Boroughs of Baldwin, Bethel Park, Brentwood, Bridgeville, Carnegie, Castle Shannon, Crafton, Dormont, Dravosburg, Elizabeth, Glassport, Greentree, Heidelberg, Homestead, Ingram, Jefferson, Liberty, Lincoln, Mt. Oliver, Munhall, Pleasant Hills, Rosslyn Farms, Thornburg, West Elizabeth, West Homestead, West Mifflin, Whitaker and Whitehall and the Townships of Baldwin, Collier, Elizabeth, Forward, Mt. Lebanon, North Fayette, Robinson, Scott, South Fayette, South Park and Upper St. Clair in Allegheny County;

All, or portions of, the Boroughs of Applegold and Kittanning and the Townships of Manor and Rayburn in Armstrong County;

All, or portions of, the Boroughs of Ellwood City, Frankfort Springs and Koppel and the Townships of Franklin, Hanover and North Sewickly in Beaver County;

All, or portions of, the Boroughs of Sinking Spring, St. Lawrence, West Lawn and Wyomissing Hills and the Townships of Amity, Cumru, Exeter, Lower Heidelberg, Ruscombmanor, South Heidelberg and Spring in Berks County;

All, or portions of, the Borough of Yardley and the Townships of Falls and Lower Makefield in Bucks County;

All, or portions of, the City of Butler, the Borough of East Butler and the Townships of Butler, Center, Connoquenessing, Jackson, Oakland, Penn and Summit in Butler County;

All, or portions of, the Boroughs of Philipsburg and South Philipsburg and the Township of Rush in Centre County;

All, or portions of, the City of Coatesville, the Boroughs of Atglen, Parkesburg, South Coatesville and Spring City and the Townships of Caln, East Coventry, East Fallowfield, East Pikeland, East Vincent, Sadsbury, Schuylkill, Valley, West Caln, West Sadsbury and West Vincent in Chester County;

All, or portions of, the Boroughs of Clarion and Strattanville and the Townships of Clarion, Limestone, Monroe and Piney in Clarion County;

All, or portions of, the Boroughs of Chester Hill and Osceola Mills and the Townships of Boggs, Bradford, Decatur, Graham and Morris in Clearfield County;

All, or portions of, the Boroughs of Berwick and Briar Creek and the Township of Briar Creek in Columbia County;

All, or portions of, the Boroughs of Camp Hill, Lemoyne, New Cumberland, Shiremanstown, West Fairview and Wormleysburg and the Townships of East Pennsboro, Hampden, Lower Allen, Silver Spring and Upper Allen in Cumberland County;

All, or portions of, the Townships of Derry, Londonderry, South Hanover and West Hanover in Dauphin County;

All, or portions of, the Cities of Connellsville and Uniontown, the Boroughs of Brownsville, South Connellsville and West Brownsville and the Townships of Brownsville, Bullskin, Connellsville, Dunbar, Jefferson, Luzerne, Menallen, North Union, Redstone and South Union in Fayette County;

All, or portions of, the Borough of Indiana and the Township of White in Indiana County;

All, or portions of, the Boroughs of Big Run and Punxsutawney and the Townships of Bell, Gaskill, Henderson, McCalmont and Young in Jefferson County;

All, or portions of, the Cities of Carbondale and Scranton, the Boroughs of Archbald, Blakely, Clarks Green, Clarks Summit, Dalton, Dickson City, Dunmore, Jermyn, Jessup, Mayfield, Moosic, Old Forge, Olyphant, Taylor, Throop and Vandling and the Townships of Abington, Carbondale, Fell, Glenburn, North Abington, Scott and South Abington in Lackawanna County;

All, or portions of, the Borough of Quarryville and the Townships of Bart, Colerain, Eden and Sadsbury in Lancaster County;

All, or portions of, the City of New Castle; the Boroughs of Ellport, Ellwood City and South New Castle and the Townships of Hickory, Mahoning, Neshannock, Perkiomen, Perry, Shenango, Taylor, Union and Wayne in Lawrence County;

All, or portions of, the Borough of Palmyra and the Townships of Annville, North Annville, North Londonderry, South Annville and South Londonderry in Lebanon County;

All, or portions of, the Cities of Nanticoke, Pittston and Wilkes-Barre, the Boroughs of Ashley, Avoca, Courtdale, Dallas, Dupont, Duryea, Edwardsville, Exeter, Forty Fort, Hughestown, Kingston, Laffin, Larksville, Laurel Run, Luzerne, Nescopeck, Plymouth, Pringle, Shickshinny, Sugar Notch, Swoyersville, Warrior Run, West Pittston, West Wyoming, Wyoming and Yatesville and the Townships of Conyngham, Fairview, Hanover, Hunlock, Jackson, Jenkins, Kingston, Newport, Pittston, Plains, Plymouth, Rice, Salem, Union, Wilkes-Barre and Wright in Luzerne County;

All, or portions of, the Borough of Kane and the Township of Wetmore in McKean County;

All, or portions of, the Borough of Mount Pocono and the Townships of Coolbaugh, Hamilton and Ross in Monroe County;

All, or portions of, the Boroughs of Bridgeport, Norristown and Royersford and the Townships of East Norriton, Limerick, Lower Pottsgrove, Lower Providence, Plymouth, Skippack, Upper Merion, Upper Providence, West Norriton, Whitemarsh, Whitpain and Worcester in Montgomery County;

All, or portions of, the Boroughs of Bangor, Belfast, Nazareth, Pen Argyl, Roseto, Stockertown, Tatamy and Wind Gap and the Townships of Bushkill, Forks, Lower Nazareth, Palmer, Plainfield, Upper Mt. Bethel, Upper Nazareth and Washington in Northampton County;

All, or portions of, the Boroughs of Milton, Northumberland and Watsontown and the Townships of Delaware, East Chillisquaque, Point, Turbot, Upper Augusta and West Chillisquaque in Northumberland County;

Portions of the Township of Delaware in Pike County;

All, or portions of, the Borough of Frackville and the Townships of Butler, Mahanoy, New Castle and West Mahanoy in Schuylkill County;

All, or portions of, the Boroughs of Forest City, Great Bend, Hallstead, Lanesboro, Montrose, Susquehanna and Thompson and the Townships of Bridgewater, Great Bend, Harmony and Oakland in Susquehanna County;

All, or portions of, the Borough of Lewisburg and the Townships of Buffalo, East Buffalo, Gregg, Kelly and White Deer in Union County;

All, or portions of, the City of Warren and the Townships of Conewango, Glade, Meade, and Pleasant in Warren County;

All, or portions of, the Cities of Monongahela and Washington and the Boroughs of Burgettstown, California, Canonsburg, Coal Center, East Washington, Finleyville, Houston, McDonald, Midway, New Eagle and West Middletown and the Townships of Amwell, Canton, Carroll, Cecil, Chartiers, Cross Creek, Fallowfield, Hanover, Hopewell, Independence, Jefferson, Mt. Pleasant, North Franklin, North Strabane, Nottingham, Peters, Robinson, Smith, Somerset, South Franklin, South Strabane and Union in Washington County;

Portion of the Township of Clinton in Wayne County; and

All, or portions of, the Townships of Fairview and Newberry in York County.

As a result of an acquisition, the Company furnishes wastewater service to about 9,283 customers in the following municipalities:

All, or portions of, the City of Coatesville, the Borough of Parkesburg and the Townships of Caln, East Fallowfield, Sadsbury, Valley and West Sadsbury in Chester County; and

Portion of the Township of Coolbaugh in Monroe County.

[355 municipalities in 35 counties. Note: Ellwood City Borough is located in Beaver and Lawrence Counties; Hanover Township is located in Beaver and Washington Counties]

