

Volume 2

Exhibit 1-A – Water – Revenue and Expense Data and Rate Base Claims – Test Years Ended March 31, 2021 (HTY), March 31, 2022 (FTY) and March 31, 2023 (FPFTY)

Exhibit 1-B - Wastewater – Revenue and Expense Data and Rate Base Claims – Test Years Ended March 31, 2021 (HTY), March 31, 2022 (FTY) and March 31, 2023 (FPFTY)

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AQUA PENNSYLVANIA, INC.

1-A WATER AND 1-B WASTEWATER REVENUE REQUIREMENT - SUMMARY

	Total Company	Water Operations	Wastewater Base Operations	Wastewater Limerick	Wastewater East Bradford	Wastewater Cheltenham	Wastewater East Norriton	Wastewater New Garden
Present Rate Revenue	\$ 546,806,061	\$ 509,746,949	\$ 19,011,761	\$ 3,978,573	\$ 1,014,569	\$ 7,258,740	\$ 2,923,770	\$ 2,871,698
Additional Revenue Requirement	97,684,824	65,279,187	16,926,261	5,947,094	816,876	3,057,334	2,907,165	2,750,907
Act 11 Allocation (1)	(0)	20,839,425	(13,451,997)	(2,977,700)	(457,861)	(515,804)	(1,749,281)	(1,686,782)
Proposed Revenues	<u>\$ 644,490,885</u>	<u>\$ 595,865,561</u>	<u>\$ 22,486,025</u>	<u>\$ 6,947,967</u>	<u>\$ 1,373,584</u>	<u>\$ 9,800,270</u>	<u>\$ 4,081,655</u>	<u>\$ 3,935,824</u>
Rate Increase/(Decrease) - \$	\$ 97,684,824	\$ 86,118,612	\$ 3,474,263	\$ 2,969,394	\$ 359,015	\$ 2,541,530	\$ 1,157,885	\$ 1,064,126
Rate Increase/(Decrease) - %	17.86%	16.89%	18.27%	74.63%	35.39%	35.01%	39.60%	37.06%

Notes:

- (1) The allocation between wastewater operations and water operations is achieved by the proposed consolidation of water and wastewater revenue requirements to derive the water and wastewater rates proposed by the Company in this case.

AQUA PENNSYLVANIA, INC.

PRO FORMA STATEMENT OF INCOME FOR THE TWELVE MONTHS ENDING MARCH 31, 2021,
MARCH 31, 2022 AND MARCH 31, 2023 UNDER PRESENT AND PROPOSED RATES

LINE NO.	PRESENT RATES				PRESENT RATES				PRESENT RATES		PROPOSED
	PER BOOKS	ADJUSTMENT	3/31/21 AMOUNT	ADJUSTMENT	3/31/22 AMOUNT	ADJUSTMENT	3/31/23 AMOUNT	ADJUSTMENT	RATES AMOUNT		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
1 Operating Revenues	\$ 481,417,225	\$ (917,379)	\$ 480,499,846	\$ 28,416,948	\$ 508,916,794	\$ 830,156	\$ 509,746,949	\$ 65,279,187	\$ 575,026,137		
2 Operating Expenses	113,746,122	(316,608)	113,429,515	746,143	114,175,658	2,317,270	116,492,928	334,387	116,827,315		
3 Depreciation	96,919,747	6,668,868	103,588,615	10,748,676	114,337,291	7,829,287	122,166,578		122,166,578		
4 Taxes, other than income :											
5 PUC assessment	1,903,497	270,165	2,173,662	128,551	2,302,214	3,755	2,305,969	295,307	2,601,276		
6 OCA & SBA assessments	761,600	121,648	883,248	52,236	935,484	1,526	937,010	119,995	1,057,005		
7 Public Utility Realty tax	4,653,302	146,698	4,800,000	-	4,800,000	-	4,800,000	-	4,800,000		
8 State Capital Stock tax	-	-	-	-	-	-	-	-	-		
9 Local property taxes & misc.	1,073,227	-	1,073,227	-	1,073,227	-	1,073,227	-	1,073,227		
10 Federal & State payroll tax	2,674,810	172,352	2,847,162	241,213	3,088,375	75,280	3,163,655	-	3,163,655		
11 Total Taxes, other than income	11,066,436	710,864	11,777,300	422,000	12,199,300	80,562	12,279,861	415,302	12,695,163		
12 Utility Operating Income Before Tax	259,684,919	(7,980,503)	251,704,417	16,500,129	268,204,545	(9,396,963)	258,807,582	64,529,498	323,337,080		
13 Income Taxes:											
14 Federal Tax-Current	6,850,702	5,588,434	12,439,136	3,014,829	15,453,965	(2,381,089)	13,072,876	12,197,430	25,270,306		
15 Pa. CNI Tax-Current	3,372,696	2,075,199	5,447,895	1,585,982	7,033,877	(1,266,037)	5,767,840	6,446,497	12,214,337		
16 Federal Tax-Deferred	(5,044,566)	(7,496,586)	(12,541,152)	918,779	(11,622,373)	6,451,049	(5,171,324)	-	(5,171,324)		
17 Pa. CNI Tax-Deferred	(6,084,927)	833,948	(5,250,979)	-	(5,250,979)	4,813,398	(437,582)	-	(437,582)		
18 ITC-Current	-	-	-	-	-	-	-	-	-		
19 ITC-Amortized	(253,413)	-	(253,413)	-	(253,413)	-	(253,413)	-	(253,413)		
20 Total Income Taxes	(1,159,508)	1,000,995	(158,513)	5,519,589	5,361,076	7,617,321	12,978,397	18,643,927	31,622,324		
21 Total Operating Revenue Deductions	220,572,797	8,064,119	228,636,916	17,436,409	246,073,325	17,844,439	263,917,764	19,393,617	283,311,381		
22 Utility Operating Income	260,844,428	(8,981,498)	251,862,930	10,980,539	262,843,469	(17,014,284)	245,829,185	45,885,571	291,714,756		
23 Income Deductions:											
24 Interest on Long-Term debt	74,303,991	(9,865,879)	64,438,112	(36,216)	64,401,896	5,969,699	70,371,594	-	70,371,594		
25 Amort. Of debt discount & expense	685,307	(685,307)	-	-	-	-	-	-	-		
26 Other interest charges	(1,249)	1,249	-	-	-	-	-	-	-		
27 Interest during Construction	(5,222,031)	5,222,031	-	-	-	-	-	-	-		
28 Total Income Deductions	69,766,018	(5,327,906)	64,438,112	(36,216)	64,401,896	5,969,699	70,371,594	-	70,371,594		
29 Net Income	\$ 191,078,409	\$ (3,653,592)	\$ 187,424,818	\$ 11,016,756	\$ 198,441,573	\$ (22,983,982)	\$ 175,457,591	\$ 45,885,571	\$ 221,343,161		
30 Preferred Dividend											
31 Net Income-Common	\$ 191,078,409	\$ (3,653,592)	\$ 187,424,818	\$ 11,016,756	\$ 198,441,573	\$ (22,983,982)	\$ 175,457,591	\$ 45,885,571	\$ 221,343,161		

AQUA PENNSYLVANIA, INC.
 NUMBER OF CUSTOMERS SERVED
 AND WHOSE BILLS WILL BE CHANGED

LINE NO.	CUSTOMER CLASS	SERVED AT 3/31/2020	SERVED AT 3/31/2021	TO BE SERVED AT 3/31/2022	TO BE SERVED AT 3/31/2023	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Metered:							
2	Residential	398,180	400,887	401,624	402,361	402,250	-	111
3	Commercial	22,385	22,521	22,492	22,463	22,463	-	-
4	Industrial	740	728	728	728	728	-	-
5	Public	1,184	1,184	1,184	1,184	1,184	-	-
6	Bulk Water	-	-	-	-	-	-	-
7	Private Fire Protection	5,449	5,550	5,550	5,550	5,550	-	-
8	Sales to Water Utilities	10	13	13	13	13	-	-
9	Total Metered Customers	427,948	430,883	431,591	432,299	432,188	-	111
10	Other:							
11	Unmetered	2,801	2,246	2,246	2,246	2,229	-	17
12	Availability Charge	-	-	-	-	-	-	-
13	Public Fire Protection	268	267	267	267	267	-	-
14	Private Fire Protection	863	868	868	868	868	-	-
15	Total Customers	431,880	434,264	434,972	435,680	435,552	-	128

AQUA PENNSYLVANIA, INC.
CALCULATION OF REVENUE DEFICIENCY AND RATE OF RETURN
AT CURRENT AND PROPOSED RATES MARCH 31, 2023

LINE NO.	DESCRIPTION	REFERENCE		
1	Pro Forma Rate Base	Schedule G-1	\$	3,818,296,012
2	Recommended Rate of Return	Schedule E-1	X	7.64%
3	Operating Income, Pro Forma Proposed Rates		= \$	291,714,756
4	Operating Income, Pro Forma Present Rates	Schedule A-1	\$	245,829,185
5	Operating Income Deficit		= \$	45,885,571
6	Gross Revenue Conversion Factor	Schedule A-5	X	1.4227
7	Revenue Deficit		= \$	65,279,187

AQUA PENNSYLVANIA, INC.

STATEMENT OF UTILITY'S CALCULATION OF RATE OF RETURN
EARNED IN THE YEAR ENDED MARCH 31, 2021 AND
ANTICIPATED UNDER PRESENT AND PROPOSED RATES
FOR THE TEST YEARS ENDED MARCH 31, 2022 AND MARCH 31, 2023

LINE NO.		NET UTILITY OPERATING INCOME	VALUATION AT ORIGINAL COST	RATE OF RETURN
1	Present Rates March 31, 2021	\$ 251,862,930	\$ 3,305,510,051	7.62%
2	Present Rates March 31, 2022	\$ 262,843,469	\$ 3,611,820,561	7.28%
3	Present Rates March 31, 2023	\$ 245,829,185	\$ 3,818,296,012	6.44%
4	Proposed Rates March 31, 2023	\$ 291,714,756	\$ 3,818,296,012	7.64%

AQUA PENNSYLVANIA, INC.

CALCULATION OF GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	RATE
1	Dollar (Taxable income)	\$ 1.0000
2	Less:	
3	Gross Receipts Tax	0.000% N/A
4	PUC Assessments	0.636% Schedule D-2.1 & Schedule D-2.2
5	Bad Debt	0.512% Schedule C-4.2.i
6	Subtotal (Taxable income)	\$ 0.9885
7	State Tax Rate	9.990%
8	State Tax \$\$ =====>	\$ 0.0988
9	State Factor	\$ 0.8898
10	Federal Tax Rate	21.00%
11	Fed Tax \$\$ =====>	\$ 0.1869
12	Combined Income Tax Factor on Gross Revenues	28.56%
13	Net Operating Income Factor	70.29%
14	Gross Revenue Conversion Factor	1.42265

AQUA PENNSYLVANIA, INC.

STATEMENT OF OPERATING REVENUE FOR THE TWELVE MONTHS ENDING MARCH 31, 2021,
 MARCH 31, 2022 AND MARCH 31, 2023 UNDER PRESENT AND PROPOSED RATES

LINE NO.	CUSTOMER CLASS (1)	REVENUE FOR 12 MOS. ENDED 3/31/21		PRESENT RATES 3/31/21		PRESENT RATES 3/31/22		PRESENT RATES 3/31/23		REVENUE RATE INCREASE		PROPOSED RATES
		AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	%	\$	AMOUNT
		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
1	Metered Sales:											
2	Residential	\$ 325,891,579	\$ (977,193)	\$ 324,914,386	\$ 8,043,792	\$ 332,958,178	\$ 877,063	\$ 333,835,241	13.2%	\$ 44,060,714	\$ 377,895,955	
3	Commercial	102,647,042	318,267	102,965,309	16,427,557	119,392,866	(46,908)	119,345,958	11.5%	13,735,508	133,081,466	
4	Industrial	18,610,915	(107,889)	18,503,026	1,256,044	19,759,071	-	19,759,071	11.0%	2,178,707	21,937,778	
5	Public	8,080,437	(19,316)	8,061,121	1,702,859	9,763,980	-	9,763,980	12.0%	1,170,369	10,934,349	
6	Bulk Water	147,688	-	147,688	137,044	284,733	-	284,733	0.0%	-	284,733	
7	Private Fire Protection	13,228,817	(37,568)	13,191,249	725,784	13,917,033	-	13,917,033	0.0%	-	13,917,033	
8	Sales to Water Utilities	2,850,487	(75,828)	2,774,659	729	2,775,388	-	2,775,388	2.7%	75,582	2,850,969	
9	Total Metered Sales	471,456,965	(899,527)	470,557,438	28,293,810	498,851,248	830,156	499,681,403	12.3%	61,220,879	560,902,283	
10	Other:											
11	Unmetered	31,674	(13,286)	18,388	898	19,286	-	19,286	-82.0%	(15,815)	3,472	
12	Availability Charge	-	-	-	-	-	-	-	0.0%	-	-	
13	Public Fire Protection	6,509,852	(2,990)	6,506,862	-	6,506,862	-	6,506,862	20.4%	1,327,612	7,834,474	
14	Private Fire Protection	2,116,796	(2,533)	2,114,263	122,239	2,236,503	-	2,236,503	122.8%	2,746,510	4,983,013	
15	Total Sales to General Customers	480,115,287	(918,336)	479,196,951	28,416,948	507,613,899	830,156	508,444,055	12.8%	65,279,187	573,723,242	
16	Other Water Revenue:											
17	Forfeited Discounts	-	-	-	-	-	-	-	0.0%	-	-	
18	Miscellaneous Service Revenue	1,301,938	957	1,302,895	-	1,302,895	-	1,302,895	0.0%	-	1,302,895	
19	Sub-Total	1,301,938	957	1,302,895	-	1,302,895	-	1,302,895	0.0%	-	1,302,895	
20	Total Operating Revenue	\$ 481,417,225	\$ (917,379)	\$ 480,499,846	\$ 28,416,948	\$ 508,916,794	\$ 830,156	\$ 509,746,949	12.8%	\$ 65,279,187	\$ 575,026,137	

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION (1)	REFERENCE (2)	ADJUSTMENT (3)	PRESENT RATES		PRESENT RATES		PRESENT RATES	
				3/31/21 AMOUNT (4)	ADJUSTMENT (5)	3/31/22 AMOUNT (6)	ADJUSTMENT (7)	3/31/23 AMOUNT (8)	
1	Per Books			\$ 481,417,225					
2	Present Rates at 3/31/21					\$ 480,499,846			
3	Present Rates at 3/31/22							\$ 508,916,794	
4	Unbilled Revenue Adjustment	Schedule B-3	(843,239)		-				
5	DSIC Annualization	Schedule B-4	-		27,207,702				
6	Change In Customers	Schedule B-5	-		830,156		830,156		
7	Page Held For Future Use	Schedule B-6	-		-				
8	Covid Residential, Commercial & Public Usage Adjustment	Schedule B-7	-		(64,639)				
9	Miscellaneous Revenue Adjustments	Schedule B-8	(1,880)		-				
10	Specific Customer Adjustments	Schedule B-9	-		443,730				
11	Eliminate Belle Aire Acres And Twin Lakes Revenue	Schedule B-10	(72,260)		-				
12	Pro Forma Adjustment			<u>(917,379)</u>		<u>28,416,948</u>		<u>830,156</u>	
13	Pro Forma Present Rates at March 31, 2021			<u>\$ 480,499,846</u>					
14	Pro Forma Present Rates at March 31, 2022					<u>\$ 508,916,794</u>			
15	Pro Forma Present Rates at March 31, 2023							<u>\$ 509,746,949</u>	

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING REVENUES
 UNBILLED REVENUE ADJUSTMENT

The following adjustment is being made to eliminate the unbilled revenue accrued per books for the historic test year.

LINE NO.	DESCRIPTION	PER BOOKS 3/31/2021 AMOUNT
1	Metered Sales:	
2	Residential	\$ 914,902
3	Commercial	(318,267)
4	Industrial	107,889
5	Public	19,316
6	Bulk Water	-
7	Private Fire Protection	37,568
8	Sales to Water Utilities	<u>75,828</u>
9	Total Metered Sales	837,236
10	Other:	
11	Unmetered	480
12	Availability Charge	
13	Public Fire Protection	2,990
14	Private Fire Protection	<u>2,533</u>
15	Total Sales to General Customers	843,239
16	Other Water Revenue:	
17	Forfeited Discounts	
18	Miscellaneous Service Revenue	
19	Sub-Total	<u>-</u>
20	Total Operating Revenue	<u>\$ 843,239</u>

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

DSIC ANNUALIZATION

This revenue adjustment is being made to reflect the annualization of the Distribution System Improvement Charge revenues for March 31, 2022 based on the Company's pro forma level at March 31, 2022 and the 7.50% rate that is expected to become effective on January 1, 2022.

