

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2007

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-6659

AQUA AMERICA, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of  
incorporation or organization)

23-1702594

(I.R.S. Employer  
Identification No.)

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania  
(Address of principal executive offices)

19010 -3489

(Zip Code)

Registrant's telephone number, including area code: \_\_\_\_\_

(610) 527-8000

(Former Name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 23, 2007.

132,593,971

AQUA AMERICA, INC. AND SUBSIDIARIES

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Part I – Financial Information  
Item 1. Financial Statement

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In thousands of dollars, except per share amounts)

(UNAUDITED)

Assets	March 31, 2007	December 31, 2006
Property, plant and equipment, at cost	\$ 3,307,288	\$ 3,185,111
Less: accumulated depreciation	725,542	679,116
Net property, plant and equipment	<u>2,581,746</u>	<u>2,505,995</u>
Current assets:		
Cash and cash equivalents	15,102	44,039
Accounts receivable and unbilled revenues, net	73,660	72,149
Materials and supplies	8,581	8,359
Prepayments and other current assets	10,864	10,153
Total current assets	<u>108,207</u>	<u>134,700</u>
Regulatory assets	182,584	165,063
Deferred charges and other assets, net	39,819	38,075
Funds restricted for construction activity	59,708	11,490
Goodwill	33,453	22,580
	<u>\$ 3,005,517</u>	<u>\$ 2,877,903</u>
Liabilities and Stockholders' Equity		
Common stockholders' equity:		
Common stock at \$.50 par value, authorized 300,000,000 shares, issued 133,261,172 and 133,017,325 in 2007 and 2006	\$ 66,630	\$ 66,509
Capital in excess of par value	553,518	548,806
Retained earnings	320,751	319,113
Treasury stock, 689,440 and 691,746 shares in 2007 and 2006	(12,934)	(12,992)
Accumulated other comprehensive income	199	194
Total common stockholders' equity	<u>928,164</u>	<u>921,630</u>
Minority interest	1,862	1,814
Long-term debt, excluding current portion	1,048,614	951,660
Commitments and contingencies	-	-
Current liabilities:		
Current portion of long-term debt	41,167	31,155
Loans payable	112,654	119,150
Accounts payable	28,875	49,406
Accrued interest	14,594	14,050
Accrued taxes	22,066	19,350
Other accrued liabilities	18,899	22,500
Total current liabilities	<u>238,255</u>	<u>255,611</u>
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	287,703	273,199
Customers' advances for construction	78,079	76,820
Regulatory liabilities	12,078	11,592
Other	83,541	64,879
Total deferred credits and other liabilities	<u>461,401</u>	<u>426,490</u>
Contributions in aid of construction	327,221	320,698
	<u>\$ 3,005,517</u>	<u>\$ 2,877,903</u>

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(In thousands, except per share amounts)  
(UNAUDITED)

	Three Months Ended March 31,	
	2007	2006
Operating revenues	\$ 137,301	\$ 117,949
Costs and expenses:		
Operations and maintenance	60,295	51,316
Depreciation	20,136	16,830
Amortization	1,209	1,114
Taxes other than income taxes	11,916	8,067
	<u>93,556</u>	<u>77,327</u>
Operating income	43,745	40,622
Other expense (income):		
Interest expense, net	16,549	14,172
Allowance for funds used during construction	(721)	(918)
Gain on sale of other assets	(69)	(267)
Income before income taxes	<u>27,986</u>	<u>27,635</u>
Provision for income taxes	11,128	11,071
Net income	<u>\$ 16,858</u>	<u>\$ 16,564</u>
Net income	\$ 16,858	\$ 16,564
Other comprehensive income, net of tax:		
Unrealized holding gain on investments	5	-
Comprehensive income	<u>\$ 16,863</u>	<u>\$ 16,564</u>
Net income per common share:		
Basic	<u>\$ 0.13</u>	<u>\$ 0.13</u>
Diluted	<u>\$ 0.13</u>	<u>\$ 0.13</u>
Average common shares outstanding during the period:		
Basic	<u>132,353</u>	<u>129,181</u>
Diluted	<u>133,243</u>	<u>130,893</u>
Cash dividends declared per common share	<u>\$ 0.1150</u>	<u>\$ 0.1069</u>

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CAPITALIZATION  
(In thousands of dollars, except per share amounts)

(UNAUDITED)

	March 31, 2007	December 31, 2006
Common stockholders' equity:		
Common stock, \$.50 par value	\$ 66,630	\$ 66,509
Capital in excess of par value	553,518	548,806
Retained earnings	320,751	319,113
Treasury stock	(12,934)	(12,992)
Accumulated other comprehensive income	199	194
Total common stockholders' equity	928,164	921,630
Long-term debt:		
Long-term debt of subsidiaries (substantially secured by utility plant):		
Interest Rate Range		
0.00% to 2.49%	30,026	25,740
2.50% to 2.99%	25,874	25,272
3.00% to 3.49%	17,155	17,220
3.50% to 3.99%	6,003	6,073
4.00% to 4.99%	30,645	30,645
5.00% to 5.49%	324,604	262,496
5.50% to 5.99%	86,500	79,000
6.00% to 6.49%	97,730	94,360
6.50% to 6.99%	22,000	22,000
7.00% to 7.49%	13,135	13,288
7.50% to 7.99%	24,717	24,778
8.00% to 8.49%	26,231	26,288
8.50% to 8.99%	9,000	9,000
9.00% to 9.49%	46,101	46,101
9.50% to 9.99%	38,244	38,738
10.00% to 10.50%	6,000	6,000
	803,965	726,999
Unsecured notes payable, 4.87%, maturing in various installments 2010 through 2023	135,000	135,000
Unsecured notes payable, 5.95%, due in 2023 through 2034	40,000	40,000
Unsecured notes payable, 5.64%, due in 2014 through 2021	20,000	20,000
Unsecured notes payable, 5.54%, due in 2013 through 2018	30,000	30,000
Unsecured notes payable, 5.01%, due 2015	18,000	18,000
Unsecured notes payable, 5.20%, due 2020	12,000	12,000
Unsecured notes payable, 5.63%, due 2022	15,000	-
Unsecured notes payable, 5.85%, due 2037	15,000	-
Notes payable, 6.05%, maturing in 2007 and 2008	816	816
	1,089,781	982,815
Current portion of long-term debt	41,167	31,155
Long-term debt, excluding current portion	1,048,614	951,660
Total capitalization	\$ 1,976,778	\$ 1,873,290

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS' EQUITY  
 (In thousands of dollars)

(UNAUDITED)

	Common Stock	Capital in excess of par value	Retained earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2006	\$ 66,509	\$ 548,806	\$ 319,113	\$(12,992)	\$ 194	\$ 921,630
Net income	-	-	16,858	-	-	16,858
Other comprehensive income:						
unrealized holding gain on investments, net of income tax of \$2	-	-	-	-	5	5
Dividends paid	-	-	(15,220)	-	-	(15,220)
Sale of stock (114,191 shares)	53	2,310	-	161	-	2,524
Repurchase of stock (4,445 shares)	-	-	-	(103)	-	(103)
Equity Compensation Plan (43,000 shares)	22	(22)	-	-	-	-
Exercise of stock options (93,407 shares)	46	1,036	-	-	-	1,082
Stock-based compensation	-	1,116	-	-	-	1,116
Employee stock plan tax benefits	-	272	-	-	-	272
Balance at March 31, 2007	\$ 66,630	\$ 553,518	\$ 320,751	\$(12,934)	\$ 199	\$ 928,164

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands of dollars)

(UNAUDITED)

	Three Months Ended March 31,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 16,858	\$ 16,564
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	21,345	17,944
Deferred income taxes	2,412	2,026
Gain on sale of other assets	(69)	(267)
Stock-based compensation	963	662
Net decrease in receivables, inventory and prepayments	2,214	3,321
Net increase (decrease) in payables, accrued interest, accrued taxes and other accrued liabilities	918	(28,229)
Other	2,981	1,088
Net cash flows from operating activities	<u>47,622</u>	<u>13,109</u>
Cash flows from investing activities:		
Property, plant and equipment additions, including allowance for funds used during construction of \$721 and \$918	(60,701)	(46,888)
Acquisitions of utility systems and other, net	(27,843)	(2,506)
Proceeds from the sale of other assets	721	267
Additions to funds restricted for construction activity	(49,172)	(972)
Release of funds previously restricted for construction activity	2,631	7,075
Other	2	(372)
Net cash flows used in investing activities	<u>(134,362)</u>	<u>(43,396)</u>
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	2,511	2,167
Repayments of customers' advances	(1,089)	(747)
Net proceeds (repayments) of short-term debt	(6,496)	28,645
Proceeds from long-term debt	84,240	41,624
Repayments of long-term debt	(1,696)	(3,718)
Change in cash overdraft position	(8,150)	7,329
Proceeds from exercised stock options	1,082	5,257
Stock-based compensation windfall tax benefits	200	1,453
Proceeds from issuing common stock	2,524	2,345
Repurchase of common stock	(103)	(692)
Dividends paid on common stock	(15,220)	(13,803)
Net cash flows from financing activities	<u>57,803</u>	<u>69,860</u>
Net increase (decrease) in cash and cash equivalents	(28,937)	39,573
Cash and cash equivalents at beginning of period	44,039	11,872
Cash and cash equivalents at end of period	<u>\$ 15,102</u>	<u>\$ 51,445</u>

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 1 Basis of Presentation

The accompanying consolidated balance sheets and statements of capitalization of Aqua America, Inc. (the "Company") at March 31, 2007, the consolidated statements of income and comprehensive income for the three months ended March 31, 2007 and 2006, the consolidated statements of cash flow for the three months ended March 31, 2007 and 2006, and the consolidated statement of common stockholders' equity for the three months ended March 31, 2007, are unaudited, but reflect all adjustments, consisting of only normal *recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the consolidated changes in common stockholders' equity, the consolidated results of operations, and the consolidated cash flow for the periods presented.* Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2006. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year.

Note 2 Goodwill

The following table summarizes the changes in the Company's goodwill, by business segment:

	Regulated Segment	Other	Consolidated
Balance at December 31, 2006	\$ 18,537	\$ 4,043	\$ 22,580
Goodwill acquired during year	10,808	-	10,808
Reclassifications to utility plant acquisition adjustment	(12)	-	(12)
Other	(3)	80	77
Balance at March 31, 2007	<u>\$ 29,330</u>	<u>\$ 4,123</u>	<u>\$ 33,453</u>

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 3 Long-term Debt and Loans Payable

In January 2007, the Company's Pennsylvania operating subsidiary, Aqua Pennsylvania, Inc., issued \$50,000 of tax-exempt bonds secured by a supplement to its first mortgage indenture at the following terms: \$25,000 at 4.43% due 2040 and \$25,000 at 4.44% due 2041. The proceeds are restricted to funding certain capital projects during the period 2007 through 2009. In March 2007, the Company issued \$30,000 of unsecured notes of which \$15,000 are due in 2022 with an interest rate of 5.63% and \$15,000 are due in 2037 with an interest rate of 5.83%. Proceeds from the sales of these notes were used to repay short-term borrowings.

Note 4 Acquisitions

Pursuant to our strategy to grow through acquisitions, on January 1, 2007 the Company completed the acquisition of the capital stock of New York Water Service Corporation ("New York Water") for \$28,866 in cash, as adjusted pursuant to the purchase agreement primarily based on working capital at closing, and the assumption of \$23,000 of long-term debt. The acquired operation provides water service to 44,792 customers in several water systems located in Nassau County, Long Island, New York. The operating results of New York Water have been included in our consolidated financial statements beginning January 1, 2007. Under the purchase method of accounting, the purchase price is allocated to the net tangible and intangible assets based upon their estimate fair values at the date of the acquisition. The Company is in the process of finalizing the allocation of the purchase price. The purchase price allocation is as follows, subject to final adjustments:

	January 1, 2007
Property, plant and equipment, net	\$ 42,057
Current assets	9,207
Other long-term assets	14,384
Goodwill	10,808
Total assets acquired	76,456
Current liabilities	1,852
Long-term debt	23,000
Other long-term liabilities	22,738
Total liabilities assumed	47,590
Net assets acquired	\$ 28,866

As of January 1, 2007, the Company recorded goodwill of \$10,808. The purchase price was arrived at through arms-length negotiations with the seller and is consistent with the multiples paid in other comparable transactions. Aqua America considered important regulatory, strategic and valuation considerations in arriving at the final purchase price.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 5 Net Income per Common Share

Basic net income per common share is based on the weighted average number of common shares outstanding. Diluted net income per common share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock options and shares issuable under the forward equity sale agreement (from the date the Company entered into the forward equity sale agreement to the settlement date) is included in the computation of diluted net income per common share. The dilutive effect of stock options and shares issuable under the forward equity sale agreement is calculated using the treasury stock method and expected proceeds upon exercise of the stock options and settlement of the forward equity sale agreement. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per common share:

	Three Months Ended	
	March 31,	
	2007	2006
Average common shares outstanding during the period for basic computation	132,353	129,181
Effect of dilutive securities:		
Employee stock options	817	1,712
Forward equity shares	73	-
Average common shares outstanding during the period for diluted computation	133,243	130,893

For the quarters ended March 31, 2007 and 2006, employee stock options to purchase 1,183,700 and 611,350 shares of common stock, respectively, were excluded from the calculations of diluted net income per share as the options' exercise price was greater than the average market price of the Company's common stock during these periods.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 6

Stockholders' Equity

- In August 2006, the Company entered into a forward equity sale agreement for 3,525,000 shares of common stock with a third-party (the "forward purchaser"). In connection with the forward equity sale agreement, the forward purchaser borrowed an equal number of shares of the Company's common stock from stock lenders and sold the borrowed shares to the public. The Company will not receive any proceeds from the sale of its common stock by the forward purchaser until settlement of the forward equity sale agreement. The actual proceeds to be received by the Company will vary depending upon the settlement date, the number of shares designated for settlement on that settlement date and the method of settlement. The Company intends to use any proceeds received upon settlement of the forward equity sale agreement to fund the Company's future capital expenditure program and acquisitions, and for working capital and other general corporate purposes. The forward equity sale agreement is accounted for as an equity instrument and was recorded at a fair value of \$0 at inception. It will not be adjusted so long as the Company continues to meet the accounting requirements for equity instruments.

The Company may elect to settle the forward equity sale agreement by means of a physical share settlement, net cash settlement, or net share settlement, on a settlement date or dates, no later than August 1, 2008. The forward equity sale agreement provides that the forward sale price will be computed based upon the initial forward sale price of \$21.857 per share. Under limited circumstances or certain unanticipated events, the forward purchaser also has the ability to require the Company to physically settle the forward equity sale agreement in shares prior to the maturity date. The maximum number of shares that could be required to be issued by the Company to settle the forward equity sale agreement is 3,525,000 shares. As of March 31, 2007, a net cash settlement under the forward equity sale agreement would have resulted in a payment by the Company to the forward purchaser of \$1,283 or a net share settlement would have resulted in the issuance of 57,154 shares by the Company to the forward purchaser. For each increase or decrease of one dollar in the average market price of the Company's common stock above or below the forward sale price on March 31, 2007, the cash settlement option from the Company's perspective would decrease or increase by \$3,525 and the net share settlement option would decrease by 150,320 shares or increase by 164,336 shares, respectively.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 7

Stock-based Compensation

Under the Company's 2004 Equity Compensation Plan (the "2004 Plan"), as approved by the shareholders to replace the 1994 Equity Compensation Plan (the "1994 Plan"), qualified and nonqualified stock options may be granted to officers, key employees and consultants at prices equal to the market price of the stock on the day of the grant. Officers and key employees may also be granted dividend equivalents and restricted stock. Restricted stock may also be granted to non-employee members of the Board of Directors. The 2004 Plan authorizes 4,900,000 shares for issuance under the plan. A maximum of 50% of the shares available for issuance under the 2004 Plan may be issued as restricted stock and the maximum number of shares that may be subject to grants under the plans to any one individual in any one year is 200,000. Awards under the 2004 Plan are made by a committee of the Board of Directors. At March 31, 2007, 2,882,395 shares underlying stock option and restricted stock awards were still available for grant under the 2004 Plan, although under the terms of the 2004 Plan, terminated, expired or forfeited grants under the 1994 Plan and shares withheld to satisfy tax withholding requirements under the plan may be re-issued under the plan.

*Stock Options*—During the three months ended March 31, 2007 and 2006, the Company recognized compensation cost as a component of operations and maintenance expense of \$766 and \$662, respectively. For the three months ended March 31, 2007 and 2006, the Company recognized income tax benefits associated with stock options in its income statement of \$107 and \$162, respectively. In addition, the Company capitalized compensation costs within property, plant and equipment of \$152 and \$97 during the three months ended March 31, 2007 and 2006, respectively.

The fair value of options was estimated at the grant date using the Black-Scholes option-pricing model. The per share weighted-average fair value at the date of grant for stock options granted during the three months ended March 31, 2007 and 2006 was \$5.52 and \$7.82 per option, respectively. The application of this valuation model relies on the following assumptions that are judgmental and sensitive in the determination of the compensation expense for the periods reported:

	2007	2006
Expected term (years)	5.2	5.2
Risk-free interest rate	4.7%	4.7%
Expected volatility	22.5%	25.8%
Dividend yield	1.95%	1.76%

Historical information was the principal basis for the selection of the expected term and dividend yield. The expected volatility is based on a weighted-average combination of historical and implied volatilities over a time period that approximates the expected term of the option. The risk-free interest rate was selected based upon the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

The following table summarizes stock option transactions for the three months ended March 31, 2007:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Options:				
Outstanding at beginning of period	3,364,778	\$ 16.72		
Granted	613,850	23.26		
Forfeited	(13,298)	24.75		
Expired	(9,782)	21.32		
Exercised	(93,407)	11.59		
Outstanding at end of period	<u>3,862,141</u>	<u>\$ 17.84</u>	7.0	\$ 22,289
Exercisable at end of period	<u>2,618,651</u>	<u>\$ 14.84</u>	5.9	\$ 21,261

*Restricted Stock*—During the three months ended March 31, 2007 and 2006, the Company recorded stock-based compensation related to restricted stock awards as operations and maintenance expense in the amounts of \$197 and \$105, respectively. The following table summarizes nonvested restricted stock transactions for the three months ended March 31, 2007:

	Number of Shares	Weighted Average Fair Value
Nonvested shares at beginning of period	56,888	\$ 23.98
Granted	43,000	23.38
Vested	(25,443)	21.36
Forfeited	-	-
Nonvested shares at end of period	<u>74,445</u>	<u>\$ 24.53</u>

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 8

Pension Plans and Other Postretirement Benefits

The Company maintains qualified defined benefit pension plans, nonqualified pension plans and other postretirement benefit plans for certain of its employees. The net periodic benefit cost is based on estimated values provided by independent actuaries. The following tables provide the components of net periodic benefit costs:

	Pension Benefits	
	Three Months Ended	
	March 31,	
	2007	2006
Service cost	\$ 1,257	\$ 1,275
Interest cost	2,926	2,566
Expected return on plan assets	(2,711)	(2,375)
Amortization of transition asset	(29)	(53)
Amortization of prior service cost	31	58
Amortization of actuarial loss	261	480
Capitalized costs	(593)	(472)
Net periodic benefit cost	\$ 1,142	\$ 1,479

	Other	
	Postretirement Benefits	
	Three Months Ended	
	2007	2006
Service cost	\$ 271	\$ 280
Interest cost	491	418
Expected return on plan assets	(377)	(320)
Amortization of transition obligation	24	203
Amortization of prior service cost	(22)	(183)
Amortization of actuarial loss	11	88
Amortization of regulatory asset	38	38
Capitalized costs	(210)	(188)
Net periodic benefit cost	\$ 226	\$ 336

The Company contributed \$805 in April 2007 to its defined benefit pension plans and intends to contribute \$7,623 during the balance of 2007. In addition, the Company expects to contribute approximately \$3,307 for the funding of its other postretirement benefits during 2007.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 9

Water and Wastewater Rates

During the first three months of 2007, certain of the Company's operating divisions in New Jersey and Ohio were granted rate increases designed to increase total operating revenues on an annual basis by approximately \$3,620.

In 2004, the Company's operating subsidiaries in Texas filed an application with the Texas Commission on Environmental Quality ("TCEQ") to increase rates by \$11,920 over a multi-year period. The application seeks to increase annual revenues in phases and is accompanied by a plan to defer and amortize a portion of the Company's depreciation, operating and other tax expense over a similar multi-year period, such that the impact on operating income approximates the requested amount during the first years that the new rates are in effect. The application is currently pending before the TCEQ and several parties have joined the proceeding to challenge the rate request. The Company commenced billing for the requested rates and implemented the deferral plan in 2004. The additional revenue billed and collected prior to the final ruling is subject to refund based on the outcome of the ruling. The revenue recognized and the expenses deferred by the Company reflect an estimate of the final outcome of the ruling. As of March 31, 2007, the Company has deferred \$12,382 of operating costs and \$3,000 of rate case expenses and recognized \$17,553 of revenue that is subject to refund based on the outcome of the final commission order.

Note 10

Taxes Other than Income Taxes

The following table provides the components of taxes other than income taxes:

	Three Months Ended	
	March 31,	
	2007	2006
Property	\$ 6,439	\$ 3,279
Capital Stock	856	903
Gross receipts, excise and franchise	1,875	1,532
Payroll	2,066	1,929
Other	680	424
Total taxes other than income	<u>\$ 11,916</u>	<u>\$ 8,067</u>

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 11

Segment Information

The Company has identified fourteen operating segments and has one reportable segment named the Regulated segment. The reportable segment is comprised of thirteen operating segments for our water and wastewater regulated utility companies which are organized by the states where we provide these services. In addition, one segment is not quantitatively significant to be reportable and is comprised of the businesses that provide on-site septic tank pumping, sludge hauling services and certain other non-regulated water and wastewater services. This segment is included as a component of "Other" in the tables below. Also included in "Other" are corporate costs that have not been allocated to the Regulated segment and intersegment eliminations.

The following tables present information about the Company's reportable segment:

	Three Months Ended March 31, 2007			Three Months Ended March 31, 2006		
	Regulated	Other	Consolidated	Regulated	Other	Consolidated
Operating revenues	\$134,588	\$ 2,713	\$ 137,301	\$117,038	\$ 911	\$ 117,949
Operations and maintenance expense	57,588	2,707	60,295	52,173	(857)	51,316
Depreciation	20,584	(448)	20,136	17,528	(698)	16,830
Operating income	43,678	67	43,745	38,502	2,120	40,622
Interest expense, net of AFUDC	14,745	1,083	15,828	10,671	2,583	13,254
Income tax	11,884	(756)	11,128	11,452	(381)	11,071
Net income	17,080	(222)	16,858	16,646	(82)	16,564
Capital expenditures	59,541	1,160	60,701	46,611	277	46,888
	March 31, 2007	December 31, 2006				
Total assets:						
Regulated	\$ 2,946,690	\$ 2,819,385				
Other	58,827	58,518				
Consolidated	<u>\$ 3,005,517</u>	<u>\$ 2,877,903</u>				

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 12

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109," which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company adopted the provisions of FIN 48 as of January 1, 2007 and has analyzed filing positions in its federal and state jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. The Company's reserve for uncertain tax positions was insignificant upon adoption of FIN 48 and the Company did not record a cumulative effect adjustment related to the adoption of FIN 48. The Company believes its income tax filing positions and deductions will be sustained under audit and it believes it does not have significant uncertain tax positions that, in the event of adjustment, will result in a material effect on its results of operations or financial position. The Company has elected to recognize accrued interest and penalties related to uncertain tax positions as income tax expense. As of March 31, 2007, the Company's Federal income tax returns for all years through 2002 have been closed. Tax years 2003 through 2006 remain open to examination by the major taxing jurisdictions to which we are subject, and 2004 has been settled through examination.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### AQUA AMERICA, INC. AND SUBSIDIARIES

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (In thousands of dollars, except per share amounts)

##### Forward-looking Statements

*This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things: our use of cash; projected capital expenditures; liquidity; possible acquisitions and other growth ventures; the completion of various construction projects; the projected timing and annual value of rate increases; the recovery of certain costs and capital investments through rate increase requests; the projected effects of recent accounting pronouncements, as well as information contained elsewhere in this report where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans," "intends," "will" or similar expressions. These statements are based on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside our control. Actual results may differ materially from such statements for a number of reasons, including the effects of regulation, abnormal weather, changes in capital requirements and funding, acquisitions, and our ability to assimilate acquired operations. In addition to these uncertainties or factors, our future results may be affected by the factors and risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.*

##### General Information

*Nature of Operations* - Aqua America, Inc. ("we" or "us"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to what we estimate to be approximately 2.8 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, New York, Florida, Indiana, Virginia, Maine, Missouri, and South Carolina. Our largest operating subsidiary, Aqua Pennsylvania, Inc., provides water or wastewater services to approximately one-half of the total number of people we serve, which are located in the suburban areas north and west of the City of Philadelphia and in 23 other counties in Pennsylvania. Our other subsidiaries provide similar services in 12 other states. In addition, we provide water and wastewater service through operating and maintenance contracts with municipal authorities and other parties, and septage hauling services, close to our utility companies' service territories.

## AQUA AMERICA, INC. AND SUBSIDIARIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued) (In thousands of dollars, except per share amounts)

#### Financial Condition

During the first quarter of 2007, we had \$60,701 of capital expenditures, acquired water systems, wastewater systems and other acquisitions for \$27,843, repaid \$1,089 of customer advances for construction and repaid debt and made sinking fund contributions and other loan repayments of \$8,192. The capital expenditures were related to improvements to treatment plants, new and rehabilitated water mains, tanks, hydrants, and service lines, and well and booster improvements.

At March 31, 2007, we had \$15,102 of cash and cash equivalents compared to \$44,039 at December 31, 2006. During the first quarter of 2007, we used the proceeds from the issuance of long-term debt, the proceeds from the issuance of common stock, internally generated funds and available working capital to fund the cash requirements discussed above and to pay dividends. In January 2007, our Pennsylvania operating subsidiary issued \$50,000 of tax-exempt bonds secured by a supplement to its first mortgage indenture with a weighted-average maturity of 33.5 years and with a weighted-average interest rate of 4.435%. The proceeds are restricted to funding certain capital projects during the period 2007 through 2009. In March 2007, the Company issued \$30,000 of unsecured notes with a weighted-average maturity of 22.5 years and a weighted-average interest rate of 5.73%. We used the proceeds from the sales of these notes to repay short-term borrowings. At March 31, 2007, we had short-term lines of credit of \$238,000, of which \$125,346 was available.

Management believes that internally generated funds along with existing credit facilities and the proceeds from the issuance of long-term debt and common stock will be adequate to meet our financing requirements for the balance of the year and beyond.

#### Results of Operations

##### Analysis of First Quarter of 2007 Compared to First Quarter of 2006

Revenues for the quarter increased \$19,352 or 16.4% primarily due to additional revenues of \$10,339 resulting from increased water and wastewater rates implemented in various operating subsidiaries, additional revenues of \$6,925 associated with acquisitions, and \$766 of additional sewer revenues. Acquisitions provided additional operating revenues in the Regulated segment of \$5,250, primarily from the New York Water Service acquisition, and \$1,675 of additional revenues in Other as provided by the acquisition of several septage businesses during 2006.

Operations and maintenance expenses increased by \$8,979 or 17.5% primarily due to additional expenses associated with acquisitions of \$3,269, the receipt in the first quarter of 2006 of \$1,500 relating to a waiver of certain contractual rights without a corresponding amount in the current year, increased water production costs of \$1,180, additional bad debt expense of \$455 and normal increases in other operating costs. Of the total acquisition expenses, \$1,494 were associated with the New York Water Service acquisition that was completed on January 1, 2007 and other

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

(In thousands of dollars, except per share amounts)

acquisitions in the Regulated segment. The receipt of the \$1,500 was a one-time payment recognized in the first quarter of 2006 as a reduction to operations and maintenance expense. The increased water production costs, principally purchased power and chemicals, were associated with vendor price increases.

Depreciation expense increased \$3,306 or 19.6% reflecting the utility plant placed in service since March 31, 2006, including the assets acquired through system acquisitions.

Amortization increased \$95 or 8.5% due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by \$3,849 or 47.7% due to additional property taxes associated with the acquired operations of New York Water Service, and additional state and local taxes incurred in the first quarter of 2007.

Interest expense increased by \$2,377 or 16.8% primarily due to additional borrowings to finance capital projects and increased interest rates on short-term borrowings.

Allowance for funds used during construction ("AFUDC") decreased by \$197 primarily due to a decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied; offset partially by an increase in the AFUDC rate which is based on short-term interest rates.

Gain on sale of other assets totaled \$69 in the first quarter of 2007 and \$267 in the first quarter of 2006. The decrease of \$198 is due to the timing of sales of land.

Our effective income tax rate was 39.8% in the first quarter of 2007 and 40.1% in the first quarter of 2006. The change was due to a decrease in our expenses that are not tax-deductible.

Net income for the quarter increased by \$294 or 1.8%, in comparison to the same period in 2006 primarily as a result of the factors described above. On a diluted per share basis, earnings were unchanged reflecting the change in net income and a 1.8% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares sold or issued through the employee stock and incentive plan, dividend reinvestment plan and the 2,250,000 additional shares issued by us in public offerings in June and August 2006.

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

Impact of Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109," which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We adopted the provisions of FIN 48 as of on January 1, 2007 and have analyzed filing positions in its federal and state jurisdictions where we are required to file income tax returns, as well as for all open tax years in these jurisdictions. Our reserve for uncertain tax positions was insignificant upon adoption of FIN 48 and we did not record a cumulative effect adjustment related to the adoption of FIN 48. We believe our income tax filing positions and deductions will be sustained under audit and we believe we do not have significant uncertain tax positions that, in the event of adjustment, will result in a material effect on our results of operations or financial position. We have elected to recognize accrued interest and penalties related to uncertain tax positions as income tax expense. As of March 31, 2007, our Federal income tax returns for all years through 2002 have been closed. Tax years 2003 through 2006 remain open to examination by the major taxing jurisdictions to which we are subject, and 2004 has been settled through examination.

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. There have been no significant changes in our exposure to market risks since December 31, 2006. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2006 for additional information.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are effective such that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## AQUA AMERICA, INC. AND SUBSIDIARIES

### Part II. Other Information

#### Item 1. Legal Proceedings

In 2004, our subsidiaries in Texas filed an application with the Texas Commission on Environmental Quality to increase rates over a multi-year period. In accordance with authorization from the Texas Commission on Environmental Quality, our subsidiaries commenced billing for the requested rates and deferred recognition of certain expenses for financial statement purposes. Several parties have joined the proceeding to challenge the rate request. In the event our request is denied completely or in part, we could be required to refund some or all of the revenue billed to-date, and write-off some or all of the regulatory asset for the expense deferral. For more information, see the description under the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2006, and refer to "Note 9 – Water and Wastewater Rates" to the Consolidated Financial Statements of Aqua America, Inc. and subsidiaries in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

There are no other pending legal proceedings to which we or any of our subsidiaries is a party or to which any of their properties is the subject that are material or are expected to have a material effect on our financial position, results of operations or cash flows.

#### Item 1A. Risk Factors

There have been no material changes to the risks disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006 ("Form 10-K") under "Part I, Item 1A – Risk Factors". The risks described in our Form 10-K are not the only risks facing the Company. Additional risks that we do not presently know or that we currently believe are immaterial could also impair our business or financial position.

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes Aqua America's purchases of its common stock for the quarter ended March 31, 2007:

Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs (2)</u>
January 1 - 31, 2007	527	\$ 22.25	-	548,278
February 1 - 28, 2007	3,652	\$ 23.39	-	548,278
March 1 - 31, 2007	266	\$ 22.82	-	548,278
<b>Total</b>	<b>4,445</b>	<b>\$ 23.22</b>	<b>-</b>	<b>548,278</b>

- (1) These amounts consist of shares we purchased from our employees who elected to pay the exercise price of their stock options (and then hold shares of the stock) upon exercise by delivering to us (and, thus, selling) shares of Aqua America common stock in accordance with the terms of our equity compensation plans that were previously approved by our shareholders and disclosed in our proxy statements. This feature of our equity compensation plans is available to all employees who receive option grants under the plans. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the day prior to the option exercise.
- (2) On August 5, 1997, our Board of Directors authorized a common stock repurchase program that was publicly announced on August 7, 1997, for up to 1,007,351 shares. No repurchases have been made under this program since 2000. The program has no fixed expiration date. The number of shares authorized for purchase was adjusted as a result of the stock splits effected in the form of stock distributions since the authorization date.

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
4.1	Forty-first Supplemental Indenture, dated as of January 1, 2007.
10.1	Agreement among Aqua America, Inc. and Karl M. Kyriess
10.2	Bond Purchase Agreement among the Chester County Industrial Development Authority, Aqua Pennsylvania, Inc. and Sovereign Securities Corporation, LLC, dated December 21, 2006.
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be executed on its behalf by the undersigned thereunto duly authorized.

May 7, 2007

AQUA AMERICA, INC.  
Registrant

NICHOLAS DEBENEDICTIS  
Nicholas DeBenedictis  
Chairman, President and  
Chief Executive Officer

DAVID P. SMELTZER  
David P. Smeltzer  
Chief Financial Officer

## EXHIBIT INDEX

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31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.

## Certification

I, Nicholas DeBenedictis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2007

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis

Chairman, President and Chief Executive Officer

## Certification

I, David P. Smeltzer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2007

DAVID P. SMELTZER

David P. Smeltzer  
Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2007 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"); I, Nicholas DeBenedictis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis  
Chairman, President and Chief Executive Officer  
May 7, 2007

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2007 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Smeltzer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DAVID P. SMELTZER

David P. Smeltzer  
Chief Financial Officer  
May 7, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2006

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-6659

AQUA AMERICA, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of  
incorporation or organization)

23-1702594

(I.R.S. Employer  
Identification No.)

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania

(Address of principal executive offices)

19010 -3489

(Zip Code)

Registrant's telephone number, including area code:

(610) 527-8000

(Former Name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 23, 2006.

132,092,253

AQUA AMERICA, INC. AND SUBSIDIARIES

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Part I – Financial Information  
Item 1. Financial Statement

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In thousands of dollars, except per share amounts)

(UNAUDITED)

Assets	September 30, 2006	December 31, 2005
Property, plant and equipment, at cost	\$ 3,094,279	\$ 2,900,585
Less: accumulated depreciation	676,685	620,635
Net property, plant and equipment	<u>2,417,594</u>	<u>2,279,950</u>
Current assets:		
Cash and cash equivalents	14,085	11,872
Accounts receivable and unbilled revenues, net	74,408	62,690
Income tax receivable	-	8,321
Inventory, materials and supplies	9,185	7,798
Prepayments and other current assets	11,167	7,596
Total current assets	<u>108,845</u>	<u>98,277</u>
Regulatory assets	133,875	130,953
Deferred charges and other assets, net	59,388	57,241
Funds restricted for construction activity	36,452	68,625
	<u>\$ 2,756,154</u>	<u>\$ 2,635,046</u>
Liabilities and Stockholders' Equity		
Common stockholders' equity:		
Common stock at \$.50 par value, authorized 300,000,000 shares, issued 132,772,930 and 129,658,806 in 2006 and 2005	\$ 66,387	\$ 64,829
Capital in excess of par value	543,326	478,508
Retained earnings	293,401	285,132
Treasury stock, 692,782 and 688,625 shares in 2006 and 2005	(13,031)	(12,914)
Accumulated other comprehensive loss	(2,756)	(3,082)
Unearned compensation	-	(550)
Total common stockholders' equity	<u>887,327</u>	<u>811,923</u>
Minority interest	1,738	1,551
Long-term debt, excluding current portion	917,227	878,438
Commitments and contingencies	-	-
Current liabilities:		
Current portion of long-term debt	30,485	24,645
Loans payable	121,150	138,505
Accounts payable	34,316	55,455
Accrued interest	12,590	13,052
Accrued taxes	12,970	9,432
Dividends payable	15,189	-
Other accrued liabilities	31,251	30,571
Total current liabilities	<u>257,951</u>	<u>271,660</u>
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	259,216	250,346
Customers' advances for construction	80,213	74,828
Regulatory liabilities	12,874	11,751
Other	34,487	31,969
Total deferred credits and other liabilities	<u>386,790</u>	<u>368,894</u>
Contributions in aid of construction	305,121	302,580
	<u>\$ 2,756,154</u>	<u>\$ 2,635,046</u>

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(In thousands, except per share amounts)

(UNAUDITED)

	Nine Months Ended	
	September 30,	
	2006	2005
Operating revenues	\$ 396,648	\$ 373,871
Costs and expenses:		
Operations and maintenance	165,876	150,866
Depreciation	52,419	44,890
Amortization	3,128	3,627
Taxes other than income taxes	24,991	24,033
	<u>246,414</u>	<u>223,416</u>
Operating income	150,234	150,455
Other expense (income):		
Interest expense, net	43,668	38,615
Allowance for funds used during construction	(2,901)	(1,497)
Gain on sale of other assets	(834)	(582)
Income before income taxes	<u>110,301</u>	<u>113,919</u>
Provision for income taxes	44,020	44,913
Net income	<u>\$ 66,281</u>	<u>\$ 69,006</u>
Net income	\$ 66,281	\$ 69,006
Other comprehensive income, net of tax:		
Unrealized holding gain on investments	326	-
Comprehensive income	<u>\$ 66,607</u>	<u>\$ 69,006</u>
Net income per common share:		
Basic	\$ 0.51	\$ 0.54
Diluted	<u>\$ 0.50</u>	<u>\$ 0.53</u>
Average common shares outstanding during the period:		
Basic	130,242	127,823
Diluted	<u>131,310</u>	<u>129,635</u>
Cash dividends declared per common share	<u>\$ 0.4438</u>	<u>\$ 0.3994</u>

See notes to consolidated financial statements on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(In thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended September 30,	
	2006	2005
Operating revenues	\$ 146,950	\$ 136,783
Costs and expenses:		
Operations and maintenance	59,127	52,666
Depreciation	18,334	15,578
Amortization	1,126	1,172
Taxes other than income taxes	8,840	8,276
	<u>87,427</u>	<u>77,692</u>
Operating income	59,523	59,091
Other expense (income):		
Interest expense, net	14,752	13,279
Allowance for funds used during construction	(703)	(433)
Gain on sale of other assets	(91)	(77)
Income before income taxes	<u>45,565</u>	<u>46,322</u>
Provision for income taxes	18,234	18,405
Net income	<u>\$ 27,331</u>	<u>\$ 27,917</u>
Net income	\$ 27,331	\$ 27,917
Other comprehensive income, net of tax:		
Unrealized holding gain on investments	127	-
Comprehensive income	<u>\$ 27,458</u>	<u>\$ 27,917</u>
Net income per common share:		
Basic	<u>\$ 0.21</u>	<u>\$ 0.22</u>
Diluted	<u>\$ 0.21</u>	<u>\$ 0.21</u>
Average common shares outstanding during the period:		
Basic	<u>131,660</u>	<u>128,246</u>
Diluted	<u>132,666</u>	<u>130,231</u>
Cash dividends declared per common share	<u>\$ 0.2300</u>	<u>\$ 0.2044</u>

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CAPITALIZATION  
(In thousands of dollars, except per share amounts)

(UNAUDITED)

	September 30, 2006	December 31, 2005
Common stockholders' equity:		
Common stock, \$.50 par value	\$ 66,387	\$ 64,829
Capital in excess of par value	543,326	478,508
Retained earnings	293,401	285,132
Treasury stock	(13,031)	(12,914)
Accumulated other comprehensive loss	(2,756)	(3,082)
Unearned compensation	-	(550)
Total common stockholders' equity	687,327	811,923
Long-term debt:		
Long-term debt of subsidiaries (substantially secured by utility plant):		
Interest Rate Range		
0.00% to 2.49%	25,544	21,574
2.50% to 2.99%	25,606	28,684
3.00% to 3.49%	17,285	17,380
3.50% to 3.99%	6,142	6,748
4.00% to 4.49%	1,250	1,300
4.50% to 4.99%	29,395	29,395
5.00% to 5.49%	262,534	262,588
5.50% to 5.99%	79,000	79,000
6.00% to 6.49%	88,360	88,504
6.50% to 6.99%	22,000	32,000
7.00% to 7.49%	13,439	15,878
7.50% to 7.99%	24,838	25,012
8.00% to 8.49%	26,344	26,507
8.50% to 8.99%	9,000	9,000
9.00% to 9.49%	46,276	46,764
9.50% to 9.99%	38,739	40,933
10.00% to 10.50%	6,000	6,000
	721,752	737,267
Unsecured notes payable, 4.87%, maturing in various installments 2010 through 2023	135,000	135,000
Unsecured notes payable, 5.95%, due in 2023 through 2034	40,000	-
Unsecured notes payable, 5.64%, due in 2014 through 2021	20,000	-
Unsecured notes payable, 5.01%, due 2015	18,000	18,000
Unsecured notes payable, 5.20%, due 2020	12,000	12,000
Notes payable, 6.05%, maturing in 2006 through 2008	960	816
	947,712	903,083
Current portion of long-term debt	30,485	24,645
Long-term debt, excluding current portion	917,227	878,438
Total capitalization	\$ 1,804,554	\$ 1,690,361

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS' EQUITY  
(In thousands of dollars)

(UNAUDITED)

	Common Stock	Capital in excess of par value	Retained earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Unearned Compensation on Restricted Stock	Total
Balance at December 31, 2005	\$ 64,829	\$478,508	\$285,132	\$(12,914)	\$ (3,082)	\$ (550)	\$811,923
Net income	-	-	66,281	-	-	-	66,281
Other comprehensive income:							
unrealized holding gain on investments, net of income tax of \$176	-	-	-	-	326	-	326
Dividends paid	-	-	(42,823)	-	-	-	(42,823)
Dividends declared	-	-	(15,189)	-	-	-	(15,189)
Sale of stock (2,572,574 shares)	1,275	53,551	-	689	-	-	55,515
Repurchase of stock (29,160 shares)	-	-	-	(806)	-	-	(806)
Equity Compensation Plan (42,200 shares)	21	(571)	-	-	-	550	-
Exercise of stock options (524,353 shares)	262	6,143	-	-	-	-	6,405
Stock-based compensation	-	3,222	-	-	-	-	3,222
Employee stock plan tax benefits	-	2,473	-	-	-	-	2,473
Balance at September 30, 2006	\$ 66,387	\$543,326	\$293,401	\$(13,031)	\$ (2,756)	\$ -	\$887,327

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands of dollars)

(UNAUDITED)

	Nine Months Ended September 30,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 66,281	\$ 69,006
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	55,547	48,517
Deferred income taxes	8,211	14,302
Gain on sale of other assets	(834)	(582)
Stock-based compensation	2,755	-
Net increase in receivables, inventory and prepayments	(14,596)	(1,348)
Net decrease in payables, accrued interest, accrued taxes and other accrued liabilities	(22,663)	(3,895)
Other	6,994	1,284
Net cash flows from operating activities	101,701	127,544
Cash flows from investing activities:		
Property, plant and equipment additions, including allowance for funds used during construction of \$2,901 and \$1,497	(183,608)	(156,649)
Acquisitions of utility systems and other, net	(11,339)	(4,271)
Proceeds from the sale of other assets	848	595
Additions to funds restricted for construction activity	(2,000)	(82,652)
Release of funds previously restricted for construction activity	34,173	49,143
Other	(278)	(68)
Net cash flows used in investing activities	(162,204)	(193,902)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	8,974	10,352
Repayments of customers' advances	(3,145)	(3,148)
Net proceeds (repayments) of short-term debt	(17,355)	42,140
Proceeds from long-term debt	67,899	112,272
Repayments of long-term debt	(23,373)	(71,878)
Change in cash overdraft position	9,591	(5,381)
Proceeds from exercised stock options	6,405	9,139
Stock-based compensation windfall tax benefits	1,834	-
Proceeds from issuing common stock	55,515	7,083
Repurchase of common stock	(806)	(1,341)
Dividends paid on common stock	(42,823)	(37,385)
Net cash flows from financing activities	62,716	61,853
Net increase (decrease) in cash and cash equivalents	2,213	(4,505)
Cash and cash equivalents at beginning of period	11,872	14,192
Cash and cash equivalents at end of period	\$ 14,085	\$ 9,687

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 1

Basis of Presentation

The accompanying consolidated balance sheets and statements of capitalization of Aqua America, Inc. (the "Company") at September 30, 2006, the consolidated statements of income and comprehensive income for the nine months and quarter ended September 30, 2006 and 2005, the consolidated statements of cash flow for the nine months ended September 30, 2006 and 2005, and the consolidated statement of common stockholders' equity for the nine months ended September 30, 2006, are unaudited, but reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the consolidated changes in common stockholders' equity, the consolidated results of operations, and the consolidated cash flow for the periods presented. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2005 and the Quarterly Reports on Form 10-Q for the quarters ended June 30, 2006 and March 31, 2006. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year.

Certain prior year amounts have been changed to conform with current year's presentation. The Company reclassified an \$8,321 income tax receivable on its Consolidated Balance Sheets as of December 31, 2005 from accrued taxes to a separate line to conform with the current presentation. Prior to the fourth quarter of 2005, cash overdrafts were reported as components of cash or loans payable. This presentation was changed to classify cash overdrafts as accounts payable. Accordingly, applicable historical balance sheet and cash flow amounts have been revised to conform to the new presentation and a new line has been added in the cash flow from financing activities section titled "change in cash overdraft position." This revision had no impact on the Company's net income, cash flows from operating activities or cash flows used in investing activities. The revision decreased the Company's net cash flows from financing activities from that which was previously reported by \$864 for the nine months ended September 30, 2005. Share and per share data have been restated to give effect to the 2005 4-for-3 common stock split.

Note 2

Long-term Debt and Loans Payable

In September 2006, the Company's Pennsylvania operating subsidiary, Aqua Pennsylvania, Inc., issued \$20,000 of unsecured notes at 5.64% with amounts due in 2014, 2016, 2020 and 2021. In March 2006, Aqua Pennsylvania issued \$40,000 of unsecured notes at 5.95% of which \$10,000 are due in 2023, 2024, 2033 and 2034. Proceeds from the sales of these notes were used to repay short-term borrowings.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Note 3

Acquisitions

In May 2006, a subsidiary of the Company, Aqua New York, Inc., entered into a purchase agreement with Utilities & Industries Corp., LLC to acquire the capital stock of New York Water Service Corporation, which owns water systems in Nassau County, Long Island, New York. The purchase agreement provides for a purchase price of \$28,000 in cash, subject to certain purchase price adjustments, and the assumption of approximately \$23,000 in debt. The acquisition, which is subject to regulatory approval by the New York Public Service Commission, is expected to close as soon as year end. This acquisition will add approximately 44,500 customers in several communities of southeastern Nassau County.

In the third quarter of 2006, the Company completed three asset acquisitions and one stock acquisition of companies that provide on-site septic tank pumping and sludge hauling services to customers primarily in Pennsylvania and New Jersey for an aggregate purchase price of \$7,597 in cash, subject to post-closing adjustments.

Note 4

Net Income per Common Share

Basic net income per common share is based on the weighted average number of common shares outstanding. Diluted net income per common share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock options and shares issuable under the forward equity sale agreement (from the date the Company entered into the forward equity sale agreement to the settlement date) is included in the computation of diluted net income per common share. See Note 5 – Stockholders' Equity for a discussion of the forward equity sale agreement. The dilutive effect of stock options and shares issuable under the forward equity sale agreement is calculated using the treasury stock method and expected proceeds upon exercise of the stock options and settlement of the forward equity sale agreement. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per common share:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2006	2005	2006	2005
Average common shares outstanding during the period for basic computation	130,242	127,823	131,660	128,246
Effect of dilutive securities:				
Employee stock options	1,052	1,812	958	1,985
Forward equity shares	16	-	48	-
Average common shares outstanding during the period for diluted computation	<u>131,310</u>	<u>129,635</u>	<u>132,666</u>	<u>130,231</u>

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

For the nine months and three months ended September 30, 2006, employee stock options to purchase 599,600 shares of common stock were excluded from the calculations of diluted net income per share as the options' exercise price was greater than the average market price of the Company's common stock during these periods. For the nine months and three months ended September 30, 2005, there were no outstanding employee stock options excluded from the calculation of diluted net income per share as the average market price of the Company's common stock was greater than the options' exercise price.

Note 5

Stockholders' Equity

In June 2006, the Company issued 1,750,000 shares of common stock in a public offering for proceeds of \$37,400, net of expenses. In August 2006, the Company issued 500,000 shares of common stock in a public offering for proceeds of \$10,700, net of expenses. The net proceeds from these offerings were used to fund the Company's capital expenditure program and acquisitions, and for working capital and other general corporate purposes.

In August 2006, the Company entered into a forward equity sale agreement for 3,525,000 shares of common stock with a third-party (the "forward purchaser"). In connection with the forward equity sale agreement, the forward purchaser borrowed an equal number of shares of the Company's common stock from stock lenders and sold the borrowed shares to the public. The Company will not receive any proceeds from the sale of its common stock by the forward purchaser until settlement of the forward equity sale agreement. The actual proceeds to be received by the Company will vary depending upon the settlement date, the number of shares designated for settlement on that settlement date and the method of settlement. Aqua America intends to use any proceeds received upon settlement of the forward equity sale agreement to fund the Company's future capital expenditure program and acquisitions, and for working capital and other general corporate purposes. The forward equity sale agreement is accounted for as an equity instrument and was recorded at a fair value of \$0 at inception. It will not be adjusted so long as the Company continues to meet the accounting requirements for equity instruments.

The Company may elect to settle the forward equity sale agreement by means of a physical share settlement, net cash settlement, or net share settlement, on a settlement date or dates, no later than August 1, 2008. The forward equity sale agreement provides that the forward sale price will be computed based upon the initial forward sale price of \$21.857 per share. Under limited circumstances or certain unanticipated events, the forward purchaser also has the ability to require the Company to physically settle the forward equity sale agreement in shares prior to the maturity date. The maximum number of shares that could be required to be issued by the Company to settle the forward equity sale agreement is 3,525,000 shares. As of September 30, 2006, a net cash settlement under the forward equity sale agreement would have resulted in a payment by the Company to the forward purchaser of \$300 or a net share settlement would have resulted in the issuance of 13,657 shares by the Company to the forward purchaser. For each increase or decrease of one dollar in the average market

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
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price of Aqua America common stock above or below the forward sale price on September 30, 2006, the cash settlement option from the Company's perspective would decrease or increase by \$3,525 and the net share settlement option would decrease by 168,338 shares or increase by 153,662 shares, respectively.

The Company reports other comprehensive income in accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." The following table summarizes the activity of accumulated other comprehensive income.

	2006	2005
Balance at January 1,	\$ (3,082)	\$ (1,742)
Other comprehensive income:		
Unrealized holding gain arising during the period, on certain investments, net of tax of \$176	326	-
Balance at September 30,	\$ (2,756)	\$ (1,742)

Note 6

Stock-based Compensation

Under the Company's 2004 Equity Compensation Plan (the "2004 Plan"), as approved by the shareholders to replace the 1994 Equity Compensation Plan (the "1994 Plan"), qualified and nonqualified stock options may be granted to officers, key employees and consultants at prices equal to the market price of the stock on the day of the grant. Officers and key employees may also be granted dividend equivalents and restricted stock. Restricted stock may also be granted to non-employee members of the Board of Directors. The 2004 Plan authorizes 4,900,000 shares for issuance under the plan. A maximum of 50% of the shares available for issuance under the 2004 Plan may be issued as restricted stock and the maximum number of shares that may be subject to grants under the plans to any one individual in any one year is 200,000. Awards under the 2004 Plan are made by a committee of the Board of Directors. At September 30, 2006, 3,479,835 shares underlying stock option and restricted stock awards were still available for grant under the 2004 Plan, although under the terms of the 2004 Plan, terminated, expired or forfeited grants under the 1994 Plan and shares withheld to satisfy tax withholding requirements under the plan may be re-issued under the plan.

**Stock Options**—Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment," which revised SFAS No. 123, "Accounting for Stock-based Compensation," and superseded APB No. 25, "Accounting for Stock Issued to Employees." Prior to January 1, 2006, the Company accounted for stock-based compensation using the intrinsic value method in accordance with APB Opinion No. 25. Accordingly, no compensation expense related to granting of stock options had been recognized in the financial statements prior to adoption of SFAS No. 123R for stock options that were granted, as the grant price equaled the market price on the date of grant.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

The Company adopted this standard using the modified prospective method, and accordingly the financial statement amounts for the prior periods presented in this Form 10-Q have not been restated to reflect the fair value method of expensing share-based compensation. Under this transition method, compensation cost recognized in the three months ended and nine months ended September 30, 2006 includes compensation cost for all share-based payments granted prior to, but not vested as of January 1, 2006, and share-based payments granted after January 1, 2006. For the three months ended and nine months ended September 30, 2006, the impact of the adoption of SFAS No. 123R as compared to if the Company had continued to account for share-based compensation under APB Opinion No. 25: increased operations and maintenance expense by \$659 and \$2,149, increased capitalized compensation costs within property, plant and equipment by \$244 and \$467, lowered income tax expense by \$56 and \$239, lowered net income by \$603 and \$1,910, lowered diluted net income per share by \$0.005 and \$0.015, and lowered basic net income per share by \$0.005 and \$0.015, respectively. SFAS 123R requires the Company to estimate forfeitures in calculating the compensation expense instead of recognizing these forfeitures and the resulting reduction in compensation expense as they occur. As of January 1, 2006, the cumulative after-tax effect of this change in accounting for forfeitures, if this adjustment was recorded, would have been to reduce stock-based compensation by \$12. The estimate of forfeitures will be adjusted over the vesting period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. The adoption of this standard had no impact on net cash flows and results in the reclassification on the consolidated cash flow statements of related tax benefits from cash flows from operating activities to cash flows from financing activities to the extent these tax benefits exceeded the associated compensation cost as determined under SFAS 123R.