01/15/02

**PENNSYLVANIA-AMERICAN WATER COMPANY**  
**BALANCE SHEET**

	<u>DECEMBER 2001</u>	<u>LAST YEAR</u>
<b>ASSETS</b>		
Utility plant	\$1,766,804,791	\$1,608,176,247
Construction work in progress	18,571,110	18,456,278
Accumulated depreciation	(298,532,841)	(252,973,167)
Utility plant acquisition adjustment	6,148,113	10,673,296
Other utility plant adjustments	0	0
	1,492,991,173	1,384,332,654
Nonutility property	1,618,850	1,645,376
Other Investments	2,865,004	0
<b>Current assets</b>		
Cash and cash equivalents	300,380	19,433
Temporary inv. - at cost plus accrued int.	0	0
Customer accounts receivable	33,797,118	29,080,494
Allowance for uncollectible accounts	(735,756)	(478,647)
Unbilled Revenues	19,926,578	19,371,013
FIT refund due from associated company	0	0
Miscellaneous receivables	2,207,737	1,042,571
Materials and supplies - at average cost	3,210,388	2,824,018
Other	7,295,423	8,681,925
	66,001,868	60,540,807
<b>Regulatory and other long-term assets</b>		
Debt and preferred stock expense	8,263,724	8,427,882
Expense of rate proceedings	687,229	317,225
Preliminary survey and investigation charges	7,907,752	880,752
Reg. asset - inc tax recoverable thru rates	95,187,786	93,722,615
Other	22,475,869	17,924,499
	134,522,360	121,272,973
	\$1,697,999,255	\$1,567,791,810
<b>CAPITAL AND LIABILITIES</b>		
Common stock	\$21,506,887	\$21,506,887
Paid-in capital	356,363,114	306,362,886
Retained earnings	178,618,229	166,002,111
Total common equity	556,488,230	493,871,884
Preferred stock	15,189,900	16,040,400
Long-term debt	679,575,037	602,690,878
Total capitalization	1,251,253,167	1,112,603,162
<b>Current liabilities</b>		
Short-term debt	15,207,986	75,253,325
Current portion of long-term debt	52,415,008	25,915,356
Accounts payable	14,950,120	13,494,647
Taxes accrued	7,330,781	5,546,535
Interest accrued	12,491,307	11,838,763
Customer deposits	0	0
Dividends declared	304,424	320,856
Other	12,492,223	10,796,048
	115,191,849	143,165,530
<b>Regulatory and other long-term liabilities</b>		
Customer advances for construction	48,829,159	47,907,529
Deferred income taxes	200,283,338	186,509,731
Deferred investment tax credits	8,642,860	8,876,452
Other	15,653,022	12,633,153
	273,408,379	255,926,865
Contributions in aid of construction	58,145,860	56,096,253
	\$1,697,999,255	\$1,567,791,810

**Exhibit B**

PENNSYLVANIA - AMERICAN WATER COMPANY  
STATEMENT OF INCOME AND RETAINED EARNINGS  
TWELVE MONTHS ENDED DECEMBER 31, 2001

	CURRENT YEAR	PRIOR YEAR
OPERATING REVENUES	\$317,341,194	\$305,810,487
OPERATION EXPENSES		
OPERATIONS AND MAINTENANCE	121,865,936	113,868,663
DEPRECIATION & AMORTIZATION	44,672,963	41,445,933
TAXES ON OPERATING INCOME		
GENERAL TAXES	11,074,787	11,953,616
STATE INCOME	7,052,154	6,659,543
FEDERAL INCOME	28,332,568	28,661,383
	212,998,408	202,589,138
UTILITY OPERATING INCOME	104,342,786	103,221,349
OTHER INCOME		
ALLOW. FOR OTHER FUNDS FOR CONSTRUCT.	94,529	(1,400)
MISCELLANEOUS OTHER INCOME	113,117	81,582
GAIN (LOSS) ON SALE OF PROPERTY	262,016	46,380
	104,812,448	103,347,911
OTHER DEDUCTIONS		
MISCELLANEOUS AMORTIZATION	(1,204,138)	(772,829)
MISCELLANEOUS OTHER DEDUCTIONS	500,254	378,603
TAXES ON OTHER INCOME AND DEDUCTIONS		
GENERAL	128,308	216,294
STATE INCOME	11,920	(26,281)
FEDERAL INCOME	37,591	(82,872)
	(526,065)	(287,085)
INCOME BEFORE INTEREST CHARGES	105,338,513	103,634,996
INTEREST CHARGES		
INTEREST ON LONG-TERM DEBT	48,847,462	47,196,779
AMORTIZATION OF DEBT EXPENSE	572,052	551,836
INTEREST ON BANK DEBT	3,729,357	4,389,120
OTHER INTEREST	1,090	1,830
ALLOW. FOR BORROWED FUNDS FOR CONSTRUCT.	(641,571)	(1,003,580)
	52,508,390	51,135,985
NET INCOME	52,830,123	52,499,011
RETAINED EARNINGS AT BEGINNING OF PERIOD	166,002,111	151,778,356
PRIOR PERIOD ADJUSTMENTS	218,832,234	204,277,367
DIVIDENDS		
PREFERRED STOCK	1,266,988	1,283,411
COMMON DIVIDENDS	38,947,017	36,991,845
	40,214,005	38,275,256
RETAINED EARNINGS AT END OF PERIOD	\$178,618,229	\$166,002,111

**Exhibit C**

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**PURCHASE AGREEMENT**

**Between**

**WINONA LAKES UTILITIES, INC.**

**As Seller**

**and**

**PENNSYLVANIA-AMERICAN WATER COMPANY**

**As Buyer**

Dated as of 11/29, 2001

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**PURCHASE AGREEMENT FOR  
WINONA LAKES UTILITIES, INC.  
WATER AND WASTEWATER SYSTEMS**

THIS AGREEMENT, made and entered into as of the 21<sup>st</sup> day of November, 2001, by and between Winona Lakes Utilities, Inc. ("WLU") a Pennsylvania corporation, organized and existing under the laws of the Commonwealth of Pennsylvania, and PENNSYLVANIA-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter referred to as "PAWC").

WITNESSETH

WHEREAS, WLU is the owner of a public water supply system and public wastewater collection system in Lehman Township, Pike County and Middle Smithfield Township, Monroe County, Pennsylvania and;

WHEREAS, PAWC is a public utility owning and operating a public water supply system in the vicinity of WLU's Water Systems in Delaware Township, Pike County, Pennsylvania, and;

WHEREAS, WLU wishes to sell, and PAWC desires to purchase, substantially all of the assets, properties and rights of the WLU's public water supply system and Section 18 of WLU's public wastewater collection system (hereinafter referred to as "Water and Wastewater System") System on the terms and subject to the conditions set forth in this Agreement.

NOW THEREFORE, this Agreement witnesseth that for and in consideration of the respective covenants and agreements of the parties hereinafter set forth, the parties hereto, intending to be legally bound hereby, do covenant, contract and agree as follows:

## ARTICLE 1

### THE TRANSACTION

1.1 SALE AND PURCHASE OF WLU'S ASSETS. Subject to the terms, representations and conditions set forth in this Agreement, at Closing, WLU shall sell, assign, transfer, deliver and convey to PAWC, free and clear of all liens and encumbrances whatsoever, and PAWC shall purchase, the Acquired Assets. "Acquired Assets" means all of WLU's right, title, and interest in and to all of the assets, properties and rights owned or used by WLU in their Water and Wastewater Systems or used in the business of providing water service and wastewater service, in the area known as Section 18, of every kind, nature and description existing on the Closing Date, excepting only those assets listed in Section 1.2. For avoidance of doubt, PAWC and WLU agree that, excepting only the assets specifically described in Section 1.2, every asset, property and right owned by WLU or used in the provision of water or wastewater service, whether real, personal, mixed, tangible or intangible, and including all the physical plant, property, equipment, and facilities comprising the existing Water and Wastewater Systems owned and operated by WLU for providing water service to the public and wastewater service to the public in Section 18 of the Water and Wastewater Systems in portions of Lehman Township, Pike County and Middle Smithfield Township, Monroe County, Pennsylvania, wherever located and without any other exception whatever, is included within the Acquired Assets to be conveyed hereby. Except as specifically described in Section 1.2, the Acquired Assets shall include the following:

1.1.1 All real property, together with all fixtures, buildings, structures and other improvements erected thereon, and easements, rights of way, water lines, rights of use,

licenses, hereditaments, tenements, privileges and other appurtenances thereto or otherwise related to the Water and Wastewater Systems (such as appurtenant rights in and to public streets)(the “Real Estate”) excepting only those assets specifically listed in Section 1.2;

1.1.2 all water tanks, reservoirs, water works, plant and systems, pumping stations, pumps, wells, springs and reservoirs, mains, services, meters, hydrants, valves, fittings, equipment, machinery, pumps, motors, spare parts, materials, supplies, fixtures and improvements, construction in progress, jigs, molds, patterns, gauges and production fixtures and other tangible personal property related to the Water and Wastewater Systems (the “Equipment and Other Tangible Personal Property”) excepting only those assets listed in Section 1.2;

1.1.3 all of WLU’s water and wastewater appropriation and flowage rights with respect to the Water and Wastewater Systems;

1.1.4 intellectual property and goodwill, licenses and sublicenses owned and obtained with respect to the Water and Wastewater Systems;

1.1.5 all customer contracts, supply agreements, operating contracts and distribution contracts relating to the Water and Wastewater Systems;

1.1.6 franchises, approvals, permits, authorizations, licenses, orders, registrations, certificates, variances, and other similar permits or rights obtained from any authority relating to the Water and Wastewater Systems;

1.1.7 books, records, ledgers, files, documents, correspondence, architectural plans, drawings, and specifications, records of plant operations and materials used, quality control records and procedures, equipment maintenance records, manual and warranty information, data and laboratory books and inspection processes.

1.2 EXCLUDED ASSETS. The assets identified in Schedule 1.2 as not being included in the Water and Wastewater Systems sale are specifically excluded from the Acquired Assets.