LINE NO.	DESCRIPTION	PER BOOKS	ANNUALIZED	PRESENT RATES
		3/31/2021 DSIC REVENUE	3/31/2022 DSIC REVENUE	3/31/2022 ADJUSTMENT
1	Metered Sales:			
2	Residential	\$ 5,101,983	\$ 23,297,602	\$ 18,195,619
3	Commercial	1,616,354	8,343,791	6,727,438
4	Industrial	246,843	1,159,875	913,031
5	Public	107,021	592,656	485,635
6	Bulk Water	2,320	-	(2,320)
7	Private Fire Protection	207,188	971,620	764,432
8	Sales to Water Utilities	155	884	729
9	Total Metered Sales	7,281,864	34,366,428	27,084,564
10	Other:			
11	Unmetered	337	1,235	898
12	Availability Charge	-	-	-
13	Public Fire Protection	-	-	-
14	Private Fire Protection	33,131	155,371	122,239
15	Total Sales to General Customers	7,315,332	34,523,034	27,207,702
16	Other Water Revenue:			
17	Forfeited Discounts	-	-	-
18	Miscellaneous Service Revenue	-	-	-
19	Sub-Total	-	-	-
20	Total Operating Revenue	\$ 7,315,332	\$ 34,523,034	\$ 27,207,702

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

CHANGE IN CUSTOMERS

The following adjustment reflects the change in revenues due to the average change in number of customers during the three years ending March 31, 2023. Projections were based on a three year historical growth average exclusive of acquisitions.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES
		3/31/2022 AMOUNT	3/31/2023 AMOUNT
1	Metered Sales:		
2	Residential	\$ 877,063	\$ 877,063
3	Commercial	(46,908)	(46,908)
4	Industrial	-	-
5	Public		
6	Bulk Water		
7	Private Fire Protection	-	-
8	Sales to Water Utilities		
9	Total Metered Sales	<u>830,156</u>	<u>830,156</u>
10	Other:		
11	Unmetered		
12	Availability Charge		
13	Public Fire Protection		
14	Private Fire Protection		
15	Total Sales to General Customers	<u>830,156</u>	<u>830,156</u>
16	Other Water Revenue:		
17	Forfeited Discounts		
18	Miscellaneous Service Revenue		
19	Sub-Total	<u>-</u>	<u>-</u>
20	Total Operating Revenue	<u>\$ 830,156</u>	<u>\$ 830,156</u>

AQUA PENNSYLVANIA, INC.
NOTES TO STATEMENT OF INCOME
OPERATING REVENUES
PAGE HELD FOR FUTURE USE

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES
		3/31/2022 AMOUNT	3/31/2023 AMOUNT

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

COVID RESIDENTIAL, COMMERCIAL & PUBLIC USAGE ADJUSTMENT

The following adjustment is a normalization of revenue from the effects of COVID for residential, commercial and public usage.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2022 ADJUSTMENT
1	Metered Sales:	
2	Residential	\$ (11,028,890)
3	Commercial	9,747,027
4	Industrial	-
5	Public	1,217,224
6	Bulk Water	
7	Private Fire Protection	
8	Sales to Water Utilities	
9	Total Metered Sales	<u>(64,639)</u>
10	Other:	
11	Unmetered	
12	Availability Charge	
13	Public Fire Protection	
14	Private Fire Protection	
15	Total Sales to General Customers	<u>(64,639)</u>
16	Other Water Revenue:	
17	Forfeited Discounts	
18	Miscellaneous Service Revenue	
19	Sub-Total	<u>-</u>
20	Total Operating Revenue	<u>\$ (64,639)</u>

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

MISCELLANEOUS REVENUE ADJUSTMENTS

The following adjustments reflect miscellaneous additions or deductions from pro forma revenues.

LINE NO.	DESCRIPTION	PER BOOKS 3/31/2021 AMOUNT	3/31/2021 ADJUSTMENT	PRESENT RATES 3/31/2021 AMOUNT
1	Metered Sales:			
2	Residential		\$ -	\$ -
3	Commercial		-	-
4	Industrial		-	-
5	Public		-	-
6	Bulk Water		-	-
7	Private Fire Protection		-	-
8	Sales to Water Utilities		-	-
9	Total Metered Sales	-	-	-
10	Other:			
11	Unmetered (b)	3,079	(3,079)	-
12	Availability Charge	-	-	-
13	Public Fire Protection		-	-
14	Private Fire Protection		-	-
15	Total Sales to General Customers	3,079	(3,079)	-
16	Other Water Revenue:			
17	Forfeited Discounts		-	-
18	Miscellaneous Service Revenue (a)	(1,199)	1,199	-
19	Sub-Total	(1,199)	1,199	-
20	Total Operating Revenue	\$ 1,880	\$ (1,880)	\$ -

- (a) Eliminate STAS Refunds
- (b) Eliminate Backbills

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING REVENUES
 SPECIFIC CUSTOMER ADJUSTMENTS

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2022 ADJUSTMENT
1	Metered Sales:	
2	Residential	
3	Commercial	
4	Industrial	(a) 343,013
5	Public	
6	Bulk Water	(b) 139,364
7	Private Fire Protection	(c) (38,647)
8	Sales to Water Utilities	
9	Total Metered Sales	<u>443,730</u>
10	Other:	
11	Unmetered	
12	Availability Charge	
13	Public Fire Protection	
14	Private Fire Protection	
15	Total Sales to General Customers	<u>443,730</u>
16	Other Water Revenue:	
17	Forfeited Discounts	
18	Miscellaneous Service Revenue	
19	Sub-Total	<u>-</u>
20	Total Operating Revenue	<u>\$ 443,730</u>

- (a) Refer to AP Statement No. 2
- (b) Refer to AP Statement No. 2
- (c) Private Fire Adjustment

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

ELIMINATE BELLE AIRE ACRES AND TWIN LAKES REVENUE

Beginning September 11, 2019, the Company was appointed receiver for the James Black Water Service Company (Belle Aire Acres) at Docket No. M-2019-3012563.

Beginning January 15, 2021, the Company was appointed receiver for Twin Lakes Utilities, Inc. at Docket No. P-2020-3020914.

The following adjustment removes the revenue collected from Belle Aire Acres and Twin Lakes during the test year which was recorded above the line. Refer to Schedule C-10.1 and Schedule C-10.2 of this exhibit for the removal of Belle Aire Acres and Twin Lakes expenses.

LINE NO.	DESCRIPTION	PER BOOKS	PER BOOKS	3/31/2021 ADJUSTMENT	PRESENT RATES
		3/31/2021 AMOUNT	3/31/2021 AMOUNT		3/31/2021 AMOUNT
		Belle Aire Acres			
		Twin Lakes			
1	Metered Sales:				
2	Residential	\$ -	\$ 62,291	\$ (62,291)	\$ -
3	Commercial	-	-	-	-
4	Industrial	-	-	-	-
5	Public	-	-	-	-
6	Bulk Water	-	-	-	-
7	Private Fire Protection	-	-	-	-
8	Sales to Water Utilities	-	-	-	-
9	Total Metered Sales	-	62,291	(62,291)	-
10	Other:				
11	Unmetered	9,727	-	(9,727)	-
12	Availability Charge	-	-	-	-
13	Public Fire Protection	-	-	-	-
14	Private Fire Protection	-	-	-	-
15	Total Sales to General Customers	9,727	62,291	(72,018)	-
16	Other Water Revenue:				
17	Forfeited Discounts	-	-	-	-
18	Miscellaneous Service Revenue	12	230	(242)	-
19	Sub-Total	12	230	(242)	-
20	Total Operating Revenue	\$ 9,738	\$ 62,521	\$ (72,260)	\$ -

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

EXPENSE DETAIL ACCOUNTS

LINE NO.	Acct. No.	Account Title	PER BOOKS 3/31/21	PRESENT RATES 3/31/21	PRESENT RATES 3/31/22	PRESENT RATES 3/31/23
	(1)	(2)	(3)	(4)	(5)	(6)
1		--Source of Supply--				
2		-Operations-				
3	6011	Labor	292,035	288,804	309,579	318,403
4	6101	Purchased Water	4,791,932	4,791,932	4,452,810	4,148,780
5	6151	Purchased Power	7,373,465	7,371,695	6,644,934	6,428,515
6	6161	Purchased Power	219,873	219,928	198,259	218,458
7	6201	Supplies	52,346	52,346	53,262	54,168
8	6361	OS Other	79,718	78,788	80,167	81,529
9	6411	Leases	477,464	477,464	477,464	477,464
10		-Maintenance-				
11	6012	Labor	249,862	249,862	267,686	275,284
12	6202	Supplies	3,964	3,964	4,034	4,102
13	6312	OS Engineer	7,125	7,125	7,250	7,373
14	6362	OS Other	214,476	211,541	215,243	218,902
15	6752	Other	55	55	56	57
16						
17		Total Source of Supply Expense	\$ 13,762,316	\$ 13,753,505	\$ 12,710,744	\$ 12,233,035
18						
19		--Treatment--				
20		-Operations-				
21	6013	Labor	6,080,493	6,080,493	6,514,247	6,699,126
22	6153	Purchased Power	85,721	85,743	135,943	134,425
23	6163	Purchased Power	3,838	3,839	3,461	3,349
24	6183	Chemicals	5,136,752	5,301,552	5,522,607	5,731,075
25	6203	Supplies	443,518	443,518	451,280	458,951
26	6353	OS Lab Testing	289,102	288,252	293,297	298,283

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

EXPENSE DETAIL ACCOUNTS

LINE NO.	Acct. No.	Account Title	PER BOOKS 3/31/21	PRESENT RATES 3/31/21	PRESENT RATES 3/31/22	PRESENT RATES 3/31/23
	(1)	(2)	(3)	(4)	(5)	(6)
27	6363	OS Other	689,939	689,939	702,013	713,947
28	6423	Leases	7,183	7,183	7,183	7,183
29	6753	Other	40,341	40,341	41,047	41,744
30		-Maintenance-				
31	6014	Labor	164,073	164,073	175,777	180,766
32	6204	Supplies	65,921	65,921	67,075	68,215
33	6354	OS Lab Testing	3,117	3,117	3,172	3,225
34	6364	OS Other	1,595,790	1,495,790	1,514,967	1,533,921
35	6424	Leases	2,250	2,250	2,250	2,250
36	6754	Other	7,410	7,410	7,540	7,668
37						
38		Total Treatment Expense	\$ 14,615,448	\$ 14,679,421	\$ 15,441,856	\$ 15,884,128
39						
40		--Transmission and Distribution--				
41		-Operations-				
42	6015	Labor	7,136,541	7,136,541	7,645,629	7,862,618
43	65052	Labor	578,011	578,011	619,244	636,819
44	6155	Purchased Power	1,312,423	1,312,754	1,183,407	1,144,897
45	6165	Purchased Power	3,037	3,038	2,738	2,649
46	6205	Supplies	1,471,011	1,142,900	1,162,901	1,182,671
47	6365	OS Other	534,460	534,460	543,813	553,058
48	6415	Leases	33,271	33,271	33,271	33,271
49	6505	Transportation	937,085	937,085	953,484	969,694
50	6755	Other	295	295	300	305
51		-Maintenance-				
52	6016	Labor	2,166,773	2,166,773	2,321,340	2,387,221

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

EXPENSE DETAIL ACCOUNTS

LINE NO.	Acct. No.	Account Title	PER BOOKS 3/31/21	PRESENT RATES 3/31/21	PRESENT RATES 3/31/22	PRESENT RATES 3/31/23
	(1)	(2)	(3)	(4)	(5)	(6)
53	6206	Supplies	377,637	377,637	384,246	390,778
54	6366	OS Other	4,041,901	4,041,676	4,112,406	4,182,317
55	6756	Other	5,881	5,881	5,984	6,086
56						
57		Total Transmission and Distribution Expense	\$ 18,598,327	\$ 18,270,323	\$ 18,968,763	\$ 19,352,382
58						
59		--Customer Accounting--				
60	6017	Labor	638,825	638,825	684,396	703,820
61	6167	Purchased Power	2,807	2,807	2,531	2,448
62	6207	Supplies	168	168	171	174
63	6367	OS Other	8,315,346	8,315,346	8,925,135	9,141,079
64	6707	Bad Debt	2,450,534	2,425,823	2,570,882	2,574,635
65						
66		Total Customer Accounting Expense	\$ 11,407,680	\$ 11,382,969	\$ 12,183,115	\$ 12,422,156
67						
68		--Administrative and General--				
69	6018	Labor	13,519,479	13,519,479	14,483,895	14,894,959
70	6038	Labor	3,267,040	3,267,040	3,500,095	3,599,430
71	6048	Employee Benefits	20,952,571	20,297,760	17,870,162	17,954,696
72	6158	Purchased Power	276,945	277,015	249,720	241,594
73	6168	Purchased Power	101,335	101,360	91,373	88,400
74	6208	Supplies	95,775	95,775	97,451	99,108
75	6318	OS Engineer	150,764	150,764	153,403	156,010
76	6328	OS Accounting	702,666	702,666	714,962	727,117
77	6338	OS Legal	641,511	644,475	644,475	644,475
78	6349	Management Fees	17,186,644	17,186,644	17,667,130	18,159,655

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

EXPENSE DETAIL ACCOUNTS

LINE NO.	Acct. No.	Account Title	PER BOOKS 3/31/21	PRESENT RATES 3/31/21	PRESENT RATES 3/31/22	PRESENT RATES 3/31/23
	(1)	(2)	(3)	(4)	(5)	(6)
79	6368	OS Other	1,378,237	1,503,237	1,604,544	1,706,821
80	6418	Leases	6,463	6,463	6,463	6,463
81	6428	Leases	33,243	33,243	33,243	33,243
82	6508	Transportation	81,146	81,146	82,566	83,970
83	6568	Insurance	245,055	245,055	222,715	235,327
84	6578	Insurance	3,099,817	3,099,817	3,756,142	3,987,744
85	6588	Insurance	1,242,300	1,242,300	1,031,812	1,088,288
86	6598	Insurance	1,359,289	1,359,289	1,384,511	1,465,917
87	6608	Other	213,232	213,232	216,963	295,651
88	6758	Other	2,708,463	3,072,684	3,126,456	3,179,606
89	67621	Labor	(2,110,682)	(2,110,682)	(2,147,619)	(2,184,129)
90	67622	Employee Benefits	(7,064,278)	(7,064,278)	(7,187,903)	(7,310,097)
91	67624	Other	(1,913,910)	(1,770,436)	(1,904,815)	(2,019,211)
92	6668	Amortization of Rate Case	476,456	476,456	484,794	679,553
93	4060	Amortization of UPAA	92,889	92,889	92,889	214,754
94	4048	Employee Benefits	(1,380,095)	(1,380,095)	(1,404,247)	(1,428,119)
95						
96		Total Admin & General Expense	\$ 55,362,351	\$ 55,343,296	\$ 54,871,180	\$ 56,601,227
97						
98		Total Operating Expenses	\$ 113,746,122	\$ 113,429,515	\$ 114,175,658	\$ 116,492,928

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

SUMMARY OF EXPENSE ACCOUNTS

LINE NO.	PER BOOKS	ADJUSTMENTS	PRESENT RATES	ADJUSTMENTS	PRESENT RATES	ADJUSTMENTS	PRESENT RATES
	3/31/21	3/31/21	3/31/21	3/31/22	3/31/22	3/31/23	3/31/23
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1 Labor	\$ 31,982,450	\$ (3,231)	\$ 31,979,219	\$ 2,395,051	\$ 34,374,270	\$ 1,000,047	\$ 35,374,317
2 Employee Benefits	12,508,197	(654,811)	11,853,386	(2,575,374)	9,278,012	(61,532)	9,216,479
3 Purchased Water	4,791,932	-	4,791,932	(339,122)	4,452,810	(304,030)	4,148,780
4 Purchased Wastewater	-	-	-	-	-	-	-
5 Sludge	-	-	-	-	-	-	-
6 Purchased Power	9,379,444	(1,264)	9,378,180	(865,814)	8,512,366	(247,632)	8,264,734
7 Chemicals	5,136,752	164,800	5,301,552	221,055	5,522,607	208,468	5,731,075
8 Supplies	2,510,342	(328,111)	2,182,231	38,189	2,220,420	37,747	2,258,167
9 OS Engineer	157,889	-	157,889	2,763	160,653	2,731	163,384
10 OS Accounting	702,666	-	702,666	12,297	714,962	12,154	727,117
11 OS Legal	641,511	2,964	644,475	-	644,475	-	644,475
12 OS Lab Testing	292,219	(850)	291,369	5,099	296,468	5,040	301,508
13 OS Other	16,849,868	20,910	16,870,778	827,509	17,698,287	433,287	18,131,574
14 Management Fees	17,186,644	-	17,186,644	480,486	17,667,130	492,525	18,159,655
15 Leases	559,874	-	559,874	-	559,874	-	559,874
16 Transportation	1,018,232	-	1,018,232	17,819	1,036,051	17,613	1,053,664
17 Insurance	5,946,460	-	5,946,460	448,720	6,395,180	382,097	6,777,277
18 Other	1,061,765	507,696	1,569,462	(75,931)	1,493,530	18,376	1,511,907
19 Bad Debt	2,450,534	(24,711)	2,425,823	145,059	2,570,882	3,754	2,574,635
20 Amortization of Rate Case	476,456	-	476,456	8,338	484,794	194,759	679,553
21 Amortization of UPAA	92,889	-	92,889	-	92,889	121,865	214,754
22 Amortization of Tank Painting	-	-	-	-	-	-	-
23 Amortization Other	-	-	-	-	-	-	-
24 Total Operating Expenses	\$ 113,746,122		\$ 113,429,515		\$ 114,175,658		\$ 116,492,928
25 Pro Forma Adjustments		\$ (316,608)		\$ 746,143		\$ 2,317,270	
26 Uncollectibles @ Proposed Rates							\$ 334,387
27 Proposed Rates @ 3/31/23							\$ 116,827,315