Options are exercisable in installments of 33% annually, starting one year from the date of the grant and expire 10 years from the date of the grant. The fair value of each option is amortized into compensation expense on a straight-line basis over their respective 36 month vesting period, net of estimated forfeitures. The fair value of options was estimated at the grant date using the Black-Scholes option-pricing model. The per share weighted-average fair value at the date of grant for stock options granted during the nine months ended September 30, 2006 and 2005 was \$7.82 and \$4.54 per option, respectively. There were no stock options granted during the three months ended September 30, 2006 and 2005. The application of this valuation model relies on the following assumptions that are judgmental and sensitive in the determination of the compensation expense for the periods reported:

	2006	2005
Expected term (years)	5.2	5.2
Risk-free interest rate	4.7%	4.0%
Expected volatility	25.8%	27.8%
Dividend yield	1.76%	2.40%

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Historical information was the principal basis for the selection of the expected term and dividend yield. The expected volatility is based on a weighted-average combination of historical and implied volatilities over a time period that approximates the expected term of the option. The risk-free interest rate was selected based upon the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option.

The following table summarizes stock option transactions for the nine months ended September 30, 2006.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Options:				
Outstanding at beginning of period	3,492,363	\$ 13.70		
Granted	611,950	\$ 29.46		
Forfeited	(27,680)	\$ 22.32		
Expired	(9,342)	\$ 19.75		
Exercised	(524,353)	\$ 12.21		
Outstanding at end of period	<u>3,542,938</u>	<u>\$ 16.56</u>	6.8	\$ 23,565
Exercisable at end of period	<u>2,186,684</u>	<u>\$ 12.65</u>	5.6	\$ 20,324

The aggregate intrinsic value of options exercised during the three months ended September 30, 2006 and 2005 was \$784 and \$6,464, respectively. The aggregate intrinsic value of options exercised during the nine months ended September 30, 2006 and 2005 was \$7,931 and \$13,794, respectively. The intrinsic value of stock options is the amount by which the market price of the stock on a given date, such as at the end of the period or on the day of exercise, exceeded the market price of stock on the date of grant.

The following table summarizes information about the options outstanding and options exercisable as of September 30, 2006:

Range of prices:	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$ 5.81 - 9.99	443,170	2.5	\$ 7.52	443,170	\$ 7.52
\$10.00 - 12.99	1,042,987	5.7	12.20	1,042,987	12.20
\$13.00 - 15.99	99,161	6.7	13.75	99,161	13.75
\$16.00 - 16.99	597,104	7.5	16.15	362,719	16.15
\$17.00 - 18.33	760,916	8.4	18.33	238,647	18.33
\$29.00 - 29.99	599,600	9.5	29.46	-	-
	<u>3,542,938</u>	<u>6.8</u>	<u>\$ 16.56</u>	<u>2,186,684</u>	<u>\$ 12.65</u>

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

As of September 30, 2006, there was \$5,642 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plans. The cost is expected to be recognized over a weighted-average period of 1.3 years.

The following table provides the pro forma net income and earnings per share as if compensation cost for stock-based employee compensation was determined as of the grant date under the fair value method of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148.

	Nine Months Ended September 30, 2005	Three Months Ended September 30, 2005
Net income, as reported:	\$ 69,006	\$ 27,917
Add: stock-based employee compensation expense included in reported net income, net of tax	255	45
Less: pro forma expense related to stock options granted, net of tax effects	(1,590)	(490)
Pro forma	<u>\$ 67,671</u>	<u>\$ 27,472</u>
Basic net income per share:		
As reported	\$ 0.54	\$ 0.22
Pro forma	0.53	0.21
Diluted net income per share:		
As reported	\$ 0.53	\$ 0.21
Pro forma	0.52	0.21

For the purposes of this pro-forma disclosure, the fair value of the options at the date of grant was estimated using the Black-Scholes option-pricing model.

**Restricted Stock**—Restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. Restricted stock awards result in compensation expense which is equal to the fair market value of the stock on the date of the grant and is amortized ratably over the restriction period. The adoption of SFAS No. 123R had no impact on the Company's recognition of stock-based compensation expense associated with restricted stock awards. The Company expects forfeitures of restricted stock to be de minimus. There were no forfeitures prior to the adoption of SFAS 123R for the grants that were under restriction as of January 1, 2006.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

During the three months ended September 30, 2006 and 2005, the Company recorded stock-based compensation related to restricted stock awards as operations and maintenance expense in the amounts of \$166 and \$74, respectively. During the nine months ended September 30, 2006 and 2005, the Company recorded stock-based compensation related to restricted stock awards as operations and maintenance expense in the amounts of \$605 and \$420, respectively. The following table summarizes nonvested restricted stock transactions for the nine months ended September 30, 2006:

	Number of Shares	Weighted Average Fair Value
Nonvested shares at beginning of period	43,998	\$ 17.70
Granted	42,200	\$ 28.39
Vested	(24,310)	\$ 19.11
Forfeited	(5,000)	\$ 29.46
Nonvested shares at end of period	<u>56,888</u>	<u>\$ 23.98</u>

The total value of awards for which restrictions lapsed during the three and nine month periods ended September 30, 2006 was \$0 and \$655, respectively. As of September 30, 2006, \$1,142 of unrecognized compensation costs related to restricted stock is expected to be recognized over a weighted-average period of 1.2 years. The aggregate intrinsic value of restricted stock as of September 30, 2006 was \$1,248. The aggregate intrinsic value of restricted stock is based on the number of shares of restricted stock and the market value of the Company's common stock as of the period end date.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Note 7

Pension Plans and Other Postretirement Benefits

The Company maintains a qualified defined benefit pension plan, nonqualified pension plans and other postretirement benefit plans for certain of its employees. The net periodic benefit cost is based on estimated values provided by independent actuaries. The following tables provide the components of net periodic benefit costs:

	<i>Pension Benefits</i>			
	Nine Months Ended		Three Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Service cost	\$ 3,587	\$ 3,635	\$ 1,037	\$ 1,212
Interest cost	7,572	7,354	2,439	2,451
Expected return on plan assets	(7,048)	(7,152)	(2,298)	(2,384)
Amortization of transition asset	(156)	(157)	(51)	(52)
Amortization of prior service cost	161	302	46	101
Amortization of actuarial loss	1,317	1,205	358	403
Capitalized costs	(1,497)	(1,344)	(499)	(433)
Net periodic benefit cost	<u>\$ 3,936</u>	<u>\$ 3,843</u>	<u>\$ 1,032</u>	<u>\$ 1,298</u>

	<i>Other Postretirement Benefits</i>			
	Nine Months Ended		Three Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Service cost	\$ 752	\$ 917	\$ 192	\$ 306
Interest cost	1,186	1,412	351	472
Expected return on plan assets	(974)	(947)	(334)	(317)
Amortization of transition obligation	77	602	(328)	201
Amortization of prior service cost	(210)	(43)	155	(14)
Amortization of actuarial loss	224	164	49	55
Amortization of regulatory asset	114	114	38	38
Capitalized costs	(590)	(538)	(192)	(170)
Net periodic benefit cost	<u>\$ 579</u>	<u>\$ 1,681</u>	<u>\$ (69)</u>	<u>\$ 571</u>

The Company has contributed \$6,400 to its defined benefit pension plan during 2006 and intends to fund \$7,300 in 2007. In addition, the Company expects to contribute approximately \$2,882 for the funding of its other postretirement benefits during 2006.

Please refer to Note 9 – Recent Accounting Pronouncements for information concerning changes to the Company's accounting for its pension plans and other postretirement benefits which is expected to be adopted on December 31, 2006.

AQUA AMERICA, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Note 8

Water and Wastewater Rates

On June 22, 2006, the Pennsylvania Public Utility Commission granted the Company's operating subsidiary in Pennsylvania a \$24,900 base water rate increase, on an annualized basis. The rates in effect at the time of the filing included \$12,397 in Distribution System Improvement Charges ("DSIC") or 5.0% above the prior base rates. Consequently, the total base rates increased by \$37,297 and the DSIC was reset to zero.

During the first nine months of 2006, certain of the Company's operating divisions in Virginia, Ohio, Florida, Maine, Indiana, Illinois, Missouri and New York were granted rate increases designed to increase total operating revenues on an annual basis by approximately \$4,578.

In May 2004, the Company's operating subsidiaries in Texas filed an application with the Texas Commission on Environmental Quality to increase rates by \$11,920 over a multi-year period. The application seeks to increase annual revenues in phases and is accompanied by a plan to defer and amortize a portion of the Company's depreciation, operating and other tax expense over a similar multi-year period, such that the impact on operating income approximates the requested amount during the first years that the new rates are in effect. The application is currently pending before the Commission and several customers and municipalities have joined the proceeding to challenge the rate request. The Company commenced billing for the requested rates and implemented the deferral plan in August 2004. The additional revenue billed and collected prior to the final ruling are subject to refund based on the outcome of the ruling. The revenue recognized and the expenses deferred by the Company reflect an estimate of the final outcome of the ruling. As of September 30, 2006, the Company has deferred \$11,345 of expenses and recognized \$10,802 of revenue that is subject to refund based on the outcome of the final commission order, which is expected to be issued in late 2006 or early 2007.

Note 9

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)." This statement requires the recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. Under SFAS No. 158, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not yet been recognized in net periodic benefit cost under previous accounting standards will be recognized in accumulated other comprehensive income, net of tax effects. The Company intends to adopt SFAS No. 158 on December 31, 2006 as required. The Company is currently unable to estimate the impact of adopting SFAS No. 158 on its Consolidated Balance Sheet since the impact is dependent on plan asset performance through the end of 2006, interest rates and other factors. The Company is currently evaluating whether it will establish a regulatory asset for the pension and other

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
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postretirement costs associated with SFAS No. 158 for which the Company anticipates recoverability through customer rates, that would otherwise be charged to common stockholders' equity. Based on the Company's unfunded obligation as of December 31, 2005 and had the Company adopted SFAS No. 158 as of that date, the impact would be to increase total liabilities and total assets by approximately \$40,000, assuming the establishment of a regulatory asset.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies when other statements require or permit the fair value measurement of assets and liabilities. This statement does not expand the use of fair value measurement. SFAS No. 157 is effective for the Company beginning January 1, 2008. The Company is currently evaluating the provisions of this statement and has not yet determined the effect of adoption on its results of operations or financial position.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"): SAB 108 provides guidance on how prior year misstatements should be considered when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. SAB 108 is effective for the fiscal year ended December 31, 2006. The Company believes SAB 108 will not have a material impact on its results of operations or financial position.

In June 2006, the FASB issued FASB Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109," which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective and will be adopted by the Company on January 1, 2007. Upon adoption, the Company will record a cumulative effect adjustment of a change in accounting principle, if necessary, as prescribed by FIN 48. The Company is currently evaluating the provisions of this statement and has not yet determined the effect of adoption on its results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS 123R generally requires that the Company measure the cost of employee services received in exchange for stock-based awards on the grant-date fair value and this cost will be recognized over the period during which an employee provides service in exchange for the award. Prior to the adoption of SFAS No. 123R on January 1, 2006, the Company provided pro forma disclosure of its compensation costs associated with the fair value of stock options that had been granted, and accordingly, no compensation costs were recognized in its consolidated financial statements. The Company adopted this standard using the modified prospective method, and accordingly, the financial statement amounts for the prior periods presented in this

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Form 10-Q have not been restated to reflect the fair value method of expensing share-based compensation. During the third quarter of 2006, the adoption of SFAS 123R increased operations and maintenance expense by \$659, lowered net income by \$603, and lowered diluted net income per share by \$0.005. During the nine months ended September 30, 2006, the adoption of SFAS 123R increased operations and maintenance expense by \$2,149, lowered net income by \$1,910, and lowered diluted net income per share by \$0.015. The after-tax impact of adopting SFAS 123R is expected to approximate \$2,600 during the year ending December 31, 2006. The adoption of this standard had no material impact on the Company's overall financial position, no impact on cash flow, and results in the reclassification on the consolidated cash flow statements of related tax benefits from cash flows from operating activities to cash flows from financing activities to the extent these tax benefits exceeded the associated compensation cost recognized in the income statement. See Note 6 for further information and the required disclosures under SFAS 123R.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### AQUA AMERICA, INC. AND SUBSIDIARIES

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In thousands of dollars, except per share amounts)

#### Forward-looking Statements

*This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things: our use of cash; projected capital expenditures; liquidity; possible acquisitions and other growth ventures; the completion of various construction projects; the projected timing and annual value of rate increases; the recovery of certain costs and capital investments through rate increase requests; the projected effects of recent accounting pronouncements, as well as information contained elsewhere in this report where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans" or similar expressions. These statements are based on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside our control. Actual results may differ materially from such statements for a number of reasons, including the effects of regulation, abnormal weather, changes in capital requirements and funding, acquisitions, and our ability to assimilate acquired operations. In addition to these uncertainties or factors, our future results may be affected by the factors and risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and in "Part II, Item 1A. - Risk Factors" of this report. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.*

#### General Information

*Nature of Operations* - Aqua America, Inc. ("we" or "us"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to what we estimate to be more than 2.5 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, Virginia, Maine, Missouri, New York and South Carolina. Our largest operating subsidiary, Aqua Pennsylvania, Inc., provides water or wastewater services to approximately one-half of the total number of people we serve, located in the suburban areas north and west of the City of Philadelphia and in 22 other counties in Pennsylvania. Our other subsidiaries provide similar services in 12 other states. In addition, we provide water and wastewater service through operating and maintenance contracts with municipal authorities and other parties, and septage hauling services, close to our operating companies' service territories. We are the largest U.S.-based publicly-traded water and wastewater utility based on number of people served.

## AQUA AMERICA, INC. AND SUBSIDIARIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued) (In thousands of dollars, except per share amounts)

#### Financial Condition

During the first nine months of 2006, we had \$183,608 of capital expenditures, acquired water systems, wastewater systems and other acquisitions for \$11,339, repaid \$3,145 of customer advances for construction and repaid debt and made sinking fund contributions and other loan repayments of \$23,373. The capital expenditures were related to improvements to treatment plants, new and rehabilitated water mains, tanks, hydrants, and service lines, in addition to well and booster improvements and an office building expansion.

During the first nine months of 2006, we used the proceeds from the issuance of long-term debt, the proceeds from the issuance of common stock, internally generated funds and available working capital to fund the cash requirements discussed above and to pay dividends. In September 2006, our Pennsylvania operating subsidiary issued \$20,000 of unsecured notes at 5.64% with amounts due in 2014, 2016, 2020 and 2021. In March 2006, our Pennsylvania operating subsidiary issued \$40,000 of unsecured notes at 5.95% of which \$10,000 are due in 2023, 2024, 2033 and 2034. We used the proceeds from the sales of these notes to repay short-term borrowings.

In June 2006, we issued 1,750,000 shares of common stock in a public offering for proceeds of \$37,400, net of expenses. In August 2006, we issued 500,000 shares of common stock in a public offering for proceeds of \$10,700, net of expenses. The net proceeds from these offerings were used to fund our capital expenditure program and acquisitions, and for working capital and other general corporate purposes. In August 2006, we entered into a forward equity sale agreement for 3,525,000 shares of common stock with a third party ("forward purchaser"). In connection with the forward equity sale agreement, the forward purchaser borrowed an equal number of shares of our common stock from stock lenders and sold the borrowed shares to the public. We will not receive any proceeds from the sale of our common stock by the forward purchaser until settlement of all or a portion of the forward equity sale agreement. The actual proceeds to be received by us will vary depending upon the settlement date, the number of shares designated for settlement on that settlement date and the method of settlement. We intend to use any proceeds received by us upon settlement of the forward equity sale agreement to fund our future capital expenditure program and acquisitions, and for working capital and other general corporate purposes.

At September 30, 2006, we had short-term lines of credit of \$228,000, of which \$106,850 was available. Effective with the September 1, 2006 payment, we increased the quarterly cash dividend on our common stock from \$0.1069 per share to \$0.115 per share.

Management believes that internally generated funds along with existing credit facilities and the proceeds from the issuance of long-term debt and common stock will be adequate to meet our financing requirements for the balance of the year and beyond.

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

Results of Operations

Analysis of First Nine Months of 2006 Compared to First Nine Months of 2005

Revenues for the first nine months increased \$22,777 or 6.1% primarily due to additional revenues of \$18,079 resulting from increased water and wastewater rates implemented in various operating subsidiaries, additional revenues of \$5,121 associated with acquisitions, and additional sewer revenues of \$1,536, offset partially by lower water consumption as compared to the first nine months of 2005 associated with unfavorable weather conditions. The unfavorable weather conditions, primarily in September, resulted in lower water consumption by our customers in Pennsylvania, Illinois, Ohio and New Jersey.

Operations and maintenance expenses increased by \$15,010 or 9.9% primarily due to additional expenses associated with acquisitions of \$3,249, increased water production costs of \$3,127, increased insurance expense, driven by higher claims, of \$2,726, a reduction in the deferral of expenses related to the Texas rate case filing of \$2,211, stock-based compensation expense of \$2,149, and normal increases in other operating costs, offset partially by receipt of \$1,500 relating to a waiver of certain contractual rights. The increased water production costs, principally purchased power and chemicals, were associated with vendor price increases. A portion of the increase in operations and maintenance expense is associated with the change in the cost deferral related to the 2004 Texas rate filing. The rate filing was designed and implemented using a multi-year plan to increase annual revenues in phases, and to defer and amortize a portion of the Company's operating expense over a similar multi-year period. The impact, by design, resulted in a lower expense deferral of \$2,211 in the first nine months of 2006 than in the same period of 2005. The lower expense deferral results in an increase in expense recognized in conjunction with an additional phase increase in the revenues billed and recognized. The stock-based compensation expense of \$2,149 was associated with stock options and is a component of operations and maintenance expense beginning on January 1, 2006 as a result of adopting a new accounting standard.

Depreciation expense increased \$7,529 or 16.8% reflecting the utility plant placed in service since the third quarter of 2005, including the assets acquired through system acquisitions.

Amortization decreased \$499 or 13.8% due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by \$958 or 4.0% due to additional state and local taxes incurred in the first nine months of 2006.

Interest expense increased by \$5,053 or 13.1% primarily due to additional borrowings to finance capital projects, increased interest rates on short-term borrowings and lower interest income, offset partially by decreased interest rates on long-term borrowings due to the refinancing of certain existing debt issues.

## AQUA AMERICA, INC. AND SUBSIDIARIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued) (In thousands of dollars, except per share amounts)

Allowance for funds used during construction ("AFUDC") increased by \$1,404 primarily due to an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied; and an increase in the AFUDC rate which is based on short-term interest rates.

Gain on sale of other assets totaled \$834 in the first nine months of 2006 and \$582 in the first nine months of 2005. The increase of \$252 is due to the timing of sales of land.

Our effective income tax rate was 39.9% in the first nine months of 2006 and 39.4% in the first nine months of 2005. The change was due to an increase in our expenses that are not tax-deductible, including a portion of the stock-based compensation expense in the first nine months of 2006.

Net income for the first nine months decreased by \$2,725 or 3.9%, in comparison to the same period in 2005 primarily as a result of the factors described above. On a diluted per share basis, earnings decreased \$0.03 or 5.7% reflecting the change in net income and a 1.3% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares sold or issued through the dividend reinvestment plan, the employee stock and incentive plan and 2,250,000 additional shares issued by us in public offerings in June and August 2006.

#### Analysis of Third Quarter of 2006 Compared to Third Quarter of 2005

Revenues for the quarter increased \$10,167 or 7.4% primarily due to additional revenues of \$10,752 resulting from increased water and wastewater rates implemented in various operating subsidiaries, additional revenues of \$2,294 associated with acquisitions, and \$424 of additional sewer revenues, offset partially by lower water consumption as compared to the third quarter of 2005 associated with unfavorable weather conditions. The unfavorable weather conditions, primarily in September, resulted in lower water consumption by our customers in Pennsylvania, Illinois, Ohio and New Jersey.

Operations and maintenance expenses increased by \$6,461 or 12.3% primarily due to increased insurance expense, driven by higher claims, of \$1,564, additional expenses associated with acquisitions of \$1,489, increased water production costs of \$1,068, stock-based compensation expense of \$659, a reduction in the deferral of expenses related to the Texas rate case filing of \$321 and normal increases in other operating costs. The increased water production costs, principally purchased power and chemicals, were associated with vendor price increases. The stock-based compensation expense of \$659 was associated with stock options and is a component of operations and maintenance expense beginning on January 1, 2006 as a result of adopting a new accounting standard. A portion of the increase in operations and maintenance expense is associated with the change in the cost deferral related to the 2004 Texas rate filing. The rate filing was designed and implemented using a multi-year plan to increase annual revenues in phases, and to defer and amortize a portion of the Company's operating expense over a similar multi-year period. The impact, by design, resulted in a lower expense deferral of \$321 in the third quarter of 2006 than in

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

the same period of 2005. The lower expense deferral results in an increase in expense recognized in conjunction with an additional phase increase in the revenues billed and recognized.

Depreciation expense increased \$2,756 or 17.7% reflecting the utility plant placed in service since September 30, 2005, including the assets acquired through system acquisitions.

Amortization decreased \$46 or 3.9% due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by \$564 or 6.8% due to additional state and local taxes incurred in the third quarter of 2006.

Interest expense increased by \$1,473 or 11.1% primarily due to additional borrowings to finance capital projects and increased interest rates on short-term borrowings.

Allowance for funds used during construction ("AFUDC") increased by \$270 primarily due to an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied; and an increase in the AFUDC rate which is based on short-term interest rates.

Gain on sale of other assets totaled \$91 in the third quarter of 2006 and \$77 in the third quarter of 2005. The increase of \$14 is due to the timing of sales of land.

Our effective income tax rate was 40.0% in the third quarter of 2006 and 39.7% in the third quarter of 2005. The change was due to an increase in our expenses that are not tax-deductible, including a portion of the stock-based compensation expense in the third quarter of 2006.

Net income for the quarter decreased by \$586 or 2.1%, in comparison to the same period in 2005 primarily as a result of the factors described above. On a diluted per share basis, earnings were unchanged reflecting the change in net income and a 1.9% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares sold or issued through the employee stock and incentive plan, dividend reinvestment plan and the 2,250,000 additional shares issued by us in public offerings in June and August 2006.

Impact of Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)." This statement requires the recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. Under SFAS No. 158, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards that have not yet

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

been recognized through net periodic benefit cost will be recognized in accumulated other comprehensive income, net of tax effects. We intend to adopt SFAS No. 158 on December 31, 2006 as required. We are currently unable to estimate the impact of adopting SFAS No. 158 on our Consolidated Balance Sheet since the impact is dependent on plan asset performance through the end of 2006, interest rates and other factors. We are currently evaluating whether we will establish a regulatory asset for the pension and other postretirement costs associated with SFAS No. 158, that would otherwise be charged to common stockholders' equity, for which we anticipate recoverability through customer rates. Based on our unfunded obligation as of December 31, 2005 and had we adopted SFAS No. 158 as of that date, the impact would be to increase total liabilities and total assets by approximately \$40,000, assuming the establishment of a regulatory asset.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies when other statements require or permit the fair value measurement of assets and liabilities. This statement does not expand the use of fair value measurement. SFAS No. 157 is effective for our fiscal year beginning January 1, 2008. We are currently evaluating the provisions of this statement and have not yet determined the effect of adoption on our results of operations or financial position.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides guidance on how prior year misstatements should be considered when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. SAB 108 is effective for the fiscal year ended December 31, 2006. We believe SAB 108 will not have a material impact on our results of operations or financial position.

In June 2006, the FASB issued FASB Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109," which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective and will be adopted by us on January 1, 2007. Upon adoption, we will record a cumulative effect of a change in accounting principle, if necessary, as prescribed by FIN 48. We are currently evaluating the provisions of this statement and have not yet determined the effect of adoption on our results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS 123R generally requires that we measure the cost of employee services received in exchange for stock-based awards on the grant-date fair value and this cost will be recognized over the period during which an employee provides service in exchange for the award. Prior to the adoption of SFAS No.

## AQUA AMERICA, INC. AND SUBSIDIARIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued) (In thousands of dollars, except per share amounts)

123R on January 1, 2006, we provided pro forma disclosure of our compensation costs associated with the fair value of stock options that had been granted, and accordingly, no compensation costs were recognized in our consolidated financial statements. We adopted this standard using the modified prospective method, and accordingly, the financial statement amounts for the prior periods presented in this Form 10-Q have not been restated to reflect the fair value method of expensing share-based compensation. During the third quarter of 2006, the adoption of SFAS 123R increased operations and maintenance expense by \$659, lowered net income by \$605, and lowered diluted net income per share by \$0.005. During the nine months ended September 30, 2006, the adoption of SFAS 123R increased operations and maintenance expense by \$2,149, lowered net income by \$1,910, and lowered diluted net income per share by \$0.015. The after-tax impact of adopting SFAS 123R is expected to approximate \$2,600 during the year ending December 31, 2006. The adoption of this standard had no material impact on our overall financial position, no impact on cash flow, and results in the reclassification on the consolidated cash flow statements of related tax benefits from cash flows from operating activities to cash flows from financing activities to the extent these tax benefits exceeded the associated compensation cost recognized in the income statement. See Note 6 to the consolidated financial statements for further information and the required disclosures under SFAS 123R.

#### Recent Events

Economic Regulation – A local-government sanitary district is considering the acquisition, by eminent domain or otherwise, of all or a portion of the utility assets of our wastewater operating division located in University Park, Illinois. The system represents approximately 2,200 customers or less than 0.5% of our total customer base. We are actively discussing this matter with the district. We believe that our Illinois operating subsidiary is entitled to fair market value for its assets.

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. There have been no significant changes in our exposure to market risks since December 31, 2005. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2005 for additional information.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## AQUA AMERICA, INC. AND SUBSIDIARIES

### Part II. Other Information

#### Item 1. Legal Proceedings

In May 2004, our subsidiaries in Texas filed an application with the Texas Commission on Environmental Quality to increase rates over a multi-year period. In accordance with authorization from the Texas Commission on Environmental Quality, our subsidiaries commenced billing for the requested rates and deferred recognition of certain expenses for financial statement purposes. Several customers and municipalities have joined the proceeding and challenged the requested rate structure, including our request to regionalize rates, and the amount of our requested rate increase. In the event our request is denied completely or in part, we could be required to refund some or all of the revenue billed to-date, and write-off some or all of the regulatory asset for the expense deferral. For more information, see the description under in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2005, and refer to "Note 8 – Water and Wastewater Rates" to the Consolidated Financial Statements of Aqua America, Inc. and subsidiaries in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.

There are no other pending legal proceedings to which we or any of our subsidiaries is a party or to which any of their properties is the subject that are material or are expected to have a material effect on our financial position, results of operations or cash flows.

#### Item 1A. Risk Factors

Except for the risks set forth below, there have been no material changes to the risks disclosed in our Annual Report on Form 10-K for the year ended December 31, 2005 ("Form 10-K") under "Part 1, Item 1A – Risk Factors". The risks described in our Form 10-K, as updated below, are not the only risks facing the Company. Additional risks that we do not presently know or that we currently believe are immaterial could also impair our business or financial position.

*Settlement provisions contained in the forward equity sale agreement between us and the forward purchaser subject us to certain risks.*

In August 2006, we entered into a forward stock agreement for 3,525,000 shares of common stock with UBS AG (the "forward purchaser"). In connection with the forward equity sale agreement, the forward purchaser (or its affiliates) borrowed 3,525,000 shares of common stock from stock lenders and sold the borrowed shares to the public to hedge its obligations under the forward equity sale agreement. The forward purchaser has the right to require us to physically settle the forward sale agreement on a date specified by the forward purchaser in certain events, including (a) if the average of the closing bid and offer price or, if available, the closing sale price of our common stock is less than or equal to \$10.00 per share on any trading day, (b) if our board of directors votes to approve, or there is a public

## AQUA AMERICA, INC. AND SUBSIDIARIES

announcement of, in either case, an action that, if consummated, would result in a merger or other takeover event of our company, (c) if we declare any cash dividend or distribution above a specified threshold, or any non-cash dividend or distribution (other than a dividend or distribution of shares of our common stock), in either case, on shares of our common stock and set a record date for payment for such dividend or distribution on or prior to the final settlement date, (d) if the forward purchaser (or an affiliate thereof) is unable to continue to borrow a number of shares of our common stock equal to the number of shares underlying the forward sale agreement, (e) if the cost of borrowing the common stock has increased above a specified amount, (f) if a nationalization, delisting or change in law occurs, each as defined in the forward sale agreement or (g) in connection with certain events of default and termination events under the deemed master agreement governing such forward sale agreement. In the event that early settlement of the forward sale agreement occurs as a result of any of the foregoing events, we will be required to physically settle the forward sale agreement by delivering shares of our common stock. The forward purchaser's decision to exercise its right to require us to settle the forward sale agreement will be made irrespective of our need for capital. In the event that we elect, or are required, to settle the forward sale agreement with shares of our common stock, delivery of such shares would likely result in dilution to our earnings per share and return on equity.

In addition, upon certain events of bankruptcy, insolvency or reorganization relating to us, the forward sale agreement will terminate without further liability of either party. Following any such termination, we would not issue any shares, and we would not receive any proceeds pursuant to the forward sale agreement.

Except under the circumstances described above, we have the right to elect physical, cash or net stock settlement under the forward sale agreement. If we elect cash or net stock settlement, we would expect the forward purchaser (or an affiliate thereof) to purchase in the open market the number of shares necessary, based upon the portion of the forward sale agreement that we have elected to so settle, to return to stock lenders the shares of our common stock that the forward purchaser (or its affiliate) has borrowed in connection with the sale of our common stock under this prospectus supplement and, if applicable in connection with net stock settlement, to deliver shares to us. If the market value of our common stock at the time of these purchases is above the forward price at that time, we would pay, or deliver, as the case may be, to the forward purchaser under the forward sale agreement an amount of cash, or common stock with a value, equal to this difference. Any such difference could be significant. If the market value of our common stock at the time of these purchases is below the forward price at that time, we would be paid this difference in cash by, or we would receive the value of this difference in common stock from, the forward purchaser (or its affiliate) under the forward sale agreement, as the case may be.

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes Aqua America's purchases of its common stock for the quarter ended September 30, 2006:

Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs (2)</u>
July 1 - 31, 2006	-	\$ -	-	548,278
August 1 - 31, 2006	5,064	\$ 22.65	-	548,278
September 1 - 30, 2006	-	\$ -	-	548,278
<b>Total</b>	<u>5,064</u>	<u>\$ 22.65</u>	<u>-</u>	<u>548,278</u>

- (1) These amounts consist of shares we purchased from our employees who elected to pay the exercise price of their stock options (and then hold shares of the stock) upon exercise by delivering to us (and, thus, selling) shares of Aqua America common stock in accordance with the terms of our equity compensation plans that were previously approved by our shareholders and disclosed in our proxy statements. This feature of our equity compensation plans is available to all employees who receive option grants under the plans. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the day prior to the option exercise.
- (2) On August 5, 1997, our Board of Directors authorized a common stock repurchase program that was publicly announced on August 7, 1997, for up to 1,007,351 shares. No repurchases have been made under this program since 2000. The program has no fixed expiration date. The number of shares authorized for purchase was adjusted as a result of the stock splits effected in the form of stock distributions since the authorization date.

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1 *	Confirmation of Forward Stock Sale Transaction, dated August 10, 2006, between UBS AG, London Branch and the Company
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.

\* Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 11, 2006 (Commission File No. 001-06659), and incorporated by reference herein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be executed on its behalf by the undersigned thereunto duly authorized.

November 6, 2006

AQUA AMERICA, INC.

Registrant

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis  
Chairman, President and  
Chief Executive Officer

DAVID P. SMELTZER

David P. Smeltzer  
Senior Vice President - Finance  
and Chief Financial Officer

## EXHIBIT INDEX

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32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.

Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 11, 2006 (Commission File No. 001-06659), and incorporated by reference herein.

## Certification

I, Nicholas DeBenedictis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2006

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis  
Chairman, President and Chief Executive Officer

## Certification

I, David P. Smeltzer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2006

DAVID P. SMELTZER

David P. Smeltzer  
Senior Vice President – Finance  
and Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2006 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas DeBenedictis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis  
Chairman, President and Chief Executive Officer  
November 6, 2006

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2006 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Smeltzer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DAVID P. SMELTZER

David P. Smeltzer  
Senior Vice President - Finance and Chief Financial Officer  
November 6, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2006

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-6659

AQUA AMERICA, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of  
incorporation or organization)

23-1702594

(I.R.S. Employer  
Identification No.)

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania  
(Address of principal executive offices)

19010 -3489

(Zip Code)

Registrant's telephone number, including area code:

(610) 527-8000

(Former Name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 26, 2006.

131,396,751

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In thousands of dollars, except per share amounts)

(UNAUDITED)

	June 30, 2006	December 31, 2005
Assets		
Property, plant and equipment, at cost	\$ 3,024,974	\$ 2,900,585
Less: accumulated depreciation	656,068	620,635
Net property, plant and equipment	2,368,906	2,279,950
Current assets:		
Cash and cash equivalents	9,299	11,872
Accounts receivable and unbilled revenues, net	67,900	62,690
Income tax receivable	10,598	8,321
Inventory, materials and supplies	8,471	7,798
Prepayments and other current assets	9,662	7,596
Total current assets	105,930	98,277
Regulatory assets	133,589	130,953
Deferred charges and other assets, net	55,366	57,241
Funds restricted for construction activity	49,003	68,625
	\$ 2,712,794	\$ 2,635,046
Liabilities and Stockholders' Equity		
Common stockholders' equity:		
Common stock at \$.50 par value, authorized 300,000,000 shares, issued 132,083,539 and 129,658,806 in 2006 and 2005	\$ 66,042	\$ 64,829
Capital in excess of par value	529,656	478,508
Retained earnings	296,433	285,132
Treasury stock, 696,248 and 688,625 shares in 2006 and 2005	(13,132)	(12,914)
Accumulated other comprehensive loss	(2,883)	(3,082)
Unearned compensation	(1,309)	(550)
Total common stockholders' equity	874,807	811,923
Minority interest	1,672	1,551
Long-term debt, excluding current portion	907,198	878,438
Commitments and contingencies		
Current liabilities:		
Current portion of long-term debt	21,725	24,645
Loans payable	131,239	138,505
Accounts payable	40,179	55,455
Accrued interest	13,879	13,052
Accrued taxes	7,470	9,432
Other accrued liabilities	26,059	30,571
Total current liabilities	240,551	271,660
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	255,575	250,346
Customers' advances for construction	77,435	74,828
Regulatory liabilities	12,362	11,751
Other	38,724	31,969
Total deferred credits and other liabilities	384,096	368,894
Contributions in aid of construction	304,470	302,580
	\$ 2,712,794	\$ 2,635,046

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(In thousands, except per share amounts)

(UNAUDITED)

	Six Months Ended June 30,	
	2006	2005
Operating revenues	\$ 249,698	\$ 237,088
Costs and expenses:		
Operations and maintenance	106,749	98,200
Depreciation	34,085	29,312
Amortization	2,002	2,455
Taxes other than income taxes	16,151	15,757
	158,987	145,724
Operating income	90,711	91,364
Other expense (income):		
Interest expense, net	28,916	25,336
Allowance for funds used during construction	(2,198)	(1,064)
Gain on sale of other assets	(743)	(505)
Income before income taxes	64,736	67,597
Provision for income taxes	25,786	26,508
Net income	\$ 38,950	\$ 41,089
Net income	\$ 38,950	\$ 41,089
Other comprehensive income, net of tax:		
Unrealized holding gain on investments	199	-
Comprehensive income	\$ 39,149	\$ 41,089
Net income per common share:		
Basic	\$ 0.30	\$ 0.32
Diluted	\$ 0.30	\$ 0.32
Average common shares outstanding during the period:		
Basic	129,522	127,602
Diluted	130,734	129,214
Cash dividends declared per common share	\$ 0.2138	\$ 0.1950

See notes to consolidated financial statements on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(In thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended	
	June 30,	
	2006	2005
Operating revenues	\$ 131,749	\$ 123,100
Costs and expenses:		
Operations and maintenance	55,433	50,891
Depreciation	17,255	14,629
Amortization	888	1,227
Taxes other than income taxes	8,084	7,760
	<u>81,660</u>	<u>74,507</u>
Operating income	50,089	48,593
Other expense (income):		
Interest expense, net	14,744	12,541
Allowance for funds used during construction	(1,280)	(700)
Gain on sale of other assets	(476)	(24)
Income before income taxes	<u>37,101</u>	<u>36,776</u>
Provision for income taxes	14,715	14,558
Net income	<u>\$ 22,386</u>	<u>\$ 22,218</u>
Net income	\$ 22,386	\$ 22,218
Other comprehensive income, net of tax:		
Unrealized holding gain on investments	199	-
Comprehensive income	<u>\$ 22,585</u>	<u>\$ 22,218</u>
Net income per common share:		
Basic	<u>\$ 0.17</u>	<u>\$ 0.17</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 0.17</u>
Average common shares outstanding during the period:		
Basic	<u>129,860</u>	<u>127,851</u>
Diluted	<u>130,952</u>	<u>129,498</u>
Cash dividends declared per common share	<u>\$ 0.1069</u>	<u>\$ 0.0975</u>

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CAPITALIZATION**  
(In thousands of dollars, except per share amounts)

(UNAUDITED)

	June 30, 2006	December 31, 2005
Common stockholders' equity:		
Common stock, \$.50 par value	\$ 66,042	\$ 64,829
Capital in excess of par value	529,656	478,508
Retained earnings	296,433	285,132
Treasury stock	(13,132)	(12,914)
Accumulated other comprehensive loss	(2,883)	(3,082)
Unearned compensation	(1,309)	(550)
Total common stockholders' equity	874,807	811,923
Long-term debt:		
Long-term debt of subsidiaries (substantially secured by utility plant):		
Interest Rate Range		
0.00% to 2.49%	24,182	21,574
2.50% to 2.99%	25,651	28,684
3.00% to 3.49%	17,292	17,380
3.50% to 3.99%	6,211	6,748
4.00% to 4.49%	1,300	1,300
4.50% to 4.99%	29,395	29,395
5.00% to 5.49%	262,572	262,588
5.50% to 5.99%	79,000	79,000
6.00% to 6.49%	88,360	88,504
6.50% to 6.99%	22,000	32,000
7.00% to 7.49%	13,588	15,878
7.50% to 7.99%	24,897	25,012
8.00% to 8.49%	26,400	26,507
8.50% to 8.99%	9,000	9,000
9.00% to 9.49%	46,676	46,764
9.50% to 9.99%	40,439	40,933
10.00% to 10.50%	6,000	6,000
	722,963	737,267
Unsecured notes payable, 4.87%, maturing in various installments 2010 through 2023	135,000	135,000
Unsecured notes payable, 5.95%, due in 2023 through 2034	40,000	-
Unsecured notes payable, 5.01%, due 2015	18,000	18,000
Unsecured notes payable, 5.20%, due 2020	12,000	12,000
Notes payable, 6.05%, maturing in 2006 through 2008	960	816
	928,923	903,083
Current portion of long-term debt	21,725	24,645
Long-term debt, excluding current portion	907,198	878,438
Total capitalization	\$ 1,782,005	\$ 1,690,361

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS' EQUITY  
(In thousands of dollars)  
(UNAUDITED)

	Common Stock	Capital in excess of par value	Retained earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Unearned Compensation on Restricted Stock	Total
Balance at December 31, 2005	\$ 64,829	\$478,508	\$285,132	\$(12,914)	\$ (3,082)	\$ (550)	\$811,923
Net income	-	-	38,950	-	-	-	38,950
Other comprehensive income:							
unrealized holding gain on investments, net of income tax of \$107	-	-	-	-	199	-	199
Dividends paid	-	-	(27,649)	-	-	-	(27,649)
Sale of stock (1,953,012 shares)	969	40,865	-	474	-	-	42,308
Repurchase of stock (24,096 shares)	-	-	-	(692)	-	-	(692)
Equity Compensation Plan (42,200 shares)	21	1,177	-	-	-	(1,198)	-
Exercise of stock options (445,994 shares)	223	5,182	-	-	-	-	5,405
Stock-based compensation	-	1,712	-	-	-	439	2,151
Employee stock plan tax benefits	-	2,212	-	-	-	-	2,212
Balance at June 30, 2006	<u>\$ 66,042</u>	<u>\$529,656</u>	<u>\$296,433</u>	<u>\$(13,132)</u>	<u>\$ (2,883)</u>	<u>\$ (1,309)</u>	<u>\$874,807</u>

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands of dollars)

(UNAUDITED)

	Six Months Ended	
	June 30,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 38,950	\$ 41,089
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	36,087	31,767
Deferred income taxes	4,863	3,199
Gain on sale of other assets	(743)	(505)
Stock-based compensation	1,929	-
Net increase (decrease) in receivables, inventory and prepayments	(7,631)	2,911
Net decrease in payables, accrued interest, accrued taxes and other accrued liabilities	(29,941)	(14,440)
Other	4,527	(354)
Net cash flows from operating activities	<u>48,041</u>	<u>63,667</u>
Cash flows from investing activities:		
Property, plant and equipment additions, including allowance for funds used during construction of \$918 and \$364	(121,936)	(93,197)
Acquisitions of water and wastewater systems, net	(2,804)	(2,211)
Proceeds from the sale of other assets	753	508
Additions to funds restricted for construction activity	(1,544)	(72,156)
Release of funds previously restricted for construction activity	21,166	18,708
Other	(256)	(80)
Net cash flows used in investing activities	<u>(104,621)</u>	<u>(148,428)</u>
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	5,367	6,024
Repayments of customers' advances	(1,908)	(1,780)
Net proceeds (repayments) of short-term debt	(7,266)	38,880
Proceeds from long-term debt	45,814	100,619
Repayments of long-term debt	(20,130)	(47,657)
Change in cash overdraft position	11,257	(3,402)
Proceeds from exercised stock options	5,405	5,561
Stock-based compensation windfall tax benefits	1,501	-
Proceeds from issuing common stock	42,308	4,821
Repurchase of common stock	(692)	(424)
Dividends paid on common stock	(27,649)	(24,881)
Net cash flows from financing activities	<u>54,007</u>	<u>77,761</u>
Net decrease in cash and cash equivalents	(2,573)	(7,000)
Cash and cash equivalents at beginning of period	11,872	14,192
Cash and cash equivalents at end of period	<u>\$ 9,299</u>	<u>\$ 7,192</u>

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 1

Basis of Presentation

The accompanying consolidated balance sheet and statement of capitalization of Aqua America, Inc. (the "Company") at June 30, 2006, the consolidated statements of income and comprehensive income for the six months and quarter ended June 30, 2006 and 2005, the consolidated statements of cash flow for the six months ended June 30, 2006 and 2005, and the consolidated statement of common stockholders' equity for the six months ended June 30, 2006, are unaudited, but reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the changes in common stockholders' equity, the consolidated results of operations, and the consolidated cash flow for the periods presented. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the Aqua America Annual Report on Form 10-K for the year ended December 31, 2005 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2006. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year.

Certain prior year amounts have been changed to conform with current year's presentation. The Company reclassified an \$8,321 income tax receivable on its Consolidated Balance Sheets as of December 31, 2005 from accrued taxes to a separate line to conform with the current presentation. Prior to the fourth quarter of 2005, cash overdrafts were reported as components of cash or loans payable. This presentation was changed to classify cash overdrafts as accounts payable. Accordingly, applicable historical balance sheet and cash flow amounts have been revised to conform to the new presentation and a new line has been added in the cash flow from financing activities section titled "change in cash overdraft position." This revision had no impact on the Company's net income, cash flows from operating activities or cash flows used in investing activities. The revision increased the Company's net cash flows from financing activities from that which was previously reported by \$751 for the six months ended June 30, 2005. Share and per share data have been restated to give effect to the 2005 4-for-3 common stock split.

Note 2

Long-term Debt and Loans Payable

In March 2006, the Company's Pennsylvania operating subsidiary issued \$40,000 of unsecured notes at 5.95% of which \$10,000 are due in 2023, 2024, 2033 and 2034. Proceeds from the sale of bonds were received on March 31, 2006 and the proceeds were used to repay short-term borrowings in April 2006.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Note 3 Acquisitions

In May 2006, a subsidiary of the Company, Aqua New York, Inc., entered into a purchase agreement with Utilities & Industries Corp., LLC to acquire the capital stock of New York Water Service Corporation, which owns water systems in Nassau County, Long Island, New York. The purchase agreement provides for a purchase price of \$28,000 in cash, subject to certain purchase price adjustments, and the assumption of approximately \$23,000 in debt. The acquisition, which is subject to regulatory approval by the New York Public Service Commission, is expected to close in the fourth quarter of 2006. This acquisition will add approximately 44,500 customers in several communities of southeastern Nassau County.

In July 2006, the Company completed one asset acquisition and one stock acquisition of companies that provide on-site septic tank pumping and sludge hauling services to customers primarily in Pennsylvania and New Jersey for an aggregate purchase price of \$6,600 in cash, subject to post-closing adjustments. These transactions will be recorded in the third quarter of 2006.

Note 4 Net Income per Common Share

Basic net income per common share is based on the weighted average number of common shares outstanding. Diluted net income per common share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock options is included in the computation of diluted net income per common share. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per common share:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2006	2005	2006	2005
Average common shares outstanding during the period for basic computation	129,522	127,602	129,860	127,851
Dilutive effect of employee stock options	1,212	1,612	1,092	1,647
Average common shares outstanding during the period for diluted computation	<u>130,734</u>	<u>129,214</u>	<u>130,952</u>	<u>129,498</u>

For the six months and three months ended June 30, 2006, employee stock options to purchase 610,100 shares of common stock were excluded from the calculations of diluted net income per share as the options' exercise price was greater than the average market price of the Company's common stock during these periods. For the six months and three months ended June 30, 2005, there were no outstanding employee stock options excluded from the calculation of diluted net income per share as the average market price of the Company's common stock was greater than the options' exercise price.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Note 5 Stockholders' Equity

In June 2006, the Company issued 1,750,000 shares of common stock in a public offering for proceeds of \$37,400, net of expenses. The net proceeds were used to fund the Company's capital expenditure program and acquisitions, and for working capital and other general corporate purposes.

The Company reports other comprehensive income in accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." The following table summarizes the activity of accumulated other comprehensive income:

	2006	2005
Balance at January 1,	\$ (3,082)	\$ (1,742)
Other comprehensive income:		
Unrealized holding gain arising during the period, on certain investments, net of tax of \$107	199	-
Balance at June 30,	\$ (2,883)	\$ (1,742)

Note 6 Stock-based Compensation

Under the Company's 2004 Equity Compensation Plan (the "2004 Plan"), as approved by the shareholders to replace the 1994 Equity Compensation Plan (the "1994 Plan"), qualified and nonqualified stock options may be granted to officers, key employees and consultants at prices equal to the market price of the stock on the day of the grant. Officers and key employees may also be granted dividend equivalents and restricted stock. Restricted stock may also be granted to non-employee members of the Board of Directors. The 2004 Plan authorizes 4,900,000 shares for issuance under the plan. A maximum of 50% of the shares available for issuance under the 2004 Plan may be issued as restricted stock and the maximum number of shares that may be subject to grants under the plans to any one individual in any one year is 200,000. Awards under the 2004 Plan are made by a committee of the Board of Directors. At June 30, 2006, 3,454,006 shares underlying stock option and restricted stock awards were still available for grant under the 2004 Plan, although under the terms of the 2004 Plan, terminated, expired or forfeited grants under the 1994 Plan and shares withheld to satisfy tax withholding requirements under the plan may be re-issued under the plan.

**Stock Options**—Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment," which revised SFAS No. 123, "Accounting for Stock-based Compensation," and superseded APB No. 25, "Accounting for Stock Issued to Employees." Prior to January 1, 2006, the Company accounted for stock-based compensation using the intrinsic value method in accordance with APB Opinion No. 25. Accordingly, no compensation expense related to granting of stock options had been recognized in the financial statements prior to adoption of SFAS No. 123R for stock options that were granted, as the grant price equaled the market price on the date of grant.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
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The Company adopted this standard using the modified prospective method, and accordingly the financial statement amounts for the prior periods presented in this Form 10-Q have not been restated to reflect the fair value method of expensing share-based compensation. Under this transition method, compensation cost recognized in the three months ended and six months ended June 30, 2006 includes compensation cost for all share-based payments granted prior to, but not vested as of January 1, 2006, and share-based payments granted after January 1, 2006. For the three months ended and six months ended June 30, 2006, the impact of the adoption of SFAS No. 123R as compared to if the Company had continued to account for share-based compensation under APB Opinion No. 25: increased operations and maintenance expense by \$828 and \$1,490, increased capitalized compensation costs within property, plant and equipment, by \$125 and \$222, lowered income tax expense by \$21 and \$183, lowered net income by \$807 and \$1,307, lowered diluted net income per share by \$0.006 and \$0.010, and lowered basic net income per share by \$0.006 and \$0.010. SFAS 123R requires the Company to estimate forfeitures in calculating the compensation expense instead of recognizing these forfeitures and the resulting reduction in compensation expense as they occur. As of January 1, 2006, the cumulative after-tax effect of this change in accounting for forfeitures, if this adjustment was recorded, would have been to reduce stock-based compensation by \$12. The estimate of forfeitures will be adjusted over the vesting period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. The adoption of this standard had no impact on net cash flows and results in the reclassification on the consolidated cash flow statements of related tax benefits from cash flows from operating activities to cash flows from financing activities to the extent these tax benefits exceeded the associated compensation cost as determined under SFAS 123R.

Options are exercisable in installments of 33% annually, starting one year from the date of the grant and expire 10 years from the date of the grant. The fair value of each option is amortized into compensation expense on a straight-line basis over their respective 36 month vesting period, net of estimated forfeitures. The fair value of options was estimated at the grant date using the Black-Scholes option-pricing model. The per share weighted-average fair value at the date of grant for stock options granted during the six months ended June 30, 2006 and 2005 was \$7.82 and \$4.54 per option, respectively. There were no stock options granted during the three months ended June 30, 2006 and 2005. The application of this valuation model relies on the following assumptions that are judgmental and sensitive in the determination of the compensation expense for the periods reported:

	2006	2005
Expected term (years)	5.2	5.2
Risk-free interest rate	4.7%	4.0%
Expected volatility	25.8%	27.8%
Dividend yield	1.76%	2.40%

Historical information was the principal basis for the selection of the expected term and dividend yield. The expected volatility is based on a weighted-average combination of

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
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historical and implied volatilities over a time period that approximates the expected term of the option. The risk-free interest rate was selected based upon the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option.

The following table summarizes stock option transactions for the six months ended June 30, 2006:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Options:				
Outstanding at beginning of period	3,492,363	\$ 13.70		
Granted	611,950	\$ 29.46		
Forfeited	(11,071)	\$ 19.85		
Expired	(122)	\$ 18.33		
Exercised	(445,994)	\$ 12.12		
Outstanding at end of period	<u>3,647,126</u>	<u>\$ 16.52</u>	7.1	\$ 26,931
Exercisable at end of period	<u>2,265,265</u>	<u>\$ 12.65</u>	5.9	<u>\$ 22,969</u>

The aggregate intrinsic value of options exercised during the three months ended June 30, 2006 and 2005 was \$131 and \$4,760, respectively. The aggregate intrinsic value of options exercised during the six months ended June 30, 2006 and 2005 was \$4,424 and \$7,331, respectively. The intrinsic value of stock options is the amount by which the market price of the stock on a given date, such as at the end of the period or on the day of exercise, exceeded the market price of stock on the date of grant.

The following table summarizes information about the options outstanding and options exercisable as of June 30, 2006:

Range of prices:	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$ 5.81 - 9.99	450,694	2.8	\$ 7.51	450,694	\$ 7.51
\$10.00 - 12.99	1,096,612	5.9	12.20	1,096,612	12.20
\$13.00 - 15.99	99,161	6.9	13.75	99,161	13.75
\$16.00 - 16.99	613,596	7.8	16.15	374,544	16.15
\$17.00 - 18.33	776,963	8.7	18.33	244,254	18.33
\$29.00 - 29.99	610,100	9.8	29.46	-	-
	<u>3,647,126</u>	<u>7.1</u>	<u>\$ 16.52</u>	<u>2,265,265</u>	<u>\$ 12.65</u>

As of June 30, 2006, there was \$6,553 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plans. The cost is expected to be recognized over a weighted-average period of 1.6 years.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
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The following table provides the pro forma net income and earnings per share as if compensation cost for stock-based employee compensation was determined as of the grant date under the fair value method of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148.

	Six Months Ended June 30, 2005	Three Months Ended June 30, 2005
Net income, as reported:	\$ 41,089	\$ 22,218
Add: stock-based employee compensation expense included in reported net income, net of tax	209	151
Less: pro forma expense related to stock options granted, net of tax effects	(1,099)	(596)
Pro forma	\$ 40,199	\$ 21,773
Basic net income per share:		
As reported	\$ 0.32	\$ 0.17
Pro forma	0.32	0.17
Diluted net income per share:		
As reported	\$ 0.32	\$ 0.17
Pro forma	0.31	0.17

For the purposes of this pro forma disclosure, the fair value of the options at the date of grant was estimated using the Black-Scholes option-pricing model.