1.3 LIABILITIES EXCLUDED. PAWC shall not assume any liabilities of WLU. It is further understood and agreed that all obligations of any nature whatsoever, whether owed to WLU by others or owed by WLU to others, on the date of Closing shall be and remain with WLU.

1.4 ACCOUNTS RECEIVABLE. Accounts receivable for water and wastewater services rendered by WLU through the close of business on the date of Closing shall belong to WLU, and accounts receivable for water and wastewater services rendered thereafter shall belong to PAWC.

## ARTICLE 2

### PURCHASE PRICE

#### 2.1 PURCHASE PRICE FOR THE Water and Wastewater Systems.

2.1.1 Purchase Price. Subject to the terms and conditions of this Agreement, the total purchase price of the Water Systems shall be Five Thousand (\$5,000) Dollars and the total purchase price of the Wastewater System shall be Fifteen Thousand (\$15,000) Dollars. The purchase price shall be payable as follows: 1) Eleven Thousand One Hundred Fifty-Seven (\$11,157) Dollars payable directly to the Pennsylvania Department of Environmental Protection on the date of Closing by corporate check or wire transfer; and 2) the remaining balance payable directly to Marshall E. Anders, Attorney for WLU on the date of Closing by corporate check or wire transfer, at PAWC's discretion.

## ARTICLE 3

### THE CLOSING

3.1 CLOSING. Subject to the terms and conditions of this Agreement, the Closing of the sale and purchase of the Acquired Assets (the "Closing") shall be held within forty-five (45) days following the date on which all of the conditions set forth in Article 7 and 8 of this Agreement have been met, at such time and date ("the Closing Date") as may be mutually agreed upon by the parties hereto. Provided, however, that if Closing shall not have occurred on or before September 30, 2002, either party shall have the right to terminate this Agreement by written notice to the other party. The Closing Date, as referred to in this Agreement, shall be the date of Closing. Closing shall take place at PAWC's offices at 800 West Hersheypark Drive, Hershey, PA 17033, or by mail.

3.2 DELIVERIES AND PROCEEDINGS AT CLOSING. Subject to the terms and conditions of this Agreement, at the Closing, WLU shall to the extent they are available deliver to PAWC:

3.2.1 Bills of sale and instruments of assignment duly executed by WLU as necessary to transfer all of the Acquired Assets to PAWC;

3.2.2 The consents to transfer all contracts, intellectual property and permits;

3.2.3 One or more special warranty deeds to PAWC for the Real Estate and one or more deeds of conveyance of the easements to PAWC, duly executed and acknowledged by WLU and in recordable form, each sufficient to convey the title and rights of access to the Water and Wastewater Systems.

3.2.4 The certificates, opinions and other documents required to be delivered by WLU under this Agreement and certified resolutions evidencing the authority of WLU as set forth in Section 4.2 hereof.

3.2.5 Evidence that any indebtedness of WLU on the Water and Wastewater Systems has been retired.

3.2.6 All such other agreements, documents and instruments of conveyance required by this Agreement or as shall, in the reasonable opinion of PAWC and its counsel, be necessary to transfer to PAWC the Water and Wastewater Systems in accordance with this Agreement, and where necessary or desirable, in recordable form.

3.2.7 In addition to such other instruments and documents as are to be delivered to PAWC by WLU on or prior to the Closing, as provided herein, WLU shall deliver to PAWC at the Closing all books and records and other documents maintained by WLU relating to the Acquired Assets.

3.2.8 In the event the aforementioned documents are not available, PAWC has the option to terminate the Agreement at Closing.

#### ARTICLE 4

##### REPRESENTATIONS AND WARRANTIES OF WLU

4. REPRESENTATIONS AND WARRANTIES OF WLU. WLU represents and warrants to PAWC that:

4.1 QUALIFICATION. WLU is a Pennsylvania corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, with full legal right, power and authority to own, lease and operate the Acquired Assets and the Water and

Wastewater Systems as presently being conducted, and to convey the Acquired Assets to PAWC as contemplated under this Agreement.

4.2 AUTHORIZATION AND ENFORCEABILITY. The execution, delivery, performance and acceptance of this Agreement by WLU has been duly authorized by all necessary action. This Agreement constitutes a valid and binding obligation of WLU enforceable in accordance with its terms. WLU has full corporate power and corporate authority to execute, deliver and perform this Agreement and all other agreements and instruments to be executed by WLU in connection herewith.

4.3 NO VIOLATION OF LAWS OR AGREEMENTS. Other than any provision in any loan document requiring that the loan becomes due and payable in full upon the sale of the Acquired Assets and the Water and Wastewater Systems, the execution, delivery, and performance of this Agreement do not, and the consummation of the transaction contemplated by this Agreement as of Closing will not, to the best of Seller's knowledge, violate any provision of law or conflict with, result in a breach of, or constitute a default under, the terms, conditions or provisions of any agreement, contract, indenture, mortgage, or other instrument to which WLU is a party or by which the Acquired Assets may be bound or affected.

4.4 PERMITS AND COMPLIANCE WITH LAWS GENERALLY.

4.4.1 WLU has not knowingly violated any local, state or federal law, rule or regulation with respect to the use and operation of the Water and Wastewater Systems. Except as set forth on Schedule 4.4.1, no outstanding notice, citation, summons or order has been issued, no outstanding complaint has been filed, no outstanding penalty has been assessed and no investigation or review is pending or, to the knowledge of WLU, threatened, by any authority or other person with respect to any alleged violation by WLU relating to the Water and Wastewater

Systems of any law, ordinance, rule, regulation, code or order of any authority or failure to have any Permit required with the operation of the Water and Wastewater Systems.

4.4.2 WLU possesses and is, to the best of its knowledge, in compliance with all Permits required to operate the Water and Wastewater Systems as presently operated and to own, lease, or otherwise hold the Acquired Assets under all applicable laws, rules, regulations, ordinances and codes, including environmental laws. The Water and Wastewater Systems is operated by WLU in compliance with all applicable laws, rules, regulations, ordinances, codes, judgments and orders except as set forth in Schedule 4.4.1. All Permits of WLU relating to the operation of the Water and Wastewater Systems are in full force and effect. There are no proceedings pending or, to WLU's knowledge, threatened that seek the revocation, cancellation, suspension or any adverse modification of any such Permits presently possessed by WLU.

4.5 PENDING OR THREATENED LITIGATION. There is no known action or litigation pending and none are known to be threatened against or affecting the Water and Wastewater Systems or any of the Acquired Assets before any court, arbitrator or governmental authority, and there are no known laws, ordinances, regulations or official orders now in effect or pending which would adversely affect in a material way the Water and Wastewater Systems or the ownership, condition or operation of the Water and Wastewater Systems or the Acquired Assets.

4.6 ENVIRONMENTAL MATTERS.

4.6.1 WLU has not knowingly disposed of or arranged for the disposal of or released any Hazardous Substances, other than in conformity with applicable laws and regulations, at any Real Estate, or at any other facility, location, or site to be transferred to PAWC pursuant to the terms of this Agreement.

4.6.2 WLU has not received any written notice or request for information with respect to, and to the best of WLU's knowledge, WLU has not been designated a potentially liable party for remedial action or response costs, in connection with any Real Estate, or, as of the date hereof, with respect to the Acquired Assets or the operation of the Water and Wastewater Systems, at any other facility, location, or other site under the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or comparable state statutes.

4.6.3 To the best of WLU's knowledge, no Real Estate has been used for the storage, treatment, generation, processing, production or disposal of any Hazardous Substances or as a landfill or other waste disposal site in violation of any law, rule or regulation.

4.6.4 To the best of WLU's knowledge, underground storage tanks (other than tanks for the storage of water) and lift stations are not, and have not in the past been, located on or under any Real Estate.

4.6.5 There are no pending or unresolved claims against WLU or the Water and Wastewater Systems for investigatory costs, cleanup, removal, remedial or response costs, or natural resource damages arising out of any releases or threat of release of any Hazardous Substances at any Real Estate or, as of the date hereof, with respect to the of the Water and Wastewater Systems or the Acquired Assets or any other facility, location, or other site.

4.6.6 To the best of WLU's knowledge, no polychlorinated biphenyls ("PCBs") or asbestos-containing materials are located at or in any Real Estate in violation of Environmental Laws or which require remedial action with the exception of the transite pipe located with the Water and Wastewater Systems.

4.6.7 WLU will within thirty (30) days of the date hereof provide PAWC with copies of all written environmental audits or investigations of which they are aware and have access to, prepared for the Real Estate or operations of the Water and Wastewater Systems.

4.7 BROKERAGE. WLU has not made any agreement or taken any other action which might cause any person to become entitled to a broker's or finder's fee or commission as a result of the transactions contemplated hereunder which could result in liability to PAWC.