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING EXPENSES

LINE NO.	DESCRIPTION	REFERENCE	PRESENT RATES		PRESENT RATES		PRESENT RATES	
			ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Per Books			\$ 113,746,122				
2	Present Rates at 3/31/21					\$ 113,429,515		
3	Present Rates at 3/31/22							\$ 114,175,658
4	General Price Level Adjustment	Schedule C-4.1	-		437,288		427,047	
5	Uncollectible Accounts	Schedule C-4.2	4,114		145,564		4,252	
6	Additional Cost Of Serving Customers	Schedule C-4.3	-		-		65,789	
7	Rate Case Expense	Schedule C-4.4	-		-		194,618	
8	Payroll	Schedule C-4.5	-		2,419,558		1,024,271	
9	Insurance Expense	Schedule C-4.6	143,475		314,104		267,468	
10	Management Service & Sundry	Schedule C-4.7	-		374,672		387,935	
11	Customer Service & Sundry	Schedule C-4.8	-		528,230		128,139	
12	Miscellaneous Expense Adjustments	Schedule C-4.9	198,749		75,000		150,000	
13	Specific Expenses Not Subject To Inflation	Schedule C-4.10	-		-		-	
14	Amortization Of New Positive Acquisition Adjustments	Schedule C-5.1	-		-		121,865	
15	Purchased Power Expense	Schedule C-6.1	2,368		(924,399)		(275,216)	
16	Chemicals	Schedule C-6.2	164,800		183,022		189,341	
17	Purchased Water Expense	Schedule C-7.1	-		(339,122)		(317,499)	
18	Water Production Adjustment	Schedule C-7.2	-		96,682		-	
19	Dredging Expense	Schedule C-7.3	(100,000)		-		-	
20	Employee Group Insurance	Schedule C-8.1	85,978		236,346		284,500	
21	Pension	Schedule C-8.2	(75,031)		(2,310,000)		-	
22	Post Retirement Benefits	Schedule C-8.3	(554,257)		(556,755)		(317,672)	
23	401K Expense	Schedule C-8.4	64,581		198,357		34,644	
24	Remove Intracompany Benefits	Schedule C-8.5	(176,082)		(132,402)		(52,212)	
25	Legal Expense	Schedule C-9.1	2,964		-		-	
26	Eliminate NAWC Lobbying Expense	Schedule C-9.2	(37,175)		-		-	
27	Eliminate Belle Aire Acres Expenses	Schedule C-10.1	(3,661)		-		-	
28	Eliminate Twin Lakes Expenses	Schedule C-10.2	(37,430)		-		-	
29	Pro Forma Adjustments			\$ (316,608)		\$ 746,143		\$ 2,317,270
30	Pro Forma Present Rates at March 31, 2021			\$ 113,429,515				
31	Pro Forma Present Rates at March 31, 2022					\$ 114,175,658		
32	Pro Forma Present Rates at March 31, 2023							\$ 116,492,928

AQUA PENNSYLVANIA, INC.
NOTES TO STATEMENT OF INCOME
OPERATING EXPENSES
GENERAL PRICE LEVEL ADJUSTMENT

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Total Operations and Maintenance Expenses:		
2	Present Rates 3/31/2021	\$ 113,429,515	
3	Present Rates 3/31/2022		\$ 114,175,658
4	Less amounts specifically adjusted in this filing or not otherwise subject to inflation:		
5	Labor	33,379,648	35,799,206
6	Employee Benefits	12,477,351	9,912,896
7	Purchased Water	4,791,932	4,452,810
8	Purchased Power	9,381,811	8,457,413
9	Chemicals	5,301,552	5,484,574
10	Supplies	-	-
11	OS Engineer	-	-
12	OS Accounting	-	-
13	OS Legal	644,475	644,475
14	OS Lab Testing	-	-
15	OS Other	4,054,793	4,583,022
16	Management Fees	11,140,134	11,514,806
17	Leases	559,874	559,874
18	Transportation	-	-
19	Insurance	5,946,460	6,395,180
20	Other	(1,783,938)	(1,918,554)
21	Bad Debt	2,454,648	2,600,211
22	Amortization of Rate Case	-	476,456
23	Amortization of UPAA	92,889	92,889
24	Amortization of Tank Painting	-	-
25	Amortization Other	-	-
26	Total Operating Expenses Adjusted/Unadjusted for Separately	<u>\$ 88,441,627</u>	<u>\$ 89,055,256</u>
27	Total Operating Expenses Subject to Effects of Inflation	<u>\$ 24,987,888</u>	<u>\$ 25,120,402</u>
28	Inflation Factor - Schedule C-4.1.i	<u>1.750%</u>	<u>1.700%</u>
29	Estimated Effect of Inflation at Annual Rate Pro Forma Adjustment	<u>\$ 437,288</u>	<u>\$ 427,047</u>

AQUA PENNSYLVANIA, INC.
NOTES TO STATEMENT OF INCOME
OPERATING EXPENSES
INFLATION FACTOR CALCULATION

LINE NO.	GDP Chained Price Index (% Change From Same Quarter Prior Year)		
1	Second Quarter	2021	1.900% (a)
2	Third Quarter	2021	1.700% (a)
3	Fourth Quarter	2021	1.700% (a)
4	First Quarter	2022	1.700% (b)
5	Annual Average for the Period Ending 3/31/2022		1.750%
6	Second Quarter	2022	1.700% (b)
7	Third Quarter	2022	1.700% (b)
8	Fourth Quarter	2022	1.700% (b)
9	First Quarter	2023	1.700% (c)
10	Annual Average for the Period Ending 3/31/2023		1.700%

Source:

- (a) Blue Chip Economic Indicators Volume 45, No. 10, October 10, 2020, Page 5, Forecasted Future Periods
- (b) 2022 not available in Blue Chip Report. Used Prior Quarter, Q4-2021.
- (c) First Quarter of 2023 not available in Blue Chip Report. Used Prior Quarter, Q4-2021.

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 UNCOLLECTIBLE ACCOUNTS

For the three years ended March 31, 2021, the Company experienced an average uncollectible accounts factor of 0.51224% with regard to sales to general customers.

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Sales to General Customers Excluding Forfeited Discounts and Misc Revenue	\$ 480,115,287	\$ 479,196,951	\$ 507,613,899	\$ 508,444,055
2	Annualized Uncollectible Account based on Experience Factor @ 0.51224%		2,454,648	2,600,211	2,604,463 ‡
3	Less: Amount Charged to Operating Expense				
4	During the Twelve Months Ended 3/31/2021		2,450,534		
5	Less: Present Rates 3/31/2021			2,454,648	
6	Less: Present Rates 3/31/2022				2,600,211
7	Increase/(Decrease)		<u>\$ 4,114</u>	<u>\$ 145,564</u>	<u>\$ 4,252</u>
8	Pro Forma Adjustment:				
9	6707		\$ 4,114	\$ 145,564	\$ 4,252

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.
NOTES TO STATEMENT OF INCOME
OPERATING EXPENSES
DERIVATION OF UNCOLLECTIBLE ACCOUNTS
BASED ON THREE YEARS OF HISTORY

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2019 AMOUNT	PRESENT RATES 3/31/2020 AMOUNT	PRESENT RATES 3/31/2021 AMOUNT	THREE YEAR AVERAGE
1	Net Write-Offs	\$ 2,185,786	\$ 2,344,415	\$ 2,450,534	\$ 2,326,912
2	Sales to General Customers	\$ 423,708,500	\$ 459,283,774	\$ 480,115,287	\$ 454,369,187
3	Factor	0.0051587	0.0051045	0.0051041	0.0051224

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

ADDITIONAL COST OF SERVING CUSTOMERS

The Company computes the additional cost of providing service to customers connected during the three years ending March 31, 2023, exclusive of acquisitions.

LINE NO.	DESCRIPTION	REFERENCE	PRESENT RATES 3/31/2023 AMOUNT
1	Estimated Additional Revenue from New Customers		
2	connected during the three years ended March 31, 2023	Schedule B-5	\$ 1,660,311
3	Operating Ratio		3.96%
4	Cost of Providing Service to New Customers		\$ 65,789
5	The operating ratio specifically related to the adjusted cost of serving new customers		
6	was computed as follows:		
7	Purchased Power Expense		\$ 8,182,196
8	Chemical Expense		5,673,915
9	Bill Processing & Postage Expense		2,206,957
10	Purchased Water Expense		<u>4,135,311</u>
11	Total		<u>\$ 20,198,379</u>
12	Total Water Sales at Present Rates	Schedule B-1	<u>\$ 509,746,949</u>
13	Operating Ratio		3.96%
14	Pro Forma Adjustment:		
15	6161		\$ 26,650
16	6183		\$ 18,481
17	6367		\$ 7,188
18	6101		<u>\$ 13,469</u>
19	Total		\$ 65,789

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

RATE CASE EXPENSE

The following adjustment reflects the estimated cost of this rate case as summarized below. The total cost is being allocated based on the ratio of water customers served to total water and wastewater customers. The Company proposes to normalize this cost over a thirty-six month period, which is consistent with the rate treatment in previous cases.

LINE NO.	DESCRIPTION				
1	Engineering, Cost Allocation and Depreciation	\$	400,000		
2	Legal		1,200,000		
3	Other Consultants		100,000		
4	Rate of Return		95,000		
5	Notices and Postage		340,000		
6	Miscellaneous		65,000		
7	Total	\$	<u>2,200,000</u>		
8	Allocation of Total Rate Case Expense		Total	Annual Amortization	
9	Water	91.51%	\$ 2,013,220	\$ 671,073	
10	Wastewater	8.49%	\$ 186,780	\$ 62,260	
11	Normalization Period		36 Months		
12			PRESENT RATES	PRESENT RATES	
13			3/31/2022	3/31/2023	
14			AMOUNT	AMOUNT	
15	Annual Expense on a 36 Month Normalized Basis	\$	476,456	\$ 671,073	‡
16	Less: Amount Charged to Operating Expense				
17	During the Twelve Months Ended 3/31/2021		476,456		
18	Less: Present Rates 3/31/2022			476,456	
19	Increase/(Decrease)	\$	<u>-</u>	\$ <u>194,618</u>	
20	Pro Forma Adjustment:				
21	6668			\$ 194,618	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.
NOTES TO STATEMENT OF INCOME
OPERATING EXPENSES
PAYROLL

The following amounts summarize the Company's estimated annualized payroll expense. This results from the calculation of employee compensation levels scheduled to be in effect by March 31, 2022 and March 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT	
1	<u>Non-Union Payroll</u>				
2	Gross Payroll	\$ 18,837,686	\$ 20,868,401	\$ 21,495,994	
3	Capital Payroll	5,345,696	5,921,966	6,100,063	
4	Non-Operating Payroll	291,973	323,448	333,175	
5	Expense Payroll	13,200,016	14,622,987	15,062,757	‡
6	Non-Union Expense Payroll Increase/(Decrease)		\$ 1,422,970	\$ 439,770	
7	<u>Union Payroll</u>				
8	Gross Payroll	\$ 29,555,715	\$ 31,015,348	\$ 31,871,426	
9	Capital Payroll	9,071,592	9,519,600	9,782,358	
10	Non-Operating Payroll	304,491	319,529	328,348	
11	Expense Payroll	20,179,631	21,176,219	21,760,720	‡
12	Union Expense Payroll Increase/(Decrease)		\$ 996,588	\$ 584,501	
13	Total Expense Payroll Increase/(Decrease)		<u>\$ 2,419,558</u>	<u>\$ 1,024,271</u>	
14	Pro Forma Adjustment:				
15	6011		\$ 20,725	\$ 8,774	
16	6012		\$ 17,733	\$ 7,507	
17	6013		\$ 431,527	\$ 182,678	
18	6014		\$ 11,644	\$ 4,929	
19	6015		\$ 506,474	\$ 214,405	
20	6016		\$ 153,774	\$ 65,097	
21	6017		\$ 45,337	\$ 19,192	
22	6018		\$ 959,465	\$ 406,170	
23	6038		\$ 231,859	\$ 98,153	
24	65052		\$ 41,021	\$ 17,365	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

INSURANCE EXPENSE

The Company's self insured policies for General Liability, Workers Compensation, Vehicle, and Other are evaluated annually by a third party insurance broker, using multiple year claims history. The Company has based its expense claim on the actual and projected premiums for the twelve months ending March 31, 2022 and March 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES	
		3/31/2021 AMOUNT		3/31/2022 AMOUNT		3/31/2023 AMOUNT	
1	General Liability	\$ 3,099,817	\$	3,756,142	\$	3,980,563	
2	Workers Compensation	1,242,300		1,031,812		1,093,460	
3	Vehicle	245,055		222,715		236,021	
4	Other (Exec Risk, Property, Surety Bond)	1,359,289		1,384,511		1,467,232	
5		<u>5,946,460</u>		<u>6,395,180</u>		<u>6,777,277</u>	‡
6	Capitalized portion not charged to operating expense	30.00%	(1,783,938)	(1,918,554)		(2,033,183)	‡
7	Subtotal Insurance	\$ 4,162,522	\$	4,476,626	\$	4,744,094	
8	Less: Amount Charged to Operating Expense						
9	During the Twelve Months Ended 3/31/2021	4,019,048					
10	Less: Present Rates 3/31/2021			4,162,522			
11	Less: Present Rates 3/31/2022					4,476,626	
12	Increase/(Decrease)	<u>\$ 143,475</u>	\$	<u>314,104</u>	\$	<u>267,468</u>	
13	Pro Forma Adjustment:						
14	6578	\$ -	\$	656,325	\$	224,421	
15	6588	\$ -	\$	(210,488)	\$	61,648	
16	6568	\$ -	\$	(22,340)	\$	13,307	
17	6598	\$ -	\$	25,222	\$	82,721	
18	67624	\$ 143,475	\$	(134,616)	\$	(114,629)	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.
NOTES TO STATEMENT OF INCOME
OPERATING EXPENSES
MANAGEMENT SERVICE & SUNDRY

The following amounts summarize the estimated additional annualized payroll expense and the company portion of employee benefit related premiums of the Aqua Services, Inc. employees whose time was charged to Aqua Pennsylvania during the test year.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT	
1	Management Fees Labor & Benefits	\$ 11,140,134	\$ 11,140,134	\$ 11,514,806	‡
2	Payroll Increase		273,502	281,707	‡
3	Employee Benefit Insurance Increase		101,169	106,228	‡
4	Management Fees All Other	6,046,510	6,046,510	6,046,510	
5	Total Expense Claim	<u>\$ 17,186,644</u>	<u>\$ 17,561,316</u>	<u>\$ 17,949,251</u>	
6	Less: Amount Charged to Operating Expense				
7	During the Twelve Months Ended 3/31/2021	17,186,644			
8	Less: Present Rates 3/31/2021		17,186,644		
9	Less: Present Rates 3/31/2022			17,561,316	
10	Increase/(Decrease)	<u>\$ -</u>	<u>\$ 374,672</u>	<u>\$ 387,935</u>	
11	Pro Forma Adjustment:				
12	6349	\$ -	\$ 374,672	\$ 387,935	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 CUSTOMER SERVICE & SUNDRY

The following amounts summarize the estimated additional annualized payroll expense and the company portion of employee benefit related premiums of the Aqua Customer Operations employees whose time was charged to Aqua Pennsylvania during the test year.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT	
1	Customer Operations Labor & Benefits	\$ 3,654,793	\$ 3,654,793	\$ 4,183,022	‡
2	Payroll Increase		367,284	94,043	‡
3	Employee Benefit Increase		160,945	34,096	‡
4	Customer Operations All Other	1,243,452	1,243,452	1,243,452	
5	Total Expense Claim	<u>\$ 4,898,245</u>	<u>\$ 5,426,475</u>	<u>\$ 5,554,614</u>	
6	Less: Amount Charged to Operating Expense				
7	During the Twelve Months Ended 3/31/2021	4,898,245			
8	Less: Present Rates 3/31/2021		4,898,245		
9	Less: Present Rates 3/31/2022			5,426,475	
10	Increase/(Decrease)	<u>\$ -</u>	<u>\$ 528,230</u>	<u>\$ 128,139</u>	
11	Pro Forma Adjustment:				
12	6367	\$ -	\$ 528,230	\$ 128,139	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