**Restricted Stock**—Restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. Restricted stock awards result in compensation expense which is equal to the fair market value of the stock on the date of the grant and is amortized ratably over the restriction period. The adoption of SFAS No. 123R had no impact on the Company's recognition of stock-based compensation expense associated with restricted stock awards. The Company expects forfeitures of restricted stock to be de minimus. There were no forfeitures during the six months ended June 30, 2006 nor have there been forfeitures prior to the adoption of SFAS 123R for the grants that were under restriction as of January 1, 2006.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

During the three months ended June 30, 2006 and 2005, the Company recorded stock-based compensation related to restricted stock awards as operations and maintenance expense in the amounts of \$334 and \$249, respectively. During the six months ended June 30, 2006 and 2005, the Company recorded stock-based compensation related to restricted stock awards as operations and maintenance expense in the amounts of \$439 and \$346, respectively. The following table summarizes nonvested restricted stock transactions for the six months ended June 30, 2006:

	Number of Shares	Weighted Average Fair Value
Nonvested shares at beginning of period	43,998	\$ 17.70
Granted	42,200	\$ 28.39
Vested	(24,310)	\$ 19.11
Forfeited	-	\$ -
Nonvested shares at end of period	61,888	\$ 24.43

The total value of awards for which restrictions lapsed during the three and six month periods ended June 30, 2006 was \$167 and \$655, respectively. As of June 30, 2006, \$1,309 of unrecognized compensation costs related to restricted stock is expected to be recognized over a weighted-average period of 1.5 years. The aggregate intrinsic value of restricted stock as of June 30, 2006 was \$1,410. The aggregate intrinsic value of restricted stock is based on the number of shares of restricted stock and the market value of the Company's common stock as of the period end date.

Note 7

Pension Plans and Other Postretirement Benefits

The Company maintains a qualified defined benefit plan, nonqualified pension plans and other postretirement benefit plans for certain of its employees. The net periodic benefit cost is based on estimated values provided by independent actuaries. The following tables provide the components of net periodic benefit costs:

	Pension Benefits			
	Six Months Ended		Three Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Service cost	\$ 2,550	\$ 2,424	\$ 1,275	\$ 1,164
Interest cost	5,132	4,903	2,566	2,420
Expected return on plan assets	(4,750)	(4,768)	(2,375)	(2,383)
Amortization of transition asset	(106)	(105)	(53)	(52)
Amortization of prior service cost	116	202	58	102
Amortization of actuarial loss	960	803	480	380
Capitalized costs	(998)	(911)	(526)	(482)
Net periodic benefit cost	\$ 2,904	\$ 2,548	\$ 1,425	\$ 1,149

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
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	Other Postretirement Benefits			
	Six Months Ended		Three Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Service cost	\$ 560	\$ 612	\$ 280	\$ 282
Interest cost	836	941	418	458
Expected return on plan assets	(640)	(631)	(320)	(318)
Amortization of transition obligation	406	402	203	202
Amortization of prior service cost	(366)	(29)	(183)	(14)
Amortization of actuarial loss	176	110	88	55
Amortization of regulatory asset	76	76	38	38
Capitalized costs	(398)	(368)	(210)	(195)
Net periodic benefit cost	<u>\$ 650</u>	<u>\$ 1,113</u>	<u>\$ 314</u>	<u>\$ 508</u>

The Company contributed \$2,652 in April 2006 and \$682 in July 2006 to its defined benefit pension plan and intends to contribute \$3,066 during the balance of 2006. In addition, the Company expects to contribute approximately \$2,882 for the funding of its other postretirement benefits during 2006.

Note 8

Water and Wastewater Rates

On June 22, 2006, the Pennsylvania Public Utility Commission granted the Company's operating subsidiary in Pennsylvania a \$24,900 base water rate increase, on an annualized basis. The rates in effect at the time of the filing included \$12,397 in Distribution System Improvement Charges ("DSIC") or 5.0% above the prior base rates. Consequently, the total base rates increased by \$37,297 and the DSIC was reset to zero.

During the first half of 2006, certain of the Company's operating divisions in Virginia, Ohio, Florida, Maine, Indiana and New York were granted rate increases designed to increase total operating revenues on an annual basis by approximately \$4,060.

In May 2004, the Company's operating subsidiaries in Texas filed an application with the Texas Commission on Environmental Quality to increase rates by \$11,920 over a multi-year period. The application seeks to increase annual revenues in phases and is accompanied by a plan to defer and amortize a portion of the Company's depreciation, operating and other tax expense over a similar multi-year period, such that the impact on operating income approximates the requested amount during the first years that the new rates are in effect. The application is currently pending before the Commission and several customers and municipalities have joined the proceeding to challenge the rate request. The Company commenced billing for the requested rates and implemented the deferral plan in August 2004. The additional revenue billed and collected prior to the final ruling are subject to refund based on the outcome of the ruling. The revenue recognized and the expenses deferred by the Company reflect an estimate of the final outcome of the ruling. As of June 30, 2006, the Company has deferred \$11,172 of expenses and recognized \$8,534 of revenue that is subject

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

to refund based on the outcome of the final commission order, which is expected to be issued by December 2006.

Note 9

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective and will be adopted by the Company on January 1, 2007. Upon adoption, the Company will record a cumulative effect adjustment of a change in accounting principle, if necessary, as prescribed by FIN 48. The Company is currently evaluating the provisions of this statement and has not yet determined the effect of adoption on its results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS 123R generally requires that the Company measure the cost of employee services received in exchange for stock-based awards on the grant-date fair value and this cost will be recognized over the period during which an employee provides service in exchange for the award. Prior to the adoption of SFAS No. 123R on January 1, 2006, the Company provided pro forma disclosure of its compensation costs associated with the fair value of stock options that had been granted, and accordingly, no compensation costs were recognized in its consolidated financial statements. The Company adopted this standard using the modified prospective method, and accordingly, the financial statement amounts for the prior periods presented in this Form 10-Q have not been restated to reflect the fair value method of expensing share-based compensation. During the second quarter of 2006, the adoption of SFAS 123R lowered net income by \$807 and increased operations and maintenance expense by \$828. During the six months ended June 30, 2006, the adoption of SFAS 123R lowered net income by \$1,307 and increased operations and maintenance expense by \$1,490. The after-tax impact of adopting SFAS 123R is expected to approximate \$2,800 during the year ending December 31, 2006. The adoption of this standard had no material impact on the Company's overall financial position, no impact on cash flow, and results in the reclassification on the consolidated cash flow statements of related tax benefits from cash flows from operating activities to cash flows from financing activities to the extent these tax benefits exceeded the associated compensation cost recognized in the income statement. See Note 6 for further information and the required disclosures under SFAS 123R.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### AQUA AMERICA, INC. AND SUBSIDIARIES

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In thousands of dollars, except per share amounts)

##### Forward-looking Statements

*This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things: our use of cash; projected capital expenditures; liquidity; possible acquisitions and other growth ventures; the completion of various construction projects; the projected timing and annual value of rate increases; the recovery of certain costs and capital investments through rate increase requests; the projected effects of recent accounting pronouncements, as well as information contained elsewhere in this report where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans" or similar expressions. These statements are based on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside our control. Actual results may differ materially from such statements for a number of reasons, including the effects of regulation, abnormal weather, changes in capital requirements and funding, acquisitions, and our ability to assimilate acquired operations. In addition to these uncertainties or factors, our future results may be affected by the factors and risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.*

##### General Information

*Nature of Operations* - Aqua America, Inc. ("we" or "us"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to what we estimate to be more than 2.5 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, Virginia, Maine, Missouri, New York and South Carolina. Our largest operating subsidiary, Aqua Pennsylvania, Inc., provides water or wastewater services to approximately one-half of the total number of people we serve, located in the suburban areas north and west of the City of Philadelphia and in 22 other counties in Pennsylvania. Our other subsidiaries provide similar services in 12 other states. In addition, we provide water and wastewater service through operating and maintenance contracts with municipal authorities and other parties, and septage hauling services, close to our operating companies' service territories. We are the largest U.S.-based publicly-traded water and wastewater utility based on number of people served.

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

Financial Condition

During the first half of 2006, we had \$121,936 of capital expenditures, acquired water and wastewater systems for \$2,804, repaid \$1,908 of customer advances for construction and repaid debt and made sinking fund contributions and other loan repayments of \$20,130. The capital expenditures were related to improvements to treatment plants, new and rehabilitated water mains, tanks, hydrants, and service lines, in addition to well and booster improvements and an office building expansion.

During the first half of 2006, the proceeds from the issuance of long-term debt, the proceeds from the issuance of common stock, internally generated funds and available working capital were used to fund the cash requirements discussed above and to pay dividends. In March 2006, our Pennsylvania operating subsidiary issued \$40,000 of unsecured notes at 5.95% of which \$10,000 are due in 2023, 2024, 2033 and 2034. Proceeds from the sale of bonds were used to repay short-term borrowings. In June 2006, Aqua America issued 1,750,000 shares of common stock in a public offering for proceeds of \$37,400, net of expenses. The net proceeds were used to fund our capital expenditure program and acquisitions, and for working capital and other general corporate purposes. At June 30, 2006, we had short-term lines of credit of \$228,000, of which \$96,761 was available. Effective with the September 1, 2006 payment, Aqua America increased the quarterly cash dividend on common stock from \$0.1069 per share to \$0.115 per share.

Management believes that internally generated funds along with existing credit facilities and the proceeds from the issuance of long-term debt and common stock will be adequate to meet our financing requirements for the balance of the year and beyond.

## AQUA AMERICA, INC. AND SUBSIDIARIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued) (In thousands of dollars, except per share amounts)

#### Results of Operations

##### Analysis of First Six Months of 2006 Compared to First Six Months of 2005

Revenues for the first six months increased \$12,610 or 5.3% primarily due to additional revenues of \$5,041 resulting from increased water and wastewater rates implemented in various operating subsidiaries, \$2,283 of additional revenues from the infrastructure rehabilitation surcharge, additional water and sewer revenues of \$2,827 associated with a larger customer base due to acquisitions, and increased water consumption as compared to the first half of 2005.

Operations and maintenance expenses increased by \$8,549 or 8.7% primarily due to increased water production costs of \$2,059, a reduction in the deferral of expenses related to the Texas rate case filing of \$1,890, stock-based compensation expense of \$1,490, additional expenses associated with acquisitions of \$1,760, and normal increases in other operating costs, offset partially by receipt of \$1,500 relating to a waiver of certain contractual rights. The increased water production costs, principally purchased power and chemicals, were associated with vendor price increases and increased water production. A portion of the increase in operations and maintenance expense is associated with the change in the cost deferral related to the 2004 Texas rate filing. The rate filing was designed and implemented using a multi-year plan to increase annual revenues in phases, and to defer and amortize a portion of the Company's operating expense over a similar multi-year period. The impact, by design, resulted in a lower expense deferral of \$1,890 in the first six months of 2006 than in the same period of 2005. The lower expense deferral results in an increase in expense recognized in conjunction with an additional phase increase in the revenues billed and recognized. The stock-based compensation expense of \$1,490 was associated with stock options and is a component of operations and maintenance expense beginning on January 1, 2006 as a result of adopting a new accounting standard.

Depreciation expense increased \$4,773 or 16.3% reflecting the utility plant placed in service since the second quarter of 2005, including the assets acquired through system acquisitions.

Amortization decreased \$453 or 18.5% due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by \$394 or 2.5% due to additional state and local taxes incurred in the first half of 2006.

Interest expense increased by \$3,580 or 14.1% primarily due to additional borrowings to finance capital projects, increased interest rates on short-term borrowings and lower interest income, offset partially by decreased interest rates on long-term borrowings due to the refinancing of certain existing debt issues.

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

Allowance for funds used during construction ("AFUDC") increased by \$1,134 primarily due to an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied; and an increase in the AFUDC rate which is based on short-term interest rates.

Gain on sale of other assets totaled \$743 in the first half of 2006 and \$505 in the first half of 2005. The increase of \$238 is due to the timing of sales of land.

Our effective income tax rate was 39.8% in the first half of 2006 and 39.2% in the first half of 2005. The change was due to an increase in our expenses that are not tax-deductible, including a portion of the stock-based compensation expense in the first half of 2006.

Net income for the first six months decreased by \$2,139 or 5.2%, in comparison to the same period in 2005 primarily as a result of the factors described above. On a diluted per share basis, earnings decreased \$0.02 or 6.3% reflecting the change in net income and a 1.2% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares sold or issued through the dividend reinvestment plan, the employee stock and incentive plan and the additional shares issued in the June 2006 share offering.

Analysis of Second Quarter of 2006 Compared to Second Quarter of 2005

Revenues for the quarter increased \$8,649 or 7.0% primarily due to additional revenues of \$2,665 resulting from increased water and wastewater rates implemented in various operating subsidiaries, additional water and sewer revenues of \$1,183 associated with a larger customer base due to acquisitions, \$990 of additional revenues from the infrastructure rehabilitation surcharge, \$952 of additional sewer revenues, and increased water consumption as compared to the second quarter of 2005.

Operations and maintenance expenses increased by \$4,542 or 8.9% primarily due to increased water production costs of \$1,167, stock-based compensation expense of \$828, additional expenses associated with acquisitions of \$702, a reduction in the deferral of expenses related to the Texas rate case filing of \$945 and normal increases in other operating costs. The increased water production costs, principally purchased power and chemicals, were associated with vendor price increases and increased water production. The stock-based compensation expense of \$828 was associated with stock options and is a component of operations and maintenance expense beginning on January 1, 2006 as a result of adopting a new accounting standard. A portion of the increase in operations and maintenance expense is associated with the change in the cost deferral related to the 2004 Texas rate filing. The rate filing was designed and implemented using a multi-year plan to increase annual revenues in phases, and to defer and amortize a portion of the Company's operating expense over a similar multi-year period. The impact, by design, resulted in a lower expense deferral of \$945 in the second quarter of 2006 than in the same period of 2005. The lower expense deferral results in an increase in expense recognized in conjunction with an additional phase increase in the revenues billed and recognized.

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

Depreciation expense increased \$2,626 or 18.0% reflecting the utility plant placed in service since June 30, 2005, including the assets acquired through system acquisitions.

Amortization decreased \$339 or 27.6% due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by \$324 or 4.2% due to additional state and local taxes incurred in the second quarter of 2006.

Interest expense increased by \$2,203 or 17.6% primarily due to additional borrowings to finance capital projects, increased interest rates on short-term borrowings and lower interest income.

Allowance for funds used during construction ("AFUDC") increased by \$580 primarily due to an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied; and an increase in the AFUDC rate which is based on short-term interest rates.

Gain on sale of other assets totaled \$476 in the second quarter of 2006 and \$24 in the second quarter of 2005. The increase of \$452 is due to the timing of sales of land.

Our effective income tax rate was 39.7% in the second quarter of 2006 and 39.6% in the second quarter of 2005. The change was due to an increase in our expenses that are not tax-deductible, including a portion of the stock-based compensation expense in the second quarter of 2006.

Net income for the quarter increased by \$168 or 0.8%, in comparison to the same period in 2005 primarily as a result of the factors described above. On a diluted per share basis, earnings were unchanged reflecting the change in net income and a 1.1% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares sold or issued through the the employee stock and incentive plan, dividend reinvestment plan and the additional shares issued in the June 2006 share offering.

Impact of Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective and will be adopted by us on January 1, 2007. Upon adoption, we will record a cumulative effect of a change in accounting principle, if necessary, as prescribed by FIN 48. We are currently evaluating the provisions of this statement and have not yet determined the effect of adoption on our results of operations or financial position.

## AQUA AMERICA, INC. AND SUBSIDIARIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued) (In thousands of dollars, except per share amounts)

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS 123R generally requires that we measure the cost of employee services received in exchange for stock-based awards on the grant-date fair value and this cost will be recognized over the period during which an employee provides service in exchange for the award. Prior to the adoption of SFAS No. 123R on January 1, 2006, we provided pro forma disclosure of our compensation costs associated with the fair value of stock options that had been granted, and accordingly, no compensation costs were recognized in our consolidated financial statements. We adopted this standard using the modified prospective method, and accordingly, the financial statement amounts for the prior periods presented in this Form 10-Q have not been restated to reflect the fair value method of expensing share-based compensation. During the second quarter of 2006, the adoption of SFAS 123R lowered net income by \$807 and increased operations and maintenance expense by \$828. During the six months ended June 30, 2006, the adoption of SFAS 123R lowered net income by \$1,307 and increased operations and maintenance expense by \$1,490. The after-tax impact of adopting SFAS 123R is expected to approximate \$2,800 during the year ending December 31, 2006. The adoption of this standard had no material impact on our overall financial position, no impact on cash flow, and results in the reclassification on the consolidated cash flow statements of related tax benefits from cash flows from operating activities to cash flows from financing activities to the extent these tax benefits exceeded the associated compensation cost recognized in the income statement. See Note 6 to the consolidated financial statements for further information and the required disclosures under SFAS 123R.

#### Recent Events

Economic Regulation – A local-government sanitary district is considering the acquisition, by eminent domain or otherwise, of all or a portion of the utility assets of our wastewater operating division located in University Park, Illinois. The system represents approximately 2,200 customers or less than 0.5% of our total customer base. We are actively discussing this matter with the district. We believe that our Illinois operating subsidiary is entitled to fair market value for its assets.

## AQUA AMERICA, INC. AND SUBSIDIARIES

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. There have been no significant changes in our exposure to market risks since December 31, 2005. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2005 for additional information.

### Item 4. Controls and Procedures

#### (a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

#### (b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Part II. Other Information

### Item 1. Legal Proceedings

In May 2004, our subsidiaries in Texas filed an application with the Texas Commission on Environmental Quality to increase rates over a multi-year period. In accordance with authorization from the Texas Commission on Environmental Quality, our subsidiaries commenced billing for the requested rates and deferred recognition of certain expenses for financial statement purposes. Several customers and municipalities have joined the proceeding and challenged the requested rate structure, including our request to regionalize rates, and the amount of our requested rate increase. In the event our request is denied completely or in part, we could be required to refund some or all of the revenue billed to date, and write-off some or all of the regulatory asset for the expense deferral. For more information, see the description under "Results of Operation" in "Management's Discussion and Analysis of Financial Condition and Results of Operation" in our Annual

## AQUA AMERICA, INC. AND SUBSIDIARIES

Report on Form 10-K for the year ended December 31, 2005, and refer to "Note 8 – Water and Wastewater Rates" to the Consolidated Financial Statements of Aqua America, Inc. and subsidiaries in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

There are no other pending legal proceedings to which we or any of our subsidiaries is a party or to which any of their properties is the subject that are material or are expected to have a material effect on our financial position, results of operations or cash flows.

### Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of Aqua America, Inc. was held on May 17, 2006 at the Drexelbrook Banquet Facility & Corporate Events Center, Drexelbrook Drive and Valley Road, Drexel Hill, Pennsylvania, pursuant to the Notice sent on or about April 11, 2006 to all shareholders of record at the close of business on March 27, 2006. At that meeting the following nominees were elected as directors of Aqua America, Inc. for terms expiring in the year 2009 and received the votes set forth after their names below:

<u>Name of Nominee</u>	<u>For</u>	<u>Withheld</u>
Nicholas DeBenedictis	104,115,298	2,810,987
Richard H. Glanton, Esq.	103,772,605	3,153,680
Lon R. Greenberg	105,665,550	1,260,735

Since the Board of Directors is divided into three classes with one class elected each year to hold office for a three-year term, the term of office for the following directors continued after the Annual Meeting: Mary C. Carroll; William P. Hankowsky; Dr. Constantine Papadakis; and Richard L. Smoot.

### Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be executed on its behalf by the undersigned thereunto duly authorized.

August 4, 2006

AQUA AMERICA, INC.  
Registrant

NICHOLAS DEBENEDICTIS  
Nicholas DeBenedictis  
Chairman, President and  
Chief Executive Officer

DAVID P. SMELTZER  
David P. Smeltzer  
Senior Vice President - Finance  
and Chief Financial Officer

## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
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31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.

## Certification

I, Nicholas DeBenedictis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Designed such internal control over financial reporting; or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2006

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis

Chairman, President and Chief Executive Officer

## Certification

I, David P. Smeltzer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2006

DAVID P. SMELTZER

David P. Smeltzer  
Senior Vice President – Finance  
and Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2006 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas DeBenedictis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects; the financial condition and results of operations of the Company.

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis  
Chairman, President and Chief Executive Officer  
August 4, 2006

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2006 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Smeltzer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DAVID P. SMELTZER

David P. Smeltzer  
Senior Vice President - Finance and Chief Financial Officer  
August 4, 2006

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR16. Please supply copies of the Company's balance sheets for each month for the last two years.

A. Refer to Schedule OD1.

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR17. Please provide the bond rating history for the Company and, if applicable, its parent from the major credit rating agencies for the last five years.

A. Please refer to the attached Standard & Poor's Reports which discuss the bond rating history for the Company.

The Parent Company (Aqua America, Inc.) is not rated.

September 21, 2007

## Aqua Pennsylvania Inc.

**Primary Credit Analyst:**

Kenneth L. Farer, New York (1) 212-438-1679; kenneth\_farer@standardandpoors.com

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# Aqua Pennsylvania Inc.

## Major Rating Factors

### Strengths:

- A favorable regulatory environment,
- A stable revenue base,
- A strong market position and customer base,
- The absence of competition, and
- Low operating risk.

### Corporate Credit Rating

A+/Stable

### Weaknesses:

- A highly acquisitive growth strategy,
- Elevated capital spending requirements for infrastructure replacement,
- The increasing costs of compliance with water quality standards, and
- A highly leveraged capital structure.

## Rationale

The ratings on water utility Aqua Pennsylvania Inc. largely reflect the consolidated credit quality of its unrated parent, Aqua America Inc. Aqua Pennsylvania accounts for more than half of consolidated Aqua America's revenues and serves more than 410,000 customers in Pennsylvania. Most customers are in the northern and western suburbs of Philadelphia. Aqua America's regulated subsidiaries provide water or wastewater services in 13 states and provide virtually all revenue and cash flow. Aqua Pennsylvania's excellent business risk profile ('2' on a 10-point scale, where '1' is excellent and '10' is vulnerable) is supported by a favorable regulatory environment; a strong service territory; a stable customer base that is predominantly residential; an absence of competition, and low operating risk. These strengths are tempered by elevated capital spending requirements for infrastructure replacement, increasing costs of compliance with water quality standards, and a parent with a highly acquisitive growth strategy and higher debt leverage.

Aqua America's regulated subsidiaries are each regulated by a state regulatory commission, which is a key driver for revenue stability and growth. Aqua Pennsylvania is regulated by the Pennsylvania Public Utilities Commission (PPUC), which provides favorable cost-recovery mechanisms like rate cases based on a future test year, a distribution system-improvement charge, a consolidated rate structure, and recovery of the acquisition premium for certain troubled systems of up to 3,300 customers. Aqua America has forecasted capital expenditures of about \$250 million per year through 2011, with about half of this amount to be debt financed. The majority of planned spending is for the replacement of aging infrastructure and expansion of its service territory, with less than 10% of capital expenditures to address water quality standards of recently acquired operations. In states without a distribution system-improvement charge, the company will need to file rated cases to recover these costs.

The low risk of Aqua America's operations is characterized by its purchase of less than 10% of its water supply and the highly interconnected nature of its operations. Aqua America primarily obtains its water supplies from wells and surface sources, such as rivers and reservoirs. Interconnected water systems provide economies of scale and other efficiencies.

Aqua Pennsylvania's financial metrics are somewhat stronger than those of Aqua America, but are appropriate for the current rating. As of June 30, 2007, Aqua America had total debt, including capitalized operating leases and tax-effected pension and postretirement obligations, of about \$1.1 billion, with adjusted debt to capital of 58%. Aqua Pennsylvania had total debt of about \$735 million and adjusted total debt to capital of 55%. For the 12 months ended June 30, 2007, Aqua America reported adjusted funds from operations (FFO) of \$195 million, FFO to interest coverage of 3.7x, and adjusted FFO to total debt of 15%. These figures are somewhat weaker than Aqua Pennsylvania's adjusted funds from operations (FFO) of \$135 million, FFO interest coverage of 4.6x, and adjusted FFO to total debt of 19%.

Although Aqua Pennsylvania recovers its underfunded pension and postretirement benefit obligations through regulatory deferrals, Aqua America's consolidated pension and other postretirement obligations were underfunded by about \$60 million as of Dec. 31, 2006, the last reported date.

### **Liquidity**

Aqua America's liquidity is adequate and supported by the company's reliable cash flows and sufficient availability on its credit facilities and short-term lines of credit. As of June 30, 2007, Aqua America had \$11 million in cash and \$62 million available under its short-term lines of credit, which provide for borrowings of up to \$237.5 million.

Upcoming debt maturities are manageable, with about \$30 million due in 2007 and \$24 million in 2008. Capital expenditures are forecast to be high at about \$250 million per year through 2011, with half to be debt-financed. Dividends have been steadily increasing and totaled about \$60 million in 2006. Given the company's capital spending program, acquisition program, and other uses of cash flow, the company will need to access the debt and equity markets to meet its various obligations.

### **Recovery analysis**

The senior secured first mortgage bonds are rated 'AA-', the same as the corporate credit rating, with a recovery rating of '1+'. The recovery rating indicates expectations for a full recovery of principal in a payment default scenario. The absence of notching for the first mortgage bonds reflects our expectation that the security provided under the first mortgage bond indenture is already reflected in the probability of default rating assigned to the issuer.

## **Outlook**

The outlook on Aqua Pennsylvania is stable. The stable outlook reflects Standard & Poor's Ratings Services' expectation of adequate and timely rate relief, which is a key rating factor, and continued management of its growth strategy to maintain a current financial risk profile that is appropriate for the current rating. A negative outlook revision could be warranted, if the regulatory environment takes an unfavorable shift or there is an increased use of debt to finance acquisitions or capital spending. A positive outlook revision could be warranted, if there is a sustained improvement in financial metrics at Aqua Pennsylvania and Aqua America.

## **Accounting**

Aqua America prepares its financial statements according to SFAS No. 71, "Accounting for Effects of Certain Types of Regulation." Subject to SFAS No. 71, Aqua America recorded certain regulatory assets of \$165 million and liabilities of \$12 million as of Dec. 31, 2006.

The company adopted SFAS No. 158 for year-ended December 2006, which requires recognition of the funded status of defined benefit pension and other postretirement plans as an asset or liability on the balance sheet. The adoption of the standard did not affect the rating on parent Aqua Pennsylvania, as Standard & Poor's adjusted financial ratios impute a debt equivalent for underfunded pension and postretirement obligations. Standard & Poor's adds a debt equivalent of about \$40 million for pension and postretirement obligations, using the company's average interest cost as the discounting factor.

Advances in aid of construction (AIAC) are cash deposits from developers for construction of water facilities or water facilities deeded from developers. As of Dec. 31, 2006, Aqua America had \$77 million of AIAC. While Aqua America must refund the collected AIAC to ratepayers, Standard & Poor's does not impute a debt equivalent to this noncash item.

Table 1

<b>Aqua Pennsylvania Inc. -- Peer Comparison*</b>					
--Average of past three fiscal years--					
	<b>Aqua Pennsylvania Inc.</b>	<b>Aqua America Inc.</b>	<b>California Water Services Group Inc.</b>	<b>American States Water Co.</b>	<b>Golden State Water Co.</b>
	A+/Stable/--	N.R.	N.R.	A/Stable/--	A/Stable/--
<b>(Mil. \$)</b>					
Revenues	270.5	490.8	323.7	245.3	230.4
Net income from continuing operations	60.3	87.7	26.3	22.8	24.0
Funds from operations (FFO)	124.5	178.9	61.4	56.3	55.8
Capital expenditures	133.2	234.6	89.4	75.4	71.1
Cash and investments	3.3	23.0	29.6	6.9	4.4
Debt	629.7	1,081.3	320.0	318.0	288.1
Preferred stock	0.0	0.0	3.5	0.0	0.0
Common equity	525.5	806.5	305.8	256.9	246.0
Total capital	1,155.5	1,889.4	629.3	575.0	534.1
<b>Adjusted ratios</b>					
EBIT interest coverage (x)	4.0	3.4	3.1	3.0	3.3
FFO int. cov. (x)	4.7	4.0	3.8	3.8	4.0
FFO/debt (%)	19.8	16.5	19.2	17.7	19.4
Discretionary cash flow/debt (%)	(6.2)	(9.8)	(13.8)	(11.4)	(11.2)
Net cash flow/capex (%)	68.0	54.2	45.2	55.0	55.5
Debt/total capital (%)	54.5	57.2	50.9	55.3	53.9
Return on common equity (%)	11.4	10.8	8.3	9.0	9.8
<b>Ratios before adjustments for postretirement obligations</b>					
Oper. income/sales (bef. D&A) (%)	63.7	53.4	27.1	32.6	34.6
EBIT interest coverage (x)	4.1	3.4	3.1	3.0	3.4
FFO/debt (%)	20.7	17.3	20.6	18.8	20.8
Debt/EBITDA (x)	3.5	4.0	3.3	3.8	3.4
Debt/total capital (%)	52.8	55.6	47.3	52.9	51.3

Table 1

**Aqua Pennsylvania Inc. -- Peer Comparison\*(cont.)**

\*Fully adjusted (including postretirement obligations). N.R. -- Not rated.

Table 2

**Aqua Pennsylvania Inc. -- Financial Summary\***

	--Average of past three fiscal years--		--Fiscal year ended Dec. 31--			
	2006	2005	2004	2003	2002	
Rating history	A+/Stable/--	A+/Stable/--	A+/Stable/--	A+/Stable/--	A+/Watch Neg/--	
<b>(Mil. \$)</b>						
Revenues	270.5	287.5	272.7	251.2	237.9	221.2
Net income from continuing operations	60.3	62.4	61.5	56.9	54.8	47.4
Funds from operations (FFO)	124.5	126.5	124.8	122.1	103.1	87.3
Capital expenditures	133.2	159.5	127.6	112.5	111.2	97.7
Cash and investments	3.3	1.8	3.1	4.9	2.8	3.4
Debt	629.7	639.5	660.8	588.7	537.2	544.7
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0
Common equity	525.5	591.7	510.1	474.8	472.0	417.5
Total capital	1,155.5	1,231.5	1,171.2	1,063.8	1,009.5	962.4
<b>Adjusted ratios</b>						
EBIT interest coverage (x)	4.0	3.9	4.2	4.0	3.7	3.6
FFO int. cov. (x)	4.7	4.4	4.8	4.8	4.1	3.9
FFO/debt (%)	19.8	19.8	18.9	20.7	19.2	16.0
Discretionary cash flow/debt (%)	(6.2)	(7.8)	(4.1)	(6.7)	(7.3)	(7.0)
Net cash flow/capex (%)	68.0	68.0	73.5	61.7	61.8	61.1
Debt/total capital (%)	54.5	51.9	56.4	55.3	53.2	56.6
Return on common equity (%)	11.4	10.9	12.0	11.3	11.6	10.7
Common dividend payout ratio (un-adj.) (%)	56.2	28.9	50.3	92.6	62.9	58.3
<b>Ratios before adjustments for postretirement obligations</b>						
Oper. income/sales (bef. D&A) (%)	63.7	63.2	63.7	64.2	64.0	62.5
EBIT interest coverage (x)	4.1	3.9	4.3	4.0	3.7	3.6
FFO/debt (%)	20.7	20.5	19.9	21.8	20.3	16.7
Debt/EBITDA (x)	3.5	3.4	3.7	3.5	3.4	3.8
Debt/total capital (%)	52.8	51.0	54.5	53.1	51.3	54.8

\*Fully adjusted (including postretirement obligations).

Table 3

**Reconciliation Of Aqua Pennsylvania Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. \$)\***

--Fiscal year ended Dec. 31, 2006--

**Aqua Pennsylvania Inc. reported amounts**

	Debt	Shareholders' equity	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital expenditures
Reported	608.7	591.7	180.9	180.9	134.9	32.7	128.1	128.1	160.1
<b>Standard &amp; Poor's adjustments</b>									
Operating leases	7.6	--	1.0	0.4	0.4	0.4	0.5	0.5	1.1
Postretirement benefit obligations	23.2	--	0.3	0.3	0.3	0.6	0.4	0.4	--
Capitalized interest	--	--	--	--	--	1.6	(1.6)	(1.6)	(1.6)
Share-based compensation expense	--	--	--	1.0	--	--	--	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	1.7	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	(0.9)	--
Minority interest	--	0.3	--	--	--	--	--	--	--
Total adjustments	30.8	0.3	1.2	1.7	2.4	2.6	(0.6)	(1.5)	(0.5)

**Standard & Poor's adjusted amounts**

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	639.5	592.0	182.1	182.6	137.3	35.3	127.5	126.5	159.5

\*Aqua Pennsylvania Inc. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Table 4

**Aqua America Inc. -- Financial Summary\***

--Average of past three fiscal years--

--Fiscal year ended Dec. 31--

	2006	2005	2004	2003	2002
Rating history	N.R.	N.R.	N.R.	N.R.	N.R.
<b>(Mil. \$)</b>					
Revenues	490.8	533.5	496.8	442.0	322.0
Net income from continuing operations	87.7	92.0	91.2	80.0	67.2
Funds from operations (FFO)	178.9	184.6	176.8	175.2	120.2

Table 4

<b>Aqua America Inc. -- Financial Summary*(cont.)</b>						
Capital expenditures	234.6	269.2	239.1	195.6	170.8	134.8
Cash and investments	23.0	44.0	11.9	13.1	10.8	5.9
Debt	1,081.3	1,156.4	1,105.8	981.9	884.0	771.7
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.2
Common equity	806.5	921.6	784.4	713.4	629.1	463.3
Total capital	1,889.4	2,079.9	1,891.8	1,696.6	1,514.0	1,235.7
<b>Adjusted ratios</b>						
EBIT interest coverage (x)	3.4	3.2	3.5	3.4	3.3	3.4
FFO int. cov. (x)	4.0	3.7	4.0	4.2	3.7	3.9
FFO/debt (%)	16.5	16.0	16.0	17.8	15.0	15.6
Discretionary cash flow/debt (%)	(9.8)	(13.6)	(8.4)	(6.9)	(8.0)	(6.6)
Net cash flow/capex (%)	54.2	47.0	52.6	66.1	54.3	61.9
Debt/total capital (%)	57.2	55.6	58.5	57.9	58.4	62.5
Return on common equity (%)	10.8	10.2	11.4	11.1	11.9	13.6
Common dividend payout ratio (un-adj.) (%)	58.9	63.1	56.1	57.3	56.4	54.8
<b>Ratios before adjustments for postretirement obligations</b>						
Oper. income/sales (bef. D&A) (%)	53.4	53.3	53.4	53.7	56.5	58.0
EBIT interest coverage (x)	3.4	3.3	3.6	3.4	3.4	3.4
FFO/debt (%)	17.3	16.5	16.9	18.7	16.0	16.4
Debt/EBITDA (x)	4.0	3.9	4.0	4.0	4.1	4.0
Debt/total capital (%)	55.6	54.8	56.6	55.5	56.3	60.0

\*Fully adjusted (including postretirement obligations). N.R. -- not rated.

Table 5

**Reconciliation Of Aqua America Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. \$)\***

--Fiscal year ended Dec. 31, 2006--

**Aqua America Inc. reported amounts**

	Debt	Shareholders' equity	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital expenditures
Reported	1,102.0	921.6	280.6	280.6	205.5	58.4	170.7	170.7	271.7
<b>Standard &amp; Poor's adjustments</b>									
Operating leases	15.8	--	3.7	1.0	1.0	1.0	2.8	2.8	1.4
Postretirement benefit obligations	38.6	--	0.4	0.4	0.4	1.0	0.7	0.7	--
Capitalized interest	--	--	--	--	--	3.9	(3.9)	(3.9)	(3.9)
Share-based compensation expense	--	--	--	3.6	--	--	--	--	--

Table 5

Reconciliation Of Aqua America Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. \$)*(cont.)									
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	14.4	--
Minority interest	--	1.8	--	--	--	--	--	--	--
Total adjustments	54.4	1.8	4.2	5.0	1.4	5.9	(0.5)	13.9	(2.5)

Standard & Poor's adjusted amounts									
	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	1,156.4	923.4	284.8	285.6	207.0	64.3	170.3	184.6	269.2

\*Aqua America Inc. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

**Ratings Detail (As Of September 21, 2007)\***

<b>Aqua Pennsylvania Inc.</b>									
Corporate Credit Rating	A+/Stable/--								
Senior Secured									
Local Currency	AA-								

<b>Corporate Credit Ratings History</b>									
03-Sep-2003	A+/Stable/--								
05-Aug-2002	A+/Watch Neg/--								
02-Jan-2002	A+/Stable/--								

<b>Business Risk Profile</b>	1 2 3 4 5 6 7 8 9 10								
------------------------------	----------------------	--	--	--	--	--	--	--	--

<b>Financial Risk Profile</b>	Intermediate								
-------------------------------	--------------	--	--	--	--	--	--	--	--

**Debt Maturities**

As of Dec. 31, 2006 (Aqua Pennsylvania Inc. only):  
 2007: \$28.3 mil.  
 2008: \$21.4 mil.  
 2009: \$4.5 mil.  
 2010: \$24.6 mil.  
 Thereafter: \$492.5 mil.

As of Dec. 31, 2006 (Aqua America Inc. consolidated):  
 2007: \$31.2 mil.  
 2008: \$24 mil.  
 2009: \$7 mil.  
 2010: \$54.2 mil.  
 2011: \$27 mil.  
 Thereafter: \$839.5 mil.

<b>Related Entities</b>									
<b>New York Water Service Corp.</b>									
Issuer Credit Rating	A+/Stable/--								
Senior Secured									
Local Currency	A+								

**Ratings Detail (As Of September 21, 2007)\*(cont.)**

\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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## Aqua Pennsylvania Inc.

Major Rating Factors
Rationale
Outlook
Business Description
Rating Methodology
Business Profile
Financial Policy: Moderate
Financial Profile

### Corporate Credit Rating

A+/Stable/--

### Business Profile

1 **2** 3 4 5 6 7 8 9 10

### Financial policy:

Moderate

### Debt maturities:

For Aqua Pennsylvania Inc. as of Dec. 31, 2003:

2004: \$38.1 mil.

2005: \$39.1 mil.

2006: \$13.9 mil.

2007: \$13 mil.

2008: \$18 mil.

Thereafter: \$332.4 mil.

For parent Aqua America Inc., on a consolidated basis, as of Dec. 31, 2003:

2004: \$39.4 mil.

2005: \$40.4 mil.

2006: \$16.1 mil.

2007: \$14.4 mil.

2008: \$19.4 mil.

Thereafter: \$606.3 mil.

### Bank lines/Liquid assets:

The company has a combined \$70 million, 364-day revolving credit facility with four banks, and parent Aqua America has a \$20 million, 364-day revolving credit facility. As of June 30, 2004, \$52.5 million and \$5 million, respectively, were available.

Aqua America and its other subsidiaries have short-term lines of credit totaling \$85.5 million. As of June 30, 2004, \$53.8 million was available.

### Total rated debt:

As of June 30, 2004, Aqua Pennsylvania had \$538 million of debt. On a consolidated basis, parent Aqua America had \$963.3 million of debt.

**Outstanding Rating(s)**  
**Aqua Pennsylvania Inc.**  
Sr secd debt  
*Local currency*

AA-

**Corporate Credit Rating History**  
Jan. 2, 2002

A+

## Major Rating Factors

### Strengths:

- Above-average service territory;
- Stable customer base that is predominantly residential and commercial;
- Supportive regulatory environment; and
- Solid water operations which are highly interconnected.

### Weaknesses:

- Reliance on acquisitions to provide growth; and
- The parent's consolidated financial profile, which is somewhat constrained by a relatively high debt balance.

## Rationale

The ratings on water utility Aqua Pennsylvania Inc. reflect the consolidated credit quality of its unrated parent, Aqua America Inc. The ratings are supported by a good business profile, which is characterized by an above-average service territory, a stable customer base that is predominantly residential and commercial, a supportive regulatory environment, and solid water operations that are highly interconnected. These strengths are slightly offset by the company's reliance on acquisitions to provide growth and the parent's consolidated financial profile, which is somewhat constrained by a relatively high debt balance.

Bryn Mawr, Pa.-based Aqua Pennsylvania had \$538 million of debt as of June 30, 2004.

Aqua Pennsylvania is the largest operating subsidiary of Aqua America. In terms of the consolidated entity, Aqua Pennsylvania accounts for 49% of the customer base and 59% of revenues. Aqua Pennsylvania serves about 405,000 customers in Pennsylvania, most of which are in the northern and western suburbs of Philadelphia. The service territory has favorable demographics and a diverse economic base, which should withstand economic cycles. Residential and commercial customers account for about 85% of revenues and sales, which provide for a stable customer base with predictable usage patterns and low market risk.

Standard & Poor's views Pennsylvania's regulatory environment as supportive of credit quality. The Pennsylvania Public Utility Commission (PAPUC) allows the use of the following favorable cost recovery mechanisms: a future test year during rate cases; the Distribution System Improvement Charge (DSIC) mechanism; a consolidated rate structure; and recovery of the acquisition premium for certain troubled systems of up to

3,300 customers.

Water is supplied primarily from surface sources (75%), with the balance coming from wells (14%) and purchases (11%). Aqua Pennsylvania's primary water system is about 95% interconnected, and small acquisitions are integrated into the main water system in a timely manner. The prompt integration of these smaller systems provides opportunities for considerable efficiency and cost reduction.

The company's reliance on acquisitions to provide growth and Aqua America's somewhat debt-burdened financial profile slightly offset the aforementioned strengths. For the 12-months ended June 30, 2004, consolidated adjusted funds from operations (FFO) to average total debt was 16.5% and adjusted total debt to capital was 59%, which are both weak for the rating. Coverage ratios were solid, though, with adjusted FFO interest coverage at 4.1x and adjusted EBIT interest coverage at 3.4x. The company's ROE was about 11%.

#### **Liquidity.**

Aqua Pennsylvania's liquidity position reflects that of the consolidated entity and is considered adequate for the rating. Aqua America's liquidity position is supported by the company's stable cash flows and sufficient availability on its credit facilities and short-term lines of credit. For the 12-months ended June 30, 2004, consolidated FFO was \$148.5 million and cash flow from operations was \$158.8 million. As of June 30, 2004, Aqua America had \$12.4 million in cash and cash equivalents.

Aqua America's capital expenditures for the 12-months ended June 30, 2004 were \$182.7 million. For fiscal 2004, the company projects capital expenditures to be \$178.9 million (gross of allowance for funds used during construction). Total dividends paid in the 12-months ended June 30, 2004 were \$43.1 million. Near-term debt maturities are manageable, with a total of \$39.4 million maturing in 2004, \$40.4 million in 2005, and \$16.1 million in 2006.

The following measures for the 12-months ended June 30, 2004 indicate Aqua America's inability to cover all of its cash outflows with internally generated funds:

- Free operating cash flow (cash flow from operations less capital expenditures) was negative \$23.9 million.
- Discretionary cash flow (cash flow from operations less capital expenditures and total dividends) was negative \$67 million.

Aqua Pennsylvania has a \$70 million, 364-day revolving credit facility with four banks, and Aqua America has a \$20 million, 364-day revolving credit facility, both of which are used to provide working capital. As of June 30, 2004, the company had available \$52.5 million and \$5 million, respectively, under these credit facilities. For 2003, the average cost of borrowing under these facilities was 1.6%. Aqua America and its other subsidiaries also have short-term lines of credit totaling \$85.5 million that provide additional working capital. As of June 30, 2004, \$53.8 million was available. For 2003, the average borrowing under these lines was \$50.4 million, and the average cost of borrowing was 2.4%.

#### **Outlook**

The stable outlook reflects Standard & Poor's expectations that the company will fund future acquisitions in a manner that will not adversely affect the financial profile. The

stable outlook also reflects the expectation that the consolidated financial profile will continue to support the current rating.

### **Business Description**

Aqua Pennsylvania is the largest wholly owned subsidiary of Aqua America, accounting for more than 405,000 of Aqua America's 828,500 total customers and about 59% of total revenues. Aqua America is the largest U.S.-based publicly traded water utility, serving more than 2.5 million residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York, and South Carolina.

Aqua Pennsylvania is a regulated public utility that supplies water to residential, commercial, and industrial customers in Pennsylvania. The utility has a wholly owned subsidiary, Little Washington Wastewater Co., which provides wastewater services to customers principally in southeastern Pennsylvania. For the fiscal-year-ended Dec. 31, 2003, operating revenues associated with wastewater services were less than 2% of Aqua Pennsylvania's total revenues and less than 5% of Aqua America's total revenues; not materially affecting credit quality.

### **Rating Methodology**

The ratings on Aqua Pennsylvania reflect the strength of the consolidated business and financial profiles of the unrated parent, Aqua America. Standard & Poor's assumes that at the current rating level, there is no meaningful regulatory insulation between Aqua Pennsylvania and Aqua America. Therefore, the credit quality of Aqua Pennsylvania is also determined along with the credit quality of the parent. If Aqua America's business and financial profiles deteriorate so that they are significantly weaker than those of Aqua Pennsylvania, a ratings downgrade for Aqua Pennsylvania could occur.

The senior secured debt is rated one notch above the corporate credit rating, because these bonds are collateralized by utility property whose value exceeds the maximum amount of mortgage bonds that could be outstanding under the terms of the indenture. Therefore, Standard & Poor's has a higher degree of confidence that first mortgage bondholders would recover, albeit delayed, their principal in a bankruptcy scenario.

### **Business Profile**

Aqua Pennsylvania's above-average business profile is a '2' measured on a 10-point scale ('1' equals low risk and '10' equals high risk). This strong business profile is attributable to an above-average service territory, a stable customer base that is predominantly residential and commercial, a supportive regulatory environment, and solid water operations that are highly interconnected. These strengths are slightly offset by the company's reliance on acquisitions to provide growth.

Aqua Pennsylvania serves about 345,000 customers in the northern and western suburbs of Philadelphia and about 60,000 customers in other parts of Pennsylvania. The service territory has favorable demographic characteristics and a diverse economic base, which should withstand economic cycles. Residential and commercial customers account for 97% of Aqua Pennsylvania's customers and about 85% of revenues and sales, which provide for a stable customer base with predictable usage patterns and low market risk.

Standard & Poor's views the regulatory environment in Pennsylvania as supportive of

credit quality. The PAPUC allows the use of the following favorable cost recovery mechanisms: a future test year during rate case filings; the DSIC mechanism, which provides water utilities an incentive to rehabilitate aging infrastructure; a consolidated rate structure, which allows capital expenditures to be spread across a wide customer base; and recovery of the acquisition premium for certain troubled systems of up to 3,300 customers, which promotes small water system consolidation.

Aqua Pennsylvania procures the bulk of water from surface sources (75%), with the balance coming from 69 wells (14%) and purchases (11%). All production meets existing Safe Drinking Water Act standards and is below the maximum allowed contaminant levels for all substances currently regulated. More than 95% of Aqua Pennsylvania's total customers are serviced by a fully interconnected system, which allows the company to achieve economies of scale. Unaccounted-for water in 2003 was higher than usual, at 17.8%, due to previous acquisitions of certain less-efficient systems. However, this figure is expected to trend downward once these systems are updated. Customer service is very good and rates are reasonable, mitigating municipalization concerns.

These aforementioned strengths are slightly offset by Aqua Pennsylvania's low organic growth. The company must continue to acquire smaller water systems to achieve the desired growth.

#### **Financial Policy: Moderate**

The company's consolidated financial policy is considered moderate. The financial policy is strengthened by the company's prudent acquisitions, which are usually of quality water systems acquired at or below "book" value, and the judicious use of tax-exempt financing and low-interest-bearing securities, where possible.

Offsetting these strengths are Aqua America's relatively high debt balance and the manner in which acquisitions are financed. The company typically funds acquisitions with a mix of long-term debt and short-term debt. The short-term debt is repaid shortly thereafter with the proceeds obtained from a post-acquisition equity issuance, which brings the capital structure back within the company's targeted ratio. Aqua Pennsylvania targets an equity layer of 45% to 50% of total capital. Aqua America's equity layer is slightly lower than that of Aqua Pennsylvania's, due to the short-term debt that was used to partially fund recent acquisitions. However, it is expected that this short-term debt will be replaced by the company's recent \$42.7 million equity issuance to bring the capital structure back in line with long-term targets.

#### **Financial Profile**

##### **Profitability and cash flow.**

Profitability benefits from regular rate increases, which account for the addition of infrastructure and acquisitions, and careful cost-control efforts. For the 12-months ended June 30, 2004, consolidated EBIT margin was strong, at 39.7%, and income from continuing operations was \$75.7 million. Adjusted EBIT interest coverage was 3.4x, and ROE was 11%.

Cash flow measures for Aqua America are somewhat weak for the rating, due to the company's relatively high debt balance and large capital expenditures. For the 12-months ended June 30, 2004, free operating cash flow was negative \$23.9 million, indicating the company's inability to fund capital-spending needs solely with internally

generated funds. Adjusted FFO to average total debt was low for the rating, at 16.5%. Adjusted FFO interest coverage, however, was strong at 4.1x, benefiting from the company's judicious use of tax-exempt financing and low-interest-bearing securities.

#### Capital structure and financial flexibility.

Management at Aqua Pennsylvania aspires to maintain a balanced capital structure with total debt to total capital ranging from 50% to 55%, depending on the available acquisitions that must be debt financed. On a regular basis, the parent will infuse equity to maintain the targeted capital structure. Aqua America's capital structure, however, is more leveraged, with a debt-to-capital ratio ranging from 55% to 60% historically. This relatively elevated debt balance has somewhat constrained the company's consolidated financial profile.

Financial flexibility is adequate for the rating category. The consolidated common dividend payout ratio has been very stable and is reasonable, at 57%. However, capital-spending needs are fairly high, resulting in negative free operating cash flow and requiring the company to issue debt to fund part of its capital expenditures and to pay dividends. Near-term debt maturities are manageable, with a total of \$39.4 million maturing in 2004, \$40.4 million in 2005, and \$16.1 million in 2006.

#### Accounting.

The financial statements for Aqua America (and Aqua Pennsylvania) are prepared according to U.S. GAAP. The company's independent auditor, PricewaterhouseCoopers LLC, provides an independent review of management's reporting of results of operations and financial condition.

Standard & Poor's has made several adjustments to Aqua America's and Aqua Pennsylvania's reported financial information. Standard & Poor's calculates an off-balance-sheet (OBS) amount for debt, interest expense, and depreciation and includes these amounts in the calculation of its adjusted ratios. The present value of the company's noncancelable operating leases is determined using a 10% discount rate and is treated as a debt equivalent. An operating lease interest expense and depreciation expense are also computed. The amounts included in Aqua America's adjusted ratios for the 12-months ended June 30, 2004 were \$11.3 million for OBS debt, \$1.1 million for OBS interest, and \$1.5 million for OBS depreciation. The amounts included in Aqua Pennsylvania's adjusted ratios for the 12-months ended June 30, 2004 were \$6.2 million for OBS debt, \$0.6 million for OBS interest, and \$0.7 million for OBS depreciation.

Table 1 Aqua America Inc. – Competitors

*Industry Sector: Regulated T&D - Water*

	--Average of past three fiscal years--			
	Aqua America Inc.	American Water	Connecticut Water Service Inc.	Middlesex Water Co.
Rating	N.R.	N.R.	A/Stable/–	A/Negative/–
<i>(Mil. \$)</i>				
Sales	332.2	1,636.7	46.1	61.9

Net income from cont. oper.	66.0	121.2	8.8	7.1
Funds from oper. (FFO)	117.5	338.8	15.0	12.5
Capital expenditures	139.6	440.0	13.5	16.3
Total debt	735.3	3,849.2	71.6	106.0
Preferred stock	0.4	613.0	0.8	4.1
Common equity	540.9	2,186.9	78.0	76.1
Total capital	1,277.4	6,649.1	150.4	186.2

**Ratios**

Adj. EBIT interest coverage (x)	3.4	2.0	3.5	3.0
Adj. FFO interest coverage (x)	3.7	2.6	4.2	3.4
Adj. FFO/avg. total debt (%)	16.9	9.6	21.3	12.1
Net cash flow/capex (%)	57.7	58.4	64.9	34.7
Adj. total debt/capital (%)	57.9	58.2	47.6	56.9
Return on common equity (%)	12.8	4.6	11.1	13.0
Common dividend payout (%)	56.0	61.8	71.6	94.7

N.R.--Not rated.

**Table 2 Aqua Pennsylvania Inc. -- Financial Summary****Industry Sector: Regulated T&D - Water****--Fiscal year ended Dec. 31--**

Rating history	A+/Stable/-	A+/Watch Neg/-	A+/Stable/-	A+/Stable/-	A+/Stable/-
	2003	2002	2001	2000	1999
<b>(Mil. \$)</b>					
Sales	237.9	221.2	210.6	166.0	151.0
Net income from cont. oper.	54.8	47.4	46.3	31.9	29.8
Funds from oper. (FFO)	102.7	88.4	73.0	56.7	54.1
Capital expenditures	108.6	97.3	94.7	80.7	61.7
Total debt	506.6	518.3	466.3	348.7	334.7
Preferred stock	0.0	0.0	0.0	0.0	0.0

Common equity	488.4	434.0	372.6	293.8	253.3
Total capital	995.0	952.3	838.9	642.5	588.0
<b>Ratios</b>					
Adj. EBIT interest coverage (x)	3.7	3.5	3.4	3.0	3.3
Adj. FFO interest coverage (x)	4.2	3.8	3.4	3.1	3.5
Adj. FFO/avg. total debt (%)	19.9	17.9	17.9	16.5	18.2
Net cash flow/capex (%)	62.8	62.5	56.6	49.4	61.1
Adj. total debt/capital (%)	51.2	54.7	55.9	54.7	57.2
Return on common equity (%)	11.6	11.5	13.7	11.4	11.9
Common dividend payout (%)	63.0	58.2	41.9	52.7	55.0

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**The McGraw-Hill Companies**

**Pape, Kathy**

---

**From:** Beicke, Kevin [Kevin\_Beicke@standardandpoors.com]  
**Sent:** Wednesday, September 03, 2003 5:33 PM  
**To:** Pape, Kathy  
**Subject:** FW: Pennsylvania Suburban Water Co. Ratings Removed From Watch, Outlook Stable; Ratings Affirmed

Kathy, here is the release. Sorry it took later to get out than I had anticipated.