4.8 REAL ESTATE. Schedule 4.8 is a complete and accurate list of the Real Estate. WLU at Closing hereunder will convey and transfer to PAWC, indefeasible, good and marketable legal and equitable title to the Real Estate, free and clear of all liens, encumbrances and easements, excepting however, the following instruments of record: existing building restrictions, ordinances, easements of roads, privileges or rights of public service companies, if any; or easements or restrictions visible upon the ground, otherwise the title to the above described real estate shall be good and marketable or such as will be insured by any reputable Title Insurance Company at the regular rates. WLU has no knowledge of any default or breach under any of the covenants, conditions, restrictions, rights of way or easements, if any, affecting all or any portion of the Real Estate, and there is no pending condemnation, eminent domain or similar proceeding affecting any of the Real Estate, and to the best knowledge of WLU, no such proceeding is threatened. The WLU has not received any written or oral notice of assessment against any of the Real Estate which remains unpaid. To the best of WLU's knowledge, information and belief, there are no toxic or other dangerous conditions of the property.

4.9 EASEMENTS. Schedule 4.9, which shall be updated prior to Closing, is a complete and accurate list of all easements and rights of way over the real property of others

used by WLU in the operation of the Water and Wastewater Systems or on which any of its property is located (“Easements”). WLU has or will at Closing have, subject to the limitations in Section 8.13, continuous right-of-way for its water lines and other facilities from the record or assessed owner(s) acquired by legal instruments in sufficient form duly recorded. WLU is in lawful and quiet possession of all Easements and there are no pending, no threatened, disputes, claims, condemnation, eminent domain or similar proceedings relating to the Easements. No consents of third parties are required in connection with the transfer of the Easements to PAWC except for consents which shall have been obtained prior to Closing. WLU has or will at Closing convey and transfer to PAWC, its title to the Easements. WLU has no knowledge of any material breach or default under any of the covenants, terms or conditions under which the Easements were granted or are held or enjoyed by WLU.

4.10 PERSONALTY. WLU owns free and clear of all Liens, or leases from others under valid and enforceable leases not presently in default, all personal property in its possession or which is used or required for ownership, operation and maintenance of the Water and Wastewater Systems as it is now conducted.

4.11 LEASES. Schedule 4.11 which shall be updated prior to Closing, is a complete and accurate list of each lease of real property to which WLU is a party (each a “Lease”).

4.12 CONDITION OF ASSETS. The buildings, machinery, equipment, tools, furniture, improvements and other fixed tangible assets of the Water and Wastewater Systems included in the Acquired Assets are in good operating condition and repair, reasonable wear and tear excepted. Except for the Excluded Assets, the Acquired Assets include all assets, rights, properties and contracts the use of which, is necessary to the continued conduct of the Water and Wastewater

Systems by PAWC substantially in the manner as its was conducted prior to the Closing Date, including the service of all utility customers in substantially the same manner and service levels as provided by WLU on the date hereof.

4.13 CONTRACTS. As of the date of this Agreement, Schedule 4.14 contains a complete and accurate list of all contracts, commitments, agreements, refundable Extension Deposit Agreements and instruments relating to the conduct of the Water and Wastewater Systems and all leases of Real Estate and personal property related to the Water and Wastewater Systems ("Contract"). WLU has delivered to PAWC a correct and complete copy of each written agreement listed in Schedule 4.14. Except as disclosed on Schedule 4.14, with respect to each Contract, neither WLU nor, to the best of WLU's knowledge, any other party thereto, is in breach or default, no event has occurred which with notice or lapse of time would constitute a breach or default by WLU, or permit termination, modification, or acceleration, under the contract. Except as set forth in Schedule 4.14, there are no disputes pending or to the best of WLU's knowledge, threatened, under or in respect of any of the Contracts.

## ARTICLE 5

### COVENANTS

5.1 COVENANTS OF WLU. From and after the date of this Agreement and until the Closing Date, WLU covenants and agrees that:

5.1.1 Conduct of Business. WLU will operate the Water and Wastewater Systems only in the ordinary course of business and in accordance with all applicable local, state, and federal laws, rules and regulations.

5.1.2 Contracts and Commitments. Except normal and usual commitments for the purchase of materials and supplies, no contract or commitment shall be entered into by or on behalf of WLU relating to the Water and Wastewater Systems which would materially affect the operation of the Water and Wastewater Systems after Closing, except for those commitments approved in writing by PAWC.

5.1.3 Release of Liens. WLU will take action necessary to cause the release, cancellation and discharge of any and all liens or encumbrances, so that as of the Closing, the Acquired Assets will be free and clear of any and all such liens and encumbrances.

5.1.4 Material Events and Circumstance. WLU shall promptly inform PAWC in writing of any specific event or circumstance of which WLU is aware, or of which WLU receives notice, that has or is likely to have, individually or in the aggregate, taken together with the other events or circumstances, a material adverse effect on the Acquired Assets.

5.1.5 Supplemental Information.

5.1.5 (a) WLU shall provide PAWC, within five (5) days of execution or the date of receipt thereof, a copy of (a) each contract entered into by WLU after the date hereof and prior to Closing relating to the Water and Wastewater Systems; (b) a copy of any written notice of assessments for public improvements against any Real Estate received after the date hereof and prior to Closing; and (c) a copy of the filing of any condemnation, eminent domain or similar proceeding affecting all or any portion of any of the Real Estate received after the date hereof but prior to the Closing.

5.1.5 (b) Within five (5) days of the receipt of notice of violation, WLU shall notify PAWC of any violations of state or federal drinking water and/or wastewater standards.

5.1.6 Title Information. Within sixty (60) days following the execution of this Agreement, WLU shall use its reasonable efforts to deliver to PAWC true, correct and complete copies of all existing title policies, surveys, leases, deeds, instruments and agreements relating to title to the Real Estate in WLU's possession.

5.2 FURTHER ASSURANCES. Each party to this Agreement shall cooperate and deliver such instruments and take such action as may be reasonably requested by the other party in order to carry out the provisions and purposes of this Agreement and the transactions contemplated hereby. After the Closing, each party shall take such other actions and execute such other documents, certifications, and further assurances as WLU or PAWC, as the case may be, may reasonably require in order to transfer more effectively to PAWC or to put PAWC more fully in possession of any of the Acquired Assets.

## ARTICLE 6

### REPRESENTATIONS AND WARRANTIES OF PAWC

6. REPRESENTATIONS AND WARRANTIES OF PAWC. PAWC represents and warrants to WLU that :

6.1 QUALIFICATION. PAWC is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has all requisite corporate power and authority to own, lease and operate the Water and Wastewater Systems.

6.2 AUTHORIZATION AND ENFORCEABILITY. PAWC has full corporate power and corporate authority to execute, deliver and perform this Agreement. The execution, delivery and performance by PAWC of this Agreement have been duly authorized by all necessary corporate action. This Agreement constitutes a legal, valid and binding obligation of PAWC, enforceable against PAWC in accordance with its terms. As of the Closing Date, each of the transaction documents to which PAWC is a party will be duly executed and delivered by PAWC and will constitute the legal, valid and binding obligation of PAWC, enforceable against PAWC in accordance with its respective terms.

6.3 NO VIOLATION OF LAWS OR AGREEMENTS. The execution, delivery and performance of this Agreement do not, and the consummation of the transactions contemplated by this Agreement as of Closing will not, violate any provision of law or conflict with, result in a breach of, or constitute a default under, the terms, conditions or provisions of any agreement, contract or other instrument to which PAWC is a party.

6.4 BROKERAGE. PAWC has not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of the transactions contemplated hereunder which could result in liability to WLU.

## ARTICLE 7

### PENNSYLVANIA PUBLIC UTILITY COMMISSION APPROVAL

7.1 PENNSYLVANIA PUC APPROVAL. The parties recognize and expressly agree that the consummation of the transaction is conditioned upon the approval of the Pennsylvania Public Utility Commission (the "Pennsylvania PUC"). WLU and PAWC covenant and agree to initiate and faithfully prosecute the necessary proceedings to obtain the approval of the

Pennsylvania Public Utility Commission for: (a) the transfer by sale of WLU's Acquired Assets to PAWC; and (b) the right of PAWC to begin to offer or furnish water and wastewater service to the public in portions of Lehman Township, Pike County and Middle Smithfield Township, Monroe County, presently being served by WLU; and (c) the right of PAWC to adopt public fire hydrant rates to be effective in the applied-for service territory, which rates shall be One Hundred Thirteen Dollars and Sixty-Four Cents (\$113.64) to be effective as of Closing and thereafter the rates for public fire hydrants shall be determined by the Pennsylvania PUC, or as otherwise required by law; and (d) the right of PAWC to adopt water rates in the area to be served equal to WLU's duly filed and approved tariff rates in effect at the time of Closing in the portions of Lehman Township Pike County and Middle Smithfield Township, Monroe County presently being served by WLU and to apply the existing rules and regulations for water service as set forth in PAWC's duly filed and effective tariff generally applicable to its services at the times of Closing; and (e) the right of PAWC to adopt wastewater rates in the area to be served equal to WLU's duly filed and approved tariff rates in effect at the time of Closing and to WLU's rules and regulations for wastewater service as set forth in WLU's duly filed and effective tariff generally applicable at the time of Closing; and (d) the right of WLU to permanently discontinue water service to the public and wastewater to the public in Section 18 of WLU's wastewater collection system. WLU, by the Agreement, covenants and agrees to provide such information, documents and assistance as may be reasonable requested by PAWC in connection with any such proceedings and to otherwise cooperate in the initiation and prosecution of any such proceedings.