MISCELLANEOUS EXPENSE ADJUSTMENTS

The following adjustments reflect miscellaneous additions or deductions from pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT
1	Additions:			
2	DEP Adjustment	\$ 10,000		
3	OM Other	\$ 396,470		
4	OM OS Other	\$ 125,000	\$ 75,000	\$ 75,000
5	US Customer Education and Outreach			\$ 75,000
6	Deductions:			
7	Fines	\$ (4,610)		
8	OM Supplies (Safety)	\$ (328,111)		
9	Increase/(Decrease)	<u>\$ 198,749</u>	<u>\$ 75,000</u>	<u>\$ 150,000</u>
10	Pro Forma Adjustment:			
11	6758	\$ 401,860	\$ -	
12	6368	\$ 125,000	\$ 75,000	\$ 75,000
13	6205	\$ (328,111)		
14	6608			\$ 75,000

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

SPECIFIC EXPENSES NOT SUBJECT TO INFLATION

The following amounts reflect specific expenses that are not separately adjusted for and are not subject to growth from inflation. These amounts are eliminated from the eligible Operating Expenses subject to inflation on Schedule C-4.1.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT	
1	Leases	\$ 559,874	\$ 559,874	\$ 559,874	‡
2	Total Specific Expenses Not Subject to Inflation	<u>\$ 559,874</u>	<u>\$ 559,874</u>	<u>\$ 559,874</u>	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

AMORTIZATION OF NEW POSITIVE ACQUISITION ADJUSTMENTS

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

LINE NO.	DESCRIPTION	ORIGINAL ACQUISITION ADJUSTMENT	DATE OF OWNERSHIP	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Phoenixville Water	\$ 2,437,305	12/4/2019	\$ -	\$ -	\$ 121,865
2		<u>\$ 2,437,305</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,865</u>
3	Amortization Period	20 Years				
4	Annual Amortization	\$ 121,865				
5	Less: Amount Charged to Operating Expense					
6	During the Twelve Months Ended 3/31/2021			\$ -		
7	Less: Present Rates 3/31/2021				\$ -	
8	Less: Present Rates 3/31/2022					\$ -
9	Increase/(Decrease)			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,865</u>
10	Pro Forma Adjustment:					
11	4060			-	-	121,865

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 PURCHASED POWER EXPENSE

This adjustment summarizes the Company's purchased power expense claim as detailed on Schedule C-6.1.i & Schedule C-6.1.ii.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT	
1	Claimed Purchased Power Expense - Electric	\$ 9,050,324	\$ 8,175,951	\$ 7,896,624	
2	Claimed Purchased Power Expense - Gas	331,488	281,461	285,573	
3		<u>\$ 9,381,811</u>	<u>\$ 8,457,413</u>	<u>\$ 8,182,196</u>	‡
4	Less: Amount Charged to Operating Expense				
5	During the Twelve Months Ended 3/31/2021	9,379,444			
6	Less: Present Rates 3/31/2021		9,381,811		
7	Less: Present Rates 3/31/2022			8,457,413	
8	Increase/(Decrease)	<u>\$ 2,368</u>	<u>\$ (924,399)</u>	<u>\$ (275,216)</u>	
9	Pro Forma Adjustment:				
10	6151	\$ 1,861	\$ (726,698)	\$ (216,356)	
11	6153	\$ 22	\$ (8,448)	\$ (2,515)	
12	6155	\$ 331	\$ (129,347)	\$ (38,510)	
13	6158	\$ 70	\$ (27,295)	\$ (8,126)	
14	6161	\$ 56	\$ (21,670)	\$ (6,452)	
15	6163	\$ 1	\$ (378)	\$ (113)	
16	6165	\$ 1	\$ (299)	\$ (89)	
17	6167	\$ 1	\$ (277)	\$ (82)	
18	6168	\$ 26	\$ (9,987)	\$ (2,973)	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 PURCHASED POWER - ELECTRIC

LINE NO.	UTILITY	LOCATION	HISTORIC KW HOURS	PRESENT RATES	FUTURE KW HOURS	PRESENT RATES	FULLY PROJECTED	PRESENT RATES
				3/31/2021 AMOUNT		3/31/2022 AMOUNT	FUTURE KW HOURS	3/31/2023 AMOUNT
1	PECO	Southeastern Pennsylvania	109,844,928	\$ 7,468,927	109,844,928	\$ 6,585,218	109,844,928	\$ 6,303,077
2	PP&L	Southeastern Pennsylvania	291,307	\$ 25,597	291,307	\$ 22,563	291,307	\$ 21,927
3	MetEd	Southeastern Pennsylvania	1,628,191	\$ 158,024	1,628,191	\$ 148,291	1,628,191	\$ 147,231
4	PP&L	Roaring Creek	3,943,551	\$ 344,727	3,943,551	\$ 303,661	3,943,551	\$ 295,041
5	MetEd	Roaring Creek	206,315	\$ 18,169	206,315	\$ 16,936	206,315	\$ 16,802
6	Adams Co-op	Roaring Creek	66,528	\$ 7,906	66,528	\$ 8,072	66,528	\$ 8,242
7	PenElec	Susquehanna	650,302	\$ 61,734	650,302	\$ 54,737	650,302	\$ 53,980
8	TriCounty REC	Susquehanna	2,448	\$ 630	2,448	\$ 643	2,448	\$ 657
9	PenElec	Shenango	1,896,218	\$ 169,883	1,896,218	\$ 149,482	1,896,218	\$ 147,273
10	Penn Power	Shenango	8,541,471	\$ 581,442	8,541,471	\$ 529,205	8,541,471	\$ 522,164
11	United Electric Co-op	Shenango	72,993	\$ 9,519	72,993	\$ 9,718	72,993	\$ 9,923
12	West Penn Power	Shenango	153,626	\$ 13,642	153,626	\$ 12,754	153,626	\$ 10,090
13	PP&L	White Haven	6,121,336	\$ 535,180	6,121,336	\$ 471,437	6,121,336	\$ 458,056
14	UGI	White Haven	689,035	\$ 74,360	689,035	\$ 83,729	689,035	\$ 85,487
15	Claverack	White Haven	36,897	\$ 4,221	36,897	\$ 4,310	36,897	\$ 4,400
16	PenElec	White Haven	161,296	\$ 15,669	161,296	\$ 13,933	161,296	\$ 13,745
17	MetEd	White Haven	229,403	\$ 19,043	229,403	\$ 17,672	229,403	\$ 17,522
18	PJM Demand Response (CPower)	Southeastern Pennsylvania		\$ (78,916)		\$ (111,419)		\$ (74,000)
19	PA ACT 129 PECO Peak Response (CPower)	Southeastern Pennsylvania		\$ (89,446)		\$ -		\$ -
20	Constellation Energy Peak Response Rebate PECO	Southeastern Pennsylvania		\$ (258,626)		\$ (129,313)		\$ (129,313)
21	Constellation Energy Peak Response Rebate PPL	Roaring Creek		\$ (15,559)		\$ (7,780)		\$ (7,780)
22	Constellation Energy Peak Response Rebate Penn Power	Shenango		\$ (15,801)		\$ (7,900)		\$ (7,900)
23	Solar Generated Power	Pickering	1,844,686		1,840,281		1,831,080	
24	Solar Generated Power	Ingrams	1,119,623		1,201,783		1,195,774	
25				\$ 9,050,324		\$ 8,175,951		\$ 7,896,624

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 PURCHASED POWER - GAS

LINE NO.	UTILITY	LOCATION	HISTORIC THERMS	PRESENT RATES		FUTURE THERMS	PRESENT RATES		FULLY PROJECTED		
				3/31/2021 AMOUNT			3/31/2022 AMOUNT		FUTURE THERMS	3/31/2023 AMOUNT	
1	PECO	Southeastern Pennsylvania	211,862	\$ 160,882	186,264	\$ 143,141	186,264	\$ 144,859			
2	UGI Utilities, Inc.	Southeastern Pennsylvania	1,379	\$ 1,892	1,743	\$ 2,421	1,743	\$ 2,450			
3	Central Penn Gas/UGI	Roaring Creek	10,929	\$ 9,364	8,735	\$ 7,573	8,735	\$ 7,664			
4	COLUMBIA GAS OF Pa	Shenango	4,223	\$ 4,092	4,060	\$ 3,981	4,060	\$ 4,029			
5	National Fuel/Marthon Energy	Shenango	44,780	\$ 24,022	49,161	\$ 26,689	49,161	\$ 27,009			
6	UGI Utilities, Inc.	White Haven	6,110	\$ 6,664	4,590	\$ 5,066	4,590	\$ 5,127			
	Direct Purchases - Fuel Oil, Propane, and										
7	Generator Diesel	All PA	-	\$ 123,053	-	\$ 91,747	-	\$ 93,582			
8	Valley Energy	Susquehanna	2,177	\$ 1,519	1,193	\$ 842	1,193	\$ 852			
9				\$ 331,488		\$ 281,461		\$ 285,573			

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 CHEMICALS

The company utilizes various chemicals in the water treatment process. The chemical expense claim is based on the total production gallons for the twelve months ended March 31, 2021 multiplied by the normalized chemical treatment cost per million gallons. The cost per million gallons for the historic test year was increased by an average year over year growth rate to arrive at the treatment cost per million gallons for the future and fully projected future test years.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Claimed Chemical Treatment Cost Per Million Gallons	\$ 129.34	\$ 133.81	\$ 138.43
2	Claimed Production Sendout	40,988 MG		
3	Claimed Chemical Expense	\$ 5,301,552	\$ 5,484,574	\$ 5,673,915 ‡
4	Less: Amount Charged to Operating Expense			
5	During the Twelve Months Ended 3/31/2021	5,136,752		
6	Less: Present Rates 3/31/2021		5,301,552	
7	Less: Present Rates 3/31/2022			5,484,574
8	Increase/(Decrease)	<u>\$ 164,800</u>	<u>\$ 183,022</u>	<u>\$ 189,341</u>
9	Pro Forma Adjustment:			
10	6183	\$ 164,800	\$ 183,022	\$ 189,341

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 PURCHASED WATER EXPENSE

The Company summarized the actual gallons and expenses from each of its purchased water vendors and projected the Future Test Year and Fully Projected Future Test Year expense claim using historical test year and future test year gallons, adjusted to reflect known changes in gallons purchased and new rates that are scheduled to be in effect during the future test years.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Claimed Purchased Water Expense	\$ 4,452,810	\$ 4,135,311 ‡
2	Less: Amount Charged to Operating Expense		
3	During the Twelve Months Ended 3/31/2021	4,791,932	
4	Less: Present Rates 3/31/2022		4,452,810
5	Increase/(Decrease)	<u>\$ (339,122)</u>	<u>\$ (317,499)</u>
6	Pro Forma Adjustment:		
7	6101	\$ (339,122)	\$ (317,499)

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 PURCHASED WATER - DETAIL BY SUPPLIER

LINE NO.	Supplier	Account Name	PRESENT RATES 3/31/2019		PRESENT RATES 3/31/2020		PRESENT RATES 3/31/2021		PRESENT RATES 3/31/2022		PRESENT RATES 3/31/2023	
			GALLONS	AMOUNT \$	GALLONS	AMOUNT \$	GALLONS	AMOUNT \$	GALLONS	AMOUNT \$	GALLONS	AMOUNT \$
1	Aqua Ohio	Shenango	27,130,100	\$ 273,066	36,013,600	\$ 299,359	38,619,900	\$ 299,204	37,994,900	\$ 297,839	37,994,900	\$ 297,839
2	Can Do Inc - Water Division	Sand Springs	9,279,000	\$ 35,945	12,672,000	\$ 45,752	16,804,000	\$ 55,747	18,570,000	\$ 60,339	18,570,000	\$ 55,747
3	Chester Water Authority	Birney Highway	38,464,000	\$ 127,476	38,255,000	\$ 126,807	38,869,000	\$ 128,772	38,342,000	\$ 127,085	38,869,000	\$ 128,772
4	Chester Water Authority	Cheyney Rd	53,250,000	\$ 191,136	49,133,000	\$ 176,974	50,360,000	\$ 181,195	51,096,000	\$ 183,726	50,360,000	\$ 181,195
5	Chester Water Authority	Pocopson	-	\$ 4,391	-	\$ 4,391	-	\$ 4,391	-	\$ 4,391	-	\$ 4,391
6	Chester Water Authority	Ridley	143,834,000	\$ 420,760	137,471,000	\$ 401,172	-	\$ -	-	\$ -	-	\$ -
7	Downingtown Municipal Authority	Rock Raymond	79,165,000	\$ 79,905	86,283,000	\$ 87,544	82,828,000	\$ 85,515	85,201,000	\$ 88,835	82,828,000	\$ 86,767
8	Philadelphia Water Department	Miquon	1,568,556	\$ 12,933	924,528	\$ 9,177	1,785,476	\$ 14,223	1,765,280	\$ 14,104	1,785,476	\$ 14,223
9	Philadelphia Water Department	Tinicum and Cheltenham	458,400,000	\$ 3,397,936	462,000,002	\$ 3,796,649	530,700,000	\$ 3,853,227	552,400,002	\$ 3,553,098	530,700,000	\$ 3,240,464
10	Phoenixville Water	Schuykill	941,000	\$ 1,882	646,000	\$ 1,292	1,553,000	\$ 4,394	2,160,000	\$ 6,480	2,129,000	\$ 6,387
11	Phoenixville Water	Upper Prov. And East Pikeland	-	\$ -	22,631,000	\$ 49,562	64,910,000	\$ 146,504	51,292,000	\$ 116,912	52,240,000	\$ 119,526
12	Total		812,031,656	\$ 4,545,429	846,029,130	\$ 4,998,677	826,429,376	\$ 4,773,172	838,821,182	\$ 4,452,810	815,476,376	\$ 4,135,311

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 WATER PRODUCTION ADJUSTMENT

The company is claiming an increase to the costs associated with increased production caused by the adjustment to consumption in the future and fully projected future test years.