Kevin

-----Original Message-----

**From:** S&P Utilities Ratings Team  
**Sent:** Wednesday, September 03, 2003 1:13 PM  
**To:** Beicke, Kevin  
**Subject:** Pennsylvania Suburban Water Co. Ratings Removed From Watch, Outlook Stable; Ratings Affirmed



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### Pennsylvania Suburban Water Co. Ratings Removed From Watch, Outlook Stable; Ratings Affirmed

**Publication date:** 03-Sep-2003  
**Analyst(s):** Dimitri Nikas, New York (1) 212-438-7807;  
 Kevin Beicke, New York (1) 212-438-7847

Credit Rating: A+/Stable/--

### Rationale

On Sept. 3, 2003, Standard & Poor's Ratings Services removed water utility Pennsylvania Suburban Water Co.'s ratings from CreditWatch with negative implications and affirmed the company's 'A+' corporate credit rating. The outlook is stable.

Bryn Mawr, Pa.-based Pennsylvania Suburban has about \$527 million of debt outstanding.

Pennsylvania Suburban's parent, Philadelphia Suburban Corp. (PSC), recently completed the purchase of AquaSource Utility Inc., a subsidiary of DQE Inc. (BBB/Negative/A-2) for \$195 million. The rating action reflects the fact that this acquisition slightly improved the consolidated business profile and did not weaken the consolidated financial profile. The transaction was financed with \$105 million of long-term debt and \$90 million of equity.

The ratings on Pennsylvania Suburban reflect the consolidated credit quality of the parent PSC, because Pennsylvania Suburban is a core entity for PSC. If PSC's credit quality deteriorates such that it is significantly weaker than that of Pennsylvania Suburban, a ratings downgrade for Pennsylvania Suburban could occur.

The ratings on Pennsylvania Suburban further reflect the company's strong business position, which is characterized by a supportive regulatory environment, an above-average service territory, ample, quality water supplies, and efficient operations. The ratings also reflect a financial profile that is currently adequate for the rating category, combined with a disciplined management team that focuses on growth through acquisitions.

The AquaSource acquisition expanded regulated utility operations in Texas, Florida, Indiana and Virginia, and added 130,000 customers, with an additional 40,000 customers through select integrated contract operations. Pennsylvania Suburban is the largest operating subsidiary of PSC, contributing about 70% of revenues and 72% of assets as of June 30, 2003.

Pennsylvania Suburban serves more than 355,600 customers in the northern and western suburbs of Philadelphia, as well as 57,800 customers in other parts of Pennsylvania. Residential and commercial customers account for 85% of revenues and 86% of sales, which provide for a stable customer base with predictable usage patterns and low market risk. The service territory has favorable demographics and a diverse economic base, which should withstand the economic cycles.

Water is supplied primarily from surface sources (75%), with the balance coming from wells (14%) and purchases (11%). All production meets or exceeds current Safe Drinking Water Act

standards. Future regulations currently under review should not have a material effect on the company. Pennsylvania Suburban's primary water system is about 95% interconnected and additional, small acquisitions are rapidly integrated into the main water system. This rapid integration provides opportunities for considerable efficiency and cost reduction.

Standard & Poor's views the regulatory environment in Pennsylvania as supportive of credit quality, because water utilities can use a future test year during rate cases, have an incentive to rehabilitate aging infrastructure through the Distribution System Improvement Charge mechanism, and can recover the acquisition premium for certain "troubled systems" of up to 3,300 users, which provides an incentive for small water system consolidation in the state.

Pennsylvania Suburban has a financial profile that is currently satisfactory for the rating category. For the 12 months ended June 30, 2003, funds from operations (FFO) interest coverage was 4.2x, while FFO to average total debt was 20%. Debt leverage was 54%, which is reasonable for the rating. Financial flexibility is adequate, with manageable debt maturities over the next few years.

*Liquidity*

The liquidity position for Pennsylvania Suburban is considered adequate for the rating. As of June 30, 2003, the company had \$4 million in cash and cash equivalents. Pennsylvania Suburban has a \$70 million revolving credit facility with \$19 million available as of June 30, 2003. Near-term debt maturities are manageable, with a total of \$33 million of long-term debt maturing in 2003.

**Outlook**

The stable outlook reflects the expectation that the consolidated financial profile will continue to support the current rating. The stable outlook also reflects Pennsylvania Suburban's supportive regulatory environment, Standard & Poor's expectations of adequate rate relief to recover capital investments, a strong competitive position, and good growth prospects supported by additional, disciplined acquisitions. Standard & Poor's expects that Pennsylvania Suburban will continue to fund such acquisitions in a manner that will not adversely affect the financial profile.

Ratings List:

	TO	FROM
Pennsylvania Suburban Water Co.		
Corp. credit rating	A+ / Stable / --	A+ / Watch Neg / --
Senior secured debt	AA-	

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## Research:

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### Pennsylvania Suburban Water Co.'s Ratings on CreditWatch Amid Parent Company Purchase

Publication date: 05-Aug-2002

Credit Analyst: Dimitri Nikas, New York (1) 212-438-7807

NEW YORK (Standard & Poor's) Aug. 5, 2002--Standard & Poor's Ratings Services said today that it placed its ratings on water utility Pennsylvania Suburban Water Co. on Creditwatch with negative implications. The rating action is the result of the parent company, Philadelphia Suburban Corp.'s (PSC) (unrated) agreement to purchase AquaSource Utility Inc., a subsidiary of DQE Inc. (BBB/Negative/A-2) for \$205 million. The transaction is expected to close in the second half of 2003.

Bryn Mawr, Pa.-based Pennsylvania Suburban Water has about \$387 million of debt outstanding.

The CreditWatch listing reflects concern that the consolidated financial profile could weaken should the transaction be entirely debt financed. The purchase will expand the company's regulated utility operations in Texas, Florida, Indiana and Virginia and will add 170,000 customers, including 40,000 customers through contract operations. Pennsylvania Suburban Water is the largest operating subsidiary of PSC, contributing about 60% of revenues and assets.

Standard & Poor's notes that the rating action does not relate to Vivendi Environnement S.A.'s (BBB+/Stable/A-2) public offering to sell its stake in the Philadelphia Suburban Corp.

"While the transaction is expected to solidify PSC's business position as one of the nation's largest investor-owned water utilities by enhancing operating and regulatory diversification, the consolidated financial profile could weaken over the short term to levels not appropriate for the rating of Pennsylvania Suburban Water should all debt financing be employed," said Standard & Poor's credit analyst Dimitri Nikas. "Should the transaction be entirely debt financed, debt leverage could exceed 60% and funds from operations interest coverage could drop below 3 times (x)," Nikas added.

Standard & Poor's expects to resolve the CreditWatch listing once PSC has determined the appropriate financing method to be employed and its effect on the company's credit profile has been fully analyzed.

A complete list of the ratings is available to RatingsDirect subscribers

at [www.ratingsdirect.com](http://www.ratingsdirect.com), as well as on Standard & Poor's public Web site  
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Pape, Kathy

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**From:** Prabhu, Aneesh [Aneesh\_Prabhu@standardandpoors.com]  
**Sent:** Thursday, May 02, 2002 1:09 PM  
**To:** Pape, Kathy  
**Subject:** FW: Pennsylvania Suburban Water Co.  
**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Kathy,  
Here's the release.  
thanks  
aneesh

-----Original Message-----

**From:** SandPUtil@standardandpoors.com [mailto:SandPUtil@standardandpoors.com]  
**Sent:** Thursday, May 02, 2002 8:41 AM  
**To:** Aneesh\_Prabhu@standardandpoors.com  
**Subject:** Pennsylvania Suburban Water Co.



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**Pennsylvania Suburban Water Co.**  
Dimitri Nikas, New York (1) 212-438-7807

### Rationale

On May 1, Standard & Poor's affirmed its ratings and outlook on Bryn Mawr, Pa.-based Pennsylvania Suburban Water Co. (PSW; A+/Stable/--). PSW is a wholly owned subsidiary of Philadelphia Suburban Corp. (PSC).

Although PSC is unrated, Standard & Poor's considers the overall credit quality of the holding company when determining

the ratings of PSW.

The rating and outlook affirmation follow the announcement by PSC that it has entered into an agreement to acquire the Nashua, N.H.-based water utility, Pennichuck Corp., for \$106 million, including the assumption of \$27 million of debt. The balance of \$79 million will be funded with PSC stock. The ratings are affirmed because the substantial equity used to fund the acquisition will not adversely affect the financial profile of PSC, the acquisition will provide a measure of geographic and regulatory diversity, and while Pennichuck is not rated, an analysis of its financial profile indicates that the utility's credit quality is at or above the average. Pennichuck serves 28,000 customers and will be a relatively small part of PSC, comprising less than 10% of assets and revenues. About 53% of revenues are derived from residential customers, and 29% from commercial and industrial customers.

The ratings on PSW reflect the company's strong business position, which is characterized by a supportive regulatory environment, an above-average service territory, ample, quality water supplies, and efficient operations. The ratings further reflect a financial profile that is adequate for the rating category and a disciplined management team that focuses on growth through acquisitions.

The stable outlook reflects PSW's competitive position, Standard & Poor's expectations of continued regulatory support, adequate rate relief to recover capital investments, and good growth prospects supported by additional, disciplined acquisitions. Standard & Poor's expects that PSW will continue to fund such acquisitions in a manner that will not adversely affect the current financial profile.

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Ratings List:

Pennsylvania Suburban Water Co.

Senior secured debt

AA-

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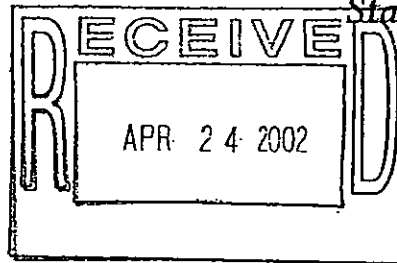
Ronald M. Barone  
Managing Director  
Utilities, Energy, & Project Finance

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April 19, 2002



Ms. Kathy L. Pape  
Vice President, Treasurer, and Rate Counsel  
Philadelphia Suburban Water Co.  
726 West Lancaster Avenue  
Bryn Mawr, PA 19010-3489

Re: \$25,000,000 PENNSYLVANIA SUBURBAN WATER COMPANY  
Bucks County Industrial Development Authority, Water Facilities Revenue Bonds  
(Pennsylvania Suburban Water Company Project) Series of 2002

Dear Ms. Pape:

Pursuant to your request, Standard & Poor's Ratings Services has reviewed the information presented to us and has assigned a "AA-" rating to the above-captioned bond. Please send us final documents as soon as they become available. Should the documents not be received by us within a reasonable amount of time, we reserve the right to withdraw our rating.

In addition, in order to maintain our rating surveillance, we must receive all publicly distributed company financial information such as annual and quarterly shareholder reports and communications, as well as 10-K, 8-K, and other SEC filings, the absence of which may result in the withdrawal of our rating. Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. If you would place us on a mailing list for the information, this would facilitate the process. Please address all reports to: Standard & Poor's; 55 Water Street, New York, NY 10041; Attn.: Dimitri Nikas, Corporate Ratings.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. You understand that Standard & Poor's has not consented to, and will not consent to, being named in addition, it should be understood that the rating is not a "market" rating, nor a recommendation to buy, hold, or sell the securities. Standard & Poor's reserves the right to advise its own clients, subscribers, and the public of the rating.

We are pleased to have had the opportunity of being of service to you. If we can be of further help, please do not hesitate to call upon us.

Very truly yours,

*Ronald M. Barone*



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  - Major Rating Factors
  - Rationale
  - Outlook
  - Rating Methodology
  - Business Description
  - Business Profile
  - Financial Profile
  - Current Ratings

# Research: Pennsylvania Suburban Water Co

Print ready

Publication date: 05-Feb-2002  
 Analyst: Dimitri Nikas, New York (1) 212-438-7807

**Corporate Credit Rating**  
 A+/Stable/--

**Business Profile**  
 1 2 **3** 4 5 6 7 8 9 10

**Outstanding Rating(s)**  
 Pennsylvania Suburban Water Co  
 Sr secd debt  
 Local currency AA-

**Corporate Credit Rating History**  
 Jan. 2, 2002 A+

**Company Contact**  
 Kathy L. Pape, Treasurer and Rate Counsel (1) 610-645-1142

## Major Rating Factors

### Strengths include:

- Supportive regulatory environment.
- Strong service territory with a diverse economy and above-average demographics.
- Above-average operations with a highly interconnected system and adequate water supplies that meet all Safe Drinking Water Act (SDWA) standards.
- Strong competitive position.
- Geographic and regulatory diversity at the parent level.
- A focused management team with no intention of entering nonregulated, riskier ventures.
- A disciplined acquisition strategy.

### Weaknesses include:

- Debt leverage that is currently slightly above the targets for the 'A' category.
- Reliance on acquisitions to increase the business because organic growth is inherently below 1%.
- Competition for growth from other investor-owned water utilities in Pennsylvania and in the U.S.

## Rationale

The ratings on Pennsylvania Suburban Water Co. reflect the company's strong business position, which is characterized by a supportive regulatory environment, an above-average

service territory, ample, quality water supplies, and efficient operations. The ratings further reflect a financial profile that is adequate for the rating category and a disciplined management team that focuses on growth through acquisitions.

Pennsylvania Suburban Water serves customers in the northern and western suburbs of Philadelphia, as well as customers in other parts of Pennsylvania. The company serves approximately 370,000 customers, including customers of the Pennsylvania subsidiaries of Consumers Pennsylvania Water Co. Residential and commercial customers account for 85% of revenues and 86% of sales, which provide for a stable customer base with predictable usage patterns and low market risk. The service territory has a diverse economic base, which should withstand swings in the economy and favorable demographics.

Water is supplied primarily from surface sources (79%), with the balance coming from wells (13%) and purchases (8%). All production meets or exceeds current SDWA standards. Future regulations currently under review should not have a material effect on the company. Pennsylvania Suburban Water's primary water system is approximately 95% interconnected and additional, small acquisitions are rapidly integrated into the main water system. This rapid integration provides opportunities for considerable efficiency and cost reduction.

Standard & Poor's views the regulatory environment in Pennsylvania as supportive of credit quality, because water utilities can use a future test year during rate cases and can implement a Distribution System Improvement Charge (DSIC). The DSIC provides utilities with an incentive to rehabilitate aging water infrastructure systems by reducing the regulatory lag normally associated with capital recovery and financing costs through standard rate case filings. Subsequent to a requested rate increase, the DSIC is reset to zero. In addition, water utilities can recover the acquisition premium for certain "troubled systems" of up to 3,300 users, which provides an incentive for small water system consolidation within the state.

Philadelphia Suburban, the parent of Pennsylvania Suburban Water, has grown through a series of acquisitions that have steadily increased the company's customer base by an average of about 4% annually. Although Philadelphia Suburban usually pursues small utility company acquisitions, whose operations can easily integrate with those of Pennsylvania Suburban Water, Philadelphia Suburban merged with Consumers Pennsylvania Water in 1999. The merger expanded the company's presence in Pennsylvania, and added operations in Ohio, Illinois, New Jersey, and Maine. In 2000, operations expanded into North Carolina. These expansions provided significant regulatory and operating diversification. Furthermore, the merger provided cost reduction opportunities in purchasing and overhead functions. These opportunities partly mitigated the amounts that needed to be recovered in rates, which made rate filings less frequent.

Pennsylvania Suburban Water has a financial profile that is adequate for the rating category. Funds from operations (FFO) interest coverage is expected to exceed 3.5 times (x), while FFO to average total debt should reach about 18%. Internal cash generation should fund about three-quarters of capital spending, while total debt to total capital is expected to drop to about 50% over the intermediate term.

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## ■ Outlook

The stable outlook reflects Pennsylvania Suburban Water's strong competitive position, Standard & Poor's expectations of continued regulatory support, adequate rate relief to recover capital investments, and good growth prospects supported by additional, disciplined acquisitions. Standard & Poor's expects that Pennsylvania Suburban Water will continue to fund such acquisitions in a manner that will not adversely affect the current financial profile.

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## ■ Rating Methodology

The ratings on Pennsylvania Suburban Water reflect the company's financial and business risk profiles. Standard & Poor's assumes that at the current rating level, there is no meaningful regulatory insulation between Pennsylvania Suburban and Philadelphia Suburban, the unrated parent company. As a result, the credit quality of Pennsylvania Suburban is also determined in conjunction with the credit quality of the parent.

The senior secured debt is rated one notch above the corporate credit rating, which reflects Standard & Poor's belief that these bonds are collateralized by utility property, whose value exceeds the maximum amount of mortgage bonds that could be outstanding under the terms of the indenture. Therefore, Standard & Poor's has a higher degree of confidence that first mortgage bondholders would recover, albeit delayed, their principal in a bankruptcy scenario.

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## Business Description

Pennsylvania Suburban Water is a subsidiary of Philadelphia Suburban Corp. Philadelphia Suburban merged with Consumers Water in March 1999 and the customer base increased to 548,000 from 320,000 customers. Pennsylvania Suburban Water, including the Pennsylvania properties of Consumers Water, forms 70% of Philadelphia Suburban's total revenues and 67% of total customers. For the nine months ended Sept. 30, 2001, the operating revenues associated with wastewater services were less than 3% of total consolidated revenues, not materially affecting credit quality. Vivendi owns 16.8% of common stock as an investment. The two companies have no joint ventures or activities.

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## Business Profile

Pennsylvania Suburban Water operates under the regulatory jurisdiction of the Pennsylvania Public Utility Commission. Standard & Poor's views the regulatory environment as supportive of credit quality because it provides for innovative cost recovery mechanisms such as a DSIC that offers water utilities the incentive to rehabilitate aging infrastructure; a future test year during rate case filings; a consolidated rate structure which simplifies billing; and recovery of the acquisition premium for certain troubled systems of up to 3,300 customers. The parent company, Philadelphia Suburban, enjoys regulatory diversity with operations in Pennsylvania, Illinois, New Jersey, Maine, Ohio, and North Carolina.

The service territory is located north and west of Philadelphia and has very favorable demographic characteristics. Residential and commercial customers account for 97% of the total customer base and 85% of revenues, providing for relatively stable and predictable usage patterns, and resulting in cash flow stability. Pennsylvania Suburban procures the bulk of water from surface sources (79%), with the balance coming from 61 wells (13%) and purchases (7%). All production meets existing SDWA standards and is below the maximum allowed contaminant levels for all substances currently regulated. In addition, Pennsylvania Suburban Water does not expect upcoming SDWA regulations over the next five years to have a material effect on the company's cost structure. Over 95% of total Pennsylvania Suburban Water customers are serviced by a fully interconnected system, which allows the company to achieve economies of scale. Unaccounted-for water increased in 2000 to 17%, from 14% in 1999 from the acquisition of certain less efficient systems. Nevertheless, Pennsylvania Suburban Water expects that unaccounted-for water will return to previous levels once these recently acquired systems are updated.

The competitive position is above average, partly aided by a natural monopoly in service area, and high barriers to entry. Customer service is very good and rates are reasonable, mitigating municipalization concerns. Competition, however, may arise from other companies for various acquisitions in Pennsylvania and for certain customers who have alternate water providers.

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## Financial Profile

### Financial Policy: Conservative

The company's financial policy is conservative and is characterized by prudent acquisitions which typically are at or below the "book" value of the acquired municipal systems; a dividend payout ratio that has been trending down, which reflects modest dividend increases; and the judicious use of tax-exempt financing, where possible. Pennsylvania Suburban Water targets an equity layer of between 45% to 50% and the parent company regularly issues common stock to ensure that level of equity at the subsidiary.

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### Cash Flow/Profitability

Profitability benefits from regular rate increases, which account for the addition of infrastructure and acquisitions, and careful cost control efforts. As a result, Pennsylvania Suburban Water should earn its combined allowed ROE of 10.5%. Pretax interest coverage is adequate for the rating category and should exceed 3.5x over the intermediate term.

Cash flow protection measures are sound for the rating category, benefiting from a good cost structure, regular rate increases, and judicious use of debt. As a result, FFO interest coverage should exceed 3.5x and FFO to average total debt should be above 18% over the intermediate term.

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### Capital Structure/Financial Flexibility

Management at Pennsylvania Suburban Water aims to maintain a balanced capital structure with debt to capital ranging from 50% to 55%, depending on the available acquisitions that must be financed with debt. On a regular basis, the parent will infuse equity to maintain the stated capital structure.

Financial flexibility is adequate for the rating category with moderate maintenance capital spending, a declining dividend payout ratio, and manageable debt maturities over the next three to four years.

Financial Statistics - Philadelphia Suburban Water Co.			
	--Year ended Dec. 31--		
	2000	1999	1998
<i>Income statement (mil. \$)</i>			
Gross revenues	166.0	151.0	147.6
Operating expenses (excl. DD&A)	68.5	64.8	65.8
Depreciation and amortization	19.5	17.8	14.7
Pretax operating income	77.9	68.3	67.1
Gross interest expense	25.4	20.6	19.0
AFUDC and deferrals	0.7	0.4	0.7
Pretax income	53.7	48.7	48.9
Income taxes	21.8	18.9	19.7
Net income from continuing operations	31.9	29.8	29.1
<i>Earnings protection</i>			
EBIT interest coverage (x)	3.1	3.3	3.5
Adjusted EBIT interest coverage (x)	3.1	3.3	3.5
Preferred dividend coverage (x)	3.1	3.3	3.5


EBITDA interest coverage (x)	3.9	4.2	4.3
AFUDC and deferred income/earnings (%)	2.3	1.2	2.5
Return on common equity (nominal) (%)	11.4	11.9	23.7
Common dividend payout (%)	52.7	55.0	56.3
Annual O&M growth (%)	6.9	(0.7)	0.0
Annual expense growth (excl. DD&A) (%)	5.7	(1.4)	0.0
O&M/revenues (%)	35.7	36.7	37.9
Total operating expenses (excl. DD&A)/revenues (%)	41.3	42.9	44.6
<b>Balance sheet (mil. \$)</b>			
Cash and temporary investments	0.7	0.7	0.6
Gross plant	758.5	698.7	743.3
Net plant	758.5	698.7	609.7
Total assets	863.6	792.3	698.3
Short-term debt	48.7	53.4	41.4
Long-term debt	299.9	270.4	222.9
Preferred stock	0.0	0.0	0.0
Common equity	293.8	253.3	239.5
Total capitalization	642.4	577.2	503.8
Total off-balance-sheet obligations	0.0	0.0	0.0
<b>Balance sheet ratios (%)</b>			
Short-term debt/total capital	7.6	9.3	8.2
Long-term debt % cap.	46.7	46.9	44.2
Preferred stock/total capital	0.0	0.0	0.0
Common equity/total capital	45.7	43.9	47.5
Adjusted total debt/total capital	54.3	56.1	52.5
<b>Cash flow (mil. \$)</b>			
Net income	31.9	29.8	29.1
Depreciation and amortization	20.0	18.6	16.1
Deferred taxes and ITC	5.5	6.1	5.2
AFUDC and deferrals	0.7	0.4	0.7
Other funds from operations (FFO) adjustments	0.0	0.0	0.0
FFO	56.6	54.2	49.7
Preferred dividends	0.0	0.0	0.0
Common dividends	(16.8)	(16.4)	(16.4)
Net cash flow (NCF)	39.8	37.8	33.3
Working capital changes	(2.9)	(6.3)	6.2
Capital expenditures (capex)	(80.7)	(62.0)	(58.9)
Discretionary cash flow	(43.8)	(30.6)	(19.5)
<b>Cash flow adequacy</b>			
FFO interest coverage (x)	3.2	3.6	3.6
Adjusted FFO interest coverage (x)	3.2	3.6	3.6
FFO/avg. total debt (%)	16.8	18.4	18.8
Adjusted FFO/avg. total debt (%)	16.8	18.4	18.8
NCF/capex (%)	49.4	60.9	56.4
AFUDC—Allowance for funds used during construction. O&M—Operations and maintenance. ITC—Investment tax credits. DD&A—Depreciation, depletion, and amortization.			

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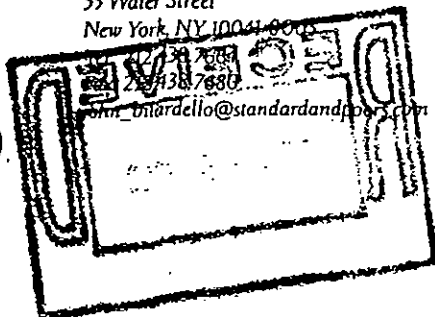
  
A Division of The McGraw-Hill Companies

55 Water Street  
New York, NY 10041-9000

John J. Bilardello  
Managing Director  
Corporate Ratings

Standard & Poor's

A Division of The McGraw-Hill Companies



November 29, 2000

Kathy L. Pape  
Vice President  
Philadelphia Suburban Corporation  
762 West Lancaster Avenue  
Bryn Mawr, PA 19010

Dear Ms. Pape:

As part of its annual review, Standard & Poor's Rating Services has affirmed its "A+" Corporate Credit Rating and "AA-" Senior Secured Debt on Philadelphia Suburban Water Company.

We are pleased to have had the opportunity of being of service to you. If we can be of further help, please do not hesitate to call Dimitri Nikas at 212-438-7807.

Very truly yours,

A handwritten signature in cursive script that reads "John Bilardello".

:lag

55 Water Street  
39th Floor  
New York, NY 10041-0003  
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Edward Tyburczy  
Managing Director  
Corporate Ratings

Standard & Poor's

A Division of The McGraw-Hill Companies 

November 19, 1999

Ms. Kathy L. Pape  
Vice President and Treasurer  
Philadelphia Suburban Water Co.  
762 Lancaster Avenue  
Bryn Mawr, Pennsylvania 19010

Re: \$300,000,000 PHILADELPHIA SUBURBAN CORP.  
First Mortgage Bonds 1999 Medium Term Notes Series

Dear Ms. Pape:

Pursuant to your request, Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., has reviewed the information presented to us by Philadelphia Suburban Corp. and has assigned a "AA-" rating to the above-captioned notes.

Please send us final documents as soon as they become available. In the event that final papers are not received by us within a reasonable amount of time, we reserve the right to withdraw our rating.

We will maintain continuous rating surveillance on the above-captioned issue in accordance with Standard & Poor's policies. In order to maintain our rating surveillance, we must receive all publicly distributed company financial information such as annual and quarterly shareholder reports and communications, as well as 10-K, 8-K, and other SEC filings, the absence of which may result in the withdrawal of our rating. Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating process. If you would place us on a mailing list for this information, this would facilitate the process. Please address all reports to: Standard & Poor's; 55 Water Street; New York, New York 10041; Attn: John Kennedy, Corporate Ratings.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. You understand that Standard & Poor's has not consented to, and will not consent to, being named an "expert" under the federal securities laws, including without limitation, Section 7 of the Securities Act of 1933. In addition, it should be understood that the rating is not a "market" rating, nor a recommendation to buy, hold, or sell the securities. Standard & Poor's reserves the right to advise its own clients, subscribers, and the public of the rating.

We are pleased to have had the opportunity of being of service to you. If we can be of further help, please do not hesitate to call upon us.

Very truly yours,

*Edward Tyburczy / ATC*

:lag

**STANDARD  
& POOR'S**

## Philadelphia Suburban Water Co

*Analyst: John Kennedy, New York, NY 212-850-4771*  
*Publication Date: 04/30/1999*

**Credit Rating: A+/Stable/**

### Rationale

The ratings on Philadelphia Suburban Water Co. reflect consistent financial improvements resulting from solid operating performance, a strong competitive position, and a supportive regulatory environment. Prospectively, the utility's financial results will be further supported by an innovative rate surcharge, distribution system improvement charge (DSIC) that will allow for the recovery of infrastructure improvement capital costs in the water bill. This will enable Pennsylvania-based Philadelphia Suburban Water to maintain a healthy financial profile while addressing its regular pipeline maintenance needs. The utility's high average business position reflects ample water supply and treatment capacity, a healthy and affluent service territory, and a sharp and experienced management team.

To offset the limited growth opportunity within its existing service area, a very successful growth-by-acquisition strategy was undertaken. To date, acquisitions of nearby water systems, both private and municipal, has provided additional customer growth.

In addition, the strategy has enabled Philadelphia Suburban Water to gain economies of scale because the acquired systems are integrated into existing operations. Philadelphia Suburban Water's parent, Philadelphia Suburban Corp. (PSC), merged with Consumers Water Co. in March 1999. The merger enables PSC to become a multistate water company with operations in Maine, New Hampshire, New Jersey, Pennsylvania, Ohio, and Illinois. PSC will grow its regulated operations, as it has in the past in Pennsylvania, on a national level. The company's strong financial profile is expected to continue.

Future rate filings, coupled with future growth prospects from acquired systems and future acquisition of nearby systems, should enable pretax interest coverage to remain at more than 3 times (x). The DSIC mechanism, along with continued improvements in earnings, should boost funds from operations interest coverage to nearly 3.5x. Net of dividends, the amount of cash flow available to fund capital expenditures should exceed 75%.

### Outlook

Prospectively, modest sales growth, quality water operations, and reasonable rate treatment should allow for a period of rating stability. PSC will strive to grow earnings and cash flow by expanding its strategy in Pennsylvania of acquiring neighboring systems to Consumers' service territories. As a result, continued equity infusions will be expected to maintain debt leverage at less than 55%.

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John J. Bilardello  
Managing Director  
Corporate Ratings

Standard & Poor's

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June 16, 1999

Mr. Michael Graham  
Senior Vice President and Treasurer  
Philadelphia Suburban Water Co.  
762 Lancaster Avenue  
Bryn Mawr, Pennsylvania 19010

RE: \$25,000,000 PHILADELPHIA SUBURBAN WATER COMPANY  
Delaware County Industrial Development Authority  
Water Facilities Revenue Bonds (Philadelphia Suburban Water Company Project)  
Series of 1999

Dear Mr. Graham:

Pursuant to your request for a Standard & Poor's rating on the subject obligations, we have reviewed the information submitted and have assigned a rating of "AAA". This reflects our assessment of the likelihood of repayment of principal and interest based upon the bond insurance policy provided by "FGIC". On a confidential basis we have assigned a rating of "AA-" to this specific issue.

Please send us a copy of the final documentation for the issue as soon as it is available.

We are pleased to have had the opportunity of being of service to you. If we can be of further help, please do not hesitate to call upon us.

Very truly yours,

;mak

Credit Rating: A+/Stable/--

## RATIONALE

The ratings on Pennsylvania-based Philadelphia Suburban Water Co. reflect consistent financial improvements resulting from solid operating performance, a strong competitive position, and a supportive regulatory environment. Prospectively, the utility's financial results will be further supported by an innovative rate surcharge, distribution system improvement charge (DSIC) that will allow for the recovery of infrastructure improvement capital costs in the water bill. This will enable Philadelphia Suburban Water to maintain a healthy financial profile while addressing its regular pipeline maintenance needs. The utility's high average business position reflects ample water supply and treatment capacity, a healthy and affluent service territory, and a sharp and experienced management team.

To offset the limited growth opportunity within its existing service area, a very successful growth-by-acquisition strategy was undertaken. To date, acquisitions of nearby water systems, both private and municipal, has provided additional customer growth. Additionally, the strategy has enabled Philadelphia Suburban Water to gain economies of scale, since the acquired systems are integrated into existing operations. Philadelphia Suburban Water's parent, Philadelphia Suburban Corp. (PSC), has announced a merger with Consumers Water Co. that should be complete in March 1999. The merger will enable PSC to become a multistate water company with operations in Maine, New Hampshire, New Jersey, Pennsylvania, Ohio, and Illinois. PSC will grow its regulated operations, as it has in the past in Pennsylvania, on a national level. The company's strong financial profile is expected to continue. Future rate filings, coupled with future growth prospects from acquired systems and future acquisition of nearby systems, should enable pretax interest coverage to remain at more than 3 times (x). The DSIC mechanism, along with continued improvements in earnings, should boost funds from operations interest coverage to nearly 3.5x. Net of dividends, the amount of cash flow available to fund capital expenditures should exceed 75%.

## OUTLOOK

Prospectively, modest sales growth, quality water operations, and reasonable rate treatment should allow for a period of rating stability. PSC will strive to grow earnings and cash flow by expanding its strategy in Pennsylvania of acquiring neighboring systems to Consumers' service territories. As a result, continued equity infusions will be expected to maintain debt leverage at less than 55%.

# Philadelphia Suburban Water Ratings Affirmed; Off CreditWatch

Analyst: John Kennedy, New York (1) 212-208-8104

Help

Research Ratings

NEW YORK (Standard & Poor's CreditWire) Feb. 22, 1999--Standard & Poor's today affirmed its single-'A'-plus corporate credit rating and double-'A'-minus senior secured debt rating for Philadelphia Suburban Water Co. (PSW). The ratings were removed from CreditWatch, where they were placed June 30, 1998.

The outlook is stable.

The rating actions reflect the anticipated merger of PSW's parent, Philadelphia Suburban Corp. (PSC), with Consumers Water Co. (not rated). The merger will allow PSC to become a multistate water company, with operations in Maine, New Hampshire, New Jersey, Pennsylvania, Ohio, and Illinois, providing water and wastewater services to over 530,000 customers. In addition, the overall business profile will benefit from regulatory diversity, which will allow PSC less dependence upon any one commission, and from the added geographic diversity, which will help to mitigate the effects of extreme weather. PSC should also achieve cost savings by eliminating duplicate corporate administrative and overhead functions, as well as gain economies of scale in areas such as purchasing.

The previous CreditWatch placement for PSW's ratings was attributable to Consumers' historically weaker financial profile than PSW's. However, Consumers has improved its business profile by shedding its riskier nonregulated operations. These subsidiaries proved to be unprofitable and drained management's attentions from the company's core operations. Furthermore, PSC has a more conservative dividend policy than Consumers, which should lessen the need for external financing.

The ratings on Pennsylvania-based PSW reflect consistent financial improvements resulting from solid operating performance, a strong competitive position, and a supportive regulatory environment. The utility's high average business position reflects ample water supply and treatment capacity, a healthy and affluent service territory, and a sharp and experienced management team.

Going forward, the combined company's strong financial profile is expected to continue. Future rate filings, coupled with future growth prospects from acquired systems, should boost funds from operations interest coverage to nearly 3.5 times (x). Net of dividends, the amount of cash flow available to fund capital expenditures should exceed the 75% level.

#### OUTLOOK: STABLE

Prospectively, modest sales growth, quality water operations, and reasonable rate treatment should allow for a period of rating stability. PSC will strive to grow earnings and cash flow by expanding its strategy in Pennsylvania of acquiring neighboring systems to Consumers' service territories. As a result, continued equity infusions will be expected to maintain debt leverage below 55%. -- CreditWire



## Standard & Poor's RatingsDirect

### Analysis

Publication Date: 04-Mar-1999

## Philadelphia Suburban Water Co.

Analyst: John Kennedy, New York (1) 212-208-8104

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### Rating Detail

Credit Rating

A+/Stable/--

### Rationale <sup>top</sup>

The ratings on Pennsylvania-based Philadelphia Suburban Water Co. reflect consistent financial improvements resulting from solid operating performance, a strong competitive position, and a supportive regulatory environment. Prospectively, the utility's financial results will be further supported by an innovative rate surcharge, distribution system improvement charge (DSIC) that will allow for the recovery of infrastructure improvement capital costs in the water bill. This will enable Philadelphia Suburban Water to maintain a healthy financial profile while addressing its regular pipeline maintenance needs. The utility's high average business position reflects ample water supply and treatment capacity, a healthy and affluent service territory, and a sharp and experienced management team.

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### Outlook <sup>top</sup>

Prospectively, modest sales growth, quality water operations, and reasonable rate treatment should allow for a period of rating stability. PSC will strive to grow earnings and cash flow by expanding its strategy in Pennsylvania of acquiring neighboring systems to Consumers' service territories. As a result, continued equity infusions will be expected to maintain debt leverage at less than 55%.

Financial Summary					
(Mill. \$)					
	1998*	1997	1996	1995	1994
Gross revenues	148.4	136.2	122.5	117.0	108.6
Net income from continuing operations	27.8	23.2	19.8	18.0	15.6
Funds from operations (FFO)	46.8	41.0	35.5	31.9	28.5
Net cash flow	28.8	24.7	20.7	18.3	15.9
Capital expenditures	53.3	38.4	31.1	33.4	26.3
Total capital	496.4	444.3	421.2	359.6	310.9
<i>Adjusted ratios</i>					
Pretax interest coverage (x)	3.38	3.09	3.18	3.05	3.15
Total debt/total capital (%)	53.6	56.4	56.3	54.9	51.5
FFO interest coverage (x)	3.41	3.22	3.26	3.10	3.25
FFO/avg. total debt (%)	18.3	17.1	16.3	18.0	17.8
*For 12 months ended Sept. 30 (unaudited).					

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## Rating Methodology [top](#)

Philadelphia Suburban Water's first mortgage bonds are rated one notch higher than the firm's corporate credit rating as a result of Standard & Poor's ultimate recovery analysis. These bonds are collateralized by utility property the value of which is projected to substantially exceed the maximum amount of first mortgage bonds that could be outstanding under the terms of the indenture. Therefore, Standard & Poor's has a higher degree of confidence that first mortgage bondholders would recover, albeit perhaps delayed, their principal in a bankruptcy scenario. Stress cases use varying percentages of book value for the different utility asset classes, based on the quality of each asset class.

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## Business Description [top](#)

Pennsylvania-based Philadelphia Suburban Water mainly engages in collecting, treating, transmitting, and distributing drinking water. In addition, the company owns a small sewer utility that was part of the Utility Group Services Inc. acquisition. Incorporated in 1968, PSC, the utility's parent holding company, also owns Utility & Municipal Services, which provides data processing to Philadelphia Suburban Water and several municipal sewer systems in southeastern Pennsylvania. PSC's utility operating subsidiary accounts for nearly all revenues, operating income, and total assets.

The utility's corporate credit rating is based on an assessment of the parent's entire regulated and nonregulated operations. Since Philadelphia Suburban Water represents the majority of the consolidated activities, the credit rating recognizes the steady cash flow and stable earnings of the water utility.

## Business Profile [top](#)

## Regulation. <sup>109</sup>

The Pennsylvania Public Utilities Commission (PUC) regulates Philadelphia Suburban Water regarding rates charged for water service, geographical areas of service, quality of service, issuance of securities, and other matters. Although rate filings must be based on a historic test year, the Pennsylvania Public Utility Law permits the use of a future test year, which ends 12 months beyond the historic test period.

The PUC is considered progressive and supportive of Philadelphia Suburban Water's strong credit quality. Favorable ratemaking principals include using a future test year methodology, which helps minimize lags in recovering fixed and operating costs, and the allowance to recover acquisition premiums of smaller, troubled water systems. Recognizing the rising cost of water service and the need to rehabilitate aging mains, the PUC permits the allowance of an innovative rate surcharge, DSIC, which will allow for recovering infrastructure improvement capital costs in the water bill. The PUC regulates the surcharge amount based on a return on equity (ROE) benchmark. Currently, the PUC has suspended Philadelphia Suburban Water's DSIC as a result of the company exceeding the benchmark.

Regulation		
Regulatory agency	Pennsylvania Public Utility Commission	
State	Pennsylvania	
Care period	Nine months	
Interim procedures	No.	
Authorized returns (past 12 to 18 months)		
Return on equity (electric)	11.50%	
Rate base	Year end	
Test period	Historical	
CWIP	CWIP not included in rate base.	
Commissioners	Party	Tenn
John M. Quain, Chair	Republican	April 2001
Robert K. Bloom	Republican	April 2000
David W. Rolka	Democrat	April 1999
Nora Mead Brownell	Republican	April 2002
Aaron Wilson	Republican	April 2003
Source: Regulatory Research Associates Inc.		

### Download Bank

Philadelphia Suburban Water's last rate increase, effective in October 1997, authorized the utility to increase rates by \$9.3 million, or 7.3%. The utility has agreed not to file another base rate increase until after April 1999. Given the supportive regulatory mechanisms, positive relationship with the PUC, and excellent customer service, Standard & Poor's expects Philadelphia Suburban Water to continue to receive equitable rate treatment in the intermediate term.

## Markets. <sup>109</sup>

The utility provides water service to more than one million people, mainly in suburban and rural areas located north and west of the city of Philadelphia. As of Dec. 31, 1997, Philadelphia Suburban Water served about 300,000 customers in southeastern Pennsylvania, including Berks, Bucks, Chester, Delaware, and Montgomery counties. Delaware and Montgomery counties account for more than 85% of total retail customers.

Pennsylvania's economy remains stable, and in some portions of Philadelphia Suburban Water's service area the economy is experiencing vibrant economic growth. This is based on favorable real estate market conditions, above-average median household income, and a lower-than-average unemployment rate. Overall customer growth,

exclusive of acquisitions, for the entire service area is rather limited at less than 1%. The company is expecting robust growth in certain areas of its service territory, particularly in Chester and Bucks counties, which are projecting growth rates well over the other, more mature counties in the next few years.

Service Area Economics					
(% chg.)					
	1995	1996	1997	1998-2000*	1998-2001*
<i>Population</i>					
Pennsylvania	0.0	0.0	(0.1)	0.2	0.2
East region	0.2	0.3	0.3	0.5	0.5
National	0.9	0.9	0.9	0.9	0.8
<i>Real per capita income (1992 \$)</i>					
Pennsylvania	22,025	22,610	23,306	24,104	25,253
East region	24,569	25,115	25,872	26,738	28,015
National	21,706	22,183	22,872	23,619	24,723
<i>Total employment</i>					
Pennsylvania	0.7	1.4	1.5	0.9	0.7
East region	1.1	1.4	1.9	1.2	1.0
National	2.2	2.2	2.6	1.4	1.3
<i>Unemployment rate</i>					
Pennsylvania	5.9	5.0	5.0	5.2	5.3
East region	5.6	5.3	4.8	5.0	5.2
National	5.6	5.3	4.8	5.1	5.4
*Population and total employment estimates represent average annual growth rates for the period. Real per capita income and unemployment rate estimates represent forecasts for the last year in the period. Source: DRI/McGraw-Hill.					

**1. Downside Risk**

As a result of various acquisitions, 1998 total sendout increased by about 15.2% to 39.7 billion gallons compared with 34.4 billion gallons in 1996. In addition to recent acquisitions, increased consumption due to warmer- and dryer-than-normal weather contributed to the rise in total sendout. Water demand is largely a factor of weather patterns since too much precipitation lessens water usage, particularly during the summer months for outdoor activities.

Philadelphia Suburban Water's market risk is very low because residential and commercial customers account for about 98% of total customers, and more than 87% of total sales. While the number of industrial customers is minimal, it accounts for about 4.2% of total revenues and 7.4% of total sales.

Market Segments						
(1997)						
	Sales (mg)	Total (%)	Revenue (000s)	Total (%)	Customers (#)	Total (%)
Residential	19,142	60.8	87,783	66.3	267,294	90.9
Commercial	8,819	28.0	27,807	21.0	13,514	4.6
Industrial	2,302	7.3	5,126	3.9	8,732	3.0
Fire protection	73	0.2	8,323	6.3	3,724	1.3
Wholesale	750	2.4	640	0.5	8	0.0
Other	396	1.3	2,755	2.1	817	0.3
<b>Total</b>	<b>31,482</b>	<b>100.0</b>	<b>132,434</b>	<b>100.0</b>	<b>294,089</b>	<b>100.0</b>
	1997	1996	1995			
Annual sales growth (%)						
Residential	11.1	(2.2)	6.2			
Commercial	7.1	3.2	2.3			
Industrial	30.2	(7.9)	(8.0)			
Fire protection	(13.1)	64.7	(7.3)			
Wholesale	2,900.0	(82.3)	(42.2)			
Other	11.9	11.3	(6.7)			
<b>Total sales growth</b>	<b>13.7</b>	<b>(1.2)</b>	<b>3.4</b>			
Customer growth (%)						
Residential	6.4	1.1	5.9			
Commercial	11.1	3.4	992.2			
Industrial	25.0	723.9	1.8			
Fire protection	14.8	7.8	15.8			
Wholesale	14.3	(36.4)	37.5			
Other	2.9	2.5	11.5			
<b>Total customer growth</b>	<b>7.2</b>	<b>3.6</b>	<b>10.4</b>			

mg—Million gallons.

**Downstream Units:**

In the past five years, Philadelphia Suburban Water has experienced a healthy customer growth rate of 4% annually, mainly due to strategic acquisitions. To supplement the below-average customer growth (about 1%) in its existing service area, management has expanded its customer base outward. Therefore, Philadelphia Suburban Water has acquired 24 water systems since 1992. Some of the purchases are in high-growth areas, such as Chester and Bucks counties. By acquiring nearby or contiguous systems, both private and municipal, Philadelphia Suburban Water can integrate operations and realize economies of scale.

PSC announced its largest deal to date in June 1998, proposing the acquisition of Consumers Water Co. (CONW). When completed, PSC will grow its customer base by 230,000 accounts, or more than 80%. The merger will enable PSC to become a multistate water company, with operations in Maine, New Hampshire, New Jersey, Pennsylvania, Ohio, and Illinois, providing water and wastewater services to more than 530,000 customers. In addition, the overall business profile will benefit from regulatory diversity, which allows PSC less dependence upon any one commission, and geographic diversity, which helps mitigate the effects of extreme weather. PSC should also achieve cost savings by eliminating duplicate corporate administrative and overhead functions, as well as gain economies of scale in areas such as purchasing.

The company is also adding customers through its Main Source and Main Extension programs. These programs target customers that use underground wells as their water source and are near Philadelphia Suburban Water's existing water

system. The utility is expected to continue its successful growth by acquisition strategy and marketing programs to offset the limited growth inherited in the water industry.

**Operations.**

The utility maintains a strong water supply position, evidenced by its ample and diverse water sources.

Philadelphia Suburban Water's water supply mainly comes from surface sources and partly from groundwater sources. Surface supply (78.7%) is derived from tributaries of the Schuylkill and Delaware rivers, as well as the Upper Merion Reservoir. In total, these sources have a minimum safe yield of 119 million of gallons per day (mgd). The company's groundwater supply (15.6%) is obtained from 61 wells, which have a minimum safe yield of 23.7mgd. Philadelphia Suburban Water also purchases, under long-term contracts, about 6% of its supply from three water authorities, including Chester Water, Bucks County Water and Sewer, and West Chester Area Municipal. Under these contracts, PSW may purchase, in total, up to 13.8mgd. Regarding Chester Water and Bucks County Water, Philadelphia Suburban Water is obligated to purchase 159.2 million gallons of water monthly. While the cost to purchase water is higher than the company's own production costs, the additional supply further augments the company's supply. In addition, it supplements pressures at remote areas of Philadelphia Suburban Water's service territory and provides a backup in case of an emergency.

Production Statistics				
	1997	1996	1995	1994
Water supply				
<i>Owned (%)</i>				
Surface	77.8	N.A.	79.5	77.4
Subsurface	16.8	N.A.	14.3	15.4
<i>Purchased (%)</i>				
Surface	0.0	N.A.	0.0	0.0
Subsurface	0.0	N.A.	0.0	0.0
Purchased water (not broken out)	5.3	N.A.	6.2	7.2
Total water supply (mg)	37,871	N.A.	33,803	32,780
Treated water storage (mg)	161	N.A.	148	0
Production capacity (mgd)	167	N.A.	132	126
Maximum daily demand (mgd)	121	110	120	114
Avg. daily demand (mgd)	104	94	93	90
Reserve margin (%)	170.9	N.A.	132.5	10.6
Load factor (%)	85.8	85.8	77.2	78.8

mg—Million gallons. mgd—Millions gallons per day. N.A.—Not available.

**Downland Status**

Water from surface sources is stored at the company's six impounding reservoirs, which have a storage capacity of nine billion gallons. Philadelphia Suburban Water also owns eight treatment plants. In addition, the company owns 77 storage facilities in its service area for a combined capacity of 167.5 million gallons of treated water. These storage tanks are mainly used to maintain appropriate pressures within the system throughout the year. Overall, Philadelphia Suburban Water's water supply, treatment capacity, and treated water storage is adequate to meet current and future water demands.

Philadelphia Suburban Water has been very successful in upgrading its treatment capabilities, enabling it to own a

portfolio of state-of-the-art treatment plants. The company's distribution and transmission mains generally are in reasonably good shape. However, some portions of the system will require more rehabilitation than in the past. Still, this situation is typical for many water systems in the U.S., particularly water systems in older urban and suburban areas.

Untreated water from the Schuylkill and Delaware rivers and the Upper Merion Reservoir are transported and purified at one of the eight treatment plants, including the Pickering West and East, Upper Merion, Crum Creek, Media, Neshaminy, West Chester, and Bristol treatment facilities.

Water is delivered through almost 3,500 miles of distribution and transmission mains. Besides fire-protection services, the company's 481-square mile service area is completely metered. A metered system is absolutely essential for efficient and productive operations, since it assists management in tracking the level of water usage and possible water loss within the distribution system. In the past five years, Philadelphia Suburban Water has invested more than \$190 million in its treatment plants and infrastructure to insure reliable and efficient water service. As a result, the utility's customer-to-employee ratio, a good barometer of operating efficiency, improved noticeably to 576 in 1998 from 468 in 1994, which is among the highest of its investor-owned utility peers. In addition, gross revenues to employees has also shown a positive trend, increasing to \$255,000 from \$208,000 in the same period.

Efficiency Statistics				
	1997	1996	1995	1994
Customers/employees	563	517	504	468
Standard & Poor's average	518	515	513	484
O&M expenditures/customers	307	308	366	378
Standard & Poor's average	246	238	241	205
Gross revenues/employees	253,705	226,616	220,291	208,191
Standard & Poor's average	253,569	247,681	238,561	200,000
Unaccounted water (%)	17.8	19.7	17.7	17.5

O&M—Operations and maintenance. Source: National Association of Water Companies.

**Downside Risks**

Offsetting these factors somewhat is the need to invest more dollars to rehabilitate older concrete and unlined cast-iron pipes in some portion of Philadelphia Suburban Water's system. Concrete pipes weaken over time, becoming brittle, and cause an above-average number of main breaks. Unlined cast-iron mains tend to rust on the inside, which results in discoloration and reduced water flow. To remedy this situation, Philadelphia Suburban Water has explored various pipeline replacement methods, such as "trenchless technology" to replace the aging mains. In contrast to traditional practices, this technology does not require trenching and restoration, which can be very costly. Most of Philadelphia Suburban Water's pipeline rehabilitation program consists of cleaning cast-iron water mains and lining them with cement mortar.

All in all, the utility's water system is in relatively good operating condition, and is more than adequate to meet regulatory, environmental, and customer demands. Still, a commitment to a scheduled pipe rehabilitation program will be essential for the utility to continue providing efficient and reliable service. The PUC recognizes this fact and has supported the company's capital spending program by approving a DSIC in rates to recover the cost of pipeline maintenance. This surcharge allows Philadelphia Suburban Water, and other water utilities in Pennsylvania, to accelerate rehabilitation programs without significantly impacting financial positions.

Philadelphia Suburban Water is currently in compliance with the Safe Drinking Water Act. In addition, the utility expects minimal effects relative to proposed rules such as the Microbial/Disinfection By-products Rule. Moreover, the utility's laboratory personnel monitor and test for cryptosporidium and biological organisms, such as giardia and viruses. To date, the company has not detected the presence of these contaminants in the drinking water.

**Competitive position.**

Given deregulation in the electric, natural gas, and telecommunication sectors, investor-owned water utilities remain the only true monopoly.

Provided that a water utility operates efficiently and sells water at a fair price, the risk of losing customers to other utilities is minimal. Still, management must provide high-quality drinking water at reasonable rates, along with good customer service. Falling short of these expectations may expose the system to condemnation and municipalization. Philadelphia Suburban Water understands these fundamental principals and management is very committed to ensure that its customers receive safe and reliable drinking water and good customer service. Moreover, Philadelphia Suburban Water's rates compare very favorably to regional and industry averages. This has been accomplished mostly through acquisitions, which have been integrated into Philadelphia Suburban Water's system. Additionally, the company maintains effective cost-containment programs that have kept operating costs lean. As of Dec. 31, 1998, Philadelphia Suburban Water charged about \$78 for approximately 15,000 gallons on a quarterly basis, a very equitable rate for high-quality drinking water. The average water bill among Pennsylvania investor-owned utilities is about \$95 quarterly, while the average bill for all Pennsylvania water companies, including municipal systems in the geographical area, is about \$90.

Cost Of Service (1997)										
(\$/Thous. gal.)										
Utility	Production	Purification	Transportation and Distribution	Admin. and gen.	Depreciation	Taxes	Cost of capital	Cost of service	Residential rate	Average rate
Philadelphia Suburban Water Co.	0.49	0.22	0.24	0.74	0.44	0.12	0.65	2.91	4.59	4.21
Baton Rouge Water Co.	0.18	0.03	0.15	0.28	0.25	0.11	0.30	1.31	1.60	1.65
BHC Co.	0.23	0.19	0.29	0.71	0.57	0.30	1.02	3.30	4.54	4.08
California Water Service Co.	0.94	0.03	0.17	0.43	0.17	0.04	0.31	2.30	2.87	2.45
California-American Water Co.	0.97	0.06	0.21	0.68	0.26	0.05	0.52	2.75	3.23	3.10
Connecticut-American Water Co.	0.47	0.19	0.26	0.87	0.29	0.27	0.65	3.19	4.72	3.75
Consumers Ohio	0.33	0.24	0.32	0.77	0.40	0.51	0.68	3.24	4.55	3.99
Elizabethtown Water Co.	0.45	0.13	0.21	0.42	0.29	0.02	0.79	2.31	3.55	3.12
Indianapolis Water Co.	0.15	0.14	0.11	0.56	0.17	0.12	0.21	1.47	2.31	1.94
Middlesex Water Co.	0.40	0.12	0.15	0.41	0.18	0.03	0.49	1.78	3.06	2.29
New Jersey-American Water Co.	0.61	0.41	0.27	0.59	0.51	0.05	1.23	3.68	4.74	4.89
Pennsylvania-American Water Co.	0.28	0.37	0.41	1.01	0.60	0.21	1.40	4.29	5.78	5.03
Southern California Water Co.	0.86	0.05	0.10	0.47	0.15	0.05	0.35	2.03	2.34	2.31
St. Louis County Water Co.	0.19	0.19	0.28	0.37	0.26	0.10	0.28	1.66	2.16	2.01
United Water New Jersey Inc.	0.54	0.25	0.31	0.64	0.35	0.16	0.83	3.07	3.66	4.02
United Water New York Inc.	0.37	0.17	0.40	0.91	0.37	0.32	0.75	3.28	4.67	4.89
Standard & Poor's average	0.48	0.18	0.25	0.63	0.33	0.16	0.69	2.74	3.73	3.42

Source: National Association of Water Companies.