## ARTICLE 8

### CONDITIONS PRECEDENT

8. CONDITIONS PRECEDENT TO PAWC'S OBLIGATIONS. The obligations of PAWC under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

8.1 REPRESENTATIONS AND WARRANTIES. WLU's representations and warranties set forth in this Agreement shall be true at and as of the time of Closing with the same force and effect as though such representations and warranties were made at and as of such time, and WLU shall deliver to PAWC a certificate executed by its proper representatives, and dated the Closing Date, certifying to the foregoing.

8.2 PERFORMANCE OF AGREEMENTS. WLU shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing, and WLU shall deliver to PAWC a certificate executed by its proper representatives, and dated the Closing Date, to such effect.

8.3 RELEASE OF LIENS. All necessary action shall have been taken to cause the release, cancellation and discharge of any and all liens and encumbrances so that as of the Closing, the Acquired Assets shall be free and clear of any and all such liens and encumbrances and WLU shall have provided PAWC with such opinions, instruments or documents as PAWC may reasonably request, and in form and substance satisfactory to PAWC, evidencing the release, cancellation and discharge of any and all liens and encumbrances and that the Acquired Assets are not subject to any lien or encumbrances. This Agreement is contingent upon WLU obtaining Mellon Bank's approval, review and satisfaction of an unsecured lien against the Acquired Assets.

In the event WLU is unable to convey title to the Water and Wastewater Systems assets to PAWC at the Closing in accordance with the terms of this Agreement, PAWC shall have the option of: (a) accepting such title as WLU is able to convey without abatement of the purchase price; or (b) canceling this Agreement in which case this Agreement shall be of no further force or effect and neither of the parties hereto shall have any further liability hereunder.

8.4 PENNSYLVANIA PUC APPROVAL. The Pennsylvania PUC shall have issued one or more orders, which orders shall be final and unappealable, approving the transactions set forth in Article 7.

8.5 CERTIFICATION OF FINANCIAL INFORMATION. WLU shall have delivered to PAWC a certificate, executed by its authorized representative and in form and substance satisfactory to PAWC, listing to the best of its knowledge (i) the amount of its net outstanding long-term debt or notes, if any, (ii) all unexpired customers' advances for construction and unexpended contributions in aid of construction as of the Closing Date, and (iii) any and all additions or retirements to the Water and Wastewater Systems during the period from the date of this Agreement to the Closing Date, together with the cost thereof.

8.6 LIST OF MATERIALS AND SUPPLIES. WLU shall have delivered to PAWC a certificate listing all materials and supplies owned by WLU as of the Closing which are component parts of the Water and Wastewater Systems.

8.7 OPINION OF COUNSEL. WLU shall have delivered to PAWC the opinion of its Counsel, in form and substance satisfactory to PAWC, with respect to the matters referred to herein.

8.8 DELIVERY OF DOCUMENTS. WLU shall have delivered to PAWC the deeds, easements or assignments of easements, bills of sale, rights of way and other documents required to be transferred under this Agreement, and all books records and such other instruments or documents maintained by WLU relating to the Water and Wastewater Systems.

8.9 DELIVERY OF RESOLUTIONS. WLU shall have delivered to PAWC a copy of the Resolutions, certified by their proper representatives, approving the execution, delivery and performance of this Agreement, together with the certificate of its proper representatives that said Resolutions are in full force and effect and were duly adopted.

8.10 PERMITS ISSUED. The Pennsylvania Department of Environmental Protection and all other regulatory agencies or authorities having jurisdiction over the operations of the Water and Wastewater Systems shall have issued the necessary permits to PAWC to operate the Water and Wastewater Systems.

8.11 PAWC BOARD APPROVAL. This Agreement is subject to and contingent upon the approval of PAWC's Board of Directors after execution by the WLU.

8.12 TITLE INSURANCE. A reputable title insurance company shall have issued, at PAWC's expense, title commitment to PAWC for an Owner's Title Insurance Policy including extended coverage at regular rates, evidencing good and marketable title, in the amount of the fair market value of the Real Estate, covering title to the Real Estate on the date of Closing, and subject only to the following exceptions: existing building restrictions, ordinances, easement of roads, privileges or rights of public service companies, if any, agreements or like matters of record, or easement and restrictions visible upon inspection of the premises and/or of record, if any, at standard rates to be paid by PAWC.

8.13 CLOSING ON LP WATER AND SEWER COMPANY. PAWC will have closed on its purchase of the Water and Wastewater Systems owned by LP Water and Sewer Company ("LPWSC") serving portions of Lehman Township, Pike county and Middle Smithfield Township, Monroe County, Pennsylvania, having Pennsylvania Department of Environmental Protection public water supply identification number 2520062 in accordance with the Purchase Agreement dated June 20, 2000 between PAWC and LP Water and Sewer Company.

8.14 INTERCONNECTION OF WLU WATER SYSTEM WITH LP WATER AND SEWER COMPANY. PAWC will have completed construction of a pipeline interconnecting the WLU Water System to LPWSC's existing water system in Lehman Township, Pike County, and Middle Smithfield Township, Monroe County, Pennsylvania, capable of service WLU without the excluded assets described in Section 1.2 of this Agreement.

## ARTICLE 9

### INDEMNIFICATION

9.1 INDEMNIFICATION BY WLU. WLU will indemnify, defend and hold harmless PAWC and its affiliates and their respective officers, directors and agents at all times after the date of this Agreement, from, against and in respect of any and all damage or deficiency resulting from (i) any misrepresentation, breach of warranty or nonfulfillment of any agreement or covenant made by WLU in this Agreement or in any statement, certificate or other document furnished or to be furnished to PAWC in connection with the transactions contemplated hereby, and (ii) any and all liabilities of WLU of any nature, whether due or to become due, whether accrued, absolute, contingent or otherwise, existing on the Closing Date or arising out of any transaction entered into, any state of facts existing or any event occurring on or prior to such date.

9.2 INDEMNIFICATION BY PAWC. PAWC will indemnify defend and hold harmless WLU and its affiliates and their respective officers, directors and agents at all times after the date of this Agreement, from, against, and in respect of any and all damage or deficiency resulting from (i) any misrepresentation, breach of warranty or nonfulfillment of any agreement or covenant made by PAWC in this Agreement or in any statement, certificate or other document furnished or to be furnished to WLU in connection with the transactions contemplated hereby, and (ii) any and all liabilities of PAWC of any nature, whether due or to become due, whether accrued, absolute, contingent or otherwise, existing on the Closing Date or arising out of any transaction entered into, any state of facts existing or any event occurring on or prior to such date.

## ARTICLE 10

### MISCELLANEOUS

10.1 REALTY TRANSFER TAXES. PAWC agrees to pay any realty taxes that may be due or owing as a result of the within transaction, and the parties agrees to pay any property taxes.

10.2 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. A 1 1 representations, warranties and agreements made by WLU and PAWC in this Agreement or pursuant hereto shall survive the Closing.

10.3 PENNSYLVANIA LAW TO GOVERN. This Agreement is being delivered in the Commonwealth of Pennsylvania and shall be construed and enforced in accordance with the laws of such State.

10.4 RISK OF LOSS. WLU retains all risk of destruction, losses or damage to Water and Wastewater Systems due to fire or other casualty up to the Closing and agrees to

maintain its current insurance coverage until the Closing. If prior to the Closing: (i) all or part of the Water and Wastewater Systems assets are destroyed by fire or the elements or by any other cause; or (ii) all or a part of the Water and Wastewater Systems assets are taken by eminent domain, WLU shall give prompt notice thereof to PAWC and PAWC may, by notice given to WLU prior to Closing, elect to cancel this Agreement. In the event PAWC shall so elect, both parties shall be relieved and released of and from any further liability hereunder.

10.5 ACCESS AND INFORMATION. WLU will give to authorized representatives of PAWC reasonable access during normal business hours throughout the period prior to Closing to all the properties, books, contracts, commitments, and records of WLU relating to the Water and Wastewater Systems, and furnish PAWC during such period with all such information relating thereto as PAWC may reasonably request. Within sixty (60) days of the execution of this Agreement, the WLU shall provide PAWC with a complete list of customers, including names, services addresses, billing addresses, and meter sizes and serial numbers in meter reading route sequence and two (2) sets of peel and stick mailing labels for billing addresses. This complete list shall be updated at Closing and provided to PAWC at Closing so as to be true and correct on the date of Closing.