LINE NO.	DESCRIPTION	REFERENCE	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	The production cost specifically related to the adjusted cost of the change in production			
2	was computed as follows:			
3	Purchased Power Expense	Schedule C-6.1	\$ 8,457,413	\$ 8,182,196
4	Chemical Expense	Schedule C-6.2	\$ 5,484,574	\$ 5,673,915
5			<u>\$ 13,941,987</u>	<u>\$ 13,856,111</u>
6	Estimated Production Gallons (Thousands)		40,988,000	40,988,000
7	Production Cost per 1,000 Gallons		\$ 0.34	\$ 0.34
8	Increased Gallons treated from COVID usage adjustment	Schedule B-7	284,234	-
9	Estimated Change in Production Gallons (Thousands)		<u>284,234</u>	<u>-</u>
10	Total Production Cost Increase / (Decrease)		\$ 96,682	\$ -
11	Pro Forma Adjustment:			
12	6153		\$ 58,648	\$ -
13	6183		\$ 38,033	\$ -

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 DREDGING EXPENSE

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Total Cost of Dredging at Crum Treatment Plant	\$ 1,200,000		
2	Occuring once every 3 Years			
3	Claimed Dredging Expense Amortization	\$ 400,000	\$ 400,000	\$ 400,000 ‡
4	Less: Amount Charged to Operating Expense During the Twelve Months Ended 3/31/2021	500,000		
5	Less: Present Rates 3/31/2021		400,000	
6	Less: Present Rates 3/31/2022			400,000
7	Increase/(Decrease)	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ -</u>
8	Pro Forma Adjustment:			
9	6364	\$ (100,000)	\$ -	\$ -

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

EMPLOYEE GROUP INSURANCE

The Company offers group insurance coverage to all full time employees. The following amounts summarize the Company's estimated annualized group insurance expense, less the employee co-pay, and adjusted for the portion not charged to operations. This results from the calculation of group insurance levels projected to be in effect by March 31, 2022 and March 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES		
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT
1	Medical/Prescription/Vision	\$ 6,849,127	\$ 7,435,444	\$ 7,807,216
2	Life/ADD/LTD	477,897	538,713	565,649
3	Dental	463,923	154,426	162,148
4		<u>7,790,947</u>	<u>8,128,584</u>	<u>8,535,013</u>
5	Capitalized portion not charged to operating expense	30.00% (2,337,284)	(2,438,575)	(2,560,504)
6	Sub-Total	\$ 5,453,663	\$ 5,690,009	\$ 5,974,509 ‡
7	Less: Amount Charged to Operating Expense			
8	During the Twelve Months Ended 3/31/2021	5,367,685		
9	Less: Present Rates 3/31/2021		5,453,663	
10	Less: Present Rates 3/31/2022			5,690,009
11	Increase/(Decrease)	<u>\$ 85,978</u>	<u>\$ 236,346</u>	<u>\$ 284,500</u>
12	Pro Forma Adjustment:			
13	6048	\$ 85,978	\$ 236,346	\$ 284,500

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 PENSION

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

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Aqua Pennsylvania's claim based on range of actuarial results	\$ 9,000,000	\$ 5,700,000	\$ 5,700,000
2	Less: Capitalized Portion	30.00% (2,700,000)	(1,710,000)	(1,710,000)
3		<u>\$ 6,300,000</u>	<u>\$ 3,990,000</u>	<u>\$ 3,990,000</u>
4	Less: Amount Charged to Operating Expense			
5	During the Twelve Months Ended 3/31/2021	6,375,031		
6	Less: Present Rates 3/31/2021		6,300,000	
7	Less: Present Rates 3/31/2022			3,990,000
8	Increase/(Decrease)	<u>\$ (75,031)</u>	<u>\$ (2,310,000)</u>	<u>\$ -</u>
9	Pro Forma Adjustment:			
10	6048	\$ (75,031)	\$ (2,310,000)	-

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 POST RETIREMENT BENEFITS

The following adjustment is based on the results of the most recent valuation of post-retirement benefits (SFAS 106) which was performed for AP by Towers Watson. Included in the claim is the amortization of the funding deficit that conforms to the Commission's 1997 Order at Docket No. R-00973952.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	<u>SFAS 106</u>			
2	Annual Expense for Aqua PA Employees	\$ 1,288,268	\$ 492,904	\$ 492,904
3	Funding Deficit (3/31/23 - 3/31/25) - 3 Year Amortization	\$ (1,361,450)		(453,817)
4	Less: Capitalized Portion	30.00% (386,480)	(147,871)	(11,726)
5		\$ 901,788	\$ 345,033	\$ 27,361 ‡
6	Less: Amount Charged to Operating Expense			
7	During the Twelve Months Ended 3/31/2021	1,456,044		
8	Less: Present Rates 3/31/2021		901,788	
9	Less: Present Rates 3/31/2022			345,033
10	Increase/(Decrease)	<u>\$ (554,257)</u>	<u>\$ (556,755)</u>	<u>\$ (317,672)</u>
11	Pro Forma Adjustment:			
12	6048	\$ (554,257)	\$ (556,755)	\$ (317,672)

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES

401K Expense

The following adjustment is being made to annualize the employer 401k contributions, adjusted for the portion not charged to operating expense, based on the annualized compensation claim at March 31, 2022 and March 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT	
1	Annualized 401k - Company Match	\$ 2,138,175	\$ 2,421,542	\$ 2,471,033	
2		<u>2,138,175</u>	<u>2,421,542</u>	<u>2,471,033</u>	
3	Capitalized portion not charged to operating expense	30.00% (641,452)	(726,462)	(741,310)	
4	Sub-Total	<u>\$ 1,496,722</u>	<u>\$ 1,695,079</u>	<u>\$ 1,729,723</u>	‡
5	Less: Amount Charged to Operating Expense				
6	During the Twelve Months Ended 3/31/2021	1,432,142			
7	Less: Present Rates 3/31/2021		1,496,722		
8	Less: Present Rates 3/31/2022			1,695,079	
9	Increase/(Decrease)	<u>\$ 64,581</u>	<u>\$ 198,357</u>	<u>\$ 34,644</u>	
10	Pro Forma Adjustment:				
11	6048	\$ 64,581	\$ 198,357	\$ 34,644	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

REMOVE INTRACOMPANY BENEFITS

The Company charges a portion of employee benefits and other related overheads to Aqua Pennsylvania Wastewater through an intracompany transaction which is allocated based on approximately 60% of wastewater payroll expense. Refer to the Exhibits 1-B through 1-G, Schedule C-8.1 for the corresponding entry.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT
1	Exhibit 1-B Wastewater Base - Schedule C-8.1	\$ (1,141,083)	\$ (1,228,289)	\$ (1,263,638)
2	Exhibit 1-C WW LIMERICK - Schedule C-8.1	\$ (258,621)	\$ (275,981)	\$ (283,814)
3	Exhibit 1-D WW EAST BRADFORD - Schedule C-8.1	\$ (86)	\$ (95)	\$ (98)
4	Exhibit 1-E WW CHELTENHAM - Schedule C-8.1	\$ (195,681)	\$ (214,955)	\$ (221,338)
5	Exhibit 1-F WW EAST NORRITON - Schedule C-8.1	\$ (72,937)	\$ (80,800)	\$ (83,230)
6	Exhibit 1-G WW NEW GARDEN - Schedule C-8.1	\$ (6,414)	\$ (7,105)	\$ (7,319)
7	Total Wastewater Intracompany Benefits	\$ (1,674,822)	\$ (1,807,225)	\$ (1,859,437) ‡
8	Less: Amount Charged to Operating Expense			
9	During the Twelve Months Ended 3/31/2021	(1,498,740)		
10	Less: Present Rates 3/31/2021		(1,674,822)	
11	Less: Present Rates 3/31/2022			(1,807,225)
12	Increase/(Decrease)	\$ (176,082)	\$ (132,402)	\$ (52,212)
13	Pro Forma Adjustment:			
14	6048	\$ (176,082)	\$ (132,402)	\$ (52,212)

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 OPERATING EXPENSES
 LEGAL EXPENSE

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

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Legal Expense Claim (3 Year Average)	\$ 644,475	\$ 644,475	\$ 644,475 ‡
2	Less: Amount Charged to Operating Expense			
3	During the Twelve Months Ended 3/31/2021	641,511		
4	Less: Present Rates 3/31/2021		644,475	
5	Less: Present Rates 3/31/2022			644,475
6	Increase/(Decrease)	<u>\$ 2,964</u>	<u>\$ -</u>	<u>\$ -</u>
7	Pro Forma Adjustment:			
8	6338	\$ 2,964	\$ -	\$ -

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

ELIMINATE NAWC LOBBYING EXPENSE

This adjustment removes the lobbying expense portion, approximately 13%, of the National Association of Water Companies annual dues for the historic test year.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT
1	Claimed Lobbying Expense	\$ -
2	Less: Amount Charged to Operating Expense	
3	During the Twelve Months Ended 3/31/2021	37,175
4	Increase/(Decrease)	<u>\$ (37,175)</u>
5	Pro Forma Adjustment:	
6	6758	\$ (37,175)

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

ELIMINATE BELLE AIRE ACRES EXPENSES

Beginning September 3, 2019, the Company was appointed receiver for the JBW Water Service Company, which serves the community of Belle Aire Acres, at Docket No. M-2019-3012563. The following adjustment removes the expenses incurred from operating the water system serving Belle Aire Acres which were recorded above the line during the test year. Refer to Schedule B-10 of this exhibit for the removal of Belle Aire Acres revenues.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT
1	Claimed Belle Aire Acres Water Expenses	\$ -
2	Less: Amount Charged to Operating Expense	
3	During the Twelve Months Ended 3/31/2021	3,661
4	Increase/(Decrease)	<u>\$ (3,661)</u>
Pro Forma Adjustment:		
5	6151	(1,964)
6	6353	(850)
7	6362	(380)
8	6707	(467)

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

ELIMINATE TWIN LAKES EXPENSES

Beginning January 15, 2021, the Company was appointed receiver for the Twin Lakes Water System at Docket No. P-2020-3020914. The following adjustment removes the expenses incurred from operating the Twin Lakes Water System which were recorded above the line during the test year. Refer to Schedule B-10 of this exhibit for the removal of Twin Lakes revenues.

LINE NO.	DESCRIPTION	PRESENT RATES	
		3/31/2021	AMOUNT
1	Claimed Twin Lakes Water Expenses	\$	-
2	Less: Amount Charged to Operating Expense		
3	During the Twelve Months Ended 3/31/2021		37,430
4	Increase/(Decrease)	\$	<u>(37,430)</u>
Pro Forma Adjustment:			
5	6011		(3,231)
6	6151		(1,668)
7	6361		(930)
8	6362		(2,555)
9	6366		(225)
10	6758		(463)
11	6707		(28,358)

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 STATEMENT OF DEPRECIATION

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		3/31/21 AMOUNT	3/31/22 AMOUNT	3/31/23 AMOUNT
	(1)	(2)	(3)	(4)
1	Annualized Depreciation Expense	\$ 103,588,615	\$ 114,337,291	\$ 122,166,578
2	Less: Amount Charged to Depreciation Expense			
3	During the Twelve Months Ended 3/31/2021	96,919,747		
4	Less: Present Rates 3/31/2021		103,588,615	
5	Less: Present Rates 3/31/2022			114,337,291
6	Increase/(Decrease)	<u>\$ 6,668,868</u>	<u>\$ 10,748,676</u>	<u>\$ 7,829,287</u>
7	Pro Forma Adjustment:			
8		\$ 6,668,868	\$ 10,748,676	\$ 7,829,287

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO TAXES OTHER THAN INCOME

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/21		PRESENT RATES 3/31/22		PRESENT RATES 3/31/23		PROPOSED RATES	
		ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Per Books		\$ 11,066,436						
2	Present Rates at 3/31/21				\$ 11,777,300				
3	Present Rates at 3/31/22						\$ 12,199,300		
4	Present Rates at 3/31/23								\$ 12,279,861
5	General Assessment Fees By The Pennsylvania Public Utility Commission	270,165		128,551		3,755		295,307	
6	General Assessment Fees By The Consumer Advocate, Small Business Advocate, And Damage Prevention Committee	121,648		52,236		1,526		119,995	
7	Public Utility Realty Tax	146,698		-		-			
8	Pennsylvania Property Tax	-		-		-			
9	Payroll Taxes	172,352		241,213		75,280			
10	Pro Forma Adjustment		<u>\$ 710,864</u>		<u>\$ 422,000</u>		<u>\$ 80,562</u>		<u>\$ 415,302</u>
11	Pro Forma Present Rates at March 31, 2021		<u><u>\$ 11,777,300</u></u>						
12	Pro Forma Present Rates at March 31, 2022				<u><u>\$ 12,199,300</u></u>				
13	Pro Forma Present Rates at March 31, 2023						<u><u>\$ 12,279,861</u></u>		
14	Pro Forma Proposed Rates at March 31, 2023								<u><u>\$ 12,695,163</u></u>

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

TAXES OTHER THAN INCOME

GENERAL ASSESSMENT FEES BY THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT	PROPOSED RATES AMOUNT
1	Gross Utility Water Revenues	\$ 480,499,846	\$ 508,916,794	\$ 509,746,949	\$ 575,026,137
2	Estimated General Assessment Fee:				
3	Public Utility Commission Fee At 0.004523752666	2,173,662	2,302,214	2,305,969	2,601,276
4	Total General Assessment Fees	\$ 2,173,662	\$ 2,302,214	\$ 2,305,969	\$ 2,601,276
5	Less: Amount Charged to Taxes Other Than Income				
6	During the Twelve Months Ended 3/31/2021	1,903,497			
7	Less: Present Rates 3/31/2021		2,173,662		
8	Less: Present Rates 3/31/2022			2,302,214	
9	Less: Present Rates 3/31/2023				2,305,969
10	Increase/(Decrease)	\$ 270,165	\$ 128,551	\$ 3,755	\$ 295,307
11	Pro Forma Adjustment:				
12	4081	\$ 270,165	\$ 128,551	\$ 3,755	\$ 295,307

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 TAXES OTHER THAN INCOME

GENERAL ASSESSMENT FEES BY THE CONSUMER ADVOCATE, SMALL BUSINESS ADVOCATE, AND DAMAGE PREVENTION COMMITTEE

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT	PROPOSED RATES AMOUNT
1	Gross Utility Water Revenues	\$ 480,499,846	\$ 508,916,794	\$ 509,746,949	\$ 575,026,137
2	Estimated General Assessment Fee:				
3	Consumer Advocate Fee At 0.001625725256	781,161	827,359	828,708	934,835
4	Small Business Advocate Fee At 0.000184760982	88,778	94,028	94,181	106,242
5	Damage Prevention Fee At 0.000027700326	13,310	14,097	14,120	15,928
6	Total General Assessment Fees	\$ 883,248	\$ 935,484	\$ 937,010	\$ 1,057,005
7	Less: Amount Charged to Taxes Other Than Income				
8	During the Twelve Months Ended 3/31/2021	761,600			
9	Less: Present Rates 3/31/2021		883,248		
10	Less: Present Rates 3/31/2022			935,484	
11	Less: Present Rates 3/31/2023				937,010
12	Increase/(Decrease)	\$ 121,648	\$ 52,236	\$ 1,526	\$ 119,995
13	Pro Forma Adjustment:				
14	4081	\$ 121,648	\$ 52,236	\$ 1,526	\$ 119,995

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

TAXES OTHER THAN INCOME

PUBLIC UTILITY REALTY TAX

PURTA for the future test year and fully projected future test year are based on the year 2020 estimated tax liability.
 This is the latest statement that the Company has received from the Commonwealth of Pennsylvania.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT
1	PURTA Liability	\$ 4,800,000	\$ 4,800,000	\$ 4,800,000
2	Less: Amount Charged to Taxes Other Than Income			
3	During the Twelve Months Ended 3/31/2021	4,653,302		
4	Less: Present Rates 3/31/2021		4,800,000	
5	Less: Present Rates 3/31/2022			4,800,000
6	Increase/(Decrease)	<u>\$ 146,698</u>	<u>\$ -</u>	<u>\$ -</u>
7	Pro Forma Adjustment:			
8	4082	\$ 146,698	\$ -	\$ -

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 TAXES OTHER THAN INCOME
 PENNSYLVANIA PROPERTY TAX

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT
1	Claimed Property Tax Expense	\$ 1,073,227	\$ 1,073,227	\$ 1,073,227
2	Less: Amount Charged to Taxes Other Than Income			
3	During the Twelve Months Ended 3/31/2021	1,073,227		
4	Less: Present Rates 3/31/2021		1,073,227	
5	Less: Present Rates 3/31/2022			1,073,227
6	Increase/(Decrease)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
7	Pro Forma Adjustment:			
8	4081	\$ -	\$ -	\$ -

AQUA PENNSYLVANIA, INC.
 NOTES TO STATEMENT OF INCOME
 TAXES OTHER THAN INCOME
 PAYROLL TAXES

The following adjustment is being made to annualize payroll tax expense based on the annualized compensation claim made at March 31, 2022 and March 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	FICA OASDI		\$ 3,312,385	\$ 3,397,035
2	FICA Medicare		795,677	818,448
3	FICA Total	3,788,374	4,108,062	4,215,483
4	FUTA	26,111	26,971	26,982
5	SUTA	252,889	276,931	277,043
6	Annualized Payroll Taxes	4,067,375	4,411,965	4,519,508
7	Capitalized portion not charged to operating expense	30.00% (1,220,212)	(1,323,589)	(1,355,852)
8	Sub-Total	\$ 2,847,162	\$ 3,088,375	\$ 3,163,655
9	Less: Amount Charged to Taxes Other Than Income			
10	During the Twelve Months Ended 3/31/2021	2,674,810		
11	Less: Present Rates 3/31/2021		2,847,162	
12	Less: Present Rates 3/31/2022			3,088,375
13	Increase/(Decrease)	\$ 172,352	\$ 241,213	\$ 75,280
14	Pro Forma Adjustment:			
15	40812	\$ 172,352	\$ 241,213	\$ 75,280

AQUA PENNSYLVANIA, INC.
INTEREST ON LONG-TERM DEBT

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

LINE NO.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1		PRESENT RATES @ 3/31/21			PRESENT RATES @ 3/31/22			PRESENT RATES @ 3/31/23		
2 Capital Structure		\$	%	Cost Rate	\$	%	Cost Rate	\$	%	Cost Rate
3 Long-term Debt		\$ 1,825,756,444	48.25%	4.04%	\$ 1,814,246,887	44.47%	4.01%	\$ 1,988,887,917	46.08%	4.00%
4 Common Equity		\$ 1,957,971,316	51.75%	10.75%	\$ 2,265,829,316	55.53%	10.75%	\$ 2,327,719,016	53.92%	10.75%
5		<u>\$ 3,783,727,759</u>	<u>100.00%</u>	<u>7.51%</u>	<u>\$ 4,080,076,202</u>	<u>100.00%</u>	<u>7.75%</u>	<u>\$ 4,316,606,932</u>	<u>100.00%</u>	<u>7.64%</u>
6				PRESENT RATES			PRESENT RATES			PRESENT RATES
7 Calculation of Interest:				3/31/21			3/31/22			3/31/23
8 Original Cost Rate Base		Schedule G-1 Col 3, Row 15	\$	3,305,510,051	Schedule G-1 Col 4, Row 15	\$	3,611,820,561	Schedule G-1 Col 5, Row 15	\$	3,818,296,012
9 Applicable Percentage				<u>48.25%</u>			<u>44.47%</u>			<u>46.08%</u>
10 Applicable Portion of Rate Base			\$	1,595,002,775		\$	1,606,032,310		\$	1,759,289,859
11 Cost Rate				4.04%			4.01%			4.00%
12 Pro-Forma Long-term Interest Expense			\$	<u>64,438,112</u>		\$	<u>64,401,896</u>		\$	<u>70,371,594</u>
13 Less: Interest on Long Term Debt Per Books 3/31/21				74,303,991						
14 Less: Interest on Long Term Debt Present Rates at 3/31/21							64,438,112			
15 Less: Interest on Long Term Debt Present Rates at 3/31/22										64,401,896
16 Long Term Debt Pro Forma Adjustment			\$	<u>(9,865,879)</u>		\$	<u>(36,216)</u>		\$	<u>5,969,699</u>

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

AMORTIZATION OF DEBT ISSUANCE & PREMIUM/DISCOUNT ON DEBT

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

LINE NO.	DESCRIPTION	PER BOOKS 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Amortization of Debt Discount and Expense Per Books	\$ 685,307	\$ -	\$ -
2	Eliminate Amortization of Debt Discount and Expense	(685,307)	-	-
3	Sub-Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
4	Pro Forma Adjustment:			
5	4276	\$ (685,307)	\$ -	\$ -

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

OTHER INTEREST CHARGES

Other Interest Charges for the year ending March 31, 2021 were principally for funds borrowed through bank loans to finance the Company's capital expenditures. The bank loans outstanding are anticipated to be refinanced with long-term debt prior to the end of the future test year. Therefore, the interest on bank loans is eliminated.