DoubleClick

## Financial Profile <sup>A</sup><sub>top</sub>

### Financial policy: <sup>A</sup><sub>top</sub>

Since assuming the position of president and chief executive officer in 1992, Nicholas DeBenedictis has transformed Philadelphia Suburban Water into a well-managed company and highly respected organization within the water industry. Over the years, the company has developed an excellent reputation with regulators and customers. Under Mr. DeBenedictis and other senior officers, Philadelphia Suburban Water's growth through acquisition strategy has resulted in nearly 49,000 additional customers. Moreover, the acquisitions have been focused on nearby water systems, which have been interconnected into existing Philadelphia Suburban Water operations. This strategy has provided the company with a number of benefits, such as:

- Additional growth opportunities to offset flat growth within existing territory,
- Synergies and economies of scale,
- Lower water rates for existing customers since fixed costs were spread to a larger customer base, and
- Subsequent lower rate increases.

For all practical purposes, Philadelphia Suburban Water and PSC share the same management team and board of directors.

PSC has no diversification plans other than water-related ventures. The company's eight-member board of directors includes one current officer and one retired officer. The other board members have backgrounds in community affairs, finance, health care, and law, and lend the utility broader expertise in other business sectors. PSC's management is committed to credit quality and plans to maintain a financial profile commensurate with the ratings. The company's long-term strategy is to grow the business through expansion and acquisitions, although financed conservatively.

### Profitability. <sup>A</sup><sub>top</sub>

For the year ended Dec. 31, 1998, revenue increased 10.9% to \$14.8 million versus the comparable 1997 period. The main factors contributing to the rise in revenue included the positive impact of acquisitions, the full impact of the October 1997 rate increase, and a hot, dry summer. Operating expenses increased by roughly 4% due to increased wages, administrative expenses, and production costs. Interest expense increased by 6.1% as a result of borrowings related to the West Chester acquisition and normal capital expenditures. These factors resulted in net income totaling \$28.6 million, a 24.5% increase over same the period in 1997.

Future earnings improvements are supported by the innovative surcharge that will enable the utility to timely recoup capital costs for certain infrastructure improvements.

This is a major departure from the previous process, which involved filing a rate case to recover these types of costs. Moreover, the mechanism provides Philadelphia Suburban Water an opportunity to earn its authorized ROE while undergoing a capital spending program. Philadelphia Suburban Water is planning a rate filing after April 1999, to be effective in mid-2000. This, coupled with the positive impact of past and future acquisitions, should help boost revenues. Consequently, pretax interest coverage is projected to approach 3.5x, which is more than appropriate for the 'A+' rating.

### Cash flow protection. <sup>A</sup><sub>top</sub>

Philadelphia Suburban Water's capital expenditures are expected to be manageable for the next five years, averaging slightly more than \$55 million annually, or 11% of total capital. Future construction spending focuses on infrastructure modernization, such as main rehabilitation and replacement and main extensions throughout the distribution system.

Considering the favorable rate increase in October 1997, coupled with additional rate relief expected in 2000,

Philadelphia Suburban Water's funds from operations interest coverage is expected to reach 3.5x. Funds from operations to total debt is expected to near 20%, which is adequate for the rating scale. Moreover, the utility's cash flow after dividends is expected to fund approximately 67% of construction annually, requiring modest rate relief and external capital. Overall, the utility's cash flow coverages are expected to remain appropriate for the rating category benchmarks.

**Capital structure.** <sup>A1</sup><sub>top</sub>

Traditionally, Philadelphia Suburban Water has maintained a consistent capital structure, with about 45% common equity and 55% debt leverage. The company has redeemed the remaining \$4.2 million layer of cumulative preferred stock. Philadelphia Suburban Water does not expect to issue additional preferred stock. As of Sept. 30, 1998, all of the utility's debt (other than amounts due under its revolving credit facility) was in the form of fixed-rate first mortgage bonds. Philadelphia Suburban Water's long-term debt, which carries a weighted average cost of 7.2%, has an average remaining life of 13 years.

The quality of the balance sheet is reasonably good since deferrals of regulatory assets, excluding \$51.7 million of deferred income taxes, amounted to \$1.8 million at Dec. 31, 1998, or about 1% of common equity. Moreover, off-balance-sheet debt obligations are minimal.

The company's pension plan is fully funded. The accumulated postretirement employee medical benefits obligation is underfunded by about \$7.6 million. The transition obligation will be recovered through rates and is amortized over 15 years.

**Financial flexibility.** <sup>A1</sup><sub>top</sub>

The utility has an appropriate level of financial flexibility to meet working capital needs, capital spending, and continue its acquisition strategy.

Financing Flexibility	
Common equity characteristics as of Dec. 31, 1998	
Ticker symbol	PSC
Stock price (\$)	29.5
PE ratio (x)	30.4
Dividend yield (%)	2.2
Market to book (%)	350.8
Dividend to book (%)	7.7
Debt characteristics at fiscal year ended 1997	
Secured debt (%)	99
Unsecured debt (%)	0
Subordinated debt (%)	0
Fixed-rate debt (%)	100
Variable-rate debt (%)	0
Avg. life of long-term debt (years)	15
Embedded cost of long-term debt (%)	7.6
Debt maturing in five years (mil. \$)	22.8

**Operating Ratio**

Philadelphia Suburban Water has \$50 million of committed credit lines with four banks. As of Dec. 31, 1998, short-term borrowings outstanding were \$38.9 million. In addition, The company's medium-term note program enables the utility to issue up to \$150 million of first mortgage bonds in tranches as low as \$2 million with varying maturities. To date, Philadelphia Suburban Water has issued \$40 million under this program.

Short-term Financing					
As Of Sept. 30, 1998					
Short-term debt (mil. \$)	Arranged	Outstanding	Expiration date	Same-day availability	MAC clause
Commercial paper	0.0	0.0			
<i>Bank lines</i>					
Contracted committed lines	16.0	5.1	N.A.	N.A.	N.A.
Other compensated lines	50.0	34.6	1/00	N.A.	N.A.
Avg. cost of short-term debt (%)	6.1				
MAC—Material adverse change. N.A.—Not available.					

**Additional Table**

Additionally, flexibility is supported by Philadelphia Suburban Water's parent dividend-reinvestment and common stock purchase plans. For the year ended Dec. 31, 1998, these plans have contributed about \$4 million.

Capitalizing on PSC's reasonably strong market-to-book ratio, currently at 3.4x, the parent is expected to issue additional common shares to sid the financing of its acquisition strategy. Going forward, long-term financing is expected to be in the form of secured debt.

The utility has a manageable maturity schedule, with \$53.1 million coming due in the next five years.

Financial Statistics—Philadelphia Suburban Corp.					
	—Year ended Dec. 31—				
	1998*	1997	1996	1995	1994
<i>Income statements (mil. \$)</i>					
Gross revenues	148.4	136.2	122.5	117.0	108.6
Operating expenses (excl. DD&A)	67.7	64.8	59.9	59.4	57.5
Depreciation and amortization	15.8	14.6	13.3	11.6	10.5
Pretax operating income	64.8	56.8	49.3	46.1	40.7
Gross interest expense	19.2	18.4	15.6	15.2	13.0
Pretax income	46.8	39.1	33.7	30.9	27.2
AFUDC and deferrals	0.8	0.5	0.3	0.3	0.1
Income taxes	19.1	15.9	14.0	12.9	11.6
Net income from continuing operations	27.8	23.2	19.8	18.0	15.6
<i>Earnings protection</i>					
Pretax interest coverage (x)	3.41	3.11	3.18	3.06	3.15
Adjusted pretax interest coverage (x)	3.38	3.09	3.18	3.05	3.15
Preferred dividend coverage (x)	3.36	3.06	3.18	3.06	3.15
EBITDA interest coverage (x)	4.23	3.91	4.04	3.83	3.95
AFUDC and deferred income/earnings (%)	2.8	2.3	1.3	1.7	0.8
Return on common equity (nominal) (%)	12.8	12.2	11.7	11.8	10.8
Common dividend payout (%)	64.4	70.1	74.8	75.1	80.8

Annual O&M growth (%)	2.8	8.3	(0.2)	2.8	N.A.
Annual expense growth (excl. DD&A) (%)	4.5	8.2	0.8	3.3	N.A.
O&M/revenues (%)	38.7	41.1	42.1	44.2	46.3
Total operating expenses (excl. DD&A)/revenues (%)	45.6	47.6	48.9	50.7	52.9
<i>Balance sheet (mil. \$)</i>					
Cash and equivalents	1.4	0.7	1.5	2.4	1.2
Gross plant	719.2	656.0	612.8	529.4	462.5
Net plant	586.9	534.5	502.9	436.9	385.7
Total assets	675.7	616.5	582.9	518.1	460.1
Short-term debt	7.6	17.1	19.4	21.5	7.8
Long-term debt	257.5	232.5	217.5	175.4	152.2
Preferred stock	3.2	3.2	7.4	5.6	7.1
Common equity	228.1	191.5	176.8	157.0	143.8
Total capitalization	496.4	444.3	421.2	359.6	310.9
Total off-balance-sheet obligations	2.2	2.2	0.0	1.0	0.0
<i>Balance sheet ratios (%)</i>					
Short-term debt/total capital	1.5	3.8	4.6	6.0	2.5
Long-term debt/total capital	51.9	52.3	51.6	48.8	48.9
Preferred stock/total capital	0.6	0.7	1.8	1.6	2.3
Common equity/total capital	46.0	43.1	42.0	43.7	46.2
Adjusted total debt/total capital	53.6	56.4	56.3	54.9	51.5
Debt/EBITDA (x)	3.3	3.5	3.8	3.4	3.1
<i>Cash flow (mil. \$)</i>					
Net income	27.8	23.2	19.8	18.0	15.6
Depreciation	15.8	14.6	13.3	11.6	10.3
Deferred taxes and ITC	3.9	3.8	2.6	2.6	2.7
AFUDC and deferrals	(0.8)	(0.5)	(0.3)	(0.3)	(0.1)
Other funds from operations (FFO) adjustments	0.0	0.0	0.0	0.0	0.0
FFO	46.8	41.0	35.5	31.9	28.5
Preferred dividends	(0.2)	(0.2)	0.0	0.0	0.0
Common dividends	(17.8)	(16.1)	(14.8)	(13.5)	(12.6)
Net cash flow (NCF)	28.8	24.7	20.7	18.3	15.9
Working capital changes	1.7	0.3	1.7	1.1	0.6
Capital expenditures (capex)	(53.3)	(38.4)	(31.1)	(33.4)	(26.3)
Discretionary cash flow	(22.8)	(13.4)	(8.8)	(14.0)	(9.9)
<i>Cash flow adequacy</i>					
Capex/avg. total capital (%)	11.3	8.9	8.0	10.0	8.5
NCF/capex (%)	54.0	64.3	66.4	54.8	60.4
FFO/avg. total debt (%)	18.2	16.9	16.4	17.8	17.8
Adjusted FFO/avg. total debt (%)	18.3	17.1	16.3	18.0	17.8
FFO interest coverage (x)	3.40	3.20	3.26	3.09	3.25
Adjusted FFO interest coverage (x)	3.41	3.22	3.26	3.10	3.25
*For 12 months ended Sept. 30 (unaudited). AFUDC—Allowance for funds used during construction. O&M—Operations and maintenance. ITC—Investment tax credits. DD&A—Depreciation, depletion, and amortization. EBITDA—Earnings before interest, taxes, depreciation, and amortization. N.A.—Not available. Source: Financial data from EKS(TM) software by Metzler Services.					

Download Table



Dates are effective dates of ratings and publication in New York. Owing to the securities law regulations, there may be a delay in the updating of this page compared to the information on the What's New Page.

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# Standard & Poor's

A Division of The McGraw-Hill Companies



News

Publication Date 30-Jun-1998

## S&P Places Phil. Suburban Water's Rtg's On Watch Neg

Analyst: John Kennedy, New York (1) 212-208-8104

**Analysis**

**Current Ratings**

NY -- Standard & Poor's CreditWire 6/30/98 --

Standard & Poor's today placed its ratings (see list below) of Philadelphia Suburban Water Co. (PSW), a wholly owned subsidiary of Philadelphia Suburban Corp. (PSC), on CreditWatch with negative implications. The CreditWatch placement is a result of PSC's announcement that it will merge with unrated Consumer Water Co., which has an historically weaker financial profile than PSW. Although PSC's market capitalization will double with this deal (including assuming \$190 million in Consumer Water debt), Consumer Water provides a less-than-proportionate share of customers and operating income than currently at PSW. Standard & Poor's also is concerned that additional capital expenditures at Consumer Water could result in additional debt at the parent or utility level. There is, however, an opportunity that the merger could result in reducing overall costs through economies of scale. The merger is subject to regulatory approval in the five states where Consumer Water operates, from the SEC, and from other regulators. However, PSC anticipates completion by year end. The ratings on Pennsylvania-based PSW reflect consistent financial improvements, resulting from solid operating performance, a strong competitive position, and supportive regulatory environment. Prospectively, the utility's financial results will be further supported by an innovative rate surcharge, the Distribution System Improvement Charge, that will allow for the recovery of infrastructure improvement capital costs in the monthly water bill. This will enable Philadelphia Suburban Water to maintain a healthy financial profile, while addressing its regular pipeline maintenance needs. The utility's high average business position reflects ample water supply and treatment capacity, a healthy and affluent service territory, and a sharp and experienced management team, Standard & Poor's said. --CreditWire

**RATINGS PLACED ON CREDITWATCH NEGATIVE**

Philadelphia Suburban Water Co.

Corporate credit ratingA+

Senior secured debtAA-

top

Dates are effective dates of ratings and publication in New York. Owing to the securities law regulations, there may be a delay in the updating of this page compared to the information on the What's New Page.

### Standard & Poor's

A Division of The McGraw-Hill Companies

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR18. Please provide copies of all bond rating reports relating to the Company and, if applicable, its parent for the past two years.

A. Please refer to RR17.

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR19. Please supply copies of all presentations by the Company's and, if applicable, its parent's management to securities analysts during the past 2 years. This would include presentations of financial projections.

- A. *Attached is a copy of the parent company's material presented to analysts in December 2006. This presentation is substantially the same as that presented over the past two years, but has been continually updated with current information.*

The presentations have also included copies of Aqua America Inc. (Parent Company) Annual Report and SEC Filings.

Neither the Company nor its Parent Company have provided analysts with financial projections during the presentations.

# AQUA Pennsylvania<sup>SM</sup>

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## **Presentation to Standard & Poor's**

December 8, 2006

### **Century of Service**

- Only industry that has not been deregulated
- Only utility that is ingested
  - Raw material is "free"
  - Public health responsibility and distribution is the value added by the water industry
  - Consistently meeting all EPA standards
- High barriers to entry
  - Economies of scale
- Technological changes without restructuring basic delivery model

## U.S. Water Industry: Overview

- **Too many**
  - More than 50,000 community water systems
- **Too small**
  - 84% of the water systems serve less than 3,300 people
- **Too inefficient**
  - Less than 1% of the water systems serve more than 100,000 people
  - 86% market share controlled by the government

\*Source: EPA, "FACTOIDS: Drinking Water and Ground Water Statistics for 2001"

## U.S. Water Industry Demographics

**Total U.S. Population** **285 million**

Wells 25 million

47,000 small systems serving < 3,300 people 28 million

4,300 medium systems serving < 10,000 people 28 million

2,500 large systems serving > 10,000 people 121 million

1,000 large systems serving > 50,000 people 83 million

Source: US Census 2000

## Reasons for Consolidation

- Inefficient – no economies of scale
  - 47,000 systems serving 3,300 people or less
- Disproportionate number of environmental violations among small companies
- Lacking financial and operational expertise
  - Inability to meet capital investment needs
  - Less access to technology

## Factors Affecting Top Line Growth

- Customer growth
  - Natural
  - Acquisitions
- Price growth
  - Continually investing capital in infrastructure
  - Successful rate cases
  - Routine surcharge mechanisms

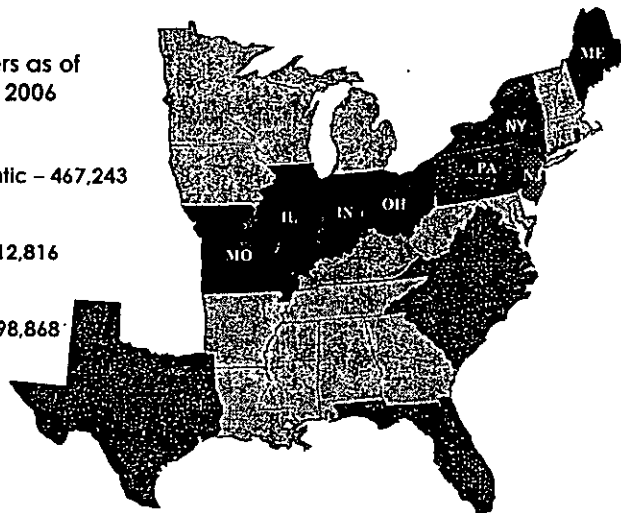
## Reasons for Growth Strategy Success

- 13 years of successful integration experience
- Discipline
  - Pay fair price / address community and employee needs
  - Achieve synergies and economies of scale
- Effective government relations
- Ability to implement competitive rates
- Comply with all federal and state environmental requirements

## Aqua America, Inc. States Served

878,927 customers as of  
September 30, 2006

- Aqua Mid Atlantic – 467,243
- Aqua North – 212,816
- Aqua South – 198,868



## Geographic Diversity

- Helps offset fluctuations in weather patterns
- Spreads regulatory risk
- Provides "national" presence, attractive to shareholders
- Allows for economies of scale and efficiencies
  - Builds talent pool to facilitate future growth

## Privatization: U.S. Model

- Purchase of small (troubled) private and municipal water companies by larger, more efficient, private water companies
- Purchase of smaller publicly traded water companies by larger publicly traded companies
- Operating and maintenance contracts with cities: US Filter (Veolia), United Water (Suez), American, Thames, Southwest Water, and OMI (CH<sub>2</sub>MHill)

# US Water Industry Trend: Consolidation

Pre-Consolidation

Today



ALLIANCE Water Resources  
 American States Water Co.  
 American Water Works  
 Aqua America, Inc.  
 Aquaterra Co.  
 Aquasource Inc.  
 Artesian Resources Corp.  
 Avista Corp.  
 Birmingham Utilities  
 California Water Services Group  
 Citizens Water Resources  
 Connecticut Water Service, Inc.  
 Consumers Water Resources  
 E-Town Corp.  
 Indianapolis  
 Middlesex Water Company  
 NEI  
 Pennichuck Corp.  
 SJW Corp.  
 Southwest Water Co.  
 United Water Resources  
 Utilities Inc.  
 York Water Co.

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America

California Water Services  
 American States Water  
 SJW Corp.  
 Middlesex Water Co.  
 Southwest Water Co.  
 Connecticut Water Services  
 Artesian Resources Corp.  
 York Water Co.  
 Pennichuck  
 Birmingham Utilities

AC Before: 23  
Pennsylvania

Today: 11

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**Aqua America - Corporate View**

**Old and New Participants  
in the Water Industry**

## Electrics Venture into the Water Industry

- 1990's: Electrics enter water industry in search of electric/water synergies & convergence
- Electrics willing to pay premiums for water properties
- Electrics have exited the water industry
  - Enron - Azurix
  - NiSource - Nipsco / IWC
  - DQE - Aquasource
  - ALLETE, Inc. - Heater and Florida Water
  - Sierra Pacific Power Company - Truckee
  - Duke Energy - Anderson

## Europeans Invest in U.S. Water Industry

- European, multi-utility conglomerates purchased some of the larger investor-owned water companies
- Many European companies' experience is in the contract operations model, which is focused on managing water services versus owning the assets (except for the U.K.)

## European Companies Involved in the U.S.

- Veolia – Vivendi / US Filter
- Suez – United Water / Ondeo
- RWE - American / Thames: chiefly regulated under the British model
- British regulated companies who own water business in the U.S.
  - Severn Trent
  - Kelda
    - Kelda has agreed to sell Aquarion to Macquarie

## Latest Entry into the Water Industry: Financial-oriented buyers (private equity)

- Often bring a shorter term investment horizon
- Lack of transparency
- Will need a long-term commitment to:
  - the company & employees – EBITDA driven
  - the U.S. regulatory model – cash negative
- Need ongoing investments to upgrade the nation's water infrastructure unless returns are immediate
- May need leverage to get equity returns to levels expected by investors

# AQUA Pennsylvania

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## **Aqua America**

### **New Major Initiatives in 2006**

#### **Status of New York Water Service**

- Announced May 2006
- 45,000 customers on Long Island, NY
- Price: \$51 Million
- Accretive
- No major environmental issues
- Economies of scale in NY
- Commission open to small system acquisition adjustment
- Reasonable rate-making state

## New York Water Service - Proforma

NY Water	Assumed Inputs				
TEV		51,000,000			
Investment Allocation					
DEBT - old		23,500,000			
DEBT - new	50%	23,500,000	Price at	# of shares	EPS
EQUITY - new	50%	25,500,000	23	1,108,696	\$1.56
			22	1,159,091	\$1.49
Revenue		23,608,000	21	1,214,286	\$1.42
O&M Expenses		(10,715,000)			
Profit on Overhead					
Other Taxes		(6,507,000)			
EBITDA		6,386,000		AA estimate	\$0.77
Dep & Amort. Exp		(1,906,000)			
EBIT		4,480,000			
Interest on Debt		(1,433,000)			
Interest on New Debt	6.0%	(120,000)			
pre-tax Income		2,927,000			
Income Taxes	41.0%	(1,200,070)			
Net Income		1,726,930			
ROE		6.8%			

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## Septage/Bulk Hauling Business

### Perna

- Base price \$5.6 million
- \$7.8 Million Revenue
- Employees: 53
- Vehicles transferred: 50

### Others

- Base Price \$1.7 million
- \$2.1 Million Revenue
- Employees: 11
- Vehicles: 13

### Lines of Business

- Hauling (Bulk, pumps & grease) - 75%
- Field Services (Inspection & installs) - 21%
- Portables - 4%



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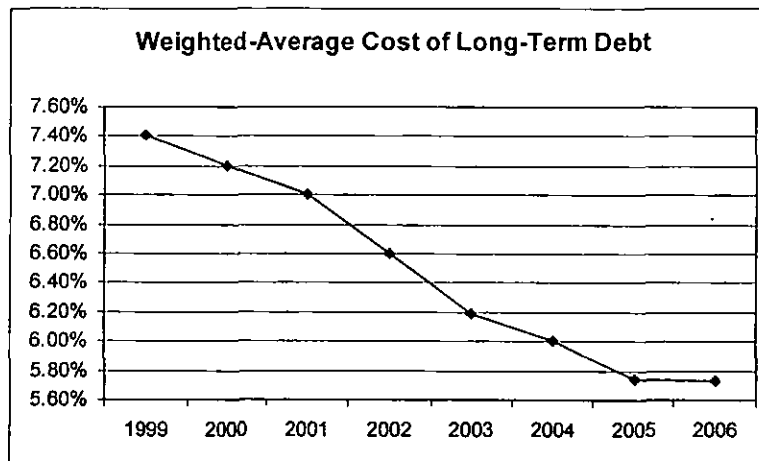
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## Aqua America - Corporate View

### Debt, Equity & Credit Metrics

## Aqua America Long-Term Debt



## Forward Offer – “Just in time” Equity

- August, 2006 “Forward Equity Offer” was sold in conjunction with a 500,000 share traditional offering
  - 3.5 million shares sold via forward offer that works as follows:
    - Brokers borrow shares from institutions
    - Broker sells (short sale)
    - Broker takes no risk – Aqua has guaranteed share delivery at sale price.
    - Aqua can take all or partial proceeds at any time during contract period.

## Forward Offer – Rationale

- Provide flexibility for future equity needs
- Fix metrics for future acquisitions and capital expenditures
- As debt rates exceed 5.5%, this equity is more cost effective.
- Deploy in rates

## Total initial equity available

### Initial Forward Reference Price

Gross Initial Offering Price	\$22.65
Gross Spread	3.50%
Structuring Fees	0.00%
<b>Initial Forward Reference Price or Offering Price net of Structuring Fee and Gross Spread</b>	<b>\$21.86</b>
Forward Shares Sold	3,500,000
Total Gross Proceeds	\$79,275,000
Total Net Proceeds	\$76,500,375

## Mechanics of Forward Offer

	Forward Price	Federal Funds Rate	Spread	Federal rate less Spread	Current Base shares	assumed proceeds
<b>Initial</b>	\$ 21.857				3,525,000	\$77,045,925
<b>Actual month ending balances</b>						
9/30/2006	\$ 21.855	5.250%	1.10%	4.15%	3,525,000	\$77,039,227
10/31/2006	\$ 21.933	5.250%	1.10%	4.15%	3,525,000	\$77,315,012
11/30/2006	\$ 22.009	5.250%	1.10%	4.15%	3,525,000	\$77,582,840

## Aqua America, Inc. Credit Metrics

	Actual 2004	Actual 2005	Forecast 2006	Target 2007
EBIT/ Interest Coverage (X)	3.7	3.8	3.7	3.7
FFO/ Interest Coverage (X)	4.7	4.5	4.4	4.6
FFO/ Total Debt (ST & LT) (%)	19.5%	17.5%	17.9%	17.9%
Total Debt / Total Capital (%)	55.1%	56.2%	54.4%	56.4%

## Aqua America, Inc. Key Ratios

	Actual 2004	Actual 2005	Forecast 2006	Target 2007
O&M Expense / Revenue (%)	40.9%	40.9%	41.1%	41.4%
EBITDA to Revenue Margin (%)	53.7%	53.5%	52.8%	51.7%
Net Income Margin (%)	18.1%	18.3%	17.1%	16.8%
Return on Average Equity	11.7%	11.8%	10.6%	10.8%

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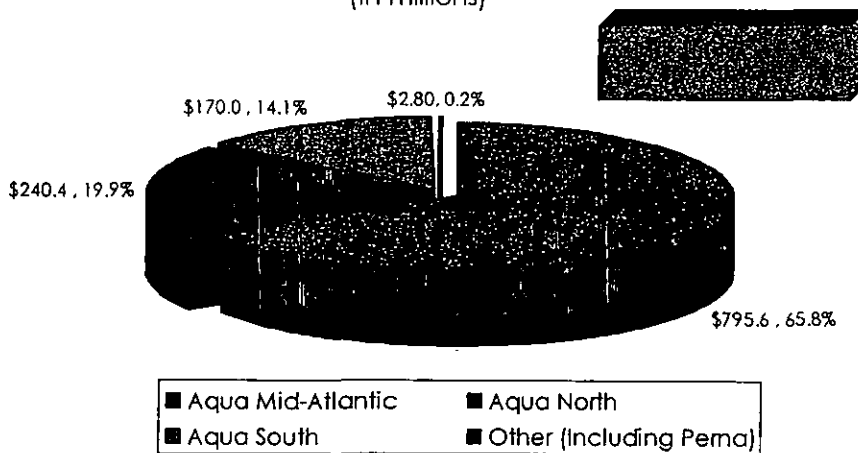
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## Aqua America - Corporate View

### Capital Investment

### 2006 - 2010 Capital Investment

(In millions)



## Aqua America – 5 Year Capital Investment

	Forecast 2006	Target 2007	Projected 2008	Projected 2009	Projected 2010
Capital Expenditures (000's)	\$248,000	\$245,000	\$250,000	\$250,000	\$250,000
Annual Depreciation (000's)	\$70,940	\$89,087	\$96,521	\$101,972	\$108,402
Capx/Depreciation (x)	3.50	2.75	2.59	2.45	2.31
Internally generated cash (before dividend)	\$169,234	\$191,845	\$213,890	\$231,110	\$250,346
% of Capital funded internally (before dividend)	68%	78%	86%	92%	100%

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**Aqua Pennsylvania**

## Pennsylvania Regulatory Environment

- Solid customer service and environmental compliance
- Favorable rates comparison
- Supportive regulatory environment
  - DSIC
  - Single tariff pricing
  - Small troubled water systems acquisition adjustment
  - Pennvest low interest loans
  - 2006 Acquisition Policy Statement

## Pennsylvania Regulatory Environment

- Settled major rate request June 22, 2006
- \$24.9 million base water rate increase
- The rates in effect at the time of the filing included \$12.4 million in Distribution System Improvement Charges or 5.0% above the prior base rates.
- Total base rates increased by \$37.3 million and the DSIC was reset to zero.
- Already filed 1<sup>st</sup> DSIC in next cycle for .95%
- Expect \$8.7 million in 2007

## Aqua Pennsylvania, Inc. Credit Metrics

	Actual 2004	Actual 2005	Forecast 2006	Target 2007
EBIT/ Interest Coverage (X)	4.0	4.3	3.9	4.1
FFO/ Interest Coverage (X)	4.8	5.0	4.6	4.6
FFO/ Total Debt (ST & LT) (%)	21.4%	20.1%	20.4%	19.3%
Total Debt / Total Capital (%)	52.8%	54.2%	52.0%	52.8%

## Aqua Pennsylvania, Inc. Key Ratios

	Actual 2004	Actual 2005	Forecast 2006	Target 2007
O&M Expense / Revenue (%)	33.3%	32.8%	34.2%	33.7%
EBITDA to Revenue Margin (%)	63.6%	63.8%	62.9%	63.4%
Net Income Margin (%)	22.4%	22.4%	20.9%	21.1%
Return on Average Equity	11.5%	12.0%	10.7%	10.6%

## Pennvest Funding

PERIOD	LOAN AMOUNT	INTEREST RATE
1999	\$ 6,293,475	3.41%
2000	9,680,314	2.66%
2001	17,511,987	2.31%
2002	29,625,898	2.02%
2003	2,479,370	1.57%
2004	1,732,707	1.92%
2005	6,453,612	1.89%
2006	6,089,380	1.79%
	<u>\$ 79,866,743</u>	2.13%

## Aqua Pennsylvania, Inc. 2006 Long-Term Debt Financings

### \$40 Million Unsecured Notes

- Closed - March 31, 2006
- Maturity - 28-Year Final/23-Year Avg. Life  
\$10.0 due in 2023, 2024, 2033 and 2034
- Interest Rate - 5.95%
- Purchaser - Allstate Life Insurance Co. of New York
- Funds were used to repay short-term debt and to pay issuance expenses

### \$20 Million Unsecured Notes

- Closed - September 29, 2006
- Maturity - 15-Year Final/12-Year Avg. Life  
\$4.6 in 2014, \$4.5 in 2016, \$5.5 in 2020 & \$5.4 in 2021
- Interest Rate - 5.64%
- Purchaser - Modern Woodmen
- Funds were used to repay short-term debt and to pay issuance expenses

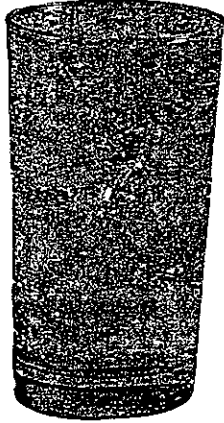
## **Aqua Pennsylvania, Inc. 2007 Long-Term Debt Financings**

- Principal Amount - \$50 Million Tax Exempt
- Closing - January 15, 2007 (Tentative)
- Issuer – Chester County Industrial Development Authority
- Maturity – \$25 million due 2040 and 2041
- Interest Rate – 5.00% (Forecast – to be locked by end of December, 2006)
- Underwriters – Sovereign Securities Corporation, LLC
- Proceeds will be used to fund certain capital projects and to pay issuance expenses

## **Aqua Pennsylvania, Inc.'s Goals**

- Provide superior customer service
- Maintain record of environmental compliance
- Invest in needed infrastructure improvements
- Continue customer growth-through-acquisition focus to offset rate increases
- Maintain strong balance sheet and credit rating

## Aqua America's Water Service: A True Value

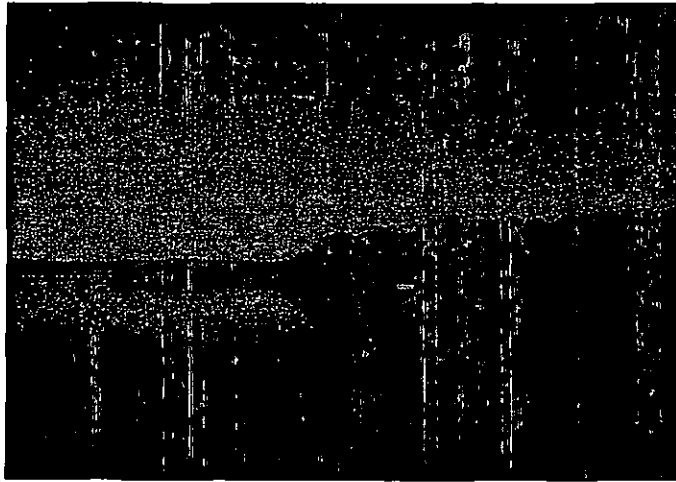


*Providing high quality,  
affordable water service  
that is delivered to homes  
at a fraction of the unit  
cost of premium bottled  
water*

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## Environmentally and Socially Responsible



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**Thank You**

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR20. Please provide a listing of all securities issuances for the Company and, if applicable, its parent projected for the next two years. The response should identify for each projected issuance the date, dollar amount, type of security, and effective cost rate.

A. The following securities are projected to be issued by the Company in the next two years:

\$50,000,000 @ 5.00% in December 2007 (Tax-Exempt)  
\$60,000,000 @ 6.00% in December 2007 (Unsecured Notes)

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR21. Please identify any plan by the Company to refinance high cost long-term debt or preferred stock.

- A. Since the last rate filing, Aqua Pennsylvania, Inc. has replaced higher cost long-term debt with a combination of \$72 million of tax-exempt financings, \$62 million of unsecured notes and \$16 million in Pennvest loans. The new financings were issued at interest rates ranging from 1.64% to 5.95% and were used to finance capital projects, repay short-term debt and repay long-term debt maturities and sinking payments. The Company continually looks for ways to lower its cost of debt. The cost of debt decreased by 21 basis points from June 30, 2005 to September 30, 2007.

Aqua Pennsylvania, Inc. does not have preferred stock.

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR23. If applicable, please supply a listing of all common equity infusions from the parent to the Company over the past five years. In each case, identify date and dollar amount.

A.	2002	\$41,630,000
	2003	\$34,117,000
	2004	\$ 2,967,000
	2005	\$ 1,720,000
	2006	\$17,592,000

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR24. If applicable, please identify the Company's common dividend payments to its parent for each of the last five years.

A.	2002	\$27,600,000
	2003	\$34,454,000
	2004	\$52,671,000
	2005	\$30,963,000
	2006	\$18,014,000

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR25. Please provide the latest year-by-year financial projections for the Company for the next five years. Also, please indicate the date these projections were prepared; whether approved by management; and whether the projections have been submitted to bond rating agencies.

*(Information should be treated in a confidential manner, if requested by the company in writing, as set forth in 52 Pa. Code 5.423).*

A. The Company's financial projections for 2007 and 2008 are provided in response RR8. Financial projects for the years 2009 through 2011 have not yet been approved by company management.

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR26. Please provide the Company's five-year construction budget.

A. Please see attached.

**Aqua America - Pennsylvania  
Capital Budget Summary Report**

Plan Year: 2008

Version: 2008 ORIGINAL VERSION

Co/Dept	FP Number	FP Description	2008	2009	2010	2011	2012	Total
<b>Project Group: 0050-EXPENSE TRACKING PROJECTS</b>								
15/151010	FP15900516159	Developer Refunds	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$8,500,000
Project Group 0050-EXPENSE TRACKING PROJECTS Totals:			\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$8,500,000
<b>Project Group: 0105-NEW MAINS (EXT @ COST)</b>								
15/152320	FP15900527297	New Main Extension Deposit Agreement	\$169,246	\$169,246	\$169,246	\$169,246	\$169,246	\$846,228
15/152320	FP15900527302	Deposits under Ext Deposit Agreement	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$750,000)
15/157240	FP15724010057	Cayuta St, Wildwood	\$264,994	\$0	\$0	\$0	\$0	\$264,994
Project Group 0105-NEW MAINS (EXT @ COST) Totals:			\$284,240	\$19,246	\$19,246	\$19,246	\$19,246	\$361,222
<b>Project Group: 0106-LOWER, REPLACE &amp; RELOCATE</b>								
15/152320	FP15900527306	Lower, Replace, Relocate Mains	\$224,682	\$224,682	\$224,682	\$224,682	\$224,682	\$1,123,410
15/152320	FP15900527353	Deposits for Lower, Repl & Relocate	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$1,000,000)
Project Group 0106-LOWER, REPLACE & RELOCATE Totals:			\$24,682	\$24,682	\$24,682	\$24,682	\$24,682	\$123,410
<b>Project Group: 0107-INSTALL MAINS- CO EXPENSE</b>								
15/152320	FP15900404400	Kimmell Main Extension	\$0	\$567,865	\$0	\$0	\$0	\$567,865
15/152320	FP15900527324	Unidentified Mains Company Expense	\$561,705	\$561,705	\$561,705	\$561,705	\$561,705	\$2,808,525
15/157840	FP15784026543	C Company Funded Water Mains	\$0	\$42,000	\$42,000	\$42,000	\$42,000	\$168,000
Project Group 0107-INSTALL MAINS- CO EXPENSE Totals:			\$561,705	\$1,171,570	\$603,705	\$603,705	\$603,705	\$3,544,390
<b>Project Group: 0108-MAINS PARTIALLY FUNDED BY</b>								
15/152320	FP15900527330	Partial Contribution-Developer Ext	\$420,000	\$420,000	\$420,000	\$420,000	\$420,000	\$2,100,000
15/152320	FP15900527333	Mainsource	\$652,023	\$869,364	\$869,364	\$869,364	\$869,364	\$4,129,479
15/157140	FP15714010269	Developer Mains - Roaring Creek	\$29,186	\$29,186	\$29,186	\$29,186	\$29,186	\$145,932
15/157240	FP15724010790	Developer Main - Susquehanna	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
15/157340	FP15734010793	Developer Mains - Waymart	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$26,250
15/157440	FP15744027513	Developer Mains - White Haven	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500

**Aqua America - Pennsylvania  
Capital Budget Summary Report**

Plan Year: 2008

Version: 2008 ORIGINAL VERSION

Co/Dept	FP Number	FP Description	2008	2009	2010	2011	2012	Total
<b>Project Group: 0108-MAINS PARTIALLY FUNDED BY</b>								
15/157840	FP15784010137	Co Funds Required-Oversizing	\$0	\$50,000	\$75,000	\$75,000	\$75,000	\$275,000
Project Group 0108-MAINS PARTIALLY FUNDED BY Totals:			<b>\$1,127,459</b>	<b>\$1,394,800</b>	<b>\$1,419,800</b>	<b>\$1,419,800</b>	<b>\$1,419,800</b>	<b>\$6,781,661</b>
<b>Project Group: 0109-MAIN REPLACEMENTS-NON-SURCI</b>								
15/157140	FP15714003858	Raw Water Main Replacements	\$0	\$525,000	\$525,000	\$525,000	\$525,000	\$2,100,000
Group 0109-MAIN REPLACEMENTS-NON-SURCHG Totals:			<b>\$0</b>	<b>\$525,000</b>	<b>\$525,000</b>	<b>\$525,000</b>	<b>\$525,000</b>	<b>\$2,100,000</b>
<b>Project Group: 0110-MAIN REPL,SURCHARGE</b>								
15/152320	FP15900527352	Design Future Main Replacements	\$157,500	\$157,500	\$157,500	\$157,500	\$157,500	\$787,500
15/154015	FP15900104483	Thompson Ave, Springfield Delco	\$1,199,340	\$0	\$0	\$0	\$0	\$1,199,340
15/154015	FP15900111143	Alpha Terrace, Morton	\$880,731	\$0	\$0	\$0	\$0	\$880,731
15/154015	FP15900111144	Ashland Avenue, Glenolden	\$497,312	\$0	\$0	\$0	\$0	\$497,312
15/154015	FP15900111149	Childs Avenue, Upper Darby	\$785,570	\$0	\$0	\$0	\$0	\$785,570
15/154015	FP15900111150	Crum Lynne Rd, Ridley Park	\$662,197	\$0	\$0	\$0	\$0	\$662,197
15/154015	FP15900111152	Dennison Avenue, Upper Darby	\$845,472	\$0	\$0	\$0	\$0	\$845,472
15/154015	FP15900111153	Diamond Street, Clifton Heights	\$186,624	\$0	\$0	\$0	\$0	\$186,624
15/154015	FP15900111156	Marlborough Road, Upper Darby	\$487,924	\$0	\$0	\$0	\$0	\$487,924
15/154015	FP15900111157	Morris lane, Nether Providence	\$281,510	\$0	\$0	\$0	\$0	\$281,510
15/154015	FP15900111158	Owen Avenue, Lansdowne	\$989,384	\$0	\$0	\$0	\$0	\$989,384
15/154015	FP15900111160	Surrey Avenue, Marple	\$431,971	\$0	\$0	\$0	\$0	\$431,971
15/154015	FP15900111181	Swarthmore Avenue, Rugledge	\$656,395	\$0	\$0	\$0	\$0	\$656,395
15/154015	FP15900111163	Trites Avenue, Norwood	\$323,816	\$0	\$0	\$0	\$0	\$323,816
15/154015	FP15900111166	Wanamaker Avenue, Tinicum (Delco)	\$838,257	\$0	\$0	\$0	\$0	\$838,257
15/154015	FP15900111167	Windsor Park Lane, Haverford	\$656,051	\$0	\$0	\$0	\$0	\$656,051
15/154015	FP15900111501	Springfield Road, Springfield	\$412,035	\$0	\$0	\$0	\$0	\$412,035
15/154015	FP15900211169	Aberdeen Avenue, Radnor	\$1,088,426	\$0	\$0	\$0	\$0	\$1,088,426

**Aqua America - Pennsylvania  
Capital Budget Summary Report**

Plan Year: 2008

Version: 2008 ORIGINAL VERSION

Co/Dept	FP Number	FP Description	2008	2009	2010	2011	2012	Total
<b>Project Group: 0110-MAIN REPL,SURCHARGE</b>								
15/154015	FP15900211170	Ardmore Avenue, Haverford	\$977,445	\$0	\$0	\$0	\$0	\$977,445
15/154015	FP15900211171	Chamounix Road, Radnor	\$1,568,068	\$0	\$0	\$0	\$0	\$1,568,068
15/154015	FP15900211173	Circular Lane, Tredyffrin	\$143,723	\$0	\$0	\$0	\$0	\$143,723
15/154015	FP15900211174	Coopertown Road, Haverford	\$1,861,380	\$0	\$0	\$0	\$0	\$1,861,380
15/154015	FP15900211177	First Street, West Conshohocken	\$209,453	\$0	\$0	\$0	\$0	\$209,453
15/154015	FP15900211178	Old Cassatt Road, Tredyffrin	\$188,594	\$0	\$0	\$0	\$0	\$188,594
15/154015	FP15900211180	Pembroke Avenue, Radnor	\$126,229	\$0	\$0	\$0	\$0	\$126,229
15/154015	FP15900211182	Plant Avenue, Radnor	\$340,464	\$0	\$0	\$0	\$0	\$340,464
15/154015	FP15900211183	Rose Lane, Lower Merion	\$601,984	\$0	\$0	\$0	\$0	\$601,984
15/154015	FP15900211185	U. Gulph Road, Tredyffrin	\$467,160	\$0	\$0	\$0	\$0	\$467,160
15/154015	FP15900211186	West Wayne Avenue, Radnor	\$1,239,135	\$0	\$0	\$0	\$0	\$1,239,135
15/154015	FP15900211187	Woodside Avenue, Narberth	\$1,386,390	\$0	\$0	\$0	\$0	\$1,386,390
15/154015	FP15900211188	Wynne Avenue, Haverford	\$488,705	\$0	\$0	\$0	\$0	\$488,705
15/154015	FP15900211500	College Avenue, Haverford	\$484,755	\$0	\$0	\$0	\$0	\$484,755
15/154015	FP15900306801	Cheltenham Ave, Springfield Montco	\$833,304	\$0	\$0	\$0	\$0	\$833,304
15/154015	FP15900311228	Ardley Avenue, Abington	\$464,365	\$0	\$0	\$0	\$0	\$464,365
15/154015	FP15900311230	County Line Road, Lower Southampton	\$420,692	\$0	\$0	\$0	\$0	\$420,692
15/154015	FP15900311231	Fitzwatertown Road, Abington	\$470,316	\$0	\$0	\$0	\$0	\$470,316
15/154015	FP15900311232	Flourtown Road, Whitmarsh	\$933,010	\$0	\$0	\$0	\$0	\$933,010
15/154015	FP15900311234	Johnson Road, Plymouth	\$235,399	\$0	\$0	\$0	\$0	\$235,399
15/154015	FP15900311235	Montgomery Ave, Springfield (Montco)	\$1,891,765	\$0	\$0	\$0	\$0	\$1,891,765
15/154015	FP15900311238	Radcliffe Street, Bristol	\$2,189,436	\$0	\$0	\$0	\$0	\$2,189,436
15/154015	FP15900311242	Valley Road, Plymouth	\$1,962,313	\$0	\$0	\$0	\$0	\$1,962,313
15/154015	FP15900311243	Virginia Road, Plymouth	\$666,643	\$0	\$0	\$0	\$0	\$666,643
15/154015	FP15900311245	Williams Way, Cheltenham	\$1,377,070	\$0	\$0	\$0	\$0	\$1,377,070
15/154015	FP15900312037	Bala Avenue, Upper Dublin	\$214,807	\$0	\$0	\$0	\$0	\$214,807

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<b>Project Group: 0110-MAIN REPL,SURCHARGE</b>								
15/154015	FP15900312038	Beaver Dam Road, Bristol Boro	\$582,837	\$0	\$0	\$0	\$0	\$582,837
15/154015	FP15900312039	Mansion Street, Bristol Boro	\$268,509	\$0	\$0	\$0	\$0	\$268,509
15/154015	FP15900312040	Weldy Avenue, Upper Dublin	\$214,807	\$0	\$0	\$0	\$0	\$214,807
15/154015	FP15900511528	Carryovers (MR/TTI - 2007)	\$2,068,328	\$0	\$0	\$0	\$0	\$2,068,328
15/154015	FP15900542958	Future Main Replacement Projects	\$0	\$33,508,000	\$35,331,700	\$36,297,300	\$40,031,500	\$145,188,500
15/157140	FP15714010196	Transmission Main Replacements	\$0	\$472,500	\$472,500	\$472,500	\$472,500	\$1,890,000
15/157140	FP15714010209	Unlined CIP Main Replacements	\$0	\$210,000	\$210,000	\$210,000	\$210,000	\$840,000
15/157140	FP15714010221	Elysburg Transit Main Replacements	\$0	\$262,500	\$682,500	\$682,500	\$682,500	\$2,310,000
15/157140	FP15714010717	PennDot Bridge Replacement - Atlas	\$268,678	\$0	\$0	\$0	\$0	\$268,678
15/157140	FP15714010718	Park Avenue, Rolling Green	\$0	\$323,252	\$0	\$0	\$0	\$323,252
15/157140	FP15714021897	White Rock Transite Main Repl	\$0	\$367,500	\$472,500	\$472,500	\$472,500	\$1,785,000
15/157240	FP15724003473	East Side Main Extension	\$0	\$0	\$0	\$326,988	\$0	\$326,988
15/157240	FP15724004067	First St from W. Orchard to W. Pine	\$0	\$0	\$0	\$105,962	\$0	\$105,962
15/157240	FP15724004069	Bradford St from Hoover to Park Pl	\$0	\$327,424	\$0	\$0	\$0	\$327,424
15/157240	FP15724010058	N Thomas Avenue, Sayre	\$67,251	\$0	\$0	\$0	\$0	\$67,251
15/157240	FP15724010059	Cayuta St fr Peck to Dominic Pace	\$265,070	\$0	\$0	\$0	\$0	\$265,070
15/157240	FP15724010062	Cayuta St from Park to Peck	\$0	\$396,400	\$0	\$0	\$0	\$396,400
15/157240	FP15724010065	N. Keystone Ave MR	\$0	\$0	\$299,606	\$0	\$0	\$299,606
15/157240	FP15724010066	N Wilber Ave from Tuscarora	\$0	\$0	\$130,610	\$0	\$0	\$130,610
15/157240	FP15724010068	N Hopkins fr Mohawk to Tuscarora	\$0	\$0	\$147,037	\$0	\$0	\$147,037
15/157240	FP15724010069	Mohawk St frm N Keyston to Warren	\$0	\$0	\$0	\$199,247	\$0	\$199,247
15/157240	FP15724010071	Pennsylvania Ave MR	\$0	\$0	\$0	\$0	\$662,951	\$662,951
15/157240	FP15724010072	W Lockhart Street	\$0	\$0	\$0	\$0	\$96,949	\$96,949
15/157240	FP15724010690	Pleasant Street, Athens	\$0	\$0	\$165,164	\$0	\$0	\$165,164
15/157240	FP15724010691	Willow Street, Athens	\$0	\$0	\$0	\$132,351	\$0	\$132,351
15/157240	FP15724011697	W Lockhart St, Sayre	\$110,965	\$0	\$0	\$0	\$0	\$110,965

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15/157240	FP15724011698	First Street, Sayre	\$116,724	\$0	\$0	\$0	\$0	\$116,724
15/157240	FP15724022313	N. Hopkins from Seneca to Oneida	\$0	\$144,280	\$0	\$0	\$0	\$144,280
15/157240	FP15724022317	Cayula Street Creek Crossing	\$146,163	\$0	\$0	\$0	\$0	\$146,163
15/157240	FP15724035746	Warren St Stevenson to Highland	\$0	\$0	\$123,039	\$0	\$0	\$123,039
15/157240	FP15724035749	Replace River Crossing	\$227,877	\$0	\$0	\$0	\$0	\$227,877
15/157340	FP15734002860	Unidentified Mast Hope Main Repl	\$0	\$0	\$262,500	\$262,500	\$262,500	\$787,500
15/157340	FP15734003045	Future Waymart Div Main Replacement	\$0	\$262,500	\$262,500	\$262,500	\$262,500	\$1,050,000
15/157340	FP15734010004	Future Jefferson Heights Main Repl	\$0	\$105,000	\$105,000	\$105,000	\$105,000	\$420,000
15/157340	FP15734010024	Columbus Avenue Phase 2, Hawley	\$0	\$0	\$303,146	\$0	\$0	\$303,146
15/157340	FP15734010484	Unidentified Tanglewood North MR	\$0	\$0	\$367,500	\$0	\$0	\$367,500
15/157440	FP15744004556	Oneida Main	\$126,978	\$0	\$0	\$0	\$0	\$126,978
15/157440	FP15744010550	Midway Manor Main Repl - WH	\$0	\$52,500	\$472,500	\$472,500	\$472,500	\$1,470,000
15/157440	FP15744010875	Terrace Avenue, Kingston (inactive)	\$0	\$0	\$0	\$0	\$0	\$0
15/157440	FP15744011768	Oak Hill Main Replacement	\$405,529	\$0	\$0	\$0	\$0	\$405,529
15/157440	FP15744029045	Eagle Rock Distribution Improve	\$0	\$105,000	\$210,000	\$210,000	\$210,000	\$735,000
15/157840	FP15784006401	C-MR Repl Problem Mains-Lalonka&Oak	\$0	\$0	\$121,329	\$121,329	\$0	\$242,658
15/157840	FP15784008962	C-MR UNDER 66, BIRCH TO TANKS	\$78,750	\$0	\$0	\$0	\$0	\$78,750
15/157840	FP15784010018	C-MR CASE, STATE TO LINDEN	\$45,000	\$0	\$0	\$0	\$0	\$45,000
15/157840	FP15784010076	C-MR WENGLER, DIVISION TO GEORGE	\$60,000	\$0	\$0	\$0	\$0	\$60,000
15/157840	FP15784010077	C-MR CENTER, LAKEVIEW TO MONNIE	\$77,250	\$0	\$0	\$0	\$0	\$77,250
15/157840	FP15784010078	C-MR OAKMONT, OAKWOOD TO RT 18	\$72,250	\$0	\$0	\$0	\$0	\$72,250
15/157840	FP15784010079	C-MR OAKLAND BEACH, OAKWOOD TO OAKM	\$85,250	\$0	\$0	\$0	\$0	\$85,250
15/157840	FP15784010080	C-MR OAKWOOD, OAKMONT TO OAKLND BEA	\$56,250	\$0	\$0	\$0	\$0	\$56,250
15/157840	FP15784010085	C-MR E BEAVER, OTTER TO WILSON	\$129,871	\$0	\$0	\$0	\$0	\$129,871
15/157840	FP15784010090	C-MR PAUL, DIVISION TO ROMBOLD	\$150,000	\$0	\$0	\$0	\$0	\$150,000
15/157840	FP15784010092	C-MR SHADY, DIVISION TO MERCER	\$180,000	\$0	\$0	\$0	\$0	\$180,000