10.6 RIGHT OF ENTRY. After the date of this Agreement and until Closing, PAWC shall have the reasonable right to enter upon the property and facilities constituting the Water and Wastewater Systems, after making reasonable prior arrangement with WLU, for the purpose of making such inspections and investigations of the Water and Wastewater Systems, including, but not limited to surveys, fire hydrant testing, environmental assessments, and engineering studies, as

PAWC deems reasonably necessary. PAWC shall indemnify and hold WLU harmless from and against all losses, damages, demands, claims, suits and other liabilities, including attorney fees and other expenses of litigation, because of personal or bodily injury or property damage resulting from PAWC's presence at or use of the Water and Wastewater Systems for such inspections and investigations. PAWC shall promptly (within five (5) business days) return the surface of the property to substantially the same as before such inspections and investigations.

10.7 ENVIRONMENTAL ASSESSMENT. After the dates of this Agreement and until the Closing Date, PAWC shall have the reasonable right to enter upon the property and facilities constituting the Water and Wastewater Systems, after making reasonable prior arrangement with WLU, for the purposes of conducting an environmental assessment of the Water and Wastewater Systems. In the event the results of such assessment are that the Water and Wastewater Systems, or any portion thereof is contaminated with hazardous substances, then PAWC may at its sole discretion terminate this Agreement by giving written notice to WLU and whereupon neither PAWC nor WLU shall have any further obligations to the other under this Agreement.

10.8 TERMINATION OF AGREEMENT. If Closing does not occur by September 30, 2002, with the full cooperation and diligent efforts of PAWC and WLU, then either party may terminate this Agreement upon written notice to the other, and the parties shall be relieved of all rights and responsibilities hereunder, except as specified herein.

10.9 SECTION HEADINGS. The Section headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

10.10 NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed, first class, postage prepaid, registered mail, return receipt requested:

To WLU: Joseph G. Lubeck  
Asset Development Group  
Suite 144, Summit Center  
13575 58<sup>th</sup> Street North  
Clearwater, Florida 33760

To PAWC: Velma A. Redmond, Esquire  
Susan Simms Marsh, Esquire  
Pennsylvania-American Water Company  
800 West Hershey Park Drive  
Hershey, PA 17033

10.11 SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assignees of PAWC and WLU.

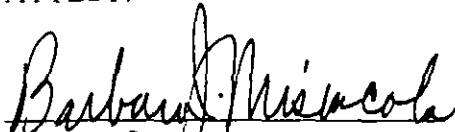
10.12 NO THIRD PARTY BENEFICIARIES. Nothing herein expressed or implied is intended or should be construed to confer upon or give to any person other than the parties hereto and their successors and permitted assigns any rights or remedies under or by reason of this Agreement.

10.13 ENTIRE AGREEMENT. This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof, supersedes any prior agreements or understandings, written or oral, among the parties with respect to the subject matter hereof and is not intended to confer upon any person other than the parties hereto any benefit, right or remedy.

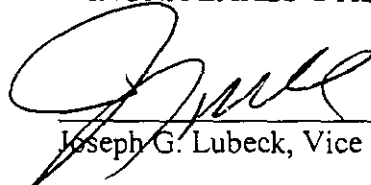
10.14 AMENDMENT AND WAIVER. The parties may, by mutual agreement,

amend this Agreement or waive compliance by the other party with any of the covenants or agreements contained herein. To be effective, any such amendment or waiver must be in writing and be signed by the party providing such waiver or extension, as the case may be. The waiver by any party hereto of any breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach, whether or not similar.


ATTEST:

  
Secretary

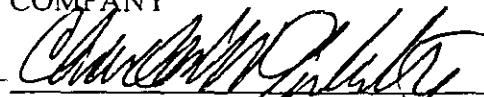
WINONA LAKES UTILITIES, INC.

  
Joseph G. Lubeck, Vice President

ATTEST:

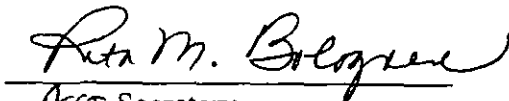
  
Secretary

PENNSYLVANIA-AMERICAN WATER  
COMPANY


  
(Vice) President

Mellon Bank acknowledges agreement and agrees to release all liens contemporaneously herewith for Ten (\$10) Dollars and other good and valuable consideration.

ATTEST:

  
ASST. Secretary

MELLON BANK

  
(Title) WALTER J. DEHHS, VP

**Schedule 1.2**

**Excluded Assets**

**NONE**

## **Schedule 4.8**

### **Real Estate**

The lot at the corner of Stony Hollow Drive and Stony Hollow Circle adjacent to Lot 146 within Section 18 of the Winona Lakes Development, marked "Reserved for Sewage Treatment Facility" as shown on the final recorded plan of the Stony Hollow Village, Subdivision of Winona Lakes Section 18 revised map, recorded in the Pike County Plot Book Volume 12, Page 99 on January 8, 1975, and a previous recording in the Pike County Plot Book Volume 12, Page 111 on March 3, 1975.

Lot 1 of Section 15 of the Winona Lakes Development as shown on the final recorded subdivision plan of Stony Hollow Village, Subdivision of Winona Lakes, Section 15 revised map recorded in the Monroe County Plot Book Volume 19, Page 49, on May 11, 1973.

**Schedule 4.11**

**Leases**

**NONE**

**Schedule 4.4.1**

**Permits and Compliance**

**NONE**

**Schedule 4.13**

**Public Fire Hydrants**

**NONE**

**Schedule 4.14**

**Contracts**

NONE

## PENNSYLVANIA - AMERICAN WATER COMPANY

## BALANCE SHEET

PRO FORMA  
December 31, 2001

ASSETS	
UTILITY PLANT	\$1,766,827,291
CONSTRUCTION WORK IN PROGRESS	\$18,571,110
ACCUMULATED DEPRECIATION	(\$298,540,341)
UTILITY PLANT ACQUISITION ADJ.	\$6,148,113
OTHER UTILITY PLANT ADJUSTMENTS	\$0
	<u>1,493,006,173</u>
NONUTILITY PROPERTY	<u>1,618,850</u>
OTHER INVESTMENTS	<u>2,865,004</u>
CURRENT ASSETS	
CASH AND CASH EQUIVALENTS	285,380
TEMPORARY INVESTMENTS	0
CUSTOMER ACCOUNTS RECEIVABLE	33,797,118
ALLOWANCE FOR UNCOLL. ACCT.	(735,756)
UNBILLED REVENUES	19,926,578
FIT REFUND DUE FROM ASSOC. COMPANY	0
MISCELLANEOUS RECEIVABLES	2,207,737
MATERIALS AND SUPPLIES	3,210,388
OTHER	7,295,423
	<u>65,986,868</u>
DEFERRED DEBITS	
DEBT AND PREF. STOCK EXPENSE	8,263,724
EXPENSE OF RATE PROCEEDINGS	687,229
PREL. SURVEY AND INVEST. CHARGES	7,907,752
REG ASSET-INC TAX RECOVERABLE THRU RATES	95,187,786
OTHER	22,475,869
	<u>134,522,360</u>
	<u>1,697,999,255</u>
CAPITAL AND LIABILITIES	
COMMON STOCK	\$21,506,887
PAID IN CAPITAL	356,363,114
RETAINED EARNINGS	<u>178,618,229</u>
TOTAL COMMON EQUITY	<u>556,488,230</u>
PREFERRED STOCK	15,189,900
LONG-TERM DEBT	<u>679,575,037</u>
TOTAL CAPITALIZATION	1,251,253,167
CURRENT LIABILITIES	
BANK DEBT-PENDING ISSUANCE OF SEC.	15,207,986
CURR. PORTION OF LONG-TERM DEBT	52,415,008
ACCOUNTS PAYABLE	14,950,120
TAXES ACCRUED	7,330,781
INTEREST ACCRUED	12,491,307
CUSTOMER DEPOSITS	0
DIVIDENDS DECLARED	304,424
OTHER	12,492,223
	<u>115,191,849</u>
DEFERRED CREDITS	
CUSTOMER ADVANCES FOR CONSTR.	48,829,159
DEFERRED INCOME TAXES	200,283,338
DEFERRED INCOME TAX CREDIT	8,642,860
OTHER	15,653,022
	<u>273,408,379</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>58,145,860</u>
	<u>1,697,999,255</u>

Exhibit E

PENNSYLVANIA - AMERICAN WATER COMPANY  
STATEMENT OF INCOME AND RETAINED EARNINGS  
TWELVE MONTHS ENDED DECEMBER 31, 2001