LINE NO.	DESCRIPTION	PER BOOKS 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Other Interest Charges Per Books	\$ (1,249)	\$ -	\$ -
2	Eliminate Other Interest Charges	1,249	-	-
3	Sub-Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
4	Pro Forma Adjustment:			
5	4190	\$ 1,249	\$ -	\$ -

AQUA PENNSYLVANIA, INC.
NOTES TO STATEMENT OF INCOME
INTEREST DURING CONSTRUCTION

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

LINE NO.	DESCRIPTION	PER BOOKS 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Interest During Construction Per Books	\$ (5,222,031)	\$ -	\$ -
2	Eliminate Interest During Construction	5,222,031	-	-
3	Sub-Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
4	Pro Forma Adjustment:			
5	4200	\$ 5,222,031	\$ -	\$ -

AQUA PENNSYLVANIA, INC.

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO INCOME TAXES

LINE NO.	DESCRIPTION	REFERENCE	PRESENT RATES	PRESENT RATES	PRESENT RATES	PROPOSED RATES
			3/31/21 AMOUNT	3/31/22 AMOUNT	3/31/23 AMOUNT	3/31/23 AMOUNT
	(1)	(2)	(3)	(4)	(5)	(6)
1	Federal Income Tax - Current	Schedule F-2	\$ 12,439,136	\$ 15,453,965	\$ 13,072,876	\$ 25,270,306
2	Less: Per Book	Schedule A-1	6,850,702			
3	Less: Present Rates at 3/31/21			12,439,136		
4	Less: Present Rates at 3/31/22				15,453,965	
5	Less: Present Rates at 3/31/23					13,072,876
6	Pro Forma Adjustment		<u>\$ 5,588,434</u>	<u>\$ 3,014,829</u>	<u>\$ (2,381,089)</u>	<u>\$ 12,197,430</u>
7	State Income Tax - Current	Schedule F-2	\$ 5,447,895	\$ 7,033,877	\$ 5,767,840	\$ 12,214,337
8	Less: Per Book	Schedule A-1	3,372,696			
9	Less: Present Rates at 3/31/21			5,447,895		
10	Less: Present Rates at 3/31/22				7,033,877	
11	Less: Present Rates at 3/31/23					5,767,840
12	Pro Forma Adjustment		<u>\$ 2,075,199</u>	<u>\$ 1,585,982</u>	<u>\$ (1,266,037)</u>	<u>\$ 6,446,497</u>
13	Federal Income Tax - Deferred	Schedule F-2	\$ (12,541,152)	\$ (11,622,373)	\$ (5,171,324)	\$ (5,171,324)
14	Less: Per Book	Schedule A-1	(5,044,566)			
15	Less: Present Rates at 3/31/21			(12,541,152)		
16	Less: Present Rates at 3/31/22				(11,622,373)	
17	Less: Present Rates at 3/31/23					(5,171,324)
18	Pro Forma Adjustment		<u>\$ (7,496,586)</u>	<u>\$ 918,779</u>	<u>\$ 6,451,049</u>	<u>\$ -</u>
19	State Income Tax - Deferred	Schedule F-2	\$ (5,250,979)	\$ (5,250,979)	\$ (437,582)	\$ (437,582)
20	Less: Per Book	Schedule A-1	(6,084,927)			
21	Less: Present Rates at 3/31/21			(5,250,979)		
22	Less: Present Rates at 3/31/22				(5,250,979)	
23	Less: Present Rates at 3/31/23					(437,582)
24	Pro Forma Adjustment		<u>\$ 833,948</u>	<u>\$ -</u>	<u>\$ 4,813,398</u>	<u>\$ -</u>
25	Income Tax Credit Amortization	Schedule F-2	\$ (253,413)	\$ (253,413)	\$ (253,413)	\$ (253,413)
26	Less: Per Book	Schedule A-1	(253,413)			
27	Less: Present Rates at 3/31/21			(253,413)		
28	Less: Present Rates at 3/31/22				(253,413)	
29	Less: Present Rates at 3/31/23					(253,413)
30	Pro Forma Adjustment		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

LINE NO.	REFERENCE	PRESENT RATES 3/31/21		PRESENT RATES 3/31/22		PRESENT RATES 3/31/23		PROPOSED RATES 3/31/23		
		FEDERAL (3)	STATE (4)	FEDERAL (5)	STATE (6)	FEDERAL (7)	STATE (8)	FEDERAL (9)	STATE (10)	
1	Utility Operating Income Before Tax	Schedule A-1	\$ 251,704,417	\$ 251,704,417	\$ 268,204,545	\$ 268,204,545	\$ 258,807,582	\$ 258,807,582	\$ 323,337,080	\$ 323,337,080
2	Interest Expense	Schedule A-1	(64,438,112)	(64,438,112)	(64,401,896)	(64,401,896)	(70,371,594)	(70,371,594)	(70,371,594)	(70,371,594)
3	State Income Tax	[11]	(5,447,895)		(7,033,877)		(5,767,840)		(12,214,337)	
4	Tax Repair Deduction		(151,448,045)	(151,448,045)	(154,600,000)	(154,600,000)	(154,600,000)	(154,600,000)	(154,600,000)	(154,600,000)
5	Book Depreciation	Schedule A-1	103,588,615	103,588,615	114,337,291	114,337,291	122,166,578	122,166,578	122,166,578	122,166,578
6	Tax Depreciation		(74,724,997)	(84,873,388)	(82,915,753)	(93,130,763)	(87,982,934)	(98,266,432)	(87,982,934)	(98,266,432)
7	Taxable Income	Sum of Lines [1] : [6]	\$ 59,233,982	\$ 54,533,487	\$ 73,590,311	\$ 70,409,177	\$ 62,251,792	\$ 57,736,134	\$ 120,334,793	\$ 122,265,632
8	Income Tax Rate		21.00%	9.99%	21.00%	9.99%	21.00%	9.99%	21.00%	9.99%
9	Pro Forma Income Tax : Current	[7] * [8]	12,439,136	5,447,895	15,453,965	7,033,877	13,072,876	5,767,840	25,270,306	12,214,337
10	Other									
11	Total - Current Income Tax	[9] + [10]	\$ 12,439,136	\$ 5,447,895	\$ 15,453,965	\$ 7,033,877	\$ 13,072,876	\$ 5,767,840	\$ 25,270,306	\$ 12,214,337
12	Deferred Income Tax:									
13	Catch Up Adjustment		\$ (37,642,216)	\$ (52,562,356)	\$ (37,642,216)	\$ (52,562,356)	\$ (3,136,851)	\$ (4,380,196)	\$ (3,136,851)	\$ (4,380,196)
14	Income Tax Rate		21.00%	9.99%	21.00%	9.99%	21.00%	9.99%	21.00%	9.99%
15	Deferred Income Tax - Repair Adjustment	[13] * [14]	(7,904,865)	(5,250,979)	(7,904,865)	(5,250,979)	(658,739)	(437,582)	(658,739)	(437,582)
16	Normalized Book Depreciation		(74,660,870)		(83,058,552)		(88,536,184)		(88,536,184)	
17	Normalized Tax Depreciation		69,625,884		77,689,464		82,812,103		82,812,103	
18	Income Tax Rate		21.00%	9.99%	21.00%	9.99%	21.00%	9.99%	21.00%	9.99%
19	Deferred Income Tax - Tax/Book Depreciation	([16] + [17]) * [18]	(1,057,347)	-	(1,127,509)	-	(1,202,057)	-	(1,202,057)	-
20	Flowback of TRA-86		(57,648)		(57,648)		(57,648)		(57,648)	
21	Flowback of TCJA 2017 (ARAM) - Protected		(3,764,040)		(2,775,100)		(3,495,629)		(3,495,629)	
22	Flowback of TCJA 2017 - 10 Years		242,749		242,749		242,749		242,749	
23	Total Flow Through		(3,578,940)	-	(2,589,999)	-	(3,310,529)	-	(3,310,529)	-
24	Total - Deferred Income Tax	[15] + [19] + [23]	\$ (12,541,152)	\$ (5,250,979)	\$ (11,622,373)	\$ (5,250,979)	\$ (5,171,324)	\$ (437,582)	\$ (5,171,324)	\$ (437,582)
25	Amortization of Income Tax Credit		(253,413)		(253,413)		(253,413)		(253,413)	
26	Total - Income Tax	[11] + [24] + [25]	\$ (355,429)	\$ 196,916	\$ 3,578,179	\$ 1,782,897	\$ 7,648,139	\$ 5,330,258	\$ 19,845,569	\$ 11,776,755

AQUA PENNSYLVANIA, INC.

RATE BASE AS OF MARCH 31, 2021,

MARCH 31, 2022 AND MARCH 31, 2023 UNDER PRESENT AND PROPOSED RATES

LINE NO.	REFERENCE	ORIGINAL COST	ORIGINAL COST	ORIGINAL COST	
		3/31/21	3/31/22	3/31/23	
(1)	(2)	(3)	(4)	(5)	
1	Utility Plant in Service	Schedule G-2	\$ 4,909,729,427	\$ 5,275,773,051	\$ 5,562,077,614
2	Utility Plant Acquisition Adjustment	Schedule G-3	4,421,548	6,449,839	5,918,960
3			4,914,150,975	5,282,222,890	5,567,996,574
4	Less: Accumulated Depreciation	Schedule G-2	(1,033,505,442)	(1,101,367,115)	(1,187,649,009)
5	Net Plant in Service		<u>3,880,645,533</u>	<u>4,180,855,775</u>	<u>4,380,347,565</u>
6	Additions:				
7	Materials & Supplies	Schedule G-4	8,452,883	7,672,303	7,672,303
8	Cash Working Capital	Schedule G-5	1,576,000	1,576,000	1,576,000
9			<u>10,028,883</u>	<u>9,248,303</u>	<u>9,248,303</u>
10	Deductions:				
	Contributions in Aid of Construction and				
11	Customer Advances for Construction	Schedule G-6	(184,419,150)	(181,255,810)	(178,784,735)
12	Deferred Income Taxes	Schedule G-7	(400,745,215)	(397,027,707)	(392,515,121)
13	Investment Tax Credit		-	-	-
14			<u>(585,164,365)</u>	<u>(578,283,517)</u>	<u>(571,299,856)</u>
15	Total Rate Base		<u>\$ 3,305,510,051</u>	<u>\$ 3,611,820,561</u>	<u>\$ 3,818,296,012</u>

AQUA PENNSYLVANIA, INC.

NOTES TO RATE BASE ELEMENTS

UTILITY PLANT IN SERVICE & ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Utility Plant in Service	\$ 4,909,729,427	\$ 4,909,729,427	\$ 5,275,773,051
2	Plus: Additions		402,940,579	314,771,304
3	Less: Retirements		(36,896,955)	(28,466,740)
4	Utility Plant in Service	<u>\$ 4,909,729,427</u>	<u>\$ 5,275,773,051</u>	<u>\$ 5,562,077,614</u>
5	Accumulated Depreciation	<u>\$ (1,033,505,442)</u>	<u>\$ (1,101,367,115)</u>	<u>\$ (1,187,649,009)</u>

AQUA PENNSYLVANIA, INC.

NOTES TO RATE BASE ELEMENTS

UTILITY PLANT ACQUISITION ADJUSTMENTS

The following adjustment reflects the recognition of the positive Utility Plant Acquisition Adjustments (UPAA) associated with the acquisition of various water utility assets pursuant to the terms of the Commission-approved settlement of the Company's rate cases at Docket Nos. R-00038805, R-00051030, R-00072711, R-2009-2132019, and R-2018-3003558. In addition, the Company is requesting recognition of the positive UPAA associated with its acquisitions of the water assets for Phoenixville.

LINE NO.	DESCRIPTION	DOCKET NO.	ORIGINAL ACQUISITION ADJUSTMENT	DATE CLOSED	AMORTIZATION PERIOD	PRESENT RATES		PRESENT RATES		PRESENT RATES	
						3/31/2021 BALANCE	FTY AMORTIZATIONS	3/31/2022 BALANCE	FPFTY AMORTIZATIONS	3/31/2023 BALANCE	
1	N.U.I.	R-00038805	\$ 1,221,535	6/26/2002	8/04 - 7/24	\$ 203,589	\$ 61,077	\$ 142,513	\$ 61,077	\$ 81,436	
2	White Rock	R-00038805	227,554	11/22/2002	8/04 - 7/24	37,926	11,378	26,548	11,378	15,170	
3	Marienville	R-00051030	467,205	3/30/2004	7/06 - 6/26	122,642	23,360	99,282	23,360	75,922	
4	Meribah	R-00051030	13,387	3/31/2004	7/06 - 6/26	3,514	669	2,845	669	2,175	
5	Hex Acres	R-00051030	85,923	4/30/2004	7/06 - 6/26	22,555	4,296	18,259	4,296	13,963	
6	Tambur	R-00051030	36,314	4/30/2004	7/06 - 6/26	9,532	1,816	7,717	1,816	5,901	
7	Barret Water	R-00051030	34,881	4/30/2004	7/06 - 6/26	9,157	1,744	7,412	1,744	5,668	
8	Oneida	R-00051030	76,172	6/24/2004	7/06 - 6/26	19,995	3,809	16,187	3,809	12,378	
9	Christian Springs	R-00051030	6,055	8/19/2004	7/06 - 6/26	1,589	303	1,287	303	984	
10	Stanton	R-00051030	41,903	2/25/2005	7/06 - 6/26	11,000	2,095	8,905	2,095	6,809	
11	Meadowcrest	R-00051030	101,156	8/18/2005	7/06 - 6/26	26,554	5,058	21,496	5,058	16,438	
12	Garbush	R-00072711	65,216	10/19/2005	8/08 - 7/28	24,184	3,261	20,924	3,261	17,663	
13	C S Water	R-00072711	887,125	1/20/2006	8/08 - 7/28	325,280	44,356	280,924	44,356	236,568	
14	Country Club Gardens	R-00072711	60,900	11/28/2006	8/08 - 7/28	22,330	3,045	19,285	3,045	16,240	
15	Lakeside Acres	R-00072711	108,602	12/19/2007	8/08 - 7/28	39,821	5,430	34,390	5,430	28,960	
16	Honesdale	R-2009-2132019	1,521,927	9/30/2008	7/10 - 6/30	703,891	76,096	627,795	76,096	551,698	
17	Washington Park (1)	R-2009-2132019	(11,493)	3/31/2009	7/10 - 6/30	(5,315)	(575)	(4,741)	(575)	(4,166)	
18	Sleepy Hollow (1)	R-2009-2132019	(99,921)	3/31/2009	7/10 - 6/30	(46,213)	(4,996)	(41,217)	(4,996)	(36,221)	
19	Clarendon	R-2009-2132019	201,107	4/30/2009	7/10 - 6/30	93,012	10,055	82,957	10,055	72,902	
20	Kratzerville	R-2009-2132019	56,599	5/29/2009	7/10 - 6/30	26,177	2,830	23,347	2,830	20,517	
21	Treasure Lake	R-2018-3003558	3,024,801	2/28/2013	4/19 - 3/39	2,722,321	151,240	2,571,081	151,240	2,419,841	
22	Mt Jewett Water	R-2018-3003558	49,459	5/5/2015	4/19 - 3/39	44,513	2,473	42,040	2,473	39,567	
23	Sun Valley Water	R-2018-3003558	3,883	1/29/2018	4/19 - 3/39	3,495	194	3,300	194	3,106	
24	Phoenixville Water	Seeking Approval	2,437,305	12/4/2019	4/22 - 3/42			2,437,305	121,865	2,315,440	
25	Effect to Rate Base Element		<u>\$ 10,617,596</u>			<u>\$ 4,421,548</u>	<u>\$ 409,014</u>	<u>\$ 6,449,839</u>	<u>\$ 530,879</u>	<u>\$ 5,918,960</u>	

(1) Washington Park and Sleepy Hollow are exceptions to the treatment of negative acquisition adjustments as provided for in Section 1327 of the Public Utility Code because it was stipulated in the order approving their acquisition (Docket No. A-230550F2000) that rate base for rate making purposes would be limited to purchase price. To accomplish that requirement, the negative acquisition adjustment had to be included as a deduction to rate base.