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<b>Project Group: 0110-MAIN REPL,SURCHARGE</b>								
15/157840	FP15784010097	C-MR LYLE, HIGHLAND TO PARKVIEW	\$123,750	\$0	\$0	\$0	\$0	\$123,750
15/157840	FP15784010395	C-MR Replacement of Problem Mains	\$0	\$1,331,400	\$1,312,500	\$1,328,250	\$1,328,250	\$5,300,400
15/157840	FP15784021720	C-MR Hemlock, Birch to Walnut	\$116,025	\$0	\$0	\$0	\$0	\$116,025
15/157840	FP15784021723	C-MR W Spruce, Cherry to Hemlock	\$23,100	\$0	\$0	\$0	\$0	\$23,100
15/157840	FP15784021739	C-MR Cherry, Forest to Oak Lane	\$180,000	\$0	\$0	\$0	\$0	\$180,000
15/157840	FP15784021740	C-MR Hemlock, Spruce to Cherry	\$0	\$22,556	\$0	\$0	\$0	\$22,556
15/157840	FP15784022165	C-MR Westeman, Buhl to Dougherty	\$26,500	\$0	\$0	\$0	\$0	\$26,500
Project Group 0110-MAIN REPL,SURCHARGE Totals:			<b>\$39,396,830</b>	<b>\$38,048,312</b>	<b>\$41,609,131</b>	<b>\$41,818,927</b>	<b>\$45,427,150</b>	<b>\$206,300,350</b>
<b>Project Group: 0113-MAIN REPLACEMENTS-NON-SUR</b>								
15/157140	FP15714003186	Locust Gap Main Replacement	\$1,068,667	\$0	\$0	\$0	\$0	\$1,068,667
15/157140	FP15714003187	Trevorton BPS Suction Main Repl	\$0	\$264,334	\$0	\$0	\$0	\$264,334
15/157140	FP15714010279	Shamokin Street Main Replacement	\$581,030	\$0	\$0	\$0	\$0	\$581,030
15/157140	FP15714010286	Burnside Transmission Main Repl	\$739,890	\$0	\$0	\$0	\$0	\$739,890
15/157140	FP15714010293	Roadamerl Lane, Elysburg	\$54,308	\$372,762	\$0	\$0	\$0	\$427,070
15/157140	FP15714010297	Kuhn Road MR, White Rock	\$0	\$211,222	\$0	\$0	\$0	\$211,222
15/157140	FP15714010332	Main St & Lavelle St Main Repl	\$527,987	\$0	\$0	\$0	\$0	\$527,987
15/157140	FP15714010719	PennVest Main Replacements- RC	\$0	\$1,575,000	\$1,575,000	\$1,575,000	\$1,575,000	\$6,300,000
15/157340	FP15734008675	Unidentified Pinecrest Main Repl	\$106,088	\$0	\$0	\$0	\$0	\$106,088
15/157340	FP15734009691	Columbus Avenue Phase I, Hawley	\$55,191	\$308,239	\$0	\$0	\$0	\$363,431
15/157340	FP15734010025	Floral & Magnolia MR, Thomhurst	\$355,110	\$0	\$0	\$0	\$0	\$355,110
15/157340	FP15734010246	Hudson St Phase II MR (SR590)	\$124,240	\$0	\$0	\$0	\$0	\$124,240
15/157340	FP15734010256	Unidentified Mountainhome MR's	\$864,794	\$0	\$0	\$0	\$0	\$864,794
15/157340	FP15734010258	Unidentified Waymart MR (Pennvest)	\$78,750	\$1,050,000	\$1,050,000	\$1,050,000	\$1,050,000	\$4,278,750
15/157340	FP15734010783	Unidentified Thomhurst Main Repl	\$52,500	\$378,000	\$283,500	\$297,675	\$297,675	\$1,309,350
15/157340	FP15734010784	Unidentified Pine Beach Main Repl	\$78,750	\$157,500	\$78,750	\$0	\$0	\$315,000

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<b>Project Group: 0113-MAIN REPLACEMENTS-NON-SURC</b>								
15/157340	FP15734011260	Galvanized & PVC Main Repl-Waymart	\$105,000	\$105,000	\$105,000	\$210,000	\$210,000	\$735,000
15/157340	FP15734011601	Eastwood St, Tanglewood Lakes	\$451,223	\$0	\$0	\$0	\$0	\$451,223
15/157340	FP15734011602	Mill Creek Stream Crossing, Mt Home	\$138,244	\$0	\$0	\$0	\$0	\$138,244
15/157340	FP15734011603	Mast Hope Main Repl (PennVest)	\$56,904	\$165,148	\$0	\$0	\$0	\$222,052
15/157340	FP15734011604	Rt. 6, Hawley	\$54,289	\$270,963	\$0	\$0	\$0	\$325,252
15/157440	FP15744004552	Lake Valley Main Replacement	\$0	\$547,503	\$0	\$0	\$0	\$547,503
15/157440	FP15744007894	Terrace Ave, Kingston (PennVest)	\$946,787	\$0	\$0	\$0	\$0	\$946,787
15/157440	FP15744008163	Oak Hill & Saylorburg MR - WH	\$0	\$1,050,000	\$0	\$0	\$0	\$1,050,000
15/157440	FP15744010492	Factoryville Galvanized MR	\$350,317	\$0	\$0	\$0	\$0	\$350,317
15/157440	FP15744010786	PennVest Post Construction Costs	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
15/157440	FP15744011267	N.E. Mains - Design & Engineering	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500
15/157440	FP15744035410	PVC & Galvanized Main Replacements	\$0	\$315,000	\$315,000	\$315,000	\$315,000	\$1,260,000
15/157440	FP15744035411	Unidentified NE Pennvest Main Repl	\$0	\$0	\$1,050,000	\$1,050,000	\$1,050,000	\$3,150,000
15/157840	FP15784010316	C-MR SR 18, SR 468 TO SR 208	\$1,100,000	\$0	\$0	\$0	\$0	\$1,100,000
up 0113-MAIN REPLACEMENTS-NON-SURCHARG Totals:			\$7,953,071	\$6,833,672	\$4,520,250	\$4,560,675	\$4,560,675	\$28,428,343
<b>Project Group: 0115-TIE-IN DEAD END MAINS</b>								
15/157440	FP15744010439	Stanton/Chinchilla Tie-In (Pennvest)	\$548,179	\$0	\$0	\$0	\$0	\$548,179
Project Group 0115-TIE-IN DEAD END MAINS Totals:			\$548,179	\$0	\$0	\$0	\$0	\$548,179
<b>Project Group: 0116-TIE-IN DEAD END MNS-SURCHARI</b>								
15/154015	FP15900111145	Bishop Hollow Rd, Upper Providence	\$124,665	\$0	\$0	\$0	\$0	\$124,665
15/154015	FP15900211181	Pennsylvania Avenue, Radnor	\$62,657	\$0	\$0	\$0	\$0	\$62,657
15/154015	FP15900311237	Plymouth Road #2, Plymouth	\$102,772	\$0	\$0	\$0	\$0	\$102,772
15/154015	FP15900512263	Company Wide Future Tie-In Mains	\$0	\$3,150,000	\$3,150,000	\$3,150,000	\$3,150,000	\$12,600,000
15/157140	FP15714010300	Dead End Main Extensions - RC	\$105,000	\$10,500	\$10,500	\$10,500	\$10,500	\$147,000

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<b>Project Group: 0116-TIE-IN DEAD END MNS-SURCHARGE</b>								
15/157140	FP15714010720	Rolling Green Loops - RC	\$0	\$157,500	\$0	\$0	\$0	\$157,500
15/157140	FP15714010721	Turkey Hill Road, Ralpho Twp	\$0	\$0	\$319,916	\$0	\$0	\$319,916
15/157240	FP15724003475	Elm Street, Athens	\$158,314	\$0	\$0	\$0	\$0	\$158,314
15/157340	FP15734003047	Pinecrest Well #1 Tie-In	\$214,330	\$0	\$0	\$0	\$0	\$214,330
15/157340	FP15734010241	Interconnect Fawn Lake & Masthope	\$315,584	\$0	\$0	\$0	\$0	\$315,584
15/157340	FP15734010243	Interconnect Falling Water to Rapid	\$118,542	\$0	\$0	\$0	\$0	\$118,542
15/157340	FP15734015265	Tank Loop @ Sponia, Waymart	\$0	\$0	\$32,016	\$183,935	\$0	\$215,951
15/157340	FP15734021750	Connect Dead End Mains	\$0	\$105,000	\$105,000	\$105,000	\$105,000	\$420,000
15/157340	FP15734038294	Mt Cobb/Jefferson Hgts Interconnect	\$0	\$0	\$372,522	\$0	\$0	\$372,522
15/157440	FP15744003348	Connect Dead End Mains	\$0	\$105,000	\$205,000	\$205,000	\$205,000	\$720,000
15/157440	FP15744010493	Shickshinny Dead End Main	\$107,524	\$0	\$0	\$0	\$0	\$107,524
15/157840	FP15784021742	C-MR Hemlock Under SR 66	\$0	\$20,050	\$0	\$0	\$0	\$20,050
15/157840	FP15784026453	C-MT Rombold Road 2 Close Loop	\$0	\$0	\$130,323	\$0	\$0	\$130,323
Group 0116-TIE-IN DEAD END MNS-SURCHARGE Totals:			<b>\$1,309,388</b>	<b>\$3,548,050</b>	<b>\$4,325,277</b>	<b>\$3,654,435</b>	<b>\$3,470,500</b>	<b>\$16,307,649</b>
<b>Project Group: 0120-MAIN CLEANING &amp; LINING</b>								
15/154135	FP15900110473	Gladstone Rd, Lansdowne C/L	\$467,290	\$0	\$0	\$0	\$0	\$467,290
15/154135	FP15900110474	Wilde Avenue, Upper Darby C/L	\$535,124	\$0	\$0	\$0	\$0	\$535,124
15/154135	FP15900110475	Harper Avenue, Upper Darby C/L	\$535,099	\$0	\$0	\$0	\$0	\$535,099
15/154135	FP15900110476	Burmont Rd, Upper Darby C/L	\$248,708	\$0	\$0	\$0	\$0	\$248,708
15/154135	FP15900110477	Pine Valley Rd, Marple C/L	\$604,158	\$0	\$0	\$0	\$0	\$604,158
15/154135	FP15900110478	Vernon Rd, Upper Darby C/L	\$604,158	\$0	\$0	\$0	\$0	\$604,158
15/154135	FP15900210480	Bryn Mawr Avenue, Lower Merion C/L	\$1,675,923	\$0	\$0	\$0	\$0	\$1,675,923
15/154135	FP15900211774	Cedarbrook Road, Haverford Twp C/L	\$1,253,675	\$0	\$0	\$0	\$0	\$1,253,675
15/154135	FP15900512138	S.E. PA Main Cleaning Program	\$0	\$9,320,859	\$9,500,000	\$9,500,000	\$9,500,000	\$37,820,859
15/154420	FP15900310543	Chestnut Street, Whitmarsh C/L	\$1,325,218	\$0	\$0	\$0	\$0	\$1,325,218

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<b>Project Group: 0120-MAIN CLEANING &amp; LINING</b>								
15/154420	FP15900310630	Rorer Avenue, Hatboro C/L	\$377,634	\$0	\$0	\$0	\$0	\$377,634
15/154420	FP15900310631	Duffield Rd, Upper Moreland C/L	\$628,804	\$0	\$0	\$0	\$0	\$628,804
15/154420	FP15900310632	Lindley Rd, Cheltenham C/L	\$546,958	\$133,245	\$0	\$0	\$0	\$680,203
15/154420	FP15900310633	Hamison Ave, Cheltenham C/L	\$188,305	\$45,896	\$0	\$0	\$0	\$234,201
15/154420	FP15900310634	Twining Rd, Upper Dublin C/L	\$954,778	\$0	\$0	\$0	\$0	\$954,778
Project Group 0120-MAIN CLEANING & LINING Totals:			<b>\$9,945,830</b>	<b>\$9,500,000</b>	<b>\$9,500,000</b>	<b>\$9,500,000</b>	<b>\$9,500,000</b>	<b>\$47,945,830</b>
<b>Project Group: 0125-CAPITALIZED MAIN BREAKS</b>								
15/154143	FP15900100638	Main Breaks-Southern	\$1,545,519	\$1,607,340	\$1,671,632	\$1,738,496	\$1,808,032	\$8,371,020
15/154445	FP15900300635	Main Breaks-Eastern	\$793,424	\$825,165	\$852,366	\$892,497	\$928,198	\$4,291,649
15/154745	FP15900200639	Main Breaks-Western	\$1,207,716	\$1,256,012	\$1,306,270	\$1,358,526	\$1,412,853	\$6,541,377
15/154745	FP15900400636	Main Breaks-Great Valley	\$349,479	\$364,550	\$379,118	\$394,286	\$410,080	\$1,897,513
15/157140	FP15714010219	Main Breaks - Roaring Creek	\$103,156	\$103,156	\$103,156	\$103,156	\$103,156	\$515,782
15/157240	FP15724010454	Main Breaks - Susquehanna	\$5,040	\$5,040	\$5,040	\$5,040	\$5,040	\$25,200
15/157340	FP15734015267	Main Breaks - Waymart	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$315,000
15/157440	FP15744027519	Main Breaks - White Haven	\$157,500	\$157,500	\$157,500	\$157,500	\$157,500	\$787,500
15/157840	FP15784010139	D Main Breaks that Result in M.Repl	\$160,000	\$164,800	\$169,744	\$174,766	\$180,081	\$849,391
15/157840	FP15784010317	SATELLITE-MAIN BREAKS	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$15,000
Project Group 0125-CAPITALIZED MAIN BREAKS Totals:			<b>\$4,387,835</b>	<b>\$4,549,564</b>	<b>\$4,710,827</b>	<b>\$4,890,267</b>	<b>\$5,070,940</b>	<b>\$23,609,433</b>
<b>Project Group: 0130-HIGHWAY RELOCATIONS</b>								
15/152320	FP15900204061	Front & Bullock, West Consho Reloc	\$0	\$140,058	\$0	\$0	\$0	\$140,058
15/152320	FP15900210240	Betzwood Bridge and approach main	\$0	\$233,346	\$563,106	\$0	\$0	\$796,452
15/152320	FP15900302547	Bristol Pike, Rt. 13 @ DeLuca Homes	\$45,181	\$0	\$0	\$0	\$0	\$45,181
15/152320	FP15900436719	SR 100 VAN	\$339,785	\$286,123	\$0	\$0	\$0	\$625,909
15/152320	FP15900436769	Sheree Boulevard - VAN	\$169,893	\$0	\$0	\$0	\$0	\$169,893

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<b>Project Group: 0130-HIGHWAY RELOCATIONS</b>								
15/152320	FP15900527402	Unidentified Future Relocations	\$0	\$224,682	\$561,705	\$561,705	\$561,705	\$1,909,797
15/157140	FP15714010245	PennDot Highway Relocation	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$131,250
15/157240	FP15724010452	Penndot Highway Relocations-Susq	\$5,040	\$5,040	\$5,040	\$5,040	\$5,040	\$25,200
15/157240	FP15724011268	PennDot Highway Relocations-Susq	\$5,040	\$5,040	\$5,040	\$5,040	\$5,040	\$25,200
15/157340	FP15734010007	PennDot Highway Relocations	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$26,250
15/157440	FP15744027520	PennDot Highway Relocation	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$26,250
15/157840	FP15784020938	C-Future Highway Relocation Project	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Project Group 0130-HIGHWAY RELOCATIONS Totals:			<b>\$651,689</b>	<b>\$981,040</b>	<b>\$1,221,641</b>	<b>\$658,535</b>	<b>\$658,535</b>	<b>\$4,171,440</b>
<b>Project Group: 0132-HIGHWAY RELOC-SURCHARGE</b>								
15/152320	FP15900110284	Rodney Road, Ridley; relocation	\$45,180	\$0	\$0	\$0	\$0	\$45,180
15/152320	FP15900111269	Crum Creek Road Bridge	\$13,288	\$0	\$0	\$0	\$0	\$13,288
15/152320	FP15900204074	Gulph Road Bridge at Trout Run	\$249,052	\$0	\$0	\$0	\$0	\$249,052
15/152320	FP15900207552	Balligomingo Road Relocation	\$0	\$0	\$0	\$224,682	\$0	\$224,682
15/152320	FP15900210164	Mill Lane Bridge at Rt. 202	\$96,915	\$96,915	\$0	\$0	\$0	\$193,830
15/152320	FP15900210165	Swedesford Road (South) Bridge at 202	\$68,250	\$68,250	\$0	\$0	\$0	\$136,500
15/152320	FP15900210166	Swedesford Rd (North) Bridge at 202	\$0	\$44,936	\$397,707	\$0	\$0	\$442,644
15/152320	FP15900210167	Moorehall Rd Bridge at Rt. 202	\$0	\$56,171	\$105,687	\$0	\$0	\$161,857
15/152320	FP15900210168	Cedar Hollow Bridge at Rt. 202	\$0	\$0	\$94,534	\$0	\$0	\$94,534
15/152320	FP15900236778	Rt 202 Bridge @ Church Road	\$90,858	\$263,216	\$0	\$0	\$0	\$354,074
15/152320	FP15900304072	Bristol Pk @ Bensalem Blvd	\$92,903	\$0	\$0	\$0	\$0	\$92,903
15/152320	FP15900310242	Galloway Rd Turnpike Bridge, Bensal	\$0	\$442,134	\$0	\$0	\$0	\$442,134
15/152320	FP15900310245	Richlieu Rd Turnpike Bridge	\$0	\$0	\$520,178	\$0	\$0	\$520,178
15/152320	FP15900310247	Hulmville Rd Turnpike Bridge	\$0	\$0	\$0	\$337,972	\$0	\$337,972
15/152320	FP15900310252	Bensalem Blvd turnpike Bridge	\$0	\$0	\$0	\$0	\$337,972	\$337,972
15/152320	FP15900310267	Walton Road Turnpike Bridge	\$58,336	\$212,906	\$0	\$0	\$0	\$271,242

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<b>Project Group: 0132-HIGHWAY RELOC-SURCHARGE</b>								
15/152320	FP15900310268	Otter Street Bridge, Bristol	\$169,734	\$0	\$0	\$0	\$0	\$169,734
15/152320	FP15900336765	Bristol Pipe Storm Sewer	\$112,953	\$114,184	\$0	\$0	\$0	\$227,137
15/152320	FP15900410273	Eagle Loop Road, Upper Uwchlan	\$45,180	\$0	\$0	\$0	\$0	\$45,180
15/152320	FP15900410289	Oakbourne Road Bridge Repl't	\$90,360	\$0	\$0	\$0	\$0	\$90,360
15/152320	FP15900510593	Septa Grade Crossings	\$22,468	\$22,468	\$22,468	\$22,468	\$22,468	\$112,341
15/152320	FP15900527427	Unidentified Township Project	\$449,364	\$337,023	\$337,023	\$337,023	\$337,023	\$1,797,456
15/152320	FP15900527439	Unidentified State Projects	\$0	\$0	\$449,364	\$1,348,092	\$1,572,774	\$3,370,230
Project Group 0132-HIGHWAY RELOC-SURCHARGE Totals:			\$1,604,841	\$1,658,204	\$1,926,961	\$2,270,237	\$2,270,237	\$9,730,480
<b>Project Group: 0135-VALVE RPLCMNTS-NON-SURCHA</b>								
15/154015	FP15900127358	Valve Replacements - S.E. PA	\$919,365	\$956,140	\$994,382	\$1,034,164	\$1,075,500	\$4,979,552
15/154143	FP15900100645	Valve Replacements- Southern	\$0	\$0	\$0	\$0	\$0	\$0
15/154445	FP15900300641	Valve Replacements-Eastern	\$0	\$0	\$0	\$0	\$0	\$0
15/154745	FP15900200753	Valve Replacements- Western	\$0	\$0	\$0	\$0	\$0	\$0
15/154745	FP15900400642	Valve Replacements- Great Valley	\$0	\$0	\$0	\$0	\$0	\$0
15/157140	FP15714010210	Valve Replacements - Roaring Creek	\$45,141	\$45,141	\$45,141	\$45,141	\$45,141	\$225,705
15/157240	FP15724010474	Valve Replacements - Susquehanna	\$18,784	\$18,784	\$18,784	\$18,784	\$18,784	\$93,920
15/157340	FP15734015269	Valve Replacements - Waymart	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$131,250
15/157440	FP15744027521	Valve Replacements - White Haven	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
15/157840	FP15784010138	Repl Leaking & Inoperable Valves-SV	\$39,937	\$40,749	\$41,971	\$43,230	\$44,527	\$210,414
15/157840	FP15784010318	SATELLITE - VALVE REPLACEMENT	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$10,000
Group 0135-VALVE RPLCMNTS-NON-SURCHARGE Totals:			\$1,072,478	\$1,110,064	\$1,149,528	\$1,190,569	\$1,233,202	\$5,755,841
<b>Project Group: 0141-CATHODIC PROTECTION EQUIP</b>								
15/152320	FP15900504781	Cathodic Protection-Non-DSIC	\$192,150	\$78,750	\$47,250	\$47,250	\$47,250	\$412,650
Project Group 0141-CATHODIC PROTECTION EQUIP Totals:			\$192,150	\$78,750	\$47,250	\$47,250	\$47,250	\$412,650

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<b>Project Group: 0145-TANK PAINTING</b>								
15/152920	FP15900137236	Paint Secane Tank	\$557,176	\$0	\$0	\$0	\$0	\$557,176
15/152920	FP15900237226	Paint Pickering Creek Clearwell #2	\$409,361	\$0	\$0	\$0	\$0	\$409,361
15/152920	FP15900337230	Paint Moreland Tank	\$224,546	\$0	\$0	\$0	\$0	\$224,546
15/152920	FP15900337234	Paint Plymouth Tank	\$0	\$307,541	\$0	\$0	\$0	\$307,541
15/152920	FP15900512139	Tank Painting (future) - S.E. PA	\$0	\$945,000	\$1,260,000	\$1,260,000	\$1,260,000	\$4,725,000
15/156169	FP15900210651	Paint Wash Water Tanks - UM	\$79,607	\$0	\$0	\$0	\$0	\$79,607
15/157140	FP15714006496	Tank Painting Projects - RC	\$0	\$0	\$210,000	\$210,000	\$210,000	\$630,000
15/157140	FP15714010169	Paint Natalie Tank - RC	\$0	\$265,908	\$0	\$0	\$0	\$265,908
15/157140	FP15714010722	Paint Pennsview Tank - RC	\$158,722	\$0	\$0	\$0	\$0	\$158,722
15/157340	FP15734010485	Paint Moscow Tank	\$0	\$0	\$0	\$0	\$211,631	\$211,631
15/157340	FP15734015273	Paint Fawn Lake Forest-Waymart	\$0	\$211,299	\$0	\$0	\$0	\$211,299
15/157340	FP15734015274	Paint Waymart Tank - Waymart	\$0	\$0	\$0	\$264,370	\$0	\$264,370
15/157340	FP15734035817	Paint Mountainhome Tank - Waymart	\$185,578	\$0	\$0	\$0	\$0	\$185,578
15/157440	FP15744010494	Paint Factoryville Tank	\$0	\$0	\$158,382	\$0	\$0	\$158,382
15/157440	FP15744010495	Paint Oak Hill Tank	\$160,087	\$0	\$0	\$0	\$0	\$160,087
15/157440	FP15744010496	Paint Saytorsburg Tank	\$0	\$0	\$158,382	\$0	\$0	\$158,382
15/157440	FP15744010551	Paint White Haven Tank	\$0	\$0	\$372,509	\$0	\$0	\$372,509
15/157440	FP15744021708	Paint Various Tanks - White Haven	\$0	\$0	\$0	\$262,500	\$262,500	\$525,000
15/157830	FP15784015161	P Carnegie View Tank Painting -SV	\$965,000	\$0	\$0	\$0	\$0	\$965,000
15/157830	FP15784035455	P-Gail Drive Tank Painting - SV	\$0	\$308,000	\$0	\$0	\$0	\$308,000
Project Group 0145-TANK PAINTING Totals:			\$2,740,077	\$2,037,747	\$2,159,274	\$1,996,870	\$1,944,131	\$10,878,099
<b>Project Group: 0198-OTH MN&amp; DST SYS IMP-SURCHAR</b>								
15/152320	FP15900110737	Dischrg Piping Media Line & Heather	\$883,825	\$0	\$0	\$0	\$0	\$883,825
15/152320	FP15900110738	Gradyville Road 12" Tie-In	\$44,957	\$1,104,282	\$0	\$0	\$0	\$1,149,239
15/152320	FP15900136864	36" Trans Main to Optimiz Neshaminy	\$0	\$106,431	\$3,451,251	\$7,202,014	\$0	\$10,759,697

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<b>Project Group: 0198-OTH MN&amp; DST SYS IMP-SURCHAR</b>								
15/152320	FP15900222393	Relocate 30" @ Freedom Foundation	\$172,255	\$0	\$0	\$0	\$0	\$172,255
15/152320	FP15900310596	Upsizing of Pipe Bensalem Blvd	\$0	\$0	\$10,297	\$382,673	\$0	\$392,970
15/152320	FP15900310675	Growden Ave Area Improvements	\$0	\$0	\$0	\$0	\$414,086	\$414,086
15/152320	FP15900310740	Repl 30" Valve @ Maple Ave Vault	\$287,987	\$0	\$0	\$0	\$0	\$287,987
15/152320	FP15900310741	Repl 30" Venturi Meter @ Elm St	\$160,081	\$0	\$0	\$0	\$0	\$160,081
15/152320	FP15900410739	Greentree-Willistown Bstr Zone Adj	\$214,885	\$0	\$0	\$0	\$0	\$214,885
15/154015	FP15900311903	Ext 30" frm Church to Hillside Tank	\$0	\$1,628,334	\$1,744,779	\$0	\$0	\$3,373,112
15/154430	FP15900110511	Repl Alt Valves Highland Park Tank	\$103,748	\$0	\$0	\$0	\$0	\$103,748
15/154430	FP15900110528	Repl Relief Valve Darby Crk Booster	\$81,898	\$0	\$0	\$0	\$0	\$81,898
15/154430	FP15900210512	Repl Altitude Valve Cynwyd Tank	\$103,748	\$0	\$0	\$0	\$0	\$103,748
15/154430	FP15900210521	Repl Alt Valve Mitchell Booster	\$27,079	\$0	\$0	\$0	\$0	\$27,079
15/154430	FP15900310524	Repl Relief Vlv & Vault 8th & Jones	\$69,298	\$0	\$0	\$0	\$0	\$69,298
15/154430	FP15900310531	Repl PRV & Vault Susquehanna Rd	\$92,944	\$0	\$0	\$0	\$0	\$92,944
15/154430	FP15900310678	Repl Valve & Pit Terry's Trailer Pk	\$51,890	\$0	\$0	\$0	\$0	\$51,890
15/154430	FP15900310679	Upgrd Pits & Valves Top of Ridge	\$37,106	\$0	\$0	\$0	\$0	\$37,106
15/154430	FP15900410628	Instl Relief Valve & Pit-Vermont La	\$71,451	\$0	\$0	\$0	\$0	\$71,451
15/154430	FP15900512381	Othr Main & Dist Sys Impr (future)	\$0	\$315,000	\$315,000	\$315,000	\$315,000	\$1,260,000
15/157140	FP15714006498	Other System Improvements - RC	\$0	\$52,500	\$52,500	\$52,500	\$52,500	\$210,000
15/157140	FP15714010723	Replace Centralia PRV - RC	\$79,471	\$0	\$0	\$0	\$0	\$79,471
15/157140	FP15714029126	Repl Coal Run PRV Station - RC	\$47,493	\$0	\$0	\$0	\$0	\$47,493
15/157140	FP15714035827	Repl Trout Run PRV Station- PC	\$79,471	\$0	\$0	\$0	\$0	\$79,471
15/157340	FP15734010244	Repl Valve Boxes -Masthope - Way	\$31,500	\$31,500	\$31,500	\$31,500	\$31,500	\$157,500
15/157440	FP15744029051	PRV Replacements -White Haven	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$26,250
<b>Group 0198-OTH MN&amp; DST SYS IMP-SURCHARGE Totals:</b>			<b>\$2,646,335</b>	<b>\$3,243,297</b>	<b>\$5,610,577</b>	<b>\$7,988,937</b>	<b>\$818,336</b>	<b>\$20,307,482</b>

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<b>Project Group: 0199-OTHER MAIN &amp; DIST SYS IMP</b>								
15/151010	FP15900536826	Fund Carryovers-Non-DSIC Projects	\$499,100	\$488,300	\$890,150	\$1,000,000	\$1,000,000	\$3,877,550
15/152320	FP15900422427	DMWA Capital Payments	\$0	\$367,500	\$0	\$0	\$0	\$367,500
15/152320	FP15900436855	Route 52 Pipeline (Tie-In)	\$2,119,845	\$0	\$0	\$0	\$0	\$2,119,845
15/152320	FP15900510648	Preparation of As-Builts	\$289,800	\$289,800	\$289,800	\$289,800	\$289,800	\$1,449,000
15/152320	FP15900510649	Pipe Evaluation Model Consulting	\$157,500	\$157,500	\$0	\$0	\$0	\$315,000
15/154015	FP15900127361	Install New Valves - S.E. PA Div	\$218,715	\$227,449	\$236,564	\$246,019	\$255,859	\$1,184,606
15/154015	FP15900127362	Minor Changes - Blow-Offs -S.E. PA	\$27,677	\$28,799	\$29,949	\$31,146	\$32,399	\$149,971
15/154015	FP15900127363	Air Vents - All S.E. PA Divisions	\$20,487	\$21,316	\$22,158	\$23,042	\$23,960	\$110,963
15/154015	FP15900136482	Clear Right of Ways - S.E. PA	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000	\$210,000
15/154015	FP15900515857	Unident Other Sys Future Impr-SE PA	\$0	\$105,000	\$105,000	\$105,000	\$105,000	\$420,000
15/154015	FP15900536724	Paint Pipe Bridges- S.E. PA	\$43,995	\$43,995	\$43,995	\$43,995	\$43,995	\$219,975
15/154745	FP15900200759	Other Main Work- Western	\$0	\$0	\$0	\$0	\$0	\$0
15/157140	FP15714010258	Repl Marlon Heights Meter Vault -RC	\$0	\$36,949	\$0	\$0	\$0	\$36,949
15/157140	FP15714010306	install/Replace Blow-offs - RC	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
15/157140	FP15714011458	Install New Valves - Roaring Creek	\$22,673	\$22,673	\$22,673	\$22,673	\$22,673	\$113,364
15/157240	FP15724010447	Install New Valves - Susquehanna	\$2,573	\$2,573	\$2,573	\$2,573	\$2,573	\$12,863
15/157340	FP15734002876	Woodloch Springs Source Imprv Study	\$0	\$0	\$52,785	\$0	\$0	\$52,785
15/157340	FP15734003038	Inst New PRV's in Mast Hope-Waymart	\$200,100	\$0	\$0	\$0	\$0	\$200,100
15/157340	FP15734010029	Install Blow-offs - Waymart	\$34,650	\$10,500	\$10,500	\$10,500	\$10,500	\$76,650
15/157340	FP15734010031	install New Valves - Waymart	\$42,000	\$16,800	\$16,800	\$16,800	\$16,800	\$109,200
15/157340	FP15734010050	Inst PRV & Air Rel Valves (New)-Way	\$31,500	\$31,500	\$31,500	\$31,500	\$31,500	\$157,500
15/157440	FP15744011270	install New Valves - White Haven	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
15/157440	FP15744011273	Install Air Release & PRV(New)-WH	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$26,250
15/157440	FP15744011283	Install New Blow-offs - White Haven	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$131,250
15/157840	FP15784010319	SATELLITE - BLOWOFFS	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$5,000

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<b>Project Group: 0199-OTHER MAIN &amp; DIST SYS IMP</b>								
15/157840	FP15784035568	D-Blowoffs - SV	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255	\$53,091
Project Group 0199-OTHER MAIN & DIST SYS IMP Totals:			\$3,816,115	\$1,956,453	\$1,860,555	\$1,929,474	\$1,941,813	\$11,504,410
<b>Project Group: 0205-SURCHARGE ELIGIBLE METERS</b>								
15/155140	FP15900512475	DSIC - 5/8" Replacement Meters	\$554,818	\$584,720	\$852,846	\$1,356,875	\$1,392,384	\$4,721,642
15/155140	FP15900512476	DSIC - 3/4" Replacement Meters	\$26,912	\$27,730	\$30,691	\$55,052	\$56,780	\$197,164
15/155140	FP15900512477	DSIC - 1" Replacement Meters	\$24,255	\$24,984	\$27,531	\$48,557	\$50,063	\$175,389
15/155140	FP15900512478	DSIC - 1 1/2" Replacement Meters	\$106,938	\$108,726	\$110,595	\$112,528	\$114,523	\$553,309
15/155140	FP15900512479	DSIC - 2" Replacement Meters	\$114,731	\$118,152	\$121,592	\$125,152	\$128,832	\$608,459
15/155140	FP15900512480	DSIC - 3" Replacement Meters	\$92,986	\$95,799	\$98,700	\$101,698	\$104,791	\$493,973
15/155140	FP15900512481	DSIC - 4" Replacement Meters	\$85,111	\$87,684	\$90,345	\$93,093	\$95,928	\$452,161
15/155140	FP15900512482	DSIC - 6" Replacement Meters	\$103,596	\$106,814	\$110,142	\$113,584	\$117,141	\$551,277
15/155140	FP15900512483	DSIC - 8" Replacement Meters	\$58,151	\$59,944	\$61,798	\$63,710	\$65,887	\$309,290
15/155140	FP15900512484	DSIC - 10" Replacement Meters	\$12,011	\$12,318	\$12,637	\$12,965	\$13,303	\$63,234
15/157140	FP15714010214	Replace 5/8" Meters - RC	\$28,341	\$28,341	\$28,341	\$28,341	\$28,341	\$141,705
15/157140	FP15714010215	Replace Larger Meters-Roaring Ck	\$12,947	\$12,947	\$12,947	\$12,947	\$12,947	\$64,734
15/157240	FP15724010478	Replace 5/8" Meters-Susquehanna	\$13,393	\$13,393	\$13,393	\$13,393	\$13,393	\$66,963
15/157240	FP15724010479	Replace Larger Meters - Susquehanna	\$7,085	\$7,085	\$7,085	\$7,085	\$7,085	\$35,426
15/157340	FP15734015278	Replace 5/8" Meters- Waymart	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
15/157340	FP15734015279	Replace Larger Meters- Waymart	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$10,500
15/157440	FP15744027524	Replace 5/8" Meters-White Haven	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
15/157440	FP15744027525	Replace Larger Meters- White Haven	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$10,500
15/157815	FP15784010377	S Meter Replacement -SV	\$125,000	\$158,000	\$167,000	\$175,800	\$158,000	\$783,798
Project Group 0205-SURCHARGE ELIGIBLE METERS Totals:			\$1,412,474	\$1,472,835	\$1,791,842	\$2,366,976	\$2,405,397	\$9,449,524

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<b>Project Group: 0210-NON-SURCHARGE ELIGIBLE METI</b>								
15/155140	FP15900512488	Non-DSIC - 5/8" Meters - New	\$575,506	\$589,274	\$603,523	\$618,272	\$633,537	\$3,020,112
15/155140	FP15900512489	Non-DSIC - 3/4" Meters - New	\$5,374	\$5,433	\$5,494	\$5,556	\$5,621	\$27,478
15/155140	FP15900512490	Non-DSIC - 1" Meters - New	\$25,816	\$26,098	\$26,389	\$26,692	\$27,004	\$131,998
15/155140	FP15900512491	Non-DSIC - 1-1/2" Meters - New	\$55,665	\$57,108	\$58,600	\$60,145	\$61,745	\$293,263
15/155140	FP15900512492	Non-DSIC - 2" Meters - New	\$47,539	\$48,176	\$48,836	\$49,520	\$50,228	\$244,300
15/155140	FP15900512493	Non-DSIC - 3" Meters - New	\$37,410	\$37,556	\$37,710	\$37,867	\$38,029	\$188,571
15/155140	FP15900512494	Non-DSIC - 4" Meters - New	\$31,425	\$31,571	\$31,725	\$31,882	\$32,044	\$158,646
15/155140	FP15900512495	Non-DSIC - 6" Meters - New	\$26,199	\$26,283	\$26,370	\$26,460	\$26,553	\$131,865
15/155140	FP15900512496	NON-DSIC - 8" Meters - New	\$57,065	\$57,236	\$57,411	\$57,593	\$57,780	\$287,086
15/155140	FP15900512497	Non-DSIC - 10" Meters - New	\$8,116	\$8,127	\$8,138	\$8,149	\$8,161	\$40,691
15/155140	FP15900512510	Prch Supplies Meter Repair-Register	\$31,500	\$31,500	\$31,500	\$31,500	\$31,500	\$157,500
15/157140	FP15714010182	Install New 5/8" Meters - RC	\$9,919	\$9,919	\$9,919	\$9,919	\$9,919	\$49,597
15/157140	FP15714010183	Install New Larger Meters - RC	\$6,474	\$6,474	\$6,474	\$6,474	\$6,474	\$32,369
15/157240	FP15724010450	Install New 5/8" Meters - Susq	\$4,251	\$4,251	\$4,251	\$4,251	\$4,251	\$21,256
15/157240	FP15724015036	Install New Larger Meters-Susq	\$2,834	\$2,834	\$2,834	\$2,834	\$2,834	\$14,171
15/157340	FP15734015280	Install New 5/8" Meters-Waymart	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$27,500
15/157340	FP15734015281	Install New Larger Meters- Waymart	\$1,050	\$1,050	\$1,050	\$1,050	\$1,050	\$5,250
15/157440	FP15744006668	New Meters - Newly Acquired System	\$89,670	\$0	\$0	\$0	\$0	\$89,670
15/157440	FP15744027526	Install New 5/8" Meters-Wh Haven	\$31,500	\$31,500	\$31,500	\$31,500	\$31,500	\$157,500
15/157440	FP15744027527	Install New Larger Meters-Wh Haven	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
15/157815	FP15784010376	S-New Meters for New Customers - SV	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$140,000
Group 0210-NON-SURCHARGE ELIGIBLE METERS Totals:			\$1,091,313	\$1,018,391	\$1,035,724	\$1,053,663	\$1,072,230	\$5,271,322
<b>Project Group: 0225-ERT DEVICES (SURCHARGE)</b>								
15/155140	FP15900512498	DSIC - AMR System	\$509,470	\$393,257	\$400,556	\$410,920	\$420,804	\$2,135,008
Project Group 0225-ERT DEVICES (SURCHARGE) Totals:			\$509,470	\$393,257	\$400,556	\$410,920	\$420,804	\$2,135,008

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<b>Project Group: 0299-OTHER METER PROJECTS</b>								
15/155140	FP15900536371	AMR Installs of RF System (#93433)	\$188,534	\$188,530	\$188,530	\$188,530	\$188,530	\$942,652
15/157815	FP15784010378	S-Meter Reading Equip Replace-SV	\$24,000	\$24,000	\$24,000	\$24,000	\$14,000	\$110,000
Project Group 0299-OTHER METER PROJECTS Totals:			<b>\$212,534</b>	<b>\$212,530</b>	<b>\$212,530</b>	<b>\$212,530</b>	<b>\$202,530</b>	<b>\$1,052,652</b>
<b>Project Group: 0305-NEW SERVICES</b>								
15/154141	FP15900204726	Install New Services < 4" - Western	\$745,166	\$774,975	\$805,976	\$838,203	\$871,741	\$4,036,061
15/154141	FP15900204727	Install New Services >= 4" - Western	\$468,107	\$486,838	\$506,307	\$526,563	\$547,620	\$2,535,435
15/154141	FP15900510312	Inst New Services - >= 4"-Southern	\$157,769	\$164,072	\$170,652	\$177,478	\$184,576	\$854,546
15/154141	FP15900510366	Install New Services < 4" -Southern	\$358,796	\$373,152	\$388,078	\$403,603	\$419,745	\$1,943,374
15/154445	FP15900515930	install New Services < 4" - Eastern	\$589,186	\$612,755	\$637,266	\$662,759	\$702,138	\$3,204,104
15/154445	FP15900515932	Install New Services >= 4"-Eastern	\$237,758	\$247,271	\$257,162	\$267,449	\$278,144	\$1,287,784
15/154745	FP15900404723	Install New Services <4"-Gr Valley	\$609,683	\$634,071	\$659,429	\$685,811	\$713,244	\$3,302,238
15/154745	FP15900404724	Install New Services >=4"-Gr Valley	\$382,994	\$398,319	\$414,251	\$430,823	\$448,058	\$2,074,444
15/155140	FP15900512508	Cost to Inspect New Services- SE PA	\$495,966	\$511,330	\$527,232	\$543,687	\$560,718	\$2,638,932
15/157140	FP15714010180	Install New 3/4" Services- RC	\$46,182	\$46,182	\$46,182	\$46,182	\$46,182	\$230,910
15/157140	FP15714010181	Install Larger Services- Roaring Ck	\$17,005	\$17,005	\$17,005	\$17,005	\$17,005	\$85,023
15/157240	FP15724010448	Install New 3/4" Services- Susq	\$23,219	\$23,219	\$23,219	\$23,219	\$23,219	\$116,096
15/157240	FP15724010449	Install New Larger Services - Susq	\$4,251	\$4,251	\$4,251	\$4,251	\$4,251	\$21,256
15/157340	FP15734015282	New 3/4" Services - Waymart	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
15/157340	FP15734015283	New Larger Services - Waymart	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$7,875
15/157440	FP15744027528	New 3/4" Services - White Haven	\$236,250	\$236,250	\$236,250	\$236,250	\$236,250	\$1,181,250
15/157440	FP15744027529	Install New Larger Service-Wh Haven	\$5,193	\$5,193	\$5,193	\$5,193	\$5,000	\$25,770
15/157840	FP15784010320	SATELLITE - NEW SERVICES	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$9,000
15/157840	FP15784010373	D Install Services New Customer- SV	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$400,000
Project Group 0305-NEW SERVICES Totals:			<b>\$4,481,898</b>	<b>\$4,639,257</b>	<b>\$4,802,826</b>	<b>\$4,972,851</b>	<b>\$5,162,265</b>	<b>\$24,059,097</b>

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<b>Project Group: 0310-RENEWAL SERVS - REGULAR</b>								
15/154143	FP15900510370	Renew Services- >= 4" - Southern	\$37,073	\$38,557	\$40,100	\$41,705	\$43,355	\$200,790
15/154143	FP15900510380	Renew Services <4" - Southern	\$544,658	\$566,430	\$589,102	\$612,651	\$637,170	\$2,950,008
15/154445	FP15900511728	Renew Services - >= 4" - Eastern	\$43,264	\$44,984	\$46,787	\$48,654	\$50,599	\$234,288
15/154445	FP15900515933	Renew Services - < 4" - Eastern	\$484,141	\$503,503	\$523,650	\$508,678	\$566,370	\$2,586,341
15/154745	FP15900204730	Renew Services <4"-Western Div	\$519,894	\$540,696	\$562,324	\$584,817	\$608,196	\$2,815,927
15/154745	FP15900204733	Renew Services >= 4" - Western Div	\$67,268	\$69,980	\$72,776	\$75,690	\$78,723	\$364,438
15/154745	FP15900404737	Renew Services - <4" - Great Valley	\$346,595	\$360,458	\$374,877	\$389,870	\$405,466	\$1,877,265
15/154745	FP15900404738	Renew Services >4" - Great Valley	\$44,859	\$46,666	\$48,525	\$50,448	\$52,486	\$242,984
15/157140	FP15714010212	Replace 3/4" Services - Roaring Ck	\$65,603	\$65,603	\$65,603	\$65,603	\$65,603	\$328,013
15/157140	FP15714010213	Replace Larger Services- Roaring Ck	\$11,028	\$11,028	\$11,028	\$11,028	\$8,000	\$52,112
15/157240	FP15724010476	Replace 3/4" Services- Susquehanna	\$23,480	\$23,480	\$23,480	\$23,480	\$23,480	\$117,401
15/157240	FP15724010477	Replace Larger Services-Susquehanna	\$3,175	\$3,175	\$3,175	\$3,175	\$3,175	\$15,876
15/157340	FP15734015284	Replace 3/4" Services - Waymart	\$157,500	\$105,000	\$105,000	\$105,000	\$105,000	\$577,500
15/157340	FP15734015285	Replace Larger Services- Waymart	\$2,625	\$2,625	\$2,625	\$2,625	\$2,625	\$13,125
15/157440	FP15744027530	Replace 3/4" Services - White Haven	\$78,750	\$78,750	\$78,750	\$78,750	\$78,750	\$393,750
15/157440	FP15744027531	Replace Larger Services-Wh Haven	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$26,250
15/157840	FP15784010321	SATELLITE - REPLACE SERVICES	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$9,000
15/157840	FP15784010374	D Replaco Existing Services-SV	\$40,000	\$41,200	\$42,436	\$43,709	\$45,020	\$212,365
Project Group 0310-RENEWAL SERVS - REGULAR Totals:			<b>\$2,476,961</b>	<b>\$2,509,184</b>	<b>\$2,597,287</b>	<b>\$2,652,934</b>	<b>\$2,781,067</b>	<b>\$13,017,432</b>
<b>Project Group: 0315-RENEWAL SERVICES - MAIN R</b>								
15/154143	FP15900204739	Service Renew/Rehab <4"- Western	\$1,855,207	\$1,929,415	\$2,006,589	\$2,086,849	\$2,170,319	\$10,048,380
15/154143	FP15900204740	Service Renew/Rehab >=4"-Western	\$78,513	\$81,657	\$84,906	\$88,296	\$91,828	\$425,200
15/154143	FP15900511908	Service Renew/Rehab <4"- Southern	\$1,749,614	\$1,819,596	\$1,892,383	\$1,968,073	\$2,046,809	\$9,476,475
15/154143	FP15900511909	Service Renew/Rehab >= 4"- Southern	\$260,441	\$270,860	\$281,696	\$292,962	\$304,708	\$1,410,667
15/154445	FP15900534797	Service Renew/Rehab >= 4"- Eastern	\$158,997	\$165,355	\$171,967	\$178,825	\$185,994	\$861,137

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<b>Project Group: 0315-RENEWAL SERVICES - MAIN R</b>								
15/154445	FP15900536010	Service Renew/Rehab <4* - Eastern	\$2,830,434	\$2,943,669	\$3,061,406	\$3,183,864	\$3,311,219	\$15,330,591
15/154745	FP15900404741	Service Renew/Rehab <4*- Gr Valley	\$795,086	\$826,880	\$859,966	\$894,367	\$930,138	\$4,306,438
15/154745	FP15900404742	Service Renew/Rehab >=4*-Gr Valley	\$33,651	\$34,992	\$36,385	\$37,839	\$39,348	\$182,215
15/157140	FP15714029127	Service Change Overs -Roaring Ck	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000	\$1,050,000
15/157240	FP15724010475	Service Change Overs (renewal) Susq	\$101,200	\$78,100	\$78,100	\$78,100	\$78,100	\$413,600
15/157340	FP15734015286	Service Change Overs - Waymart	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000	\$525,000
15/157440	FP15744009670	NE Pennvest Services- Oak Hill II	\$0	\$78,750	\$0	\$0	\$0	\$78,750
15/157440	FP15744010876	Terrace Avenue Services (Inactive)	\$0	\$0	\$0	\$0	\$0	\$0
15/157440	FP15744011771	Services - Oak Hill MR	\$200,666	\$0	\$0	\$0	\$0	\$200,666
15/157440	FP15744027532	Service Change Overs - White Haven	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000	\$525,000
15/157840	FP15784006403	Service COers DSIC-Latonka &Oakland	\$0	\$0	\$32,759	\$32,759	\$0	\$65,518
15/157840	FP15784010113	C-SR CASE, STATE TO LINDEN	\$45,000	\$0	\$0	\$0	\$0	\$45,000
15/157840	FP15784010116	C-SR WENGLER, DIVISION TO GEORGE	\$52,500	\$0	\$0	\$0	\$0	\$52,500
15/157840	FP15784010118	C-SR CENTER, LAKEVIEW TO MONNIE	\$30,000	\$0	\$0	\$0	\$0	\$30,000
15/157840	FP15784010119	C-SR OAKMONT, OAKWOOD TO RT 18	\$30,000	\$0	\$0	\$0	\$0	\$30,000
15/157840	FP15784010121	C-SR OAKLAND BEACH, OAKWOOD TO OAKM	\$37,500	\$0	\$0	\$0	\$0	\$37,500
15/157840	FP15784010126	C-SR OAKWOOD, OAKMONT TO OAKLAND BE	\$22,500	\$0	\$0	\$0	\$0	\$22,500
15/157840	FP15784010128	C-SR E BEAVER, OTTER TO WILSON	\$75,000	\$0	\$0	\$0	\$0	\$75,000
15/157840	FP15784010131	C-SR PAUL, DIVISION TO ROMBOLD	\$75,000	\$0	\$0	\$0	\$0	\$75,000
15/157840	FP15784010134	C-SR SHADY, DIVISION TO MERCER	\$75,000	\$0	\$0	\$0	\$0	\$75,000
15/157840	FP15784010153	C-SR LYLE, HIGHLAND TO PARKVIEW	\$52,500	\$0	\$0	\$0	\$0	\$52,500
15/157840	FP15784010182	C-SR ORMOND, MEEK TO HULL	\$75,000	\$0	\$0	\$0	\$0	\$75,000
15/157840	FP15784010393	C-SR Related to DSIC Replacement	\$0	\$350,000	\$350,000	\$375,000	\$375,000	\$1,450,000
15/157840	FP15784021745	C-SR Hemlock, Birch to Walnut	\$5,250	\$0	\$0	\$0	\$0	\$5,250
15/157840	FP15784021746	C-SR W Spruce, Cherry to Hemlock	\$7,350	\$0	\$0	\$0	\$0	\$7,350
15/157840	FP15784021751	C-SR Cherry, Forest to Oak Lane	\$7,500	\$0	\$0	\$0	\$0	\$7,500

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<b>Project Group: 0315-RENEWAL SERVICES - MAIN R</b>								
15/157840	FP15784021752	C-SR Hemlock, Spruce to Cherry	\$0	\$7,017	\$0	\$0	\$0	\$7,017
15/157840	FP15784022177	C-SR Westerman, Buhl to Dougherty	\$37,500	\$0	\$0	\$0	\$0	\$37,500
Project Group 0315-RENEWAL SERVICES - MAIN R Totals:			<b>\$9,111,408</b>	<b>\$9,006,291</b>	<b>\$9,276,157</b>	<b>\$9,636,933</b>	<b>\$9,953,463</b>	<b>\$46,984,253</b>
<b>Project Group: 0399-OTHER SERVICE WORK</b>								
15/157140	FP15714010315	Services - Shamokin St MR (PV)	\$63,000	\$0	\$0	\$0	\$0	\$63,000
15/157140	FP15714011583	Services - Locust Gap MR (PV)	\$42,000	\$0	\$0	\$0	\$0	\$42,000
15/157440	FP15744003288	NE PennVest Service Chg Overs - WH	\$0	\$210,000	\$210,000	\$210,000	\$210,000	\$840,000
15/157440	FP15744007895	Services -Terrace Ave (PennVest)	\$281,085	\$0	\$0	\$0	\$0	\$281,085
Project Group 0399-OTHER SERVICE WORK Totals:			<b>\$386,085</b>	<b>\$210,000</b>	<b>\$210,000</b>	<b>\$210,000</b>	<b>\$210,000</b>	<b>\$1,226,085</b>
<b>Project Group: 0405-NEW HYDRANTS</b>								
15/154015	FP15900504744	New Hydrants S.E. PA- All Divisions	\$342,519	\$356,226	\$370,460	\$385,276	\$400,690	\$1,855,173
15/154015	FP15900527614	Reimburse for Fire Hydrants-SE PA	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$500,000)
15/154143	FP15900100107	New Hydrants - Southern	\$0	\$0	\$0	\$0	\$0	\$0
15/157140	FP15714010313	Inst New Hydrants White Rock (2008)	\$170,100	\$0	\$0	\$0	\$0	\$170,100
15/157140	FP15714010314	Install New Hydrants RC (2008)	\$9,450	\$9,450	\$9,450	\$9,450	\$9,450	\$47,250
15/157240	FP15724011284	Install New Hydrants - Susquehanna	\$7,085	\$7,085	\$7,085	\$7,085	\$7,085	\$35,426
15/157340	FP15734011286	Install New Hydrants - Waymart	\$2,625	\$2,625	\$2,625	\$2,625	\$2,625	\$13,125
15/157440	FP15744027533	Install New Hydrants- White Haven	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$21,000
15/157840	FP15784010136	D Install New Hydrants - SV	\$19,008	\$19,381	\$19,950	\$20,580	\$21,109	\$100,028
15/157840	FP15784021680	D-Add New Hydrants Marienville-SV	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$12,500
Project Group 0405-NEW HYDRANTS Totals:			<b>\$457,488</b>	<b>\$301,468</b>	<b>\$316,271</b>	<b>\$331,716</b>	<b>\$347,660</b>	<b>\$1,754,602</b>
<b>Project Group: 0410-REPLACE/RELOCATE HYDRANTS</b>								
15/154015	FP15900127367	Replace/Relocate Hydrants-All SE PA	\$486,587	\$506,054	\$526,296	\$547,335	\$414,075	\$2,480,347
15/157140	FP15714010216	Replace Hydrants - Roaring Creek	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500