PRO FORMA  
CONSOLIDATED

OPERATING REVENUES	<u>\$317,369,894</u>
OPERATION EXPENSES	
OPERATIONS AND MAINTENANCE	121,880,188
DEPRECIATION & AMORTIZATION	44,673,661
TAXES ON OPERATING INCOME	
GENERAL TAXES	11,074,787
STATE INCOME	7,053,525
FEDERAL INCOME	<u>28,336,901</u>
	<u>213,019,062</u>
UTILITY OPERATING INCOME	104,350,832
OTHER INCOME	
ALLOW. FOR OTHER FUNDS FOR CONSTRUCT.	94,529
MISCELLANEOUS OTHER INCOME	113,117
GAIN (LOSS) ON SALE OF PROPERTY	<u>262,016</u>
	<u>104,820,494</u>
OTHER DEDUCTIONS	
MISCELLANEOUS AMORTIZATION	(1,204,138)
MISCELLANEOUS OTHER DEDUCTIONS	500,254
TAXES ON OTHER INCOME AND DEDUCTIONS	
GENERAL	128,308
STATE INCOME	11,920
FEDERAL INCOME	<u>37,591</u>
	<u>(526,065)</u>
INCOME BEFORE INTEREST CHARGES	<u>105,346,559</u>
INTEREST CHARGES	
INTEREST ON LONG-TERM DEBT	48,847,462
AMORTIZATION OF DEBT EXPENSE	572,052
INTEREST ON BANK DEBT	3,729,357
OTHER INTEREST	1,090
ALLOW. FOR BORROWED FUNDS FOR CONSTRUCT.	<u>(641,571)</u>
	<u>52,508,390</u>
NET INCOME	52,838,169
RETAINED EARNINGS AT BEGINNING OF PERIOD	166,002,111
PRIOR PERIOD ADJUSTMENTS	
	<u>218,840,280</u>
DIVIDENDS	
PREFERRED STOCK	1,266,988
COMMON DIVIDENDS	<u>38,947,017</u>
	<u>40,214,005</u>
RETAINED EARNINGS AT END OF PERIOD	<u>\$178,626,275</u>

**Exhibit F**


PENNSYLVANIA-AMERICAN WATER COMPANY

I, V.A. REDMOND, Secretary of Pennsylvania-American Water Company, a Pennsylvania corporation, (the "Company") DO HEREBY CERTIFY that below is a true and correct copy of resolutions duly adopted by the Board of Directors of the Company at a meeting thereof duly convened and held on April 20, 2001 at which meeting a quorum was present and acting throughout, and that such resolutions have not been amended or rescinded and are still in full force and effect:

RESOLVED, that the proper officers of the Company be, and hereby are, authorized and directed to execute and deliver to Winona Lake Utilities, Inc. an agreement to purchase; and

RESOLVED, that the appropriate officers of the Company be, and hereby are, authorized and directed to execute and deliver any and all documents, make all filings and do any other thing which they may deem necessary, proper or desirable to effectuate the purposes of the foregoing resolutions.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of this Company this 14<sup>th</sup> day of March, 2002.

  
Secretary

**Exhibit G**

CERTIFICATE OF OWNER/PRESIDENT  
OF  
WINONA LAKES UTILITIES, INC.

I certify that:

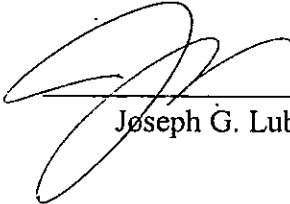
1. I am the Vice President and only director of Winona Lakes Utilities, Inc., a duly organized and existing Pennsylvania corporation.

2. The following is a true copy of a resolution duly adopted by the Board of Directors of the Corporation on January 16, 2001.

**RESOLVED**, that it is the corporation's intent to enter into a agreement with Pennsylvania-American Water Company;

**RESOLVED**, that in order to facilitate the execution of such agreement, the corporation wishes to and does hereby authorize Joseph G. Lubeck to execute and attest such contact.

3. The above resolution is in conformity with the articles of incorporation and bylaws of the corporation, has never been modified or repealed, and is now in full force and effect.



Joseph G. Lubeck, Vice President

Dated: March 5, 2002  
~~February~~

EXHIBIT I IS OVERSIZED

AND MOVED TO BE  
SEPERATE DOCUMENT.

SCHEDULE OF RATES

The initial phase is defined as beginning on the effective date and continuing until the second phase. The second phase is defined as after September 1, 1991 and only after the following conditions have occurred:

- 1) the Company provides the Commission the final cost of the sewer facilities the Company claimed in rate base; and
- 2) the Company provides the Commission with a certificate from the Department of Environmental Resources that the Company's sewer facilities that were included in the claimed rate base in the Company's filing have been placed in useful service.

INITIAL PHASE RATES

Usage Charge: For customers without meters installed shall pay a monthly charge of \$70.00 per quarter. (I)

Standby Charge: All lot owners without premises shall pay a standby service charge of \$35.00 per quarter upon completion of the main and service line between the main and the curb or property line.

Penalty Charge: A 1.5% penalty for late payment is imposed under the terms in Rule 7.3.

SECOND PHASE RATES

Usage Charge: For customers without meters installed shall pay a charge of \$82.00 per quarter.

Standby Charge: All lot owners without premises shall pay a standby service charge of \$45.00 per quarter upon completion of the main and service line between the main and curb or property line.

Penalty Charge: A 1.5% penalty for late payment is imposed under the terms in Rule 7.3.

**RECEIVED**

Public Utility Council

JAN 25 1991

ISSUED: January 25, 1991

EFFECTIVE: January 26, 1991

Office of Special Assistants  
Tariff Division

OFFICIALLY FILED TARIFF

ESTIMATE OF PENNSYLVANIA-AMERICAN WATER COMPANY'S  
ANNUAL REVENUES AND EXPENSES  
IN APPLICATION TERRITORY

---

Revenue	\$28,700
Operation and maintenance	14,252
Depreciation	698
Income taxes	<u>5,704</u>
Utility operating income	\$ 8,046
Interest expense	<u>0</u>
Net income	\$ 8,046

**Exhibit K**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

NOTICE TO BE PUBLISHED

Joint Application of Pennsylvania-American Water Company and Winona Lakes Utilities, Inc., for approval of 1) the transfer, by sale, of the Winona Lakes Utilities, Inc., assets, property and rights related to Section 18 of its wastewater system to Pennsylvania-American Water Company, 2) the commencement by Pennsylvania-American Water Company of wastewater service in the Section 18 portion of the certificated service territory of Winona Lakes Utilities, Inc., and 3) the abandonment by Winona Lakes Utilities, Inc., of all wastewater service to the public in the Section 18 portion of its wastewater system. Docket Numbers: A-230073 F0005 and A-230536 F2000.

Notice is hereby given that this Application may be considered without a hearing. Protests or petitions to intervene can be filed with the Pennsylvania Public Utility Commission, P. O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on the applicant on or before May 6, 2002, pursuant to Title 52 of the Pennsylvania Code.

Applicant:

Pennsylvania-American Water Company  
Winona Lakes Utilities, Inc

Through and By Counsel:

Velma A. Redmond, Esquire  
Susan Simms Marsh, Esquire  
800 West Hershey Park Drive  
P. O. Box 888  
Hershey, PA 17033-0888

DOCUMENT  
FOLDER

RECEIVED  
LEGISLATIVE REFERENCE  
BUREAU  
02 APR 10 PM 2:55  
PA. CODE & BULLETIN

DOCKETED

APR 10 2002

BY THE COMMISSION

*James J. McNulty*

James J. McNulty  
Secretary

DATE: April 10, 2002

SUBJECT: A-230073 F0005  
A-230536 F2000

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *ddt*

DOCUMENT  
FOLDER

**Joint Application of Pennsylvania-American Water Company and  
Winona Lakes Utilities, Inc**

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We attach hereto a copy of the Joint Application of Pennsylvania-American Water Company and Winona Lakes Utilities for approval of the transfer, commencement and abandonment of wastewater service, which has been captioned and docketed to the above numbers.

Applicant has been instructed to serve copies of the application upon each city, borough, town, township, county and related planning office which is included, in whole or in part, in the proposed service area; a water or wastewater utility, municipal corporation or authority which provides water or wastewater collection, treatment and disposal service to the public and whose service area abuts the service area proposed in the application; and on the Office of Consumer Advocate, the Office of Small Business Advocate, and the Department of Environmental Protection's appropriate regional office.

Applicant has been instructed to publish in a newspaper.

If no protests are received by May 6, 2002, will your Bureau please prepare a report for the attention of the Commission or instruct the Secretary's Bureau to re-assign this matter to the Office of Administrative Law Judge for hearing.