AQUA PENNSYLVANIA, INC.

NOTES TO RATE BASE ELEMENTS

MATERIALS AND SUPPLIES

The Company's claim for materials and supplies at March 31, 2022 and March 31, 2023 is calculated on the basis of the average monthly balances in the materials and supplies account during the period March 2020 to March 2021.

LINE NO.	MONTH	YEAR	BALANCE
1	March	2020	\$ 7,668,104
2	April	2020	7,996,802
3	May	2020	7,589,392
4	June	2020	7,664,437
5	July	2020	8,047,562
6	August	2020	7,975,340
7	September	2020	7,981,194
8	October	2020	7,362,605
9	November	2020	6,945,331
10	December	2020	6,695,112
11	January	2021	7,656,146
12	February	2021	7,705,033
13	March	2021	8,452,883
14	Total		<u>\$ 99,739,941</u>
15	13 Month Average		\$ 7,672,303
16	Allowance for Materials & Supplies		
17	At 3/31/2022 and 3/31/2023		<u>\$ 7,672,303</u>

AQUA PENNSYLVANIA, INC.
NOTES TO RATE BASE ELEMENTS
CASH WORKING CAPITAL SUMMARY

LINE NO.	DESCRIPTION	REFERENCE	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Cash Working Capital - Expenses	Schedule G-5.2	\$ 5,976,000	\$ 5,976,000	\$ 5,976,000
2	Cash Working Capital - Taxes	Schedule G-5.3	4,315,000	4,315,000	4,315,000
3	Cash Working Capital - Interest	Schedule G-5.4	(8,715,000)	(8,715,000)	(8,715,000)
4	Total Cash Working Capital Requirement		\$ 1,576,000	\$ 1,576,000	\$ 1,576,000

AQUA PENNSYLVANIA, INC.

NOTES TO RATE BASE ELEMENTS

CASH WORKING CAPITAL

CALCULATION OF LAG DAYS IN RECEIPT OF REVENUE

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

LINE NO.	MONTH (1)	YEAR (2)	BALANCE (3)
1	March	2020	\$ 31,388,579
2	April	2020	33,327,926
3	May	2020	34,923,666
4	June	2020	37,250,432
5	July	2020	40,311,394
6	August	2020	39,611,861
7	September	2020	36,184,759
8	October	2020	36,917,148
9	November	2020	36,372,748
10	December	2020	37,070,707
11	January	2021	45,613,384
12	February	2021	39,410,006
13	March	2021	30,210,500
14	Total		\$ 478,593,108
15	Average Accounts Receivable Balance		\$ 36,814,854
16	Gross Utility Water Revenues recorded During the Twelve Months Ended 3/31/2021		\$ 481,417,225
16	Average Daily Billing		\$ 1,318,951
18	Lag in Receipt of Payment		27.9
19	Average Use Period (a)		15.2
20	Bill Issue Period		2.0
21	Lag Days in Receipt of Revenue		<u>45.1</u>

Reference:
 (a) One-half of monthly billing period.

AQUA PENNSYLVANIA, INC.

NOTES TO RATE BASE ELEMENTS

CASH WORKING CAPITAL

CALCULATION OF LAG DAYS IN PAYMENT OF EXPENSES

LINE NO.	ITEM (1)	AMOUNT (2)	LAG DAYS (3)	Ref. # (4)	DOLLAR DAYS (5)
1	Hourly Labor	\$ 21,760,720	7.5	(a)	\$ 163,205,398
2	Non-Union Labor	15,062,757	11.0	(b)	165,690,324
3	Management Fee	18,159,655	16.0	(d)	290,554,473
4	Electric Power	8,264,734	20.7	(c)	171,298,103
5	Water Purchased	4,148,780	32.5	(c)	135,036,987
6	Employee Group Insurance	5,974,509	16.0	(d)	95,592,144
7	Liability Insurance	6,777,277	(1.4)	(c)	(9,283,677)
8	SFI Postage	1,344,879	(8.0)	(c)	(10,706,644)
9	Pension	3,990,000	300.6	(c)	1,199,377,034
10	SFAS106	27,361	365.7	(e)	10,005,097
11	All Other Expenses (g)	27,513,314	25.5	(f)	701,589,500
12	Total	<u>\$ 113,023,985</u>			<u>\$ 2,912,358,739</u>
13	Average Lag Days in Payment of Expenses		<u>25.8</u>	Col 5, Row 12 / Col 2, Row 12	
14	Average Lag Days in Receipt of Revenues		<u>45.1</u>	Schedule G-5.1	
15	Average Lag Days between Payment of Expenses				
16	and Receipt of Revenue		<u>19.3</u>	[14] - [13]	
17	WORKING CAPITAL REQUIREMENT				
18	Pro-forma Annual Expense Per Day		\$ 309,655	Col 2, Row 12 / 365	
19	Cash Working Capital Required		\$ 5,976,337	[16] * [18]	
20	USE		<u>\$ 5,976,000</u>	* Rounded to nearest thousandth	

Reference:

- (a) Weekly payroll paid on Thursday for preceding weeks work.
- (b) Bi-weekly payroll paid on Thursday for the preceding two weeks work.
- (c) Calculated based on test year actual experience.
- (d) Based on normal payment schedule & Intercompany settlement (1st of each month)
- (e) Payment made last week of calendar year
- (f) Assumes service rendered on 15th of the month, paid 10th of the following month. (Same procedure as prior rate cases.)
- (g) Less annual uncollectible accounts expense and other non-cash items

AQUA PENNSYLVANIA, INC.

NOTES TO RATE BASE ELEMENTS

CASH WORKING CAPITAL

CALCULATION OF LAG DAYS IN PAYMENT OF TAXES

LINE NO.	ITEM	AMOUNT	LAG DAYS	Ref. #	DOLLAR DAYS
	(1)	(2)	(3)	(4)	(5)
1	PA PUC - General Assessments	\$ 2,305,969	(197.5)	(a)	\$ (455,428,901)
2	OCA & SBA - General Assessments	937,010	(197.5)	(a)	(185,059,474)
3	Public Utility Realty Tax	4,800,000	(11.3)	(a)	(54,240,000)
4	Local, County, School, & Municipal Tax	1,073,227	(167.0)	(a)	(179,228,851)
5	FICA Taxes - Hourly	2,479,989	8.5		21,079,905
6	FICA Taxes - Executive & Exempt	1,735,494	12.0		20,825,925
7	Federal Unemployment Tax	26,982	75.0		2,023,650
8	PA Unemployment Tax	277,043	75.0		20,778,244
9	PA State Income Tax	5,767,840	45.2	(a)	260,706,360
10	Federal Income Tax	13,072,876	33.4	(a)	436,634,069
11	Total	<u>\$ 32,476,430</u>			<u>\$ (111,909,073)</u>
12	Average Lag Days in Payment of Taxes		<u>(3.4)</u>	Col 5, Row 11 / Col 2, Row 11	
13	Average Lag Days in Receipt of Revenues		<u>45.1</u>	Schedule G-5.1	
14	Average Lag Days between Payment of Taxes				
15	and Receipt of Revenue		<u>48.5</u>	[13] - [12]	
16	WORKING CAPITAL REQUIREMENT				
17	Pro-forma Annual Tax Expense Per Day		\$ 88,977	Col 2, Row 11 / 365	
18	Cash Working Capital Required		\$ 4,315,361	[15] * [17]	
19	USE		<u>\$ 4,315,000</u>	* Rounded to nearest thousandth	

Reference:

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

AQUA PENNSYLVANIA, INC.

NOTES TO RATE BASE ELEMENTS

CASH WORKING CAPITAL

CALCULATION OF LAG DAYS IN PAYMENT OF INTEREST

LINE NO.	ITEM (1)	AMOUNT (2)	LAG DAYS (3)	Ref. # (4)	DOLLAR DAYS (5)
1	Long Term Debt- Interest	\$ 69,499,551	91.3	(a)	\$ 6,341,834,013
2	PennVest-Interest	872,044	15.2	(b)	13,262,329
3	Total	<u>\$ 70,371,594</u>			<u>\$ 6,355,096,342</u>
4	Average Lag Days in Payment of Interest		<u>90.3</u>	Col 5, Row 3 / Col 2, Row 3	
5	Average Lag Days in Receipt of Revenues		<u>45.1</u>	Schedule G-5.1	
6	Average Lag Days between Payment of Interest				
7	and Receipt of Revenue		<u>(45.2)</u>	[5] - [4]	
8	WORKING CAPITAL REQUIREMENT				
9	Pro-forma Annual Interest Expense Per Day		\$ 192,799		
10	Cash Working Capital Required		\$ (8,714,510)		
11	USE		<u>\$ (8,715,000)</u>	* Rounded to nearest thousandth	

Reference:
 (a) Paid Semi-Annually
 (b) Paid Monthly

AQUA PENNSYLVANIA, INC.

NOTES TO RATE BASE ELEMENTS

CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) AND CUSTOMER ADVANCES FOR CONSTRUCTION (CAC)

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Customer Advances and Contributions In Aid Of Construction	\$ 184,419,150	\$ 184,419,150	\$ 181,255,810
2	Plus: Contributions		278,600	956,811
3	Less: Amortization		<u>(3,441,940)</u>	<u>(3,427,886)</u>
4	Customer Advances and Contributions In Aid Of Construction	<u>\$ (184,419,150)</u>	<u>\$ (181,255,810)</u>	<u>\$ (178,784,735)</u>

AQUA PENNSYLVANIA, INC.
 NOTES TO RATE BASE ELEMENTS
 DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	REFERENCE	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Deferred Income Taxes	FR.TX4	\$ 400,745,215	\$ 400,745,215	\$ 397,027,707
2	Change in Deferred Tax	Schedule F-2		(3,717,508)	(4,512,586)
3	Deferred Income Taxes		<u>\$ (400,745,215)</u>	<u>\$ (397,027,707)</u>	<u>\$ (392,515,121)</u>

AQUA PENNSYLVANIA WASTEWATER, INC. - BASETABLE OF CONTENTS TO EXHIBIT 1-B WASTEWATER BASE

	Schedule	Witness
A Summary		
Pro Forma Statement Of Income For The Twelve Months Ending March 31, 2021, March 31, 2022 And March 31, 2023 Under Present And Proposed Rates	A-1	William C. Packer
Number Of Customers Served And Whose Bills Will Be Changed	A-2	William C. Packer
Calculation Of Revenue Deficiency And Rate Of Return At Current And Proposed Rates March 31, 2023	A-3	William C. Packer
Statement Of Utility's Calculation Of Rate Of Return - Earned In The Year Ended March 31, 2021 And Anticipated Under Present And Proposed Rates For The Test Years Ended March 31, 2022 And March 31, 2023	A-4	William C. Packer
Calculation Of Gross Revenue Conversion Factor	A-5	William C. Packer
B Operating Revenues		
Statement Of Operating Revenue For The Twelve Months Ending March 31, 2021, March 31, 2022 And March 31, 2023 Under Present And Proposed Rates	B-1	Erin M. Feeney & Constance Heppenstall
Summary Of Adjustments To Operating Revenues	B-2	Erin M. Feeney
Operating Revenues - Unbilled Revenue Adjustment	B-3	Erin M. Feeney
Operating Revenues - DSIC Annualization	B-4	Erin M. Feeney
Operating Revenues - Change In Customers	B-5	Erin M. Feeney
Operating Revenues - Eliminate North Heidelberg Revenue	B-6	William C. Packer
Operating Revenues - Miscellaneous Revenue Adjustments	B-7	Erin M. Feeney
C Operating Expenses		
Notes To Statement Of Income Operating Expenses Expense Detail Accounts	C-1	William C. Packer
Operating Expenses Summary Of Expense Accounts	C-2	William C. Packer
Summary Of Adjustments To Operating Expenses	C-3	William C. Packer
Operating Expenses - General Price Level Adjustment	C-4.1	Christopher E. Manning
Operating Expenses - Inflation Factor Calculation	C-4.1.i	Christopher E. Manning
Operating Expenses - Uncollectible Accounts	C-4.2	Erin M. Feeney
Operating Expenses - Derivation Of Uncollectible Accounts Based On Three Years Of History Normalized	C-4.2.i	Erin M. Feeney
Operating Expenses - Additional Cost Of Serving Customers	C-4.3	Erin M. Feeney
Operating Expenses - Rate Case Expense	C-4.4	Christopher E. Manning
Operating Expenses - Payroll	C-4.5	Erin M. Feeney
Operating Expenses - Insurance Expense	C-4.6	Christopher M. Henkel
Operating Expenses - Management Service & Sundry	C-4.7	William C. Packer
Operating Expenses - Customer Service & Sundry	C-4.8	William C. Packer
Operating Expenses - Miscellaneous Expense Adjustments	C-4.9	Christopher E. Manning
Operating Expenses - Specific Expenses Not Subject To Inflation	C-4.10	Christopher E. Manning
Operating Expenses - Page Held For Future Use	C-5.1	N/A
Operating Expenses - Purchased Power Expense	C-6.1	Christopher M. Henkel

AQUA PENNSYLVANIA WASTEWATER, INC. - BASETABLE OF CONTENTS TO EXHIBIT 1-B WASTEWATER BASE

	Schedule	Witness
Operating Expenses - Purchased Power - Electric	C-6.1.i	Christopher M. Henkel
Operating Expenses - Purchased Power - Gas	C-6.1.ii	Christopher M. Henkel
Operating Expenses - Chemicals	C-6.2	Christopher M. Henkel
Operating Expenses - Purchased Wastewater Treatment Expense	C-7.1	Christopher M. Henkel
Operating Expenses - Employee Benefits	C-8.1	William C. Packer
Operating Expenses - Eliminate North Heidelberg Expenses	C-9.1	William C. Packer
D Other Expenses		
Statement Of Depreciation	D-1	Erin M. Feeney & John J. Spanos
Summary Of Adjustments To Taxes Other Than Income	D-2	Erin M. Feeney
Taxes Other Than Income - General Assessment Fees By The Pennsylvania Public Utility Commission	D-2.1	Erin M. Feeney
Taxes Other Than Income - General Assessment Fees By The Consumer Advocate, Small Business Advocate, And Damage Prevention Committee	D-2.2	Erin M. Feeney
Taxes Other Than Income - Public Utility Realty Tax	D-2.3	Erin M. Feeney
Taxes Other Than Income - Pennsylvania Property Tax	D-2.4	Erin M. Feeney
E Interest Expense		
Interest On Long-Term Debt	E-1	William C. Packer
Amortization Of Debt Issuance & Premium/Discount On Debt	E-2	William C. Packer
Other Interest Charges	E-3	William C. Packer
Interest During Construction	E-4	William C. Packer
F Income Taxes		
Summary Of Adjustments To Income Taxes	F-1	Christine Saball
Computation Of Federal And State Income Taxes Under Present And Proposed Rates	F-2	Christine Saball
G Rate Base		
Rate Base As Of March 31, 2021, March 31, 2022 And March 31, 2023 Under Present And Proposed Rates	G-1	William C. Packer
Rate Base - Utility Plant In Service & Accumulated Depreciation	G-2	Erin M. Feeney & John J. Spanos
Rate Base - Utility Plant Acquisition Adjustments	G-3	Erin M. Feeney
Rate Base - Materials And Supplies	G-4	William C. Packer
Rate Base - Cash Working Capital Summary	G-5	William C. Packer
Rate Base - Cash Working Capital - Calculation Of Lag Days In Receipt Of Revenue	G-5.1	William C. Packer
Rate Base - Cash Working Capital - Calculation Of Lag Days In Payment Of Expenses	G-5.2	William C. Packer
Rate Base - Cash Working Capital - Calculation Of Lag Days In Payment Of Taxes	G-5.3	William C. Packer
Rate Base - Cash Working Capital - Calculation Of Lag Days In Payment Of Interest	G-5.4	William C. Packer
Rate Base - Contributions In Aid Of Construction (CIAC) And Customer Advances For Construction (CAC)	G-6	Erin M. Feeney & John J. Spanos
Rate Base - Deferred Income Taxes	G-7	Christine Saball