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<b>Project Group: 0410-REPLACE/RELOCATE HYDRANTS</b>								
15/157240	FP15724010480	Replace Hydrants -Susquehanna	\$25,981	\$25,981	\$25,981	\$25,981	\$25,981	\$129,904
15/157240	FP15724011882	Repl Hydrants-Lockhart & First MR	\$21,000	\$0	\$0	\$0	\$0	\$21,000
15/157340	FP15734015288	Replace Hydrants- Waymart	\$7,875	\$7,875	\$7,875	\$7,875	\$7,875	\$39,375
15/157440	FP15744027534	Replace Hydrants- White Haven	\$18,900	\$7,350	\$7,350	\$7,350	\$7,350	\$48,300
15/157840	FP15784006407	C-Hydrant Renew/Reloc-Latonka&Oakl	\$0	\$0	\$4,610	\$4,610	\$0	\$9,221
15/157840	FP15784010150	D-Hydrant Replacement Funds	\$25,000	\$26,800	\$26,523	\$27,318	\$28,138	\$133,779
15/157840	FP15784010154	C-HR WENGLER, DIVISION TO GEORGE	\$2,750	\$0	\$0	\$0	\$0	\$2,750
15/157840	FP15784010156	C-HR CENTER, LAKEVIEW TO MONNIE	\$2,750	\$0	\$0	\$0	\$0	\$2,750
15/157840	FP15784010157	C-HR OAKMONT, OAKWOOD TO RT 18	\$2,750	\$0	\$0	\$0	\$0	\$2,750
15/157840	FP15784010158	C-HR E BEAVER, OTTER TO WILSON	\$5,500	\$0	\$0	\$0	\$0	\$5,500
15/157840	FP15784010159	C-HR PAUL, DIVISION TO ROMBOLD	\$5,500	\$0	\$0	\$0	\$0	\$5,500
15/157840	FP15784010174	C-HR SHADY, DIVISION TO MERCER	\$8,250	\$0	\$0	\$0	\$0	\$8,250
15/157840	FP15784010177	C-HR LYLE, HIGHLAND TO PARKVIEW	\$5,500	\$0	\$0	\$0	\$0	\$5,500
15/157840	FP15784010394	C-HR RELATED TO DSIC REPLACEMENT	\$0	\$45,000	\$45,000	\$45,000	\$45,000	\$180,000
15/157840	FP15784021754	C-HR Hemlock, Birch to Walnut	\$3,150	\$0	\$0	\$0	\$0	\$3,150
15/157840	FP15784021756	C-HR W Spruce, Cherry to Hemlock	\$2,625	\$0	\$0	\$0	\$0	\$2,625
15/157840	FP15784021768	C-HR Cherry, Forest to Oak Lane	\$2,750	\$0	\$0	\$0	\$0	\$2,750
15/157840	FP15784021770	C-HR Hemlock, Spruce to Cherry	\$0	\$2,506	\$0	\$0	\$0	\$2,506
ect Group 0410-REPLACE/RELOCATE HYDRANTS Totals:			<b>\$679,368</b>	<b>\$674,066</b>	<b>\$696,135</b>	<b>\$717,970</b>	<b>\$580,918</b>	<b>\$3,348,457</b>
<b>Project Group: 0415-ELIMINATE NO DRAIN HYDRAN</b>								
15/154015	FP15900512156	Eliminate No-Drain Hydrants-SE PA	\$636,547	\$636,547	\$636,547	\$636,547	\$636,547	\$3,182,736
roject Group 0415-ELIMINATE NO DRAIN HYDRAN Totals:			<b>\$636,547</b>	<b>\$636,547</b>	<b>\$636,547</b>	<b>\$636,547</b>	<b>\$636,547</b>	<b>\$3,182,736</b>

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<b>Project Group: 0420-CHANGE 2WAY TO 3WAY HYDRA</b>								
15/154143	FP15900100919	Change 2 to 3 way hydrants-Southern	\$118,418	\$118,418	\$118,418	\$118,418	\$118,418	\$592,092
Project Group 0420-CHANGE 2WAY TO 3WAY HYDRA Totals:			\$118,418	\$118,418	\$118,418	\$118,418	\$118,418	\$592,092
<b>Project Group: 0435-PRIVATE HYD-REPLACEMENTS</b>								
15/154143	FP15900107802	Repl Private Fire Hydrant-Southern	\$0	\$0	\$0	\$0	\$0	\$0
Project Group 0435-PRIVATE HYD-REPLACEMENTS Totals:			\$0	\$0	\$0	\$0	\$0	\$0
<b>Project Group: 0499-OTHER FIRE HYDRANT WORK</b>								
15/157830	FP15783011140	C - Mercer Hydrant Removal	\$100,000	\$0	\$0	\$0	\$0	\$100,000
Project Group 0499-OTHER FIRE HYDRANT WORK Totals:			\$100,000	\$0	\$0	\$0	\$0	\$100,000
<b>Project Group: 0505-CHORINATION ENHANCEMENTS</b>								
15/153032	FP15900210191	Chlorine System Maintenance-Pick E	\$5,670	\$0	\$0	\$0	\$0	\$5,670
15/153032	FP15900210225	Install Chlorine System-Cynwyd Tank	\$5,250	\$0	\$0	\$0	\$0	\$5,250
15/153032	FP15900410208	Instl Basin Chlorination Line-Ingrrm	\$2,625	\$0	\$0	\$0	\$0	\$2,625
15/153032	FP15900510114	Repl Chlorine Analyzer-Well&Booster	\$40,346	\$40,346	\$40,346	\$40,346	\$40,346	\$201,731
15/153032	FP15900510115	Repl Chlorinators-Wells & Boosters	\$23,835	\$23,835	\$23,835	\$23,835	\$23,835	\$119,175
15/153032	FP15900510117	Repl CL2 Leak Detector-Well&Booster	\$11,550	\$11,550	\$11,550	\$11,550	\$11,550	\$57,750
15/153032	FP15900510120	Repl Leak Sensor-Plant/Well/Booster	\$12,705	\$12,705	\$12,705	\$12,705	\$12,705	\$63,525
15/153032	FP15900510125	Repl Worn CL2 Scales-Wells & Bstrs	\$8,925	\$8,925	\$8,925	\$8,925	\$8,925	\$44,625
15/153032	FP15900510170	Repl Chlorine Analyzers- Plants	\$22,575	\$22,575	\$22,575	\$22,575	\$22,575	\$112,875
15/153032	FP15900510211	Convert frm Gas to Liquid CL2-Wells	\$10,500	\$0	\$0	\$0	\$0	\$10,500
15/157340	FP15734010253	Chlorinate Canal Acres System	\$35,351	\$0	\$0	\$0	\$0	\$35,351
Project Group 0505-CHORINATION ENHANCEMENTS Totals:			\$179,332	\$119,936	\$119,936	\$119,936	\$119,936	\$659,077
<b>Project Group: 0510-AUTOMATED DISTR CONTROLS</b>								
15/153520	FP15900504894	Install SCADA in N.E. PA	\$87,526	\$0	\$0	\$0	\$0	\$87,526

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<b>Project Group: 0510-AUTOMATED DISTR CONTROLS</b>								
15/153520	FP15900504973	Upgrade I Maint	\$54,277	\$60,869	\$68,323	\$76,778	\$85,629	\$345,876
15/153520	FP15900510650	Rehab of SCADA Satellites-SE PA	\$231,840	\$226,800	\$226,800	\$226,800	\$91,980	\$1,004,220
15/153520	FP15900510848	SE Pa SCADA Upgrades	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
15/153520	FP15900527593	Upgrade/Inst Automated Dist Control	\$0	\$0	\$0	\$0	\$52,500	\$52,500
15/156162	FP15900110351	Upgrade SCADA Communication - Crum	\$10,664	\$0	\$0	\$0	\$0	\$10,664
15/156163	FP15900210234	Upgrade Perk Control panel SCADA	\$53,319	\$0	\$0	\$0	\$0	\$53,319
15/156168	FP15900104693	Upgrade SCADA - Chester Intake	\$127,966	\$0	\$0	\$0	\$0	\$127,966
15/157130	FP15714010343	SCADA Upgrades - RC Plant	\$48,741	\$0	\$0	\$0	\$0	\$48,741
15/157140	FP15714010323	SCADA Additions/Improvements-RC	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
15/157240	FP15724010074	SCADA Upgrades - Susquehanna	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$14,999
15/157340	FP15734010032	SCADA Installs/Upgrades- Waymart	\$141,750	\$105,000	\$105,000	\$105,000	\$105,000	\$561,750
15/157440	FP15744009768	SCADA Improvements - White Haven	\$262,500	\$262,500	\$262,500	\$262,500	\$262,500	\$1,312,500
15/157830	FP15783011287	P-Automated Distribution Control-SV	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$20,000
Project Group 0510-AUTOMATED DISTR CONTROLS Totals:			\$1,057,084	\$693,668	\$701,123	\$709,578	\$636,109	\$3,797,562
<b>Project Group: 0512-TREATMENT PLANTS</b>								
15/152320	FP15900512587	Permit & Construct Bubbling Springs	\$325,668	\$2,009,851	\$830,744	\$0	\$0	\$3,166,262
Project Group 0512-TREATMENT PLANTS Totals:			\$325,668	\$2,009,851	\$830,744	\$0	\$0	\$3,166,262
<b>Project Group: 0514-BOOSTERS (TPB)</b>								
15/152320	FP15900112520	Relocate Larchmont Booster	\$781,799	\$0	\$0	\$0	\$0	\$781,799
15/152320	FP15900212517	Relocate Greentree Booster	\$0	\$436,250	\$0	\$0	\$0	\$436,250
15/152320	FP15900310459	Upgrade Croydon Booster Station	\$337,874	\$0	\$0	\$0	\$0	\$337,874
15/152320	FP15900422420	Upgrade Uwchlan Booster	\$132,371	\$0	\$0	\$0	\$0	\$132,371
15/152320	FP15900427716	Construct New Booster - Rt 10	\$0	\$32,019	\$410,123	\$0	\$0	\$442,142
15/152320	FP15900510430	Upgrade Beechwood Booster	\$70,681	\$0	\$0	\$0	\$0	\$70,681

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<b>Project Group: 0514-BOOSTERS (TPB)</b>								
15/152320	FP15900510603	Upgrade Haunted Lane Booster	\$0	\$0	\$0	\$0	\$77,223	\$77,223
15/157140	FP15714010168	Repl Edgewood Booster- Roaring Ck	\$27,241	\$161,460	\$0	\$0	\$0	\$188,701
15/157830	FP15783011288	P Booster Station Upgrades - SV	\$20,000	\$10,000	\$10,000	\$10,000	\$10,000	\$60,000
Project Group 0514-BOOSTERS (TPB) Totals:			<b>\$1,369,965</b>	<b>\$639,729</b>	<b>\$420,123</b>	<b>\$10,000</b>	<b>\$87,223</b>	<b>\$2,527,040</b>
<b>Project Group: 0515-IMPROVEMENTS OTHER (TPB)</b>								
15/151010	FP15900511679	Future System/Distribution Improve	\$0	\$0	\$0	\$27,229,850	\$41,651,068	\$68,880,918
15/152320	FP15900222597	Install Tank & Booster- Willistown	\$0	\$0	\$447,173	\$367,348	\$0	\$814,521
15/152320	FP15900310056	DI Egidio Quarry Development	\$551,485	\$0	\$0	\$0	\$0	\$551,485
15/152320	FP15900412589	Constr 2 Tanks & Booster-Honeybrook	\$116,316	\$1,418,468	\$0	\$0	\$0	\$1,532,781
15/152320	FP15900510620	Aerial Pipeline Crossing Rehab	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
15/152920	FP15900515870	Sinkhole Remediation	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$315,000
15/153032	FP15900510127	Replace Flow Control Valves-Wells	\$47,250	\$47,250	\$47,250	\$47,250	\$47,250	\$236,250
15/156160	FP15900304684	Bristol Residuals Project	\$999,601	\$5,001,985	\$0	\$0	\$0	\$6,001,586
15/156160	FP15900304885	Flood Control - Bristol Plant	\$176,104	\$0	\$0	\$0	\$0	\$176,104
15/156160	FP15900304888	Upgrade Intake - Bristol	\$0	\$195,684	\$0	\$0	\$0	\$195,684
15/156162	FP15900104699	Locker Room & Meeting Room - Crum	\$139,493	\$0	\$0	\$0	\$0	\$139,493
15/156162	FP15900104897	Residuals Handling Project - Crum	\$0	\$0	\$85,090	\$3,204,781	\$0	\$3,289,870
15/156162	FP15900110228	Pump Room Floor (Front Room)-Crum	\$106,657	\$0	\$0	\$0	\$0	\$106,657
15/156163	FP15900204305	Upgrade Filter Console PLC- Pick W	\$160,461	\$0	\$0	\$0	\$0	\$160,461
15/156163	FP15900204326	Extend Height Bin Wall-Pickering W	\$0	\$719,804	\$0	\$0	\$0	\$719,804
15/156163	FP15900204666	Impr Schuylkill Intake@Pickering Cr	\$211,684	\$2,051,075	\$0	\$0	\$0	\$2,262,758
15/156163	FP15900204898	Upgrade Trv Scr @ Schuylkill-2011	\$0	\$0	\$0	\$137,311	\$0	\$137,311
15/156163	FP15900205102	Upgrade filter transducers-Pick W	\$23,219	\$0	\$0	\$0	\$0	\$23,219
15/156163	FP15900210274	Refinish Floors-chemical Pick W	\$0	\$54,156	\$0	\$0	\$0	\$54,156
15/156163	FP15900210276	Install PLC HL Bldg-Pick W	\$53,317	\$0	\$0	\$0	\$0	\$53,317

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<b>Project Group: 0515-IMPROVEMENTS OTHER (TPB)</b>								
15/156163	FP15900237758	Schuylkill Intake Air Blower Back	\$0	\$347,009	\$0	\$0	\$0	\$347,009
15/156164	FP15900304313	Upgrd Filter Consof PLC's-Neshaminy	\$57,458	\$0	\$0	\$0	\$0	\$57,458
15/156164	FP15900304689	Install Generator - Neshaminy	\$367,903	\$0	\$0	\$0	\$0	\$367,903
15/156164	FP15900304690	Intake & Piping Improvements-Nesham	\$0	\$0	\$5,603,859	\$0	\$0	\$5,603,859
15/156164	FP15900304718	Install UV - Neshaminy	\$0	\$306,039	\$1,941,800	\$0	\$0	\$2,247,839
15/156164	FP15900304719	Pretreatment Improvements-Neshaminy	\$299,351	\$4,765,897	\$1,925,468	\$0	\$0	\$6,990,716
15/156164	FP15900304721	Residuals Handling Equip -Neshaminy	\$512,657	\$2,921,552	\$0	\$0	\$0	\$3,434,209
15/156164	FP15900312706	Expand Residual Area @ Quarry- Nesh	\$379,094	\$343,739	\$0	\$0	\$0	\$722,833
15/156165	FP15900404975	Rehab Fem Hill Bldg and Site	\$53,958	\$1,252,221	\$0	\$0	\$0	\$1,306,179
15/156166	FP15900404650	Residuals Handling - Ingrams	\$0	\$3,849,110	\$0	\$0	\$0	\$3,849,110
15/156167	FP15900243769	Install Floc Clar Tracts Plates-P E	\$0	\$331,518	\$1,740,023	\$0	\$0	\$2,071,541
15/156168	FP15900104698	Upgrade Air Scour - Ridley	\$84,719	\$0	\$0	\$0	\$0	\$84,719
15/156168	FP15900110295	Upgrde Chster Study Raw Line-Ridley	\$54,260	\$0	\$0	\$0	\$0	\$54,260
15/156168	FP15900110298	Bulk Phosphate System - Ridley	\$138,630	\$0	\$0	\$0	\$0	\$138,630
15/156168	FP15900110299	Install Bulk Fluoride System-Ridley	\$138,630	\$0	\$0	\$0	\$0	\$138,630
15/156168	FP15900110356	Install Gate Entrance Ches Int	\$2,135	\$0	\$0	\$0	\$0	\$2,135
15/156168	FP15900110358	Upgde Bulk H2O delivery Sys-Ridley	\$32,203	\$0	\$0	\$0	\$0	\$32,203
15/156168	FP15900111506	CL2 Scrubber to Dry Media-Ridley	\$132,611	\$0	\$0	\$0	\$0	\$132,611
15/156169	FP15900210652	Re-pipe Recycle Lines - UM	\$80,813	\$0	\$0	\$0	\$0	\$80,813
15/156169	FP15900210657	Upgd Filter Valve,Actuator,Motor-UM	\$74,841	\$0	\$0	\$0	\$0	\$74,841
15/156190	FP15900210452	Upgrade Booster/Well Stations	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000	\$525,000
15/157130	FP15714010341	Upgrade Booster Station Controls-RC	\$21,659	\$0	\$0	\$0	\$0	\$21,659
15/157130	FP15714010347	Upgrd Tank Lightning Protection-RC	\$12,962	\$0	\$0	\$0	\$0	\$12,962
15/157140	FP15714003199	Const Whiteman's Tank & Booster -RC	\$0	\$52,898	\$530,547	\$0	\$0	\$583,445
15/157140	FP15714011289	Insp Links Sewer/Water Systems-RC	\$52,500	\$52,500	\$0	\$0	\$0	\$105,000
15/157340	FP15734000064	Provide Water Wayne Co Prison-Wayma	\$68,271	\$0	\$0	\$0	\$0	\$68,271

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<b>Project Group: 0515-IMPROVEMENTS OTHER (TPB)</b>								
15/157340	FP15734010034	Implement Electric Improvements-Way	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
15/157340	FP15734035829	Waymart System Improvements	\$474,541	\$0	\$0	\$0	\$0	\$474,541
15/157440	FP15744009769	Implement Electric Improvements-WH	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
15/157440	FP15744010499	Improvement to County Club Gardens	\$262,500	\$262,500	\$105,000	\$0	\$0	\$630,000
15/157830	FP15783010322	SATELLITE - UNSPECIFIED	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000
15/157830	FP15783011290	P-Unspecified Capital Projects - SV	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000
Project Group 0515-IMPROVEMENTS OTHER (TPB) Totals:			<b>\$6,217,780</b>	<b>\$24,301,903</b>	<b>\$12,756,710</b>	<b>\$31,317,040</b>	<b>\$42,028,818</b>	<b>\$116,622,251</b>
<b>Project Group: 0517-PUMPING EQUIPMENT-WATER</b>								
15/152920	FP15900404777	Thornbury Booster Pump Upgrade	\$23,625	\$0	\$0	\$0	\$0	\$23,625
15/156160	FP15900310199	Replace Edgely Well Pumps #2, #3	\$25,588	\$0	\$0	\$0	\$0	\$25,588
15/156160	FP15900310212	Emergency Booster Pump - Bristol	\$30,573	\$0	\$0	\$0	\$0	\$30,573
15/156160	FP15900310349	Replace Cloths Plate Press-Bristol	\$3,150	\$0	\$0	\$0	\$0	\$3,150
15/156160	FP15900310350	Install Pump Claritrac - Bristol	\$8,400	\$0	\$0	\$0	\$0	\$8,400
15/156162	FP15900110219	Replace #1 Wash Water Pump- Crum	\$10,527	\$0	\$0	\$0	\$0	\$10,527
15/156162	FP15900110223	Raw Water Pump - Crum	\$52,636	\$0	\$0	\$0	\$0	\$52,636
15/156162	FP15900110352	Replace #1 Recycle Pump - Crum	\$15,750	\$0	\$0	\$0	\$0	\$15,750
15/156162	FP15900110355	Replace WW Pumps/VFD-Crum	\$10,500	\$0	\$0	\$0	\$0	\$10,500
15/156162	FP15900136949	Replace Alum Transfer Pump - Crum	\$15,330	\$0	\$0	\$0	\$0	\$15,330
15/156163	FP15900204899	Replace Schuylkill Pumps-Pick W	\$106,768	\$0	\$0	\$0	\$0	\$106,768
15/156163	FP15900204900	Replace Perkiomen Pumps-Pick W	\$42,346	\$43,991	\$0	\$0	\$0	\$86,337
15/156163	FP15900204902	Upgrade Pump Motors 1,4,5 Pick W	\$192,113	\$126,000	\$0	\$0	\$0	\$318,113
15/156164	FP15900210278	Sump pumps - Neshaminy	\$27,154	\$0	\$0	\$0	\$0	\$27,154
15/156164	FP15900310283	Install 8 MGD send out pump-Neshami	\$326,297	\$0	\$0	\$0	\$0	\$326,297
15/156166	FP15900404815	Replace Transfer Pump #3 - Ingrams	\$49,560	\$0	\$0	\$0	\$0	\$49,560
15/156166	FP15900404925	Install Pump Ingrams Marshallon Lne	\$325,525	\$0	\$0	\$0	\$0	\$325,525

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<b>Project Group: 0517-PUMPING EQUIPMENT-WATER</b>								
15/156166	FP15900404936	Upgrade Raw Water Pumps-Ingrams	\$50,775	\$54,150	\$57,619	\$61,321	\$65,270	\$289,134
15/156166	FP15900410756	Upgrade Side Channel Intake-Ingrams	\$0	\$0	\$2,541,807	\$0	\$0	\$2,541,807
15/156188	FP15900110301	Replace Sludge Pumps - Ridley	\$76,044	\$0	\$0	\$0	\$0	\$76,044
15/156168	FP15900110357	Install Basin Level Control-Ridley	\$8,400	\$0	\$0	\$0	\$0	\$8,400
15/156168	FP15900110359	Install Drain line to Creek-Ridley	\$31,933	\$0	\$0	\$0	\$0	\$31,933
15/156168	FP15900110387	Install Motor Lifting Points-Ridley	\$8,487	\$0	\$0	\$0	\$0	\$8,487
15/156168	FP15900110388	Install Power Metering Sys - Ridley	\$10,500	\$0	\$0	\$0	\$0	\$10,500
15/156169	FP15900204107	Repl Low Lift Pump VFD's- UMR	\$80,040	\$0	\$0	\$0	\$0	\$80,040
15/156169	FP15900210653	Prch Assembly & Parts for Pump-UM	\$128,298	\$0	\$0	\$0	\$0	\$128,298
15/156169	FP15900210655	Rehab Recycle Pump - UM	\$42,435	\$0	\$0	\$0	\$0	\$42,435
15/156169	FP15900220589	Repl Booster Pumps & Motor UMR	\$868,425	\$0	\$0	\$0	\$0	\$868,425
15/156190	FP15900210458	Upgrade Booster VFD's	\$78,750	\$0	\$0	\$0	\$0	\$78,750
15/156190	FP15900210460	Replce Submersible Pumps - Wells	\$42,000	\$0	\$0	\$0	\$0	\$42,000
15/156190	FP15900210461	Replce Pumps/Motors-Boosters Wells	\$78,750	\$84,000	\$84,000	\$84,000	\$84,000	\$414,750
15/156190	FP15900210462	Replce Vertical Turbine Pump-Wells	\$52,500	\$0	\$0	\$0	\$0	\$52,500
15/157130	FP15714010310	Upgrade Pressure Reducing Valves-RC	\$27,004	\$0	\$0	\$0	\$0	\$27,004
15/157340	FP15734010036	Prch Misc Pump Equipment-Waymart	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500
15/157440	FP15744009774	Prch Misc Pumping Equipment - WH	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500
Project Group 0517-PUMPING EQUIPMENT-WATER Totals:			\$2,955,184	\$413,141	\$2,788,426	\$250,321	\$254,270	\$6,661,342
<b>Project Group: 0520-EQUIPMENT (TPB)</b>								
15/152920	FP15900210449	Replace Air Switch Wells/Booster	\$42,000	\$42,000	\$21,000	\$0	\$0	\$105,000
15/152920	FP15900304535	Install Generator-Chalfont #8 Well	\$92,649	\$0	\$0	\$0	\$0	\$92,649
15/152920	FP15900304536	Install Generator-Chalfont #12 Well	\$93,149	\$0	\$0	\$0	\$0	\$93,149
15/152920	FP15900404533	Install Generator- Bell Tavern Well	\$49,907	\$0	\$0	\$0	\$0	\$49,907
15/152920	FP15900404537	Install Generator-Oakbourne Booster	\$89,352	\$0	\$0	\$0	\$0	\$89,352

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<b>Project Group: 0520-EQUIPMENT (TPB)</b>								
15/152920	FP15900404538	Install Generator - Grandstaff Well	\$66,862	\$0	\$0	\$0	\$0	\$66,862
15/152920	FP15900404539	Install Generator-Middletown Boost	\$72,301	\$0	\$0	\$0	\$0	\$72,301
15/152920	FP15900504187	Purch 2 Trailer Mounted Generators	\$131,717	\$0	\$0	\$0	\$0	\$131,717
15/152920	FP15900511292	Process Control Modicon Spare Parts	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500
15/153032	FP15900411295	Rbld Filters Meyers Tract Well Stat	\$55,850	\$0	\$56,700	\$0	\$57,750	\$170,100
15/156160	FP15900304891	Upgrd Filter Valve Operators-Brist	\$0	\$0	\$0	\$0	\$19,950	\$19,950
15/156160	FP15900304892	Rehab plant equipment-Bristol	\$93,713	\$98,399	\$103,320	\$108,486	\$113,910	\$517,828
15/156160	FP15900310658	Upgrade Modicon Equipment - Bristol	\$16,800	\$17,850	\$18,900	\$21,000	\$22,050	\$96,600
15/156160	FP15900327628	Upgrade Filters - Bristol	\$37,800	\$38,850	\$39,900	\$40,950	\$42,000	\$199,500
15/156162	FP15900104182	Inst Air Scours Filters #1-24-Crum	\$1,067,552	\$0	\$0	\$0	\$0	\$1,067,552
15/156162	FP15900104896	Rehab Plant Equip-Crum	\$126,000	\$132,300	\$138,915	\$145,861	\$150,091	\$693,167
15/156162	FP15900110214	Replace Actuators, Motors, -Crum	\$37,886	\$0	\$0	\$0	\$0	\$37,886
15/156162	FP15900110221	Rehab High Lift #3,4&6-Crum	\$226,931	\$0	\$0	\$0	\$0	\$226,931
15/156162	FP15900110504	Replace 34KV air switch-Crum	\$31,500	\$0	\$0	\$0	\$0	\$31,500
15/156162	FP15900110659	Upgrade Filters - Crum	\$103,495	\$108,671	\$114,103	\$119,809	\$125,799	\$571,878
15/156162	FP15900110661	Upgrade Modicon Equipment - Crum	\$20,475	\$21,000	\$22,050	\$23,100	\$24,255	\$110,880
15/156162	FP15900120567	Upgrade Filter Valve Operator- Crum	\$33,285	\$33,600	\$34,650	\$35,700	\$37,485	\$174,720
15/156163	FP15900202800	Pickering W H.S. Pump Replacement	\$7,121,172	\$0	\$0	\$0	\$0	\$7,121,172
15/156163	FP15900210662	Upgrade Filter Valves - Pickering W	\$72,434	\$76,056	\$79,858	\$83,850	\$88,043	\$400,240
15/156163	FP15900210663	Rehab Plant Equipment - Pick W	\$253,575	\$266,280	\$279,615	\$294,000	\$324,135	\$1,417,605
15/156163	FP15900210664	Upgrade Modicon Equipment - Pick W	\$20,475	\$21,000	\$22,050	\$23,100	\$24,150	\$110,775
15/156163	FP15900227629	Upgrade Filters - Pick W	\$93,713	\$98,396	\$103,315	\$108,465	\$108,481	\$512,369
15/156163	FP15900524727	Clarifo Basin (Plate Settlers)	\$472,948	\$0	\$0	\$0	\$0	\$472,948
15/156164	FP15900304260	Upgrade Filters - Neshaminy	\$68,250	\$69,300	\$69,300	\$69,300	\$71,400	\$347,550
15/156164	FP15900304932	Upgrade Filter Valve Operators-Nesh	\$23,704	\$24,885	\$26,135	\$27,447	\$28,875	\$131,045
15/156164	FP15900304933	Rehab Plant Equipment-Neshaminy	\$94,815	\$99,556	\$104,533	\$109,761	\$115,248	\$523,912

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<b>Project Group: 0520-EQUIPMENT (TPB)</b>								
15/156164	FP15900310665	Upgrade Modicon Equipment-Nesh	\$30,450	\$31,500	\$31,500	\$31,500	\$33,600	\$158,550
15/156165	FP15900410146	Rehab Plant Equipment - Fern Hill	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$441,000
15/156166	FP15900404814	Upgrade Filter Valves - Ingrams	\$25,830	\$25,830	\$25,830	\$25,830	\$25,830	\$129,150
15/156166	FP15900404935	Rehab Plant Equipment - Ingrams	\$66,150	\$69,458	\$72,931	\$76,577	\$80,409	\$365,524
15/156166	FP15900410667	Upgrade Modicon Equipment-Ingrams	\$20,396	\$21,416	\$22,487	\$23,611	\$24,793	\$112,703
15/156167	FP15900204271	Filter Upgrades - Pickering East	\$68,886	\$72,119	\$75,726	\$79,512	\$84,000	\$380,043
15/156167	FP15900204919	Rehab plant equipment - Pick E	\$88,200	\$92,610	\$97,241	\$102,102	\$107,207	\$487,360
15/156167	FP15900204929	Replace Mixers Pick E	\$0	\$112,516	\$0	\$0	\$0	\$112,516
15/156167	FP15900210668	Upgrade Modicon Equipment-Pick E	\$22,050	\$23,153	\$24,308	\$25,525	\$26,801	\$121,837
15/156167	FP15900410757	Install Air Scours - Pick E	\$0	\$542,391	\$0	\$0	\$0	\$542,391
15/156168	FP15900104940	Rehab Plant Equipment - Ridley	\$93,713	\$98,399	\$103,318	\$108,484	\$113,908	\$517,821
15/156168	FP15900104941	Upgrd Filter Valve Operators-Ridley	\$23,704	\$24,885	\$26,135	\$27,442	\$28,814	\$130,979
15/156168	FP15900104942	Upgrade Residuals Equip-Ridley	\$22,050	\$23,153	\$24,311	\$25,525	\$26,802	\$121,841
15/156168	FP15900110291	Upgrd Leaf Catcher - Chester Intake	\$162,841	\$0	\$0	\$0	\$0	\$162,841
15/156168	FP15900110670	Upgrade Modicon Equipment-Ridley	\$20,396	\$21,416	\$22,487	\$23,611	\$24,792	\$112,702
15/156168	FP15900112626	Install Clarivac in Basins-Ridley	\$0	\$928,130	\$0	\$0	\$0	\$928,130
15/156169	FP15900204848	Repl Filter Valve Operators UMR	\$23,814	\$25,005	\$26,250	\$27,563	\$28,941	\$131,572
15/156169	FP15900204937	Rehab Plant Equip UMR	\$93,713	\$98,399	\$103,318	\$108,484	\$113,908	\$517,821
15/156169	FP15900210671	Upgrade Modicon Equipment- UM	\$19,346	\$21,416	\$22,487	\$23,625	\$24,806	\$111,680
15/156169	FP15900211543	Upgrade Filters UMR	\$76,177	\$76,650	\$77,700	\$77,700	\$81,585	\$389,812
15/156190	FP15900210457	Upgrde Automated V/ve Controls-Pits	\$21,000	\$31,500	\$31,500	\$0	\$0	\$84,000
15/156190	FP15900210463	Upgrde Instrumentation Wells/Booste	\$33,600	\$33,600	\$33,600	\$33,600	\$33,600	\$168,000
15/156190	FP15900210465	Upgrade Emergency Generators-Booste	\$47,250	\$0	\$0	\$0	\$0	\$47,250
15/157130	FP15714004963	Upgrade Chemical Feed Equip RC	\$42,000	\$33,075	\$34,729	\$36,467	\$38,290	\$184,561
15/157130	FP15714004964	Upgrade Filters RC	\$22,050	\$23,153	\$24,311	\$25,525	\$26,802	\$121,841
15/157130	FP15714004969	Upgrade Modicon Equipment - RC	\$16,538	\$17,194	\$18,233	\$19,147	\$20,107	\$91,219

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<b>Project Group: 0520-EQUIPMENT (TPB)</b>								
15/157130	FP15714010344	Upgrade Lab Equipment-RC	\$31,500	\$0	\$0	\$0	\$0	\$31,500
15/157130	FP15714010345	Replace Analyzers - RC Plant	\$8,400	\$0	\$0	\$0	\$0	\$8,400
15/157130	FP15714010348	Install Insertion Meters - RC	\$42,000	\$0	\$0	\$0	\$0	\$42,000
15/157130	FP15714011293	Upgrade Filter Valve Operators - RC	\$16,538	\$17,357	\$18,233	\$19,147	\$20,104	\$91,378
15/157140	FP15714010324	Const Generator Connection Plugs-RC	\$36,750	\$36,750	\$36,750	\$36,750	\$36,750	\$183,750
15/157140	FP15714011294	Rehab Plant Equipment- RC	\$73,500	\$73,500	\$73,500	\$73,500	\$73,500	\$367,500
15/157340	FP15734010038	Prch Misc Mechanical Equip-Waymart	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
15/157440	FP15744003268	Prch Misc Mechanical Equip-Wh Haven	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500
15/157440	FP15744009679	Install Generator- Tambur/Hex - WH	\$42,108	\$0	\$0	\$0	\$0	\$42,108
Project Group 0520-EQUIPMENT (TPB) Totals:			<b>\$12,215,058</b>	<b>\$3,936,912</b>	<b>\$2,475,425</b>	<b>\$2,456,255</b>	<b>\$2,643,173</b>	<b>\$23,726,825</b>
<b>Project Group: 0521-WELLS</b>								
15/152320	FP15900510453	Stonehedge Well Station Upgrade	\$59,951	\$0	\$0	\$0	\$0	\$59,951
15/152920	FP15900404579	Rehabilitate Well - Grandstaff	\$56,104	\$0	\$0	\$0	\$0	\$56,104
15/152920	FP15900427169	Future Well Investigation	\$81,900	\$81,900	\$81,900	\$81,900	\$81,900	\$409,500
15/152920	FP15900443750	Replacement Well - Chester Valley	\$0	\$0	\$1,970,880	\$0	\$0	\$1,970,880
15/153032	FP15900512526	Removal of Radon - Wells	\$868,425	\$0	\$0	\$0	\$0	\$868,425
15/157130	FP15714006912	Replace Brush Valley Wells (2) - RC	\$1,425,380	\$0	\$0	\$0	\$0	\$1,425,380
15/157140	FP15714035857	Replace Monroe Manor Well - RC	\$268,070	\$0	\$0	\$0	\$0	\$268,070
15/157240	FP15724022315	Construct Well @ Wildwood- Susq	\$0	\$0	\$0	\$483,620	\$0	\$483,620
15/157340	FP15734000428	Construct Laurel Ridge Well	\$54,289	\$223,335	\$0	\$0	\$0	\$277,624
15/157340	FP15734000429	Renovate Eastwood Well House-Waymar	\$53,816	\$221,831	\$0	\$0	\$0	\$275,647
15/157340	FP15734001260	Const Fawn Lake Well #5-Waymart	\$266,657	\$0	\$0	\$0	\$0	\$266,657
15/157340	FP15734003033	Renovate Pinecrest #1Well House-Way	\$372,164	\$0	\$0	\$0	\$0	\$372,164
15/157340	FP15734003037	Renovat Tanglewood N Well House-Way	\$54,485	\$280,601	\$288,494	\$0	\$0	\$623,580
15/157340	FP15734003052	Construct Moscow Well - Waymart	\$0	\$53,672	\$215,853	\$0	\$0	\$269,525

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<b>Project Group: 0521-WELLS</b>								
15/157340	FP15734010040	Imprv Misc Source Facilities-Waymar	\$157,500	\$157,500	\$157,500	\$157,500	\$157,500	\$787,500
15/157340	FP15734010255	Repl Woodledge Well House-Waymart	\$72,973	\$0	\$0	\$0	\$0	\$72,973
15/157340	FP15734021794	Renov Mountain Home Well House-Waym	\$649,196	\$0	\$0	\$0	\$0	\$649,196
15/157340	FP15734036292	Improve Woodmont Well Vault-Waymart	\$0	\$105,557	\$0	\$0	\$0	\$105,557
15/157340	FP15734036293	Imp Tanglewood Lodge Well Vault-Way	\$0	\$0	\$106,143	\$0	\$0	\$106,143
15/157440	FP15744002281	Constr Forest Park #2 Well-W Haven	\$834,912	\$0	\$0	\$0	\$0	\$834,912
15/157440	FP15744003266	Cnst Well @ Chinchilla (Snyder Ave)	\$224,514	\$0	\$0	\$0	\$0	\$224,514
15/157440	FP15744003276	Construct Well @ Laurel Lakes-W Hvn	\$0	\$221,040	\$0	\$0	\$0	\$221,040
15/157440	FP15744003279	Improve Wells @ St. Johns- W Haven	\$392,497	\$0	\$0	\$0	\$0	\$392,497
15/157440	FP15744004548	Construct ER#5 Well - Wh Haven	\$57,676	\$860,798	\$0	\$0	\$0	\$918,474
15/157440	FP15744010497	Const Control Bldg-WH Office Wells	\$81,146	\$0	\$0	\$0	\$0	\$81,146
15/157440	FP15744010501	Chinchilla Well Improvements	\$0	\$0	\$426,550	\$0	\$0	\$426,550
15/157440	FP15744010552	White Haven Well Improvements	\$0	\$0	\$0	\$420,000	\$420,000	\$840,000
15/157440	FP15744035418	Repl Hamilton Lilly St Well-Wh Havn	\$307,723	\$0	\$0	\$0	\$0	\$307,723
15/157440	FP15744035419	Constr Well @ Factoryville-W Haven	\$0	\$54,317	\$216,024	\$0	\$0	\$270,341
15/157440	FP15744035420	Improv Christian Springs Well-W Hvn	\$213,830	\$0	\$0	\$0	\$0	\$213,830
15/157440	FP15744038723	Const Eagle Rock Well #4-W Haven	\$468,143	\$0	\$0	\$0	\$0	\$468,143
15/157830	FP15784035458	P-Source of Supply - Marienville-SV	\$0	\$0	\$0	\$0	\$250,000	\$250,000
15/157840	FP15784035583	P-Oakland Beach - Const New Well-SV	\$0	\$150,000	\$0	\$0	\$0	\$150,000
Project Group 0521-WELLS Totals:			<b>\$7,021,351</b>	<b>\$2,410,551</b>	<b>\$3,463,343</b>	<b>\$1,143,020</b>	<b>\$909,400</b>	<b>\$14,947,665</b>
<b>Project Group: 0522-DAMS</b>								
15/152320	FP15900110054	Replace Springton Parapet	\$231,764	\$0	\$0	\$0	\$0	\$231,764
15/152320	FP15900210447	Rehab Dam Breast Wether Hill-Pick W	\$116,340	\$0	\$0	\$0	\$0	\$116,340
15/152320	FP15900510636	Unidentified Dam Repairs	\$267,639	\$267,639	\$267,639	\$267,639	\$267,639	\$1,338,194
15/152320	FP15900511524	Springton Dam Rehabilitation	\$301,902	\$5,462,510	\$5,599,244	\$0	\$0	\$11,363,656

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<b>Project Group: 0522-DAMS</b>								
15/157130	FP15714010311	Instl Hydraulic Vlv@#2 Reservoir-RC	\$16,037	\$0	\$0	\$0	\$0	\$16,037
15/157140	FP15714003195	Repl Bear Gap #6 Parapet Wall-RC	\$532,050	\$0	\$0	\$0	\$0	\$532,050
15/157140	FP15714003545	Reconstruct Bear Gap #1 Spillway-RC	\$0	\$0	\$53,973	\$481,579	\$0	\$535,552
15/157140	FP15714010325	Watershed/Dam Improvements-RC	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$131,250
15/157140	FP15714010724	Repl Bear Gap #2 Valve Chamber-RC	\$53,457	\$374,533	\$0	\$0	\$0	\$427,990
15/157830	FP15783010906	E-Shenango Low Head Dam Repairs	\$98,810	\$0	\$0	\$0	\$0	\$98,810
Project Group 0522-DAMS Totals:			<b>\$1,644,247</b>	<b>\$6,130,932</b>	<b>\$5,947,106</b>	<b>\$775,468</b>	<b>\$293,889</b>	<b>\$14,791,642</b>
<b>Project Group: 0525-TANKS/RESVRS/STANDPIPES</b>								
15/152320	FP15900112201	Add 2nd Tank - Hunter Street	\$0	\$40,554	\$821,721	\$0	\$0	\$862,275
15/152320	FP15900312216	Const Add'l Tank @Croydon Bstr Site	\$0	\$38,753	\$816,968	\$0	\$0	\$855,722
15/152320	FP15900316052	Construct Add'l Tank-Perkiomen Area	\$29,288	\$824,950	\$0	\$0	\$0	\$854,238
15/152320	FP15900404924	Construct Tank in Thornbury	\$41,169	\$549,586	\$0	\$0	\$0	\$590,755
15/152320	FP15900416050	Construct Tank - Franklin Area	\$0	\$812,345	\$0	\$0	\$0	\$812,345
15/152320	FP15900510571	Const Gravity Tanks in Bensalem (2)	\$0	\$0	\$53,236	\$2,770,819	\$0	\$2,824,055
15/152320	FP15900543760	Construct Tank - Edgely Field	\$0	\$0	\$478,763	\$0	\$0	\$478,763
15/156162	FP15900112593	Purch Waste Water Tank #3 - Crum	\$0	\$0	\$196,229	\$0	\$0	\$196,229
15/156162	FP15900115887	Replace Wash Water Tank - Crum	\$0	\$0	\$261,639	\$0	\$0	\$261,639
15/156162	FP15900115892	Dredge Lower Reservoir - Crum	\$0	\$0	\$545,081	\$2,806,676	\$0	\$3,351,756
15/156162	FP15900143753	Replace Wash Wtr Tank Rivit-Crum	\$0	\$381,556	\$0	\$0	\$0	\$381,556
15/156163	FP15900212646	Dredge Reservoir - Pickering	\$0	\$913,612	\$746,466	\$0	\$0	\$1,660,077
15/157140	FP15714010200	Replace Edgewood Tank-Roaring Ck	\$0	\$26,379	\$320,149	\$0	\$0	\$346,528
15/157140	FP15714010248	Replace Trevorton Tank -Roaring Ck	\$0	\$26,523	\$318,422	\$0	\$0	\$344,945
15/157140	FP15714011247	Replace Monroe Market Tank	\$534,582	\$0	\$0	\$0	\$0	\$534,582
15/157340	FP15734004890	Replace Tank @ Thornhurst-Waymart	\$0	\$54,428	\$344,727	\$0	\$0	\$399,155
15/157340	FP15734009707	Construct Tank @ Waymart	\$54,233	\$536,762	\$0	\$0	\$0	\$590,995

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<b>Project Group: 0525-TANKS/RESVRS/STANDPIPES</b>								
15/157340	FP15734021774	Constr Tank @ Jefferson Hghts-Wayma	\$54,802	\$538,248	\$0	\$0	\$0	\$593,050
15/157340	FP15734021784	Construct Tank @ Moscow - Waymart	\$0	\$0	\$53,452	\$323,205	\$0	\$376,658
15/157340	FP15734021792	Constr Tank @ Mountain Home-Waymart	\$0	\$0	\$0	\$54,289	\$322,496	\$376,784
15/157340	FP15734036283	Constr Tank @ Tanglewood North-Waym	\$55,267	\$325,696	\$0	\$0	\$0	\$380,963
15/157340	FP15734036291	Construct Tank @ Elmbrook- Waymart	\$0	\$0	\$0	\$54,068	\$322,701	\$376,769
15/157440	FP15744010553	Eagle Rock-Laurel Valley Tank	\$0	\$0	\$0	\$51,040	\$772,746	\$823,787
15/157440	FP15744010554	Unidentified Tank Installations- WHI	\$0	\$0	\$0	\$840,000	\$420,000	\$1,260,000
15/157440	FP15744021724	Rehab Tank @ Rivercrest- Wh Haven	\$272,590	\$0	\$0	\$0	\$0	\$272,590
15/157440	FP15744021731	Const Tank @ Chinchilla/Stanton-W H	\$55,861	\$482,939	\$0	\$0	\$0	\$538,800
15/157440	FP15744035415	Const Tank @ Tambur/Hex Acres-W Hav	\$0	\$54,283	\$641,283	\$0	\$0	\$695,567
15/157440	FP15744035923	Replace Tank @ Laurel Lakes-W Haven	\$54,810	\$223,041	\$0	\$0	\$0	\$277,852
15/157830	FP15783004193	P-Const Plant Level ElevatedTank-SV	\$0	\$0	\$2,100,000	\$0	\$0	\$2,100,000
15/157830	FP15783006409	E-Const Elevated Storage Tank-Merce	\$0	\$0	\$0	\$1,516,611	\$0	\$1,516,611
Project Group 0525-TANKS/RESVRS/STANDPIPES Totals:			<b>\$1,152,601</b>	<b>\$5,829,656</b>	<b>\$7,698,136</b>	<b>\$8,416,707</b>	<b>\$1,837,943</b>	<b>\$24,935,043</b>
<b>Project Group: 0599-OTHER (TPB)</b>								
15/152320	FP15900203941	Pickering Residuals Handling Facili	\$549,306	\$5,508,403	\$5,640,557	\$0	\$0	\$11,698,265
15/153032	FP15900510130	Chlorine Scrubber Contracts - Plant	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$131,250
Project Group 0599-OTHER (TPB) Totals:			<b>\$575,556</b>	<b>\$5,534,653</b>	<b>\$5,666,807</b>	<b>\$26,250</b>	<b>\$26,250</b>	<b>\$11,829,515</b>
<b>Project Group: 0610-TREATMENT EQUIPMENT (LT)</b>								
15/153032	FP15900110181	Repl Basin Inlet Cl2 Analyzer-Crum	\$4,200	\$0	\$0	\$0	\$0	\$4,200
15/153032	FP15900110189	Upgrade Chemical Pumps - Ridley	\$5,565	\$0	\$0	\$0	\$0	\$5,565
15/153032	FP15900110206	Upgrd Recycle Polymer System-Crum	\$5,775	\$0	\$0	\$0	\$0	\$5,775
15/153032	FP15900210179	Replace Turbidimeters- Pick East	\$17,850	\$0	\$0	\$0	\$0	\$17,850
15/153032	FP15900210184	Upgrade Chemical Pump - Pick West	\$6,143	\$0	\$0	\$0	\$0	\$6,143

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<b>Project Group: 0610-TREATMENT EQUIPMENT (LT)</b>								
15/153032	FP15900210186	Change Filter Media - Myers Tract	\$47,250	\$0	\$47,250	\$0	\$47,250	\$141,750
15/153032	FP15900210188	Upgrade Chemical Pumps - UMR	\$6,300	\$0	\$0	\$0	\$0	\$6,300
15/153032	FP15900210192	Upgrade Chemical Pumps - Pick East	\$5,565	\$0	\$0	\$0	\$0	\$5,565
15/153032	FP15900210200	Replace Flowmeter Probes-Pick West	\$13,650	\$0	\$0	\$0	\$0	\$13,650
15/153032	FP15900210204	Rebuild Evaporator - Pickering West	\$8,400	\$0	\$0	\$0	\$0	\$8,400
15/153032	FP15900210205	Rebuild Evaporator - Pickering East	\$8,400	\$0	\$0	\$0	\$0	\$8,400
15/153032	FP15900210227	Install Solarbee - Newtown Tank	\$42,000	\$0	\$0	\$0	\$0	\$42,000
15/153032	FP15900310180	Replace Turbidimeters - Neshaminy	\$22,050	\$0	\$0	\$0	\$0	\$22,050
15/153032	FP15900310185	Replace Spectrophotometer- Nesh	\$2,625	\$0	\$0	\$0	\$0	\$2,625
15/153032	FP15900310195	Replace PACL Pumps - Bristol	\$3,675	\$0	\$0	\$0	\$0	\$3,675
15/153032	FP15900310196	Upgrade Chemical Pumps - Bristol	\$6,143	\$0	\$0	\$0	\$0	\$6,143
15/153032	FP15900310197	Replace Zeta Meter - Bristol	\$14,175	\$0	\$0	\$0	\$0	\$14,175
15/153032	FP15900410172	Replace Turbidimeters - Ingrams	\$19,950	\$0	\$0	\$0	\$0	\$19,950
15/153032	FP15900410176	Upgrade Chemical Pumps - Ingrams	\$6,825	\$0	\$0	\$0	\$0	\$6,825
15/153032	FP15900410210	Upgrade F.T. Polyblend Sys - Ingram	\$14,175	\$0	\$0	\$0	\$0	\$14,175
15/153032	FP15900510133	Replace Service Pump - Wells	\$1,260	\$0	\$0	\$0	\$0	\$1,260
15/153032	FP15900510137	Replace Chemical Mixers - Wells	\$35,490	\$35,490	\$35,490	\$35,490	\$35,490	\$177,450
15/153032	FP15900510138	Repl Chem Feed Pumps-Wells&Booster	\$22,575	\$22,575	\$22,575	\$22,575	\$22,575	\$112,875
15/153032	FP15900510140	Repl Chart Recorders-Wells&Boosters	\$26,460	\$26,460	\$26,460	\$26,460	\$26,460	\$132,300
15/153032	FP15900510150	Upgrade Turbidimeters - Wells	\$47,250	\$47,250	\$47,250	\$47,250	\$47,250	\$236,250
15/153032	FP15900510169	Emergency Equip Replacement-Plants	\$15,750	\$15,750	\$15,750	\$15,750	\$15,750	\$78,750
15/153032	FP15900510171	Rebuild Portable Strankos	\$9,350	\$8,500	\$8,500	\$0	\$0	\$26,350
15/153032	FP15900510207	Upgrd Lime Slurry Mixers - Plants	\$3,150	\$0	\$0	\$0	\$0	\$3,150
15/157140	FP15714010326	Install Chemical Feed Equipment-RC	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000	\$210,000
15/157340	FP15734010043	Prch Chemical & Treatment Equip-Way	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$26,250

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<b>Project Group: 0610-TREATMENT EQUIPMENT (LT)</b>								
15/157440	FP15744009777	Prch Chemical Feed Equipment-WH	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
Project Group 0610-TREATMENT EQUIPMENT (LT) Totals:			<b>\$479,750</b>	<b>\$213,775</b>	<b>\$261,025</b>	<b>\$205,275</b>	<b>\$252,525</b>	<b>\$1,412,350</b>
<b>Project Group: 0615-LAB EQUIPMENT (LT)</b>								
15/153020	FP15900103987	Purch Env Affairs Monitoring Equip	\$3,150	\$3,150	\$3,150	\$3,150	\$3,150	\$15,750
15/153020	FP15900103991	Purchase Hydrogeologist Equipment	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$26,250
15/153031	FP15900507000	Replace Source - Mass Spectrometer	\$0	\$2,625	\$0	\$0	\$0	\$2,625
15/153031	FP15900507002	Purchase Ion Chromatograph	\$0	\$0	\$0	\$26,250	\$0	\$26,250
15/153031	FP15900507003	Purchase Water Bath for Tests	\$0	\$0	\$0	\$0	\$2,625	\$2,625
15/153031	FP15900507004	Replace VOC Autosampler	\$0	\$0	\$0	\$26,250	\$0	\$26,250
15/153031	FP15900507005	Repl Gas Chromatograph/Mass Spectro	\$0	\$0	\$84,000	\$0	\$84,000	\$168,000
15/153031	FP15900510574	Purchase Ammonia Distillation Unit	\$5,250	\$0	\$0	\$0	\$0	\$5,250
15/153031	FP15900510575	Replace IC Autosampler	\$5,250	\$0	\$0	\$0	\$0	\$5,250
15/153031	FP15900510576	Replace Mill-Q Water System	\$9,450	\$0	\$0	\$0	\$0	\$9,450
15/153031	FP15900510577	Replace Refrigerator Organics Lab	\$0	\$0	\$0	\$3,150	\$0	\$3,150
15/153031	FP15900510578	Replace Muffle Furnace	\$0	\$0	\$0	\$0	\$4,200	\$4,200
15/153031	FP15900510579	Replace Turbidimeter	\$0	\$2,100	\$0	\$0	\$0	\$2,100
15/153031	FP15900510580	Repl VOC Purge & Trap Concentrator	\$0	\$21,000	\$0	\$0	\$0	\$21,000
15/153031	FP15900510581	Prch Uninterruptible Power Supplies	\$2,625	\$2,625	\$0	\$2,625	\$0	\$7,875
15/153031	FP15900510582	Replace Miscellaneous Lab Equipment	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
15/153031	FP15900510583	LIMS Training & Upgrades	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
15/153032	FP15900110183	Replace Incubator - Crum	\$1,575	\$0	\$0	\$0	\$0	\$1,575
15/153032	FP15900110193	Replace Chlorine Titrators - Crum	\$6,090	\$0	\$0	\$0	\$0	\$6,090
15/153032	FP15900110194	Replace Jar Test Equipment- Crum	\$2,940	\$0	\$0	\$0	\$0	\$2,940
15/153032	FP15900210190	Replace F.T.Polymer Units-Pick East	\$13,650	\$0	\$0	\$0	\$0	\$13,650
15/153032	FP15900510141	Replace pH Meters - Wells	\$11,760	\$11,760	\$11,760	\$11,760	\$11,760	\$58,800