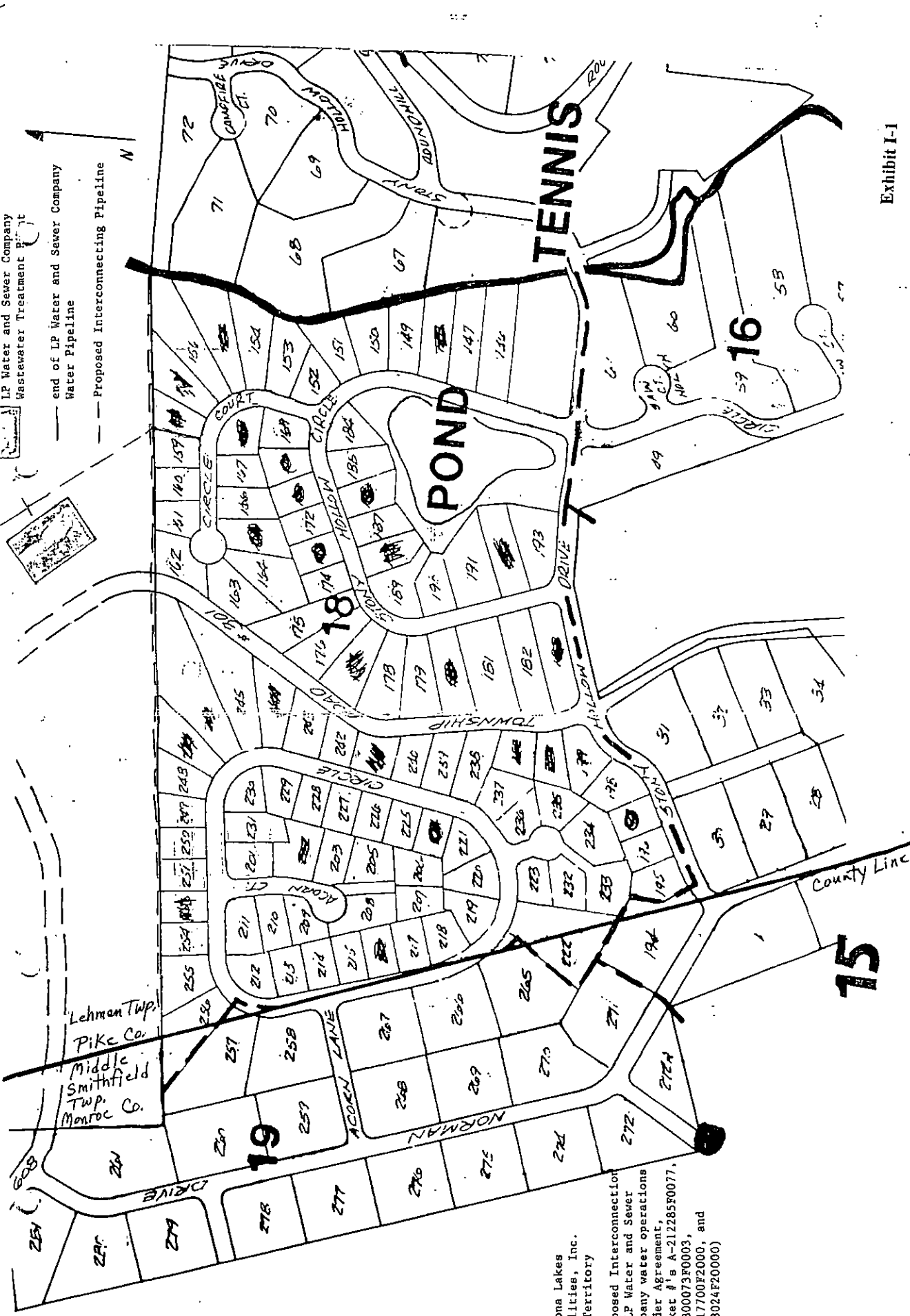
Attachment

cc: Law Bureau

ddt

**DOCKETED**

APR 10 2002



LP Water and Sewer Company  
Wastewater Treatment Plant

— end of LP Water and Sewer Company  
Water Pipeline

— Proposed Interconnecting Pipeline

Lehman Twp.  
Pike Co.

Middle  
Smithfield  
Twp.  
Monroe Co.

Winona Lakes  
Utilities, Inc.  
Water System Territory

Proposed Interconnection  
to LP Water and Sewer  
Company water operations  
(Under Agreement,  
Docket #'s A-212285R0077,  
A-2300073F0003,  
A-217700F2000, and  
A-23024F20000)

Exhibit I-1

OVER SIZED DOCUMENTS




PROJECT NO.		DESIGNER	REVISIONS
NSO		KHF	
DRAWN BY		CHECKED BY	
NLP/DLL			
<b>SAW CREEK WATER SYSTEM REFERENCE MAP</b>			
<b>L.P. WATER &amp; SEWER COMPANY INC.</b>			
LEHMAN TOWNSHIP, PIKE COUNTY MIDDLE SMITHFIELD TOWNSHIP, MONROE COUNTY			
<b>Map #2</b>			
 <b>R.K.R. Hess Associates</b> Surveyors, Planners, Engineers, Architects Landscape Architects, and Environmentalists 112 N. Concordland St., P.O. Box 268, E. Stroudsburg, Pa. 18801 Telephone (570) 421-1550. Fax (570) 421-6720			
SCALE		PROJECT NO.	DRAWING NO.
1"=500'		89101.09	SC_WATER
DATE		1 of 1	
3/30/00			

Exhibit I-2

OVER SIZED DOCUMENTS

Winona Lakes Utilities, Inc. Section 18 Wastewater Service Territory

All areas within Section 18 of the subdivision of the Winona Lakes development commonly known as Stony Hollow Village, served by Winona Lakes Utilities, Incorporated located in Lehman Township, Pike County and Middle Smithfield Township, Monroe County, Pennsylvania as shown on the Section 18 subdivision map and recorded in the following:

Office for the Recording of Deeds for Pike County in Plat Book Volume 12, Page 99, recorded on January 8, 1975;

Office for the Recording of Deeds for Pike County in Plat Book Volume 12, Page 111, recorded on March 3, 1975;

Office for the Recording of Deeds for Monroe County in Plat Book Volume 28, Page 19, recorded on December 5, 1975; and

Office for the Recording of Deeds for Monroe County in Plat Book Volume 25, Page 71, recorded on March 7, 1975.

COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P. O. BOX 3265, HARRISBURG PA 17105-3265

IN REPLY PLEASE  
REFER TO OUR FILE  
Secretary  
717-772-7777

April 10, 2002

A-230073 F0005

A-230536 F2000

VELMA A REDMOND ESQUIRE  
SUSAN SIMMS MARSH ESQUIRE  
PA AMERICAN WATER COMPANY  
800 WEST HERSHEY PARK DRIVE  
P O BOX 888  
HERSHEY PA 17033-0888

DOCKETED DOCUMENT  
FOLDER  
APR 10 2002

Dear Ms. Redmond:

Receipt is acknowledged of the Joint Application of Pennsylvania-American Water Company and Winona Lakes Utilities, Inc., for approval of the transfer, commencement, and abandonment of wastewater service, which has been captioned and docketed to the above numbers.

It will be necessary for you to serve copies of the Application upon the following parties, then file proof of such service with this Commission, pursuant to 52 Pa. Code, §1.57 and 1.58:

Each city, borough, town, township, county and related planning office which is included, in whole or in part, in the proposed service area;

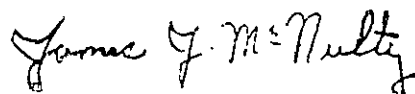
A water or wastewater utility, municipal corporation or authority which provides water or wastewater collection, treatment and disposal service to the public and whose service area abuts the service area proposed in the application;

The Office of Consumer Advocate, the Office of Small Business Advocate, and the Department of Environmental Protection's appropriate regional office.

You are directed upon receipt of this letter to publish the enclosed notice once a week for two consecutive weeks in a newspaper having a general circulation in the area involved and file proof of publication with the Commission on or before May 6, 2002.

This matter will receive the attention of the Commission and you will be advised of any further necessary procedure.

Sincerely,

A handwritten signature in cursive script that reads "James J. McNulty". The signature is written in dark ink and is positioned above the printed name.

James J. McNulty  
Secretary

JJM:ddt

Enclosure

PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIPT

The addressee named here has paid the PA P.U.C. for the following bill:

AMERICAN WATER  
PO BOX 5088  
MT. LAUREL NJ 08054

DATE 4/12/02  
RECEIPT # 199652

IN RE: Application fees for AMERICAN WATER

Docket Numbers A-230536F2000 and A-230073F0005..... \$350.00

REVENUE ACCOUNT: 001780-017601-102

CHECK NUMBER: 74002930

CHECK AMOUNT: \$350.00

C. Joseph Meisinger  
(for Department of Revenue)

DOCUMENT  
FOLDER

DOCKETED  
APR 18 2002