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<b>Project Group: 0615-LAB EQUIPMENT (LT)</b>								
15/153032	FP15900510142	Replace Titrators- Plants	\$17,194	\$17,194	\$17,194	\$17,194	\$17,194	\$85,969
15/153032	FP15900510143	Repl Damaged Instruments-Plant&Well	\$18,900	\$18,900	\$18,900	\$18,900	\$18,900	\$94,500
15/153032	FP15900510144	Replace Broken Equipment-Plants	\$13,650	\$13,650	\$14,175	\$14,700	\$15,225	\$71,400
15/153032	FP15900510149	Replace Spectrophotometer-Plants	\$5,145	\$0	\$0	\$0	\$0	\$5,145
15/153032	FP15900510151	Purchase System Sampling Aparatus	\$15,750	\$15,750	\$15,750	\$15,750	\$15,750	\$78,750
15/153032	FP15900510152	Repl/Upgrade Dept Lab/Test Equip	\$5,775	\$5,775	\$5,775	\$5,775	\$5,775	\$28,875
15/153033	FP15900504075	Repl Refrigerator for Research Lab	\$0	\$0	\$3,150	\$0	\$0	\$3,150
15/153033	FP15900507017	Prch Solid Phas Micro Extract GC/MC	\$0	\$0	\$0	\$84,000	\$0	\$84,000
15/153033	FP15900510584	Purchase Research Instrumentation	\$21,000	\$21,000	\$15,750	\$10,500	\$10,500	\$78,750
15/153033	FP15900537174	Repl Gas Chromatograph & ECD	\$0	\$0	\$0	\$0	\$52,500	\$52,500
15/157140	FP15714010327	Purchase Laboratory Equipment- RC	\$15,750	\$15,750	\$15,750	\$15,750	\$15,750	\$78,750
15/157440	FP15744009991	Purchase Lab Equipment - White Have	\$3,150	\$3,150	\$3,150	\$3,150	\$3,150	\$15,750
15/157830	FP15783011296	P Process Control & Analysis Equip	\$10,000	\$10,027	\$10,027	\$10,027	\$10,027	\$50,110
Project Group 0615-LAB EQUIPMENT (LT) Totals:			\$224,804	\$201,206	\$255,281	\$305,681	\$307,256	\$1,294,229
<b>Project Group: 0699-OTHER LAB/TREATMENT WORK</b>								
15/153020	FP15900510506	Stabilize Stream Banks	\$12,702	\$12,702	\$12,702	\$12,702	\$12,702	\$63,512
15/153020	FP15900510507	Tree Revitalization Program	\$132,351	\$0	\$0	\$0	\$0	\$132,351
15/153020	FP15900527339	Well Testling & Development	\$102,891	\$109,191	\$122,841	\$134,391	\$145,941	\$615,255
15/153032	FP15900510202	Engineer Contract-Groundwater Regs	\$31,955	\$0	\$0	\$0	\$0	\$31,955
Project Group 0699-OTHER LAB/TREATMENT WORK Totals:			\$279,900	\$121,893	\$135,543	\$147,093	\$158,643	\$843,073
<b>Project Group: 0705-FENCE REPLACEMENTS</b>								
15/151250	FP15900111297	Replace Fence @ Springton	\$15,750	\$15,750	\$15,750	\$31,500	\$15,750	\$94,500
15/151250	FP15900215833	Replace Fence @ Pick W Reservoir	\$63,000	\$15,855	\$10,605	\$10,605	\$5,250	\$105,315

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<b>Project Group: 0705-FENCE REPLACEMENTS</b>								
15/151250	FP15900515831	Repl Fence @ Various Well & Booster	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
Project Group 0705-FENCE REPLACEMENTS Totals:			<b>\$99,750</b>	<b>\$52,605</b>	<b>\$47,355</b>	<b>\$63,105</b>	<b>\$42,000</b>	<b>\$304,815</b>
<b>Project Group: 0710-OFFICE FURNITURE</b>								
15/151250	FP15900109781	New Furniture - Springfield	\$26,250	\$21,000	\$10,500	\$10,500	\$10,500	\$78,750
15/151250	FP15900309786	New Furniture Willow Grove	\$26,250	\$21,000	\$10,500	\$10,500	\$10,500	\$78,750
15/151250	FP15900409788	New Furniture - Great Valley	\$26,250	\$21,000	\$10,500	\$10,500	\$10,500	\$78,750
15/151250	FP15900511298	New Furniture - Bryn Mawr Complex	\$78,750	\$42,000	\$31,500	\$31,500	\$31,500	\$215,250
15/157140	FP15714010725	Purchase Office Furniture - RC	\$8,400	\$0	\$0	\$0	\$0	\$8,400
15/157440	FP15744004903	Prch Furniture Div Office-Wh Haven	\$21,000	\$3,150	\$3,150	\$3,150	\$3,150	\$33,600
15/157810	FP15781011299	M Office Furniture & Equipment	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$27,000
Project Group 0710-OFFICE FURNITURE Totals:			<b>\$192,300</b>	<b>\$113,550</b>	<b>\$71,550</b>	<b>\$71,550</b>	<b>\$71,550</b>	<b>\$520,500</b>
<b>Project Group: 0715-OFFICE EQUIPMENT</b>								
15/151220	FP15900511457	Replace Office Furniture	\$9,975	\$8,400	\$10,395	\$10,500	\$10,500	\$49,770
15/151250	FP15900506987	Replace 2-Way Radios	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$10,500
15/151250	FP15900511300	Audio/Visual Equip-Bryn Mawr Complx	\$78,750	\$0	\$0	\$0	\$0	\$78,750
15/151250	FP15900511301	Misc Appliances-Bryn Mawr Complex	\$5,775	\$0	\$0	\$0	\$0	\$5,775
15/151420	FP15900506988	Upgrade Phone System - Bryn Mawr	\$21,000	\$0	\$0	\$0	\$0	\$21,000
15/152320	FP15900510454	HP Color Plotter	\$11,340	\$0	\$0	\$0	\$0	\$11,340
15/152660	FP15900504013	Purch File Cabinet-Negatives/Prints	\$1,050	\$0	\$0	\$0	\$0	\$1,050
15/152660	FP15900506995	Replace A.B. Dick Press	\$0	\$33,390	\$0	\$0	\$0	\$33,390
15/152660	FP15900511895	Purchase Heidelberg Paper Cutter	\$42,000	\$0	\$0	\$0	\$0	\$42,000
15/157140	FP15714010328	Purchase Office Equipment - RC	\$3,150	\$3,150	\$3,150	\$3,150	\$3,150	\$15,750
15/157440	FP15744010555	Install Voice Mail System	\$15,750	\$0	\$0	\$0	\$0	\$15,750

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<b>Project Group: 0715-OFFICE EQUIPMENT</b>								
15/157840	FP15784004388	Telephony; Avaya - Sharon	\$34,650	\$0	\$0	\$0	\$0	\$34,650
Project Group 0715-OFFICE EQUIPMENT Totals:			\$225,540	\$47,040	\$15,645	\$15,750	\$15,750	\$319,725
<b>Project Group: 0720-IMPROVEMENTS</b>								
15/151250	FP15900110003	Replace Carpet Springfield	\$52,500	\$0	\$0	\$0	\$0	\$52,500
15/151250	FP15900110006	Replace window treatments - Springf	\$21,000	\$0	\$0	\$0	\$0	\$21,000
15/151250	FP15900110012	Replace lighting - Springfield	\$89,250	\$0	\$0	\$0	\$0	\$89,250
15/151250	FP15900111459	Replace A.C. Units - Springfield	\$50,400	\$0	\$0	\$0	\$0	\$50,400
15/151250	FP15900136812	Replace Tower Walkway Decking	\$49,350	\$0	\$0	\$0	\$0	\$49,350
15/151250	FP15900304372	Renovations to 1st floor - WG	\$52,500	\$0	\$0	\$0	\$0	\$52,500
15/151250	FP15900310008	Replace window treatments - WG	\$26,250	\$0	\$0	\$0	\$0	\$26,250
15/151250	FP15900310013	Replace lighting - Willow Grove	\$78,750	\$0	\$0	\$0	\$0	\$78,750
15/151250	FP15900410001	Replace Carpet Great Valley	\$36,750	\$0	\$0	\$0	\$0	\$36,750
15/151250	FP15900503497	Install Vault - BM Basement	\$0	\$262,500	\$0	\$0	\$0	\$262,500
15/151250	FP15900506990	Repl Roof Rear Building - Bryn Mawr	\$117,302	\$0	\$0	\$0	\$0	\$117,302
15/151250	FP15900506991	Repave Parking Lot - Bryn Mawr	\$105,000	\$0	\$0	\$0	\$0	\$105,000
15/151250	FP15900510019	Replace overhead door Bryn Mawr	\$4,725	\$0	\$0	\$0	\$0	\$4,725
15/151250	FP15900510020	Replace A.C. Unit Research Lab BM	\$9,975	\$0	\$0	\$0	\$0	\$9,975
15/151250	FP15900510022	Repl HVAC control comp room	\$12,075	\$0	\$0	\$0	\$0	\$12,075
15/151250	FP15900510672	Repl Sidewalk & Driveway-Well/Bstr	\$31,500	\$26,250	\$26,250	\$26,250	\$26,250	\$136,500
15/151250	FP15900510673	Improvements to Wells & Boosters	\$47,250	\$36,750	\$36,750	\$36,750	\$36,750	\$194,250
15/151250	FP15900510674	Replace Carpet - Bryn Mawr	\$11,025	\$6,825	\$6,825	\$6,825	\$6,825	\$38,325
15/151250	FP15900511462	Replace Window Treatments-Bryn Mawr	\$21,000	\$0	\$0	\$0	\$0	\$21,000
15/151250	FP15900511463	Replace Lighting - Bryn Mawr	\$78,750	\$0	\$0	\$0	\$0	\$78,750
15/151250	FP15900511464	Bryn Mawr Renovations	\$52,500	\$0	\$0	\$0	\$0	\$52,500
15/151510	FP15900504830	Renovate Cust Service Disp Area	\$136,989	\$0	\$0	\$0	\$0	\$136,989

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<b>Project Group: 0720-IMPROVEMENTS</b>								
15/152320	FP15900506994	Install Sprinkler System - Bryn Maw	\$347,131	\$370,379	\$1,089,445	\$0	\$0	\$1,806,954
15/153520	FP15900504644	Control Room Upgrades	\$549,001	\$0	\$0	\$0	\$0	\$549,001
15/154015	FP15900536209	Misc Improvements- Div Offices	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500
15/154130	FP15900104541	Springfield Yard Modifications	\$211,902	\$0	\$0	\$0	\$0	\$211,902
15/154420	FP15900304544	Inst Concrete Platform @ Bethayres	\$21,000	\$0	\$0	\$0	\$0	\$21,000
15/154420	FP15900310538	Miscellaneous Yard Repairs - WG	\$31,744	\$0	\$0	\$0	\$0	\$31,744
15/154720	FP15900410110	Seal Coat Parking Lot- Great Valley	\$12,600	\$0	\$0	\$0	\$0	\$12,600
15/154720	FP15900410111	Pave Stores Area - Great Valley	\$29,400	\$0	\$0	\$0	\$0	\$29,400
15/154720	FP15900410112	Pave behind Lower Garage- GV	\$26,250	\$0	\$0	\$0	\$0	\$26,250
15/156162	FP15900110353	Install Guard Rail - Crum	\$15,916	\$0	\$0	\$0	\$0	\$15,916
15/156162	FP15900110354	Landscape Headgate/Lawn-Crum	\$5,291	\$0	\$0	\$0	\$0	\$5,291
15/156163	FP15900210271	Upgrade Computer Stations -Pick W	\$42,457	\$0	\$0	\$0	\$0	\$42,457
15/156167	FP15900210288	Construct Maint Shop-Pick E	\$292,257	\$0	\$0	\$0	\$0	\$292,257
15/157130	FP15714010346	Replace/Upgrade ventilation - RC	\$21,273	\$0	\$0	\$0	\$0	\$21,273
15/157140	FP15714010329	Structural Improvements - RC	\$15,750	\$15,750	\$15,750	\$15,750	\$15,750	\$78,750
15/157140	FP15714010726	Renovate Roaring Creek Office	\$79,361	\$0	\$0	\$0	\$0	\$79,361
15/157240	FP15724010156	Structural Improvements-Susquehanna	\$4,998	\$4,998	\$4,998	\$4,998	\$4,998	\$24,990
15/157340	FP15734003040	Improve Mast Hope Facilities-Waymar	\$21,000	\$21,000	\$0	\$0	\$0	\$42,000
15/157340	FP15734010046	Structural Improvements- Waymart	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
15/157340	FP15734010239	Instl Siding Wellhouse @ Thornhurst	\$10,594	\$0	\$0	\$0	\$0	\$10,594
15/157440	FP15744006133	Improve/Upgrd Division Office-WH	\$544,046	\$0	\$0	\$0	\$0	\$544,046
15/157440	FP15744027537	Structural Improvements - Wh Haven	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$131,250
Project Group 0720-IMPROVEMENTS Totals:			<b>\$3,456,062</b>	<b>\$833,701</b>	<b>\$1,269,268</b>	<b>\$179,823</b>	<b>\$179,823</b>	<b>\$5,918,677</b>
<b>Project Group: 0805-NEW VEHICLES</b>								
15/151240	FP15900104046	Replace Gang Truck #570	\$0	\$85,050	\$0	\$0	\$0	\$85,050

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<b>Project Group: 0805-NEW VEHICLES</b>								
15/151240	FP15900104195	Replace Utility #226	\$0	\$0	\$0	\$43,050	\$0	\$43,050
15/151240	FP15900104196	Replace Utility #280	\$0	\$0	\$43,050	\$0	\$0	\$43,050
15/151240	FP15900104197	Replace Utility #289	\$0	\$0	\$40,950	\$0	\$0	\$40,950
15/151240	FP15900104198	Replace Utility #318	\$0	\$0	\$0	\$47,250	\$0	\$47,250
15/151240	FP15900104202	Replace Gang Truck #513	\$0	\$79,800	\$0	\$0	\$0	\$79,800
15/151240	FP15900104209	Replace Compressor Truck #524	\$0	\$0	\$0	\$93,450	\$0	\$93,450
15/151240	FP15900104215	Replace Meter Shop Crane Truck #547	\$0	\$100,800	\$0	\$0	\$0	\$100,800
15/151240	FP15900104234	Replace Utility #SU11	\$0	\$0	\$0	\$48,300	\$0	\$48,300
15/151240	FP15900104331	Replace Water Wagon Tx #536	\$86,144	\$0	\$0	\$0	\$0	\$86,144
15/151240	FP15900104332	Replace Water Wagon #561	\$0	\$0	\$87,234	\$0	\$0	\$87,234
15/151240	FP15900104338	Replace Utility #WH15	\$0	\$41,436	\$0	\$0	\$0	\$41,436
15/151240	FP15900104339	Replace Pick-Up #WH2	\$41,436	\$0	\$0	\$0	\$0	\$41,436
15/151240	FP15900104340	Replace Compressor Truck #501	\$0	\$0	\$88,325	\$0	\$0	\$88,325
15/151240	FP15900104343	Replace Dump Truck #515	\$0	\$0	\$0	\$0	\$157,500	\$157,500
15/151240	FP15900104402	Replace Compressor Truck #525	\$0	\$0	\$88,325	\$0	\$0	\$88,325
15/151240	FP15900104404	Replace Utility #543	\$0	\$49,070	\$0	\$0	\$0	\$49,070
15/151240	FP15900104406	Replace Utility #551	\$0	\$53,431	\$0	\$0	\$0	\$53,431
15/151240	FP15900104561	Replace Tank Truck #587	\$0	\$0	\$75,240	\$0	\$0	\$75,240
15/151240	FP15900104759	Future New Vehicle Needs	\$0	\$341,250	\$362,250	\$372,750	\$383,250	\$1,459,500
15/151240	FP15900110218	Replace Pick-Up #337	\$49,350	\$0	\$0	\$0	\$0	\$49,350
15/151240	FP15900110220	Replace Utility #RC2	\$57,750	\$0	\$0	\$0	\$0	\$57,750
15/151240	FP15900110222	Replace Utility #PW15	\$34,650	\$0	\$0	\$0	\$0	\$34,650
15/151240	FP15900110228	Replace Utility #PW13	\$31,500	\$0	\$0	\$0	\$0	\$31,500
15/151240	FP15900110230	Replace Pick-Up #PW11	\$34,650	\$0	\$0	\$0	\$0	\$34,650
15/151240	FP15900110232	Replace Pick-Up #PW17	\$34,650	\$0	\$0	\$0	\$0	\$34,650
15/151240	FP15900110237	Replace Gang Truck #500	\$0	\$87,150	\$0	\$0	\$0	\$87,150

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<b>Project Group: 0805-NEW VEHICLES</b>								
15/151240	FP15900110510	Replace Dump Truck #WH8	\$0	\$0	\$90,300	\$0	\$0	\$90,300
15/151240	FP15900110516	Replace Dump Truck #SVT-17	\$0	\$0	\$0	\$92,400	\$0	\$92,400
15/151240	FP15900110517	Replace Dump Truck #SVT-43	\$0	\$0	\$0	\$93,450	\$0	\$93,450
15/151240	FP15900110518	Replace Dump Truck #RCA	\$0	\$0	\$0	\$0	\$92,400	\$92,400
15/151240	FP15900110519	Replace Pick-Up Truck # PW10	\$0	\$39,900	\$0	\$0	\$0	\$39,900
15/151240	FP15900110520	Replace Compressor Truck #599	\$0	\$79,800	\$0	\$0	\$0	\$79,800
15/151240	FP15900110522	Replace Compressor Truck # 786	\$0	\$0	\$0	\$81,000	\$0	\$81,000
15/151240	FP15900110523	Replace Dump Truck #504	\$0	\$0	\$0	\$0	\$157,500	\$157,500
15/151240	FP15900110525	Replace Dump Truck #505	\$0	\$0	\$0	\$0	\$157,500	\$157,500
15/151240	FP15900110527	Replace Pipe Truck #507	\$0	\$0	\$0	\$0	\$189,000	\$189,000
15/151240	FP15900110529	Replace Meter Shop Crane #508	\$0	\$0	\$0	\$0	\$157,500	\$157,500
15/151240	FP15900110532	Replace Dump Truck #515	\$0	\$0	\$0	\$0	\$157,500	\$157,500
15/151240	FP15900110533	Replace Stake Body #516	\$0	\$0	\$0	\$103,950	\$0	\$103,950
15/151240	FP15900110534	Replace Utility #590	\$0	\$0	\$0	\$68,250	\$0	\$68,250
15/151240	FP15900110537	Replace Compressor Truck #554	\$0	\$0	\$0	\$95,550	\$0	\$95,550
15/151240	FP15900110539	Replace Gang Truck #555	\$0	\$0	\$0	\$0	\$100,800	\$100,800
15/151240	FP15900110541	Replace Dump Truck #556	\$0	\$0	\$0	\$0	\$100,800	\$100,800
15/151240	FP15900110542	Replace Dump Truck #558	\$0	\$0	\$92,400	\$0	\$0	\$92,400
Project Group 0805-NEW VEHICLES Totals:			\$370,130	\$957,687	\$968,074	\$1,139,400	\$1,653,750	\$5,089,041
<b>Project Group: 0810-MECHANICAL EQUIPMENT</b>								
15/151240	FP15900104201	Replace Gang Truck #510	\$78,750	\$0	\$0	\$0	\$0	\$78,750
15/151240	FP15900104204	Replace Backhoe #518	\$0	\$0	\$0	\$82,950	\$0	\$82,950
15/151240	FP15900104205	Replace Backhoe # 519	\$0	\$79,800	\$0	\$0	\$0	\$79,800
15/151240	FP15900104212	Replace Backhoe # 527	\$0	\$0	\$95,550	\$0	\$0	\$95,550
15/151240	FP15900104216	Replace Backhoe #548	\$0	\$0	\$85,050	\$0	\$0	\$85,050

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<b>Project Group: 0810-MECHANICAL EQUIPMENT</b>								
15/151240	FP15900104235	Replace Backhoe # WH10	\$0	\$0	\$90,300	\$0	\$0	\$90,300
15/151240	FP15900104236	Replace Utility #WH14	\$48,300	\$0	\$0	\$0	\$0	\$48,300
15/151240	FP15900104409	Replace Fueling Station - Pickering	\$0	\$106,862	\$0	\$0	\$0	\$106,862
15/151240	FP15900104418	Replace Forklift #844	\$41,436	\$0	\$0	\$0	\$0	\$41,436
15/151240	FP15900104489	Replace Backhoe #564	\$0	\$71,968	\$0	\$0	\$0	\$71,968
15/151240	FP15900104521	Replace Backhoe #526	\$0	\$75,240	\$0	\$0	\$0	\$75,240
15/151240	FP15900104523	Replace Backhoe #528	\$75,240	\$0	\$0	\$0	\$0	\$75,240
15/151240	FP15900104524	Replace Backhoe #531	\$0	\$75,240	\$0	\$0	\$0	\$75,240
15/151240	FP15900104525	Replace Backhoe #534	\$0	\$75,240	\$0	\$0	\$0	\$75,240
15/151240	FP15900104526	Replace Backhoe #559	\$0	\$75,240	\$0	\$0	\$0	\$75,240
15/151240	FP15900104527	Replace Backhoe #560	\$0	\$75,240	\$0	\$0	\$0	\$75,240
15/151240	FP15900104528	Replace Trailer #827	\$20,719	\$0	\$0	\$0	\$0	\$20,719
15/151240	FP15900104529	Replace Backhoe	\$0	\$0	\$87,234	\$0	\$0	\$87,234
15/151240	FP15900104530	Replace Backhoe	\$0	\$0	\$87,234	\$0	\$0	\$87,234
15/151240	FP15900104760	Future Mechanical Equipment Needs	\$0	\$327,128	\$327,128	\$362,250	\$367,250	\$1,383,755
15/151240	FP15900104761	Replace Trailer #822	\$0	\$0	\$18,900	\$0	\$0	\$18,900
15/151240	FP15900104763	Replace Trailer #826	\$0	\$0	\$18,900	\$0	\$0	\$18,900
15/151240	FP15900104764	Replace Backhoe Trailer	\$0	\$18,900	\$0	\$0	\$0	\$18,900
15/151240	FP15900104765	Replace Backhoe Trailer	\$0	\$0	\$0	\$19,950	\$0	\$19,950
15/151240	FP15900104766	Replace Backhoe	\$0	\$0	\$80,850	\$0	\$0	\$80,850
15/151240	FP15900104767	Replace Backhoe	\$0	\$0	\$80,850	\$0	\$0	\$80,850
15/151240	FP15900110213	Replace Utility #345	\$36,750	\$0	\$0	\$0	\$0	\$36,750
15/151240	FP15900110238	Replace Gang Truck #529	\$87,150	\$0	\$0	\$0	\$0	\$87,150
15/151240	FP15900110254	Replace Gang Truck #509	\$87,150	\$0	\$0	\$0	\$0	\$87,150
15/151240	FP15900110257	Replace Dump Truck #522	\$86,100	\$0	\$0	\$0	\$0	\$86,100
15/151240	FP15900110259	Replace Dump Truck #517	\$86,100	\$0	\$0	\$0	\$0	\$86,100

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<b>Project Group: 0810-MECHANICAL EQUIPMENT</b>								
15/151240	FP15900110260	Replace Backhoe #SVBH-1	\$84,000	\$0	\$0	\$0	\$0	\$84,000
15/151240	FP15900110262	Replace Backhoe #546	\$86,100	\$0	\$0	\$0	\$0	\$86,100
15/151240	FP15900110264	Replace Backhoe #563	\$86,100	\$0	\$0	\$0	\$0	\$86,100
15/151240	FP15900110384	Light Tower - Willow Grove	\$8,925	\$0	\$0	\$0	\$0	\$8,925
15/151240	FP15900110385	Light Tower - Great Valley	\$8,925	\$0	\$0	\$0	\$0	\$8,925
15/151240	FP15900110386	Light Tower - Springfield	\$8,925	\$0	\$0	\$0	\$0	\$8,925
15/151240	FP15900110544	Replace Backhoe #549	\$0	\$85,050	\$0	\$0	\$0	\$85,050
15/151240	FP15900110545	Replace Backhoe #PW14	\$0	\$0	\$0	\$90,300	\$0	\$90,300
15/151240	FP15900110546	Replace Trailer	\$0	\$0	\$0	\$0	\$21,000	\$21,000
15/151240	FP15900110547	Replace Backhoe #RC410	\$0	\$0	\$0	\$93,450	\$0	\$93,450
15/151240	FP15900110548	Replace Backhoe #SU8	\$0	\$0	\$0	\$93,450	\$0	\$93,450
15/151240	FP15900110549	Replace Backhoe #SVBH4	\$0	\$0	\$0	\$93,450	\$0	\$93,450
15/156164	FP15900310287	Replace Gator - Neshaminy	\$15,750	\$0	\$0	\$0	\$0	\$15,750
Project Group 0810-MECHANICAL EQUIPMENT Totals:			<b>\$946,420</b>	<b>\$1,065,907</b>	<b>\$971,996</b>	<b>\$835,800</b>	<b>\$388,250</b>	<b>\$4,208,372</b>
<b>Project Group: 0815-LEASED VEHICLES-NOT FOR WO!</b>								
15/151240	FP15900110266	Replace Van #283	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110270	Replace Pick-Up #137	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110272	Replace Pick-Up #119	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110275	Replace Pick-Up #118	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110277	Replace Van #306	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110282	Replace Car # 083	\$14,000	\$0	\$0	\$0	\$0	\$14,000
15/151240	FP15900110285	Replace Car #090	\$19,000	\$0	\$0	\$0	\$0	\$19,000
15/151240	FP15900110292	Replace Pick-Up #902	\$21,000	\$0	\$0	\$0	\$0	\$21,000
15/151240	FP15900110294	Replace Van #203	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110296	Replace Van #207	\$22,000	\$0	\$0	\$0	\$0	\$22,000

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<b>Project Group: 0815-LEASED VEHICLES-NOT FOR WO:</b>								
15/151240	FP15900110363	Replace Sport Utility #078	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110364	Replace Van #284	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110365	Replace Van #286	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110367	Replace Sport Utility #089	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110368	Replace Van #230	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110369	Replace Pick-Up #218	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110371	Replace Pick-Up #146	\$18,500	\$0	\$0	\$0	\$0	\$18,500
15/151240	FP15900110373	Replace Van #219	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110374	Replace Car #041	\$15,000	\$0	\$0	\$0	\$0	\$15,000
15/151240	FP15900110375	Replace Pick-Up #112	\$22,000	\$0	\$0	\$0	\$0	\$22,000
15/151240	FP15900110376	Replace Car #071	\$15,000	\$0	\$0	\$0	\$0	\$15,000
15/151240	FP15900110377	Replace Pick-Up #163	\$18,000	\$0	\$0	\$0	\$0	\$18,000
15/151240	FP15900110378	Replace Pick-Up #142	\$18,000	\$0	\$0	\$0	\$0	\$18,000
15/151240	FP15900110379	Replace Van #328	\$18,000	\$0	\$0	\$0	\$0	\$18,000
15/151240	FP15900136619	Reversal of Leased Vehicles	(\$486,500)	\$0	\$0	\$0	\$0	(\$486,500)
ct Group 0815-LEASED VEHICLES-NOT FOR WOS Totals:			\$0	\$0	\$0	\$0	\$0	\$0
<b>Project Group: 0900-INFORMATION SYSTEM EXP</b>								
15/151420	FP15900501780	IS Switches & Routers -Other	\$0	\$52,500	\$78,750	\$26,250	\$52,500	\$210,000
15/151420	FP15900501781	CONSULTING - DATA COMMUNICATIONS	\$21,000	\$21,000	\$0	\$0	\$0	\$42,000
15/151420	FP15900503355	Aqua Spread - FIS	\$1,496,715	\$655,805	\$288,477	\$288,194	\$336,556	\$3,065,747
15/151420	FP15900503393	Aqua Spread - CIS	\$2,605,805	\$0	\$0	\$0	\$0	\$2,605,805
15/151420	FP15900503428	Aqua Spread - IS	\$1,558,738	\$646,670	\$838,988	\$807,736	\$360,596	\$4,212,727
15/151420	FP15900504547	Fleet - Upgrades to Fleet Software	\$8,400	\$8,400	\$8,400	\$8,400	\$8,400	\$42,000
15/151420	FP15900504893	Desktop PCs for New Staff	\$31,500	\$31,500	\$31,500	\$31,500	\$31,500	\$157,500
15/151420	FP15900506693	GIS/AM/FM-SOFT COSTS	\$473,922	\$348,600	\$361,200	\$336,000	\$0	\$1,519,722

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<b>Project Group: 0900-INFORMATION SYSTEM EXP</b>								
15/151420	FP15900509755	Color Printer for Purchasing	\$4,725	\$0	\$0	\$0	\$0	\$4,725
15/151420	FP15900509816	Wireless Access Point	\$8,400	\$0	\$0	\$0	\$0	\$8,400
15/151420	FP15900509997	Bryn Mawr Data Center Redesign	\$525,000	\$0	\$0	\$0	\$0	\$525,000
15/151420	FP15900510333	Misc hardware for Meter Staff	\$8,925	\$0	\$0	\$0	\$0	\$8,925
15/151420	FP15900510334	Call Center New Employee Needs	\$4,200	\$8,400	\$4,200	\$4,200	\$4,200	\$25,200
15/151420	FP15900510500	NETWORK WIRING	\$53,550	\$0	\$0	\$0	\$0	\$53,550
15/151420	FP15900511603	GIS/AM/FM-HARD COSTS	\$431,795	\$522,900	\$541,800	\$504,000	\$0	\$2,000,495
15/151420	FP15900511627	Database Migrations	\$52,500	\$50,000	\$0	\$0	\$0	\$102,500
15/151420	FP15900511634	Desktop PC Replacement Program	\$354,375	\$220,000	\$210,000	\$210,000	\$200,000	\$1,194,375
15/151420	FP15900511635	Laptop PCs	\$109,200	\$85,050	\$94,500	\$94,500	\$0	\$383,250
15/151420	FP15900511637	Hardware/Software Needs	\$68,250	\$68,250	\$68,250	\$68,250	\$65,000	\$338,000
15/151420	FP15900511638	Printers - New & Replacement	\$47,250	\$41,500	\$42,000	\$42,000	\$40,000	\$212,750
15/151420	FP15900511642	Network Infrastructure Enhancements	\$42,000	\$52,500	\$68,250	\$42,000	\$0	\$204,750
15/151420	FP15900515337	Replace Network Servers - Bryn Mawr	\$126,000	\$84,000	\$105,000	\$84,000	\$0	\$399,000
15/151420	FP15900515338	Replace Network Servers - Remote	\$52,500	\$21,000	\$0	\$0	\$0	\$73,500
15/151420	FP15900521956	M O M S , Additional Features	\$92,138	\$10,500	\$10,500	\$10,500	\$0	\$123,638
15/151420	FP15900531843	Unidentified IS Projects-Future Yrs	\$0	\$4,624,147	\$4,987,857	\$5,155,109	\$6,219,070	\$20,986,184
15/151420	FP15900535662	LIMS System Improvement	\$10,385	\$10,385	\$10,385	\$0	\$0	\$31,155
15/152630	FP15900503526	MAC Systems and Software	\$1,246	\$2,596	\$1,246	\$5,193	\$0	\$10,281
15/154120	FP15900110448	Upgrd Toughbook Computers-Southern	\$78,750	\$0	\$0	\$0	\$0	\$78,750
15/154420	FP15900310540	Prch/upgrd Toughbook Computers-WG	\$75,600	\$0	\$0	\$0	\$0	\$75,600
15/154720	FP15900409754	Color Printer for Great Valley	\$4,725	\$0	\$0	\$0	\$0	\$4,725
15/157140	FP15714010229	Laptop PCs - Roaring Creek	\$3,219	\$3,427	\$0	\$0	\$0	\$6,646
15/157140	FP15714010241	Replace Network Server-Roaring Ck	\$0	\$10,385	\$0	\$0	\$0	\$10,385
15/157140	FP15714011578	Network Infrastructure Enhancements	\$0	\$0	\$2,100	\$0	\$0	\$2,100
15/157140	FP15714015041	Desktop PCs - Roaring Creek	\$17,325	\$3,465	\$0	\$3,465	\$0	\$24,255

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<b>Project Group: 0900-INFORMATION SYSTEM EXP</b>								
15/157240	FP15724010481	Desktop PCs - Susquehanna	\$1,575	\$1,890	\$0	\$1,890	\$0	\$5,355
15/157340	FP15734009747	Laptop PCs	\$5,460	\$0	\$0	\$0	\$0	\$5,460
15/157340	FP15734036512	Desktop PCs - Waymart	\$11,025	\$5,040	\$1,680	\$0	\$0	\$17,745
15/157440	FP15744009756	Printers for New Office - W Haven	\$7,875	\$0	\$0	\$0	\$0	\$7,875
15/157440	FP15744009757	Data Switches	\$5,250	\$0	\$0	\$0	\$0	\$5,250
15/157440	FP15744010514	Replace Network Server-White Haven	\$12,600	\$0	\$0	\$0	\$0	\$12,600
15/157440	FP15744036514	Desktop PCs - White Haven	\$4,725	\$1,680	\$0	\$0	\$0	\$6,405
15/157840	FP15784009598	Data Switches	\$4,200	\$0	\$0	\$0	\$0	\$4,200
15/157840	FP15784010135	Desktop PCs - Shenango	\$7,875	\$3,360	\$3,360	\$3,360	\$0	\$17,955
15/157840	FP15784011577	Network Infrastructure Enhancements	\$0	\$0	\$5,193	\$0	\$0	\$5,193
15/157840	FP15784036797	Laptop Ed Benson & Dan Long	\$0	\$7,000	\$0	\$0	\$0	\$7,000
Project Group 0900-INFORMATION SYSTEM EXP Totals:			\$8,428,723	\$7,601,950	\$7,763,635	\$7,726,546	\$7,317,823	\$38,838,677
<b>Project Group: 0901-WORKING TOOLS</b>								
15/151240	FP15900104770	Replace Shop Tools	\$19,628	\$0	\$0	\$0	\$0	\$19,628
15/151240	FP15900104771	Replace Shop Tools (future)	\$0	\$20,719	\$21,809	\$22,050	\$22,575	\$87,152
15/151240	FP15900110558	Brake Lathe on the Car	\$12,600	\$0	\$0	\$0	\$0	\$12,600
15/151240	FP15900110559	Tire Machine and Balancer	\$25,200	\$0	\$0	\$0	\$0	\$25,200
15/151240	FP15900110560	Lift Repair/Upgrade	\$21,000	\$0	\$0	\$0	\$0	\$21,000
15/151240	FP15900110562	AC Machine - Willow Grove	\$0	\$5,250	\$0	\$0	\$0	\$5,250
15/151240	FP15900110563	Prch Tech 3 Computer Diagnostic Eq	\$0	\$21,000	\$0	\$0	\$0	\$21,000
15/151240	FP15900110564	Oil Room Upgrade	\$10,500	\$0	\$0	\$0	\$0	\$10,500
15/151240	FP15900110565	Shop Storage Cabinets	\$14,700	\$0	\$0	\$0	\$0	\$14,700
15/151240	FP15900110566	Future Needs	\$0	\$0	\$52,500	\$60,900	\$65,100	\$178,500
15/151250	FP15900110017	Replace patrol boat - Springton	\$11,025	\$0	\$0	\$0	\$0	\$11,025
15/151250	FP15900310014	Replace Mower Iron works	\$15,750	\$0	\$0	\$0	\$0	\$15,750

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<b>Project Group: 0901-WORKING TOOLS</b>								
15/151250	FP15900310015	Replace Trailer Green Lane	\$9,975	\$0	\$0	\$0	\$0	\$9,975
15/153032	FP15900510145	Repl Tools for Instrument Techs	\$5,460	\$5,565	\$5,670	\$5,775	\$5,880	\$28,350
15/154120	FP15900110490	Xmic Electronic Ground Microphone	\$4,515	\$0	\$0	\$0	\$0	\$4,515
15/154130	FP15900110081	Purchase (3) Balloon Light Stands	\$11,025	\$0	\$0	\$0	\$0	\$11,025
15/154130	FP15900110082	Purchase "B" Tap Machines	\$15,750	\$0	\$0	\$0	\$0	\$15,750
15/154130	FP15900110083	Purchase Reed Cutters	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300	\$31,500
15/154130	FP15900110084	Purchase 2K Watt Generator	\$8,190	\$8,190	\$8,190	\$8,190	\$8,190	\$40,950
15/154130	FP15900110086	Purchase 2" & 3" Diaphragm Pumps	\$14,700	\$14,700	\$14,700	\$14,700	\$14,700	\$73,500
15/154130	FP15900110087	Purchase 14" Gas Saws	\$9,450	\$9,450	\$9,450	\$9,450	\$9,450	\$47,250
15/154130	FP15900110089	Purchase Wand Locators	\$13,100	\$13,100	\$13,100	\$13,100	\$13,100	\$65,500
15/154130	FP15900110091	Purchase Metro Tech 801	\$23,100	\$23,100	\$23,100	\$23,100	\$23,100	\$115,500
15/154130	FP15900110093	Purchase 3" Gophers	\$8,925	\$8,925	\$8,925	\$8,925	\$8,925	\$44,625
15/154130	FP15900110094	Purchase H-604 Motors	\$15,750	\$15,750	\$15,750	\$15,750	\$15,750	\$78,750
15/154130	FP15900110095	Purchase Shell Cutters	\$15,750	\$15,750	\$15,750	\$15,750	\$15,750	\$78,750
15/154130	FP15900110096	Purchase De-Chlorination Equipment	\$13,650	\$13,650	\$13,650	\$13,650	\$13,650	\$68,250
15/154130	FP15900110098	Purchase 30 lb Rock Drills	\$8,925	\$8,925	\$8,925	\$8,925	\$8,925	\$44,625
15/154130	FP15900110100	Purchase 90 lb Breaker	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$26,250
15/154130	FP15900110101	Purchase Air Rammers	\$12,600	\$12,600	\$12,600	\$12,600	\$12,600	\$63,000
15/154130	FP15900110102	Purchase Backfill Tampers	\$9,135	\$9,135	\$9,135	\$9,135	\$9,135	\$45,675
15/154130	FP15900110103	Purchase Digital Cameras	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$10,500
15/154130	FP15900110104	Repair Tap Machines & Wach Saws	\$31,500	\$31,500	\$31,500	\$31,500	\$31,500	\$157,500
15/154430	FP15900310526	Purchase Pressure Recorders	\$13,650	\$0	\$0	\$0	\$0	\$13,650
15/154430	FP15900310536	Purchase Hot Meter Boxes	\$12,600	\$0	\$0	\$0	\$0	\$12,600
15/154430	FP15900311465	Purchase Tools-Network Ops-Eastern	\$15,750	\$15,750	\$15,750	\$15,750	\$15,750	\$78,750
15/154430	FP15900311466	Purchase Dechlorination Equipment	\$7,350	\$7,350	\$7,350	\$7,350	\$7,350	\$36,750
15/155140	FP15900110729	RF Mobile Computers	\$130,200	\$57,750	\$57,750	\$57,750	\$57,750	\$361,200

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15/155140	FP15900110730	Service Link Equipment	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
15/155140	FP15900110731	Upgrade Meter Test Equipment	\$21,000	\$0	\$0	\$0	\$0	\$21,000
15/155140	FP15900110732	Purchase Magnetic Locators	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300	\$31,500
15/157130	FP15714010342	Replace Tools -RC	\$10,500	\$0	\$0	\$0	\$0	\$10,500
15/157140	FP15714010330	Purchase Working Tools - RC	\$15,750	\$15,750	\$15,750	\$15,750	\$15,750	\$78,750
15/157140	FP15714010331	Purchase Flow Master - Roaring Ck	\$63,000	\$0	\$0	\$0	\$0	\$63,000
15/157140	FP15714010727	Purchase Portable Generator - RC	\$52,500	\$0	\$0	\$0	\$0	\$52,500
15/157240	FP15724009410	Purchase Tools & Equipment - Susq	\$9,975	\$9,975	\$9,975	\$9,975	\$9,975	\$49,875
15/157340	FP15734010048	Purchase Working Tools - Waymart	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
15/157440	FP15744009992	Purchase Working Tools- White Haven	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$26,250
15/157440	FP15744010500	Purchase Air Compressor - WH	\$0	\$10,500	\$0	\$0	\$0	\$10,500
15/157815	FP15784015152	S-Tools Customer Service Dept-SV	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$16,500
15/157830	FP15784020993	P-Production Dept Tools - SV	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$75,000
15/157830	FP15784021676	P-Marienville Sys Working Tools-SV	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$7,500
15/157840	FP15784020944	D-Distribution Dept Tools- SV	\$32,720	\$32,720	\$32,720	\$32,720	\$32,720	\$163,600
Project Group 0901-WORKING TOOLS Totals:			<b>\$823,398</b>	<b>\$463,604</b>	<b>\$480,549</b>	<b>\$489,295</b>	<b>\$494,125</b>	<b>\$2,750,970</b>
<b>Project Group: 0902-SAFETY TOOLS</b>								
15/151130	FP15900510390	Prch Emergency Response Equipment	\$105,000	\$105,000	\$157,500	\$157,500	\$157,500	\$682,500
15/151130	FP15900510393	Purchase Confined Space Monitors	\$31,500	\$42,000	\$47,250	\$47,250	\$47,250	\$215,250
15/151130	FP15900510395	Prch Ergonomic Workstations & Tools	\$78,750	\$78,750	\$78,750	\$105,000	\$105,000	\$446,250
15/151130	FP15900510400	Prch Work Zone Safety Equipment	\$36,750	\$42,000	\$42,000	\$52,500	\$52,500	\$225,750
15/151130	FP15900510403	Prch Confined Space Entry Equipment	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000	\$210,000
15/151130	FP15900510404	Prch Electrical Safety Equipment	\$47,250	\$47,250	\$47,250	\$47,250	\$47,250	\$236,250
15/151130	FP15900510405	Prch AED Units & Response Equipment	\$36,750	\$36,750	\$42,000	\$42,000	\$42,000	\$199,500
15/153032	FP15900507014	Upgrade CL2 Emergency Kits	\$13,335	\$0	\$0	\$0	\$0	\$13,335

**Aqua America - Pennsylvania  
Capital Budget Summary Report**

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Co/Dept	FP Number	FP Description	2008	2009	2010	2011	2012	Total
<b>Project Group: 0902-SAFETY TOOLS</b>								
15/154130	FP15900110105	Purchase Work Zone Signs	\$37,800	\$37,800	\$37,800	\$37,800	\$37,800	\$189,000
15/154130	FP15900110106	Purchase Traffic Cones	\$14,490	\$14,490	\$14,490	\$14,490	\$14,490	\$72,450
15/154130	FP15900110107	Purchase Barricades	\$16,380	\$16,380	\$16,380	\$16,380	\$16,380	\$81,900
15/154130	FP15900110109	Purchase Shoring Equipment	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$131,250
15/157130	FP15714010340	Repl Safety Equipment - RC	\$10,500	\$0	\$0	\$0	\$0	\$10,500
15/157830	FP15784010386	P-Safety Tools - SV	\$2,967	\$2,974	\$2,974	\$2,974	\$2,974	\$14,863
15/157840	FP15784035585	D-Safety Tools- SV	\$5,000	\$1,000	\$1,149	\$5,000	\$5,150	\$17,299
Project Group 0902-SAFETY TOOLS Totals:			<b>\$504,722</b>	<b>\$492,644</b>	<b>\$555,793</b>	<b>\$596,394</b>	<b>\$596,544</b>	<b>\$2,746,098</b>
<b>Project Group: 0903-LAND PURCHASES/DISPOSALS</b>								
15/151220	FP15900508170	Unidentified Land Purchases & Sales	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$131,250
15/151220	FP15900510000	Unidentified Tear Downs	\$31,500	\$21,000	\$21,000	\$21,000	\$21,000	\$115,500
15/157340	FP15734003041	Prch Land Well & Tank Sites-Waymart	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500
15/157440	FP15744003284	Purch Land Wells & Tanks-Wh Haven	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500
Project Group 0903-LAND PURCHASES/DISPOSALS Totals:			<b>\$162,750</b>	<b>\$152,250</b>	<b>\$152,250</b>	<b>\$152,250</b>	<b>\$152,250</b>	<b>\$771,750</b>
<b>Project Group: 0904-RESERVES</b>								
15/152015	FP15900528063	Montgomery County IDC	\$105,000	\$115,500	\$0	\$0	\$0	\$220,500
Project Group 0904-RESERVES Totals:			<b>\$105,000</b>	<b>\$115,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$220,500</b>
<b>Project Group: 0905-RETIREMENTS W/O REPLACMEN</b>								
15/152920	FP15900527186	Miscellaneous Well Abandonments	\$78,960	\$78,960	\$78,960	\$78,960	\$78,960	\$394,800
15/154015	FP15900304514	Abandon PRV & Vault-Washington La	\$47,936	\$0	\$0	\$0	\$0	\$47,936
15/154442	FP15900336701	Abandon Street Road Pipe Bridge	\$170,998	\$0	\$0	\$0	\$0	\$170,998
15/156160	FP15900310209	Close Wells Edgely Property	\$0	\$15,750	\$0	\$0	\$0	\$15,750
15/157140	FP15714010244	Breaching of Mt. Carmel Dam- RC	\$243,178	\$0	\$0	\$0	\$0	\$243,178
15/157140	FP15714029138	Demolish Rolling Green Tank- RC	\$0	\$0	\$79,371	\$0	\$0	\$79,371

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Co/Dept	FP Number	FP Description	2008	2009	2010	2011	2012	Total
<b>Project Group: 0905-RETIREMENTS W/O REPLACMEN</b>								
15/157340	FP15734039972	Breach Moscow Reservoir-Waymart	\$107,374	\$0	\$0	\$0	\$0	\$107,374
ject Group 0905-RETIREMENTS W/O REPLACMEN Totals:			<b>\$648,445</b>	<b>\$94,710</b>	<b>\$158,331</b>	<b>\$78,960</b>	<b>\$78,960</b>	<b>\$1,059,406</b>
<b>Project Group: 0911-SECURITY</b>								
15/151110	FP15900510406	Inst Physical Security System-SE PA	\$0	\$2,100,000	\$2,100,000	\$1,837,500	\$1,575,000	\$7,612,500
15/151110	FP15900510408	Upgrade Infrastructure Development	\$420,000	\$420,000	\$420,000	\$367,500	\$367,500	\$1,995,000
15/151110	FP15900510411	Install Security Fence at Facilities	\$341,250	\$341,250	\$341,250	\$341,250	\$341,250	\$1,706,250
15/151110	FP15900510414	Prch Computer Infrastructure-Non IT	\$183,750	\$183,750	\$183,750	\$157,500	\$157,500	\$866,250
15/151110	FP15900510415	Inst Sec Hot Site Redundancy-BM	\$183,750	\$0	\$0	\$0	\$0	\$183,750
15/151110	FP15900510417	Install Security Systems - NE PA	\$472,500	\$472,500	\$472,500	\$430,500	\$430,500	\$2,278,500
15/151110	FP15900510418	Sec Sys Software Upgrd C-Cure 9000	\$0	\$0	\$315,000	\$0	\$0	\$315,000
15/151110	FP15900510420	Sec System Software Upgrd - AEGIS	\$0	\$210,000	\$0	\$0	\$0	\$210,000
15/151110	FP15900510422	Visitor Management System-Bryn Mawr	\$183,750	\$0	\$0	\$0	\$0	\$183,750
15/151110	FP15900511467	Inst Security System Tanks-Phase 1	\$945,000	\$0	\$0	\$0	\$0	\$945,000
15/151110	FP15900511472	Inst Security System Tanks-Phase 2	\$787,500	\$0	\$0	\$0	\$0	\$787,500
15/151110	FP15900511473	Inst Security System Tanks-Phase 3	\$525,000	\$0	\$0	\$0	\$0	\$525,000
15/151110	FP15900511476	Inst Security System Wells-Phase 1	\$498,750	\$0	\$0	\$0	\$0	\$498,750
15/151110	FP15900511477	Inst Security System Wells-Phase 2	\$472,500	\$0	\$0	\$0	\$0	\$472,500
15/151110	FP15900511478	Inst Security System Wells-Phase 3	\$393,750	\$0	\$0	\$0	\$0	\$393,750
15/151110	FP15900511530	Inst Security System- Bryn Mawr	\$315,000	\$0	\$0	\$0	\$0	\$315,000
15/151110	FP15900511531	Inst Security System Wells-Phase 4	\$393,750	\$0	\$0	\$0	\$0	\$393,750
15/151110	FP15900511532	Inst Security System Wells-Phase 5	\$393,750	\$0	\$0	\$0	\$0	\$393,750
15/151110	FP15900511533	Inst Security System Wells Phase 6	\$472,500	\$0	\$0	\$0	\$0	\$472,500
15/151110	FP15900511534	Install Security Systems NE (RC)	\$157,500	\$0	\$0	\$0	\$0	\$157,500
15/157140	FP15714004853	Security Improvements - RC	\$26,250	\$26,250	\$26,250	\$26,250	\$26,250	\$131,250
15/157240	FP15724003881	Security Improvements - Susquehanna	\$23,000	\$23,000	\$23,000	\$23,000	\$23,000	\$115,000

**Aqua America - Pennsylvania  
Capital Budget Summary Report**

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Co/Dept	FP Number	FP Description	2008	2009	2010	2011	2012	Total
<b>Project Group: 0911-SECURITY</b>								
15/157340	FP15734010049	Security Improvements- Waymart	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$52,500
15/157440	FP15744009993	Security Improvements - White Haven	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
Project Group 0911-SECURITY Totals:			<b>\$7,220,750</b>	<b>\$3,808,250</b>	<b>\$3,913,250</b>	<b>\$3,215,000</b>	<b>\$2,952,500</b>	<b>\$21,109,750</b>
Total for Aqua America - Pennsylvania			<b>\$160,519,137</b>	<b>\$167,929,900</b>	<b>\$164,915,422</b>	<b>\$168,566,565</b>	<b>\$168,625,263</b>	<b>\$830,556,287</b>
Grand Total			<b>\$160,519,137</b>	<b>\$167,929,900</b>	<b>\$164,915,422</b>	<b>\$168,566,565</b>	<b>\$168,625,263</b>	<b>\$830,556,287</b>

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR27. Please identify the Company's and, if applicable, its parent's capital structure targets (percentages of capital types). Provide the complete basis for the capital structure targets.

A. The Company strives to maintain close to 50/50 capital structure over time. Please refer to Schedule 5 of Exhibit 4-A for the target structure at June 30, 2007.

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR28. For each month, of the most recent 24 months, please supply the Company's

- a. short-term debt balance;
- b. short-term debt interest rate;
- c. balance of construction work in progress; and
- d. balance of construction work in progress which is eligible for AFUDC accrual.

A. Please see attached schedule.

Aqua Pennsylvania, Inc.  
2007 Rate Case  
Filing Requirements

Attachment to RR28

Seq	Month	Short-Term Debt Balance	Short-Term Interest Rate	Balance in CWIP	CWIP Balance AFUDC Eligible
1	September-05	\$59,000,000	3.98%	\$25,338,292	\$20,374,339
2	October-05	\$59,000,000	4.18%	\$27,744,104	\$20,610,373
3	November-05	\$65,000,000	4.38%	\$25,857,642	\$19,480,730
4	December-05	\$75,000,000	3.98%	\$35,292,857	\$25,112,830
5	January-06	\$75,000,000	4.05%	\$30,929,731	\$25,075,993
6	February-06	\$75,000,000	4.18%	\$34,779,604	\$26,433,674
7	March-06	\$75,000,000	4.29%	\$45,527,409	\$37,951,926
8	April-06	\$65,000,000	5.12%	\$53,873,029	\$49,301,538
9	May-06	\$70,000,000	4.95%	\$55,213,787	\$50,040,526
10	June-06	\$65,679,302	5.45%	\$11,208,673	\$9,700,761
11	July-06	\$61,000,000	5.61%	\$14,492,536	\$11,964,614
12	August-06	\$56,000,000	5.58%	\$11,331,628	\$6,005,680
13	September-06	\$19,000,000	5.58%	\$15,435,974	\$12,100,119
14	October-06	\$19,000,000	5.57%	\$22,341,088	\$18,476,718
15	November-06	\$10,000,000	5.59%	\$15,563,588	\$9,522,440
16	December-06	\$13,000,000	5.60%	\$20,227,420	\$13,790,445
17	January-07	\$13,000,000	5.57%	\$19,713,117	\$15,866,988
18	February-07	\$18,000,000	5.57%	\$14,726,998	\$12,237,443
19	March-07	\$18,353,872	5.57%	\$19,970,926	\$16,037,681
20	April-07	\$29,500,000	5.57%	\$23,038,857	\$17,895,812
21	May-07	\$60,500,000	5.57%	\$22,799,345	\$17,337,228
22	June-07	\$67,551,369	5.57%	\$29,535,782	\$23,202,981
23	July-07	\$65,283,724	5.57%	\$34,454,178	\$26,028,607
24	August-07	\$75,000,000	5.78%	\$33,736,963	\$25,720,536

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR29. Fully identify all debt (other than instruments traded in public markets) owed to all shareholders, corporate officers, or members of the board of directors, its affiliates, parent company, or subsidiaries.

A. Please refer to Schedule 7 of Exhibit 4-A.

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR30. Provide a summary statement of all stock dividends, splits, or par value changes during the two (2) year calendar period preceding the rate case filing.

- A. For the Company, there have been no stock dividends, splits or par value changes during the two (2) year calendar period preceding this rate case filing.

The Aqua America Board declared in August 2005, a 4-for-3 common stock split effected in the form of a stock dividend. The new shares were distributed on December 1, 2005.

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR31. If a claim of the filing utility is based on utilization of the capital structure or capital costs' of the parent company and system--consolidated, the reasons for this claim must be fully stated and supported.

A. None.

**AQUA PENNSYLVANIA, INC.**  
**2007 RATE CASE**  
**FILING REQUIREMENTS**

**G. Rate of Return**

RR32. To the extent not provided elsewhere, supply financial data of Company and/or parent, if applicable, for the last five (5) years.

- a. Times interest earned ratio--pre and post tax basis.
- b. Preferred stock dividend coverage ratio--post tax basis.
- c. Times fixed charges earned ratio--pre tax basis.
- d. Dividend payout ratio.
- e. AFUDC as a percent of earnings available for common equity.
- f. Construction work in progress as a percent of net utility plant.
- g. *Effective income tax rate.*
- h. Internal cash generations as a percent of total capital requirements.

A. Please refer to Schedule 2 of Exhibit 4-A.