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

PRO FORMA STATEMENT OF INCOME FOR THE TWELVE MONTHS ENDING MARCH 31, 2021,
MARCH 31, 2022 AND MARCH 31, 2023 UNDER PRESENT AND PROPOSED RATES

LINE NO.	PRESENT RATES				PRESENT RATES				PRESENT RATES		PROPOSED
	PER BOOKS	ADJUSTMENT	3/31/21 AMOUNT	ADJUSTMENT	3/31/22 AMOUNT	ADJUSTMENT	3/31/23 AMOUNT	ADJUSTMENT	RATES AMOUNT		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
1 Operating Revenues	\$ 18,335,514	\$ (99,284)	\$ 18,236,230	\$ 694,961	\$ 18,931,192	\$ 80,570	\$ 19,011,761	\$ 16,926,261	\$ 35,938,022		
2 Operating Expenses	9,861,717	(549,934)	9,311,783	331,789	9,643,571	230,790	9,874,361	202,084	10,076,445		
3 Depreciation	5,692,168	194,143	5,886,311	986,446	6,872,757	907,259	7,780,016		7,780,016		
4 Taxes, other than income :											
5 PUC assessment	86,034	(3,538)	82,496	3,144	85,640	364	86,005	76,570	162,575		
6 OCA & SBA assessments	34,548	(1,026)	33,522	1,277	34,799	148	34,947	31,114	66,061		
7 Public Utility Realty tax	-	-	-	-	-	-	-	-	-		
8 State Capital Stock tax	-	-	-	-	-	-	-	-	-		
9 Local property taxes & misc.	175,853	-	175,853	-	175,853	-	175,853	-	175,853		
10 Federal & State payroll tax	-	-	-	-	-	-	-	-	-		
11 Total Taxes, other than income	296,435	(4,564)	291,871	4,421	296,292	513	296,805	107,684	404,489		
12 Utility Operating Income Before Tax	2,485,194	261,071	2,746,265	(627,695)	2,118,571	(1,057,992)	1,060,579	16,616,492	17,677,072		
13 Income Taxes:											
14 Federal Tax-Current	467,457	(2,290,368)	(1,822,911)	(94,243)	(1,917,154)	(315,995)	(2,233,149)	3,140,866	907,717		
15 Pa. CNI Tax-Current	150,744	(1,313,041)	(1,162,297)	146,814	(1,015,483)	(167,007)	(1,182,491)	1,659,988	477,497		
16 Federal Tax-Deferred	188,838	838,461	1,027,299	18,947	1,046,246	93,360	1,139,605	-	1,139,605		
17 Pa. CNI Tax-Deferred	(218,035)	178,620	(39,415)	-	(39,415)	36,130	(3,285)	-	(3,285)		
18 ITC-Current	-	-	-	-	-	-	-	-	-		
19 ITC-Amortized	-	-	-	-	-	-	-	-	-		
20 Total Income Taxes	589,004	(2,586,328)	(1,997,325)	71,518	(1,925,807)	(353,513)	(2,279,319)	4,800,854	2,521,534		
21 Total Operating Revenue Deductions	16,439,324	(2,946,684)	13,492,640	1,394,174	14,886,814	785,049	15,671,863	5,110,622	20,782,485		
22 Utility Operating Income	1,896,191	2,847,400	4,743,590	(699,213)	4,044,377	(704,479)	3,339,899	11,815,639	15,155,537		
23 Income Deductions:											
24 Interest on Long-Term debt	12,946	3,099,061	3,112,007	67,807	3,179,813	476,222	3,656,035		3,656,035		
25 Amort. Of debt discount & expense	-	-	-	-	-	-	-	-	-		
26 Other interest charges	-	-	-	-	-	-	-	-	-		
27 Interest during Construction	(672,579)	672,579	-	-	-	-	-	-	-		
28 Total Income Deductions	(659,633)	3,771,640	3,112,007	67,807	3,179,813	476,222	3,656,035	-	3,656,035		
29 Net Income	\$ 2,555,824	\$ (924,240)	\$ 1,631,584	\$ (767,019)	\$ 864,564	\$ (1,180,700)	\$ (316,136)	\$ 11,815,639	\$ 11,499,503		
30 Preferred Dividend											
31 Net Income-Common	\$ 2,555,824	\$ (924,240)	\$ 1,631,584	\$ (767,019)	\$ 864,564	\$ (1,180,700)	\$ (316,136)	\$ 11,815,639	\$ 11,499,503		

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NUMBER OF CUSTOMERS SERVED
 AND WHOSE BILLS WILL BE CHANGED

LINE NO.	CUSTOMER CLASS	SERVED AT 3/31/2020	SERVED AT 3/31/2021	TO BE SERVED AT 3/31/2022	TO BE SERVED AT 3/31/2023	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Residential	15,677	15,773	15,865	15,957	15,616	70	271
2	Commercial	701	695	695	695	694	-	1
3	Industrial	1	1	1	1	1	-	-
4	Public	35	35	35	35	35	-	-
5	Miscellaneous	-	-	-	-	-	-	-
6	Availability Charge	-	-	-	-	-	-	-
7	Total Customers	16,414	16,504	16,596	16,688	16,346	70	272

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
CALCULATION OF REVENUE DEFICIENCY AND RATE OF RETURN
AT CURRENT AND PROPOSED RATES MARCH 31, 2023

LINE NO.	DESCRIPTION	REFERENCE		
1	Pro Forma Rate Base	Schedule G-1	\$	198,372,990
2	Recommended Rate of Return	Schedule E-1	X	7.64%
3	Operating Income, Pro Forma Proposed Rates		= \$	15,155,537
4	Operating Income, Pro Forma Present Rates	Schedule A-1	\$	3,339,899
5	Operating Income Deficit		= \$	11,815,639
6	Gross Revenue Conversion Factor	Schedule A-5	X	1.4325
7	Revenue Deficit		= \$	16,926,261

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
STATEMENT OF UTILITY'S CALCULATION OF RATE OF RETURN
EARNED IN THE YEAR ENDED MARCH 31, 2021 AND
ANTICIPATED UNDER PRESENT AND PROPOSED RATES
FOR THE TEST YEARS ENDED MARCH 31, 2022 AND MARCH 31, 2023

LINE NO.		NET UTILITY OPERATING INCOME	VALUATION AT ORIGINAL COST	RATE OF RETURN
1	Present Rates March 31, 2021	\$ 4,743,590	\$ 159,637,968	2.97%
2	Present Rates March 31, 2022	\$ 4,044,377	\$ 178,331,943	2.27%
3	Present Rates March 31, 2023	\$ 3,339,899	\$ 198,372,990	1.68%
4	Proposed Rates March 31, 2023	\$ 15,155,537	\$ 198,372,990	7.64%

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
 CALCULATION OF GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	RATE
1	Dollar (Taxable income)	\$ 1.0000
2	Less:	
3	Gross Receipts Tax	0.000% N/A
4	PUC Assessments	0.636% Schedule D-2.1 & Schedule D-2.2
5	Bad Debt	1.194% Schedule C-4.2.i
6	Subtotal (Taxable income)	\$ 0.9817
7	State Tax Rate	9.990%
8	State Tax \$\$ =====>	\$ 0.0981
9	State Factor	\$ 0.8836
10	Federal Tax Rate	21.00%
11	Fed Tax \$\$ =====>	\$ 0.1856
12	Combined Income Tax Factor on Gross Revenues	28.36%
13	Net Operating Income Factor	69.81%
14	Gross Revenue Conversion Factor	1.43253

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
 STATEMENT OF OPERATING REVENUE FOR THE TWELVE MONTHS ENDING MARCH 31, 2021,
 MARCH 31, 2022 AND MARCH 31, 2023 UNDER PRESENT AND PROPOSED RATES

LINE NO.	CUSTOMER CLASS (1)	REVENUE FOR 12 MOS. ENDED		PRESENT RATES 3/31/21		PRESENT RATES 3/31/22		PRESENT RATES 3/31/23		REVENUE RATE INCREASE		PROPOSED RATES AMOUNT (11)
		3/31/21 (2)	ADJUSTMENT (3)	AMOUNT (4)	ADJUSTMENT (5)	AMOUNT (6)	ADJUSTMENT (7)	AMOUNT (8)	% (9)	\$ (10)		
1	Residential	\$ 13,046,418	\$ (261,464)	\$ 12,784,955	\$ 553,920	\$ 13,338,874	\$ 80,570	\$ 13,419,444	92.8%	\$ 12,450,444	\$ 25,869,889	
2	Commercial	4,033,596	(51,029)	3,982,567	135,971	4,118,538	-	4,118,538	89.5%	3,684,719	7,803,257	
3	Industrial	718	(2)	716	26	743	-	743	102.3%	760	1,503	
4	Public	1,230,715	213,841	1,444,556	5,044	1,449,600	-	1,449,600	54.5%	790,338	2,239,938	
5	Other	-	-	-	-	-	-	-	0.0%	-	-	
6	Availability Charge	-	-	-	-	-	-	-	0.0%	-	-	
7	Total Sales to General Customers	18,311,448	(98,654)	18,212,794	694,961	18,907,755	80,570	18,988,325	89.1%	16,926,261	35,914,586	
8	Forfeited Discounts	23,947	(630)	23,317	-	23,317	-	23,317	0.0%	-	23,317	
9	Other WW Revenues	120	-	120	-	120	-	120	0.0%	-	120	
10	Miscellaneous WW Service Revenues	-	-	-	-	-	-	-	0.0%	-	-	
11	Total Other WW Revenues	24,066	(630)	23,436	-	23,436	-	23,436	0.0%	-	23,436	
12	Total Operating Revenue	\$ 18,335,514	\$ (99,284)	\$ 18,236,230	\$ 694,961	\$ 18,931,192	\$ 80,570	\$ 19,011,761	89.0%	\$ 16,926,261	\$ 35,938,022	

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
 NOTES TO STATEMENT OF INCOME
 SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION (1)	REFERENCE (2)	ADJUSTMENT (3)	PRESENT RATES		PRESENT RATES		PRESENT RATES	
				3/31/21 AMOUNT (4)	ADJUSTMENT (5)	3/31/22 AMOUNT (6)	ADJUSTMENT (7)	3/31/23 AMOUNT (8)	
1	Per Books			\$ 18,335,514					
2	Present Rates at 3/31/21					\$ 18,236,230			
3	Present Rates at 3/31/22							\$ 18,931,192	
4	Unbilled Revenue Adjustment	Schedule B-3	(88,493)		-				
5	DSIC Annualization	Schedule B-4	-		614,392				
6	Change In Customers	Schedule B-5	-		80,570		80,570		
7	Eliminate North Heidelberg Revenue	Schedule B-6	(224,304)		-				
8	Miscellaneous Revenue Adjustments	Schedule B-7	213,513		-				
9	Pro Forma Adjustment			<u>(99,284)</u>		<u>694,961</u>		<u>80,570</u>	
10	Pro Forma Present Rates at March 31, 2021			<u>\$ 18,236,230</u>					
11	Pro Forma Present Rates at March 31, 2022					<u>\$ 18,931,192</u>			
12	Pro Forma Present Rates at March 31, 2023							<u>\$ 19,011,761</u>	

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

UNBILLED REVENUE ADJUSTMENT

The following adjustment is being made to eliminate the unbilled revenue accrued per books for the historic test year.

LINE NO.	DESCRIPTION	PER BOOK 3/31/2021 AMOUNT
1	Residential	\$ 40,519
2	Commercial	48,300
3	Industrial	2
4	Public	(328)
5	Other	
6	Availability Charge	
7	Total Sales to General Customers	<u>88,493</u>
8	Forfeited Discounts	
9	Other WW Revenues	
10	Miscellaneous WW Service Revenues	
11	Total Other WW Revenues	<u>-</u>
12	Total Operating Revenue	<u>\$ 88,493</u>

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

DSIC ANNUALIZATION

This revenue adjustment is being made to reflect the annualization of the Distribution System Improvement Charge revenues for March 31, 2022 based on the Company's pro forma level at March 31, 2022 and the 5.00% rate that is expected to become effective on January 1, 2022.

LINE NO.	DESCRIPTION	PER BOOKS	ANNUALIZED	PRESENT RATES
		3/31/2021 DSIC REVENUE	3/31/2022 DSIC REVENUE	3/31/2022 ADJUSTMENT
1	Residential	\$ 160,963	\$ 634,313	\$ 473,350
2	Commercial	46,602	182,573	135,971
3	Industrial	9	35	26
4	Public	1,708	6,752	5,044
5	Other	-	-	-
6	Availability Charge	-	-	-
7	Total Sales to General Customers	209,282	823,674	614,392
8	Forfeited Discounts	-	-	-
9	Other WW Revenues	-	-	-
10	Miscellaneous WW Service Revenues	-	-	-
11	Total Other WW Revenues	-	-	-
12	Total Operating Revenue	\$ 209,282	\$ 823,674	\$ 614,392

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

CHANGE IN CUSTOMERS

The following adjustment reflects the change in revenues due to the average change in number of residential customers during the three years ending March 31, 2023. Projections were based on a three year historical growth average exclusive of acquisitions.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES
		3/31/2022 AMOUNT	3/31/2023 AMOUNT
1	Residential	\$ 80,570	\$ 80,570
2	Commercial		
3	Industrial		
4	Public		
5	Other		
6	Availability Charge		
7	Total Sales to General Customers	<u>80,570</u>	<u>80,570</u>
8	Forfeited Discounts		
9	Other WW Revenues		
10	Miscellaneous WW Service Revenues		
11	Total Other WW Revenues	<u>-</u>	<u>-</u>
12	Total Operating Revenue	<u>\$ 80,570</u>	<u>\$ 80,570</u>

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

ELIMINATE NORTH HEIDELBERG REVENUE

Beginning March 5, 2018, the Company was appointed receiver for the North Heidelberg Sewer Company at Docket No. M-2018-2645983. The following adjustment removes the revenue collected from North Heidelberg during the test year which was recorded above the line. Refer to Schedule C-9.1 of this exhibit for the removal of North Heidelberg expenses.

LINE NO.	DESCRIPTION	PER BOOKS		PRESENT RATES
		3/31/2021 AMOUNT	3/31/2021 ADJUSTMENT	3/31/2021 AMOUNT
1	Residential	\$ 220,945	\$ (220,945)	\$ -
2	Commercial	2,729	(2,729)	-
3	Industrial	-	-	-
4	Public	-	-	-
5	Other	-	-	-
6	Availability Charge	-	-	-
7	Total Sales to General Customers	223,674	(223,674)	-
8	Forfeited Discounts	630	(630)	-
9	Other WW Revenues	-	-	-
10	Miscellaneous WW Service Revenues	-	-	-
11	Total Other WW Revenues	630	(630)	-
12	Total Operating Revenue	\$ 224,304	\$ (224,304)	\$ -

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING REVENUES

MISCELLANEOUS REVENUE ADJUSTMENTS

The following adjustments reflect miscellaneous additions or deductions from pro forma revenues.

LINE NO.	DESCRIPTION	PER BOOKS		PRESENT RATES
		3/31/2021 AMOUNT	3/31/2021 ADJUSTMENT	3/31/2021 AMOUNT
1	Residential		\$ -	\$ -
2	Commercial		-	-
3	Industrial		-	-
4	Public		213,513	213,513
5	Other		-	-
6	Availability Charge	-	-	-
7	Total Sales to General Customers	-	213,513	213,513
8	Forfeited Discounts		-	-
9	Other WW Revenues		-	-
10	Miscellaneous WW Service Revenues		-	-
11	Total Other WW Revenues	-	-	-
12	Total Operating Revenue	\$ -	\$ 213,513	\$ 213,513

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

EXPENSE DETAIL ACCOUNTS

LINE NO.	Acct. No.	Account Title	PER BOOKS 3/31/21	PRESENT RATES 3/31/21	PRESENT RATES 3/31/22	PRESENT RATES 3/31/23
	(1)	(2)	(3)	(4)	(5)	(6)
1		--Collection--				
2		-Operations-				
3	7151	Purchased Power	896,658	931,994	842,321	831,466
4	7161	Purchased Power	54,838	58,417	52,957	51,848
5		-Maintenance-				
6	7202	Supplies	85	85	86	88
7	7362	OS Other	202,551	178,595	181,720	184,809
8						
9		Total Collection Expense	\$ 1,154,131	\$ 1,169,090	\$ 1,077,084	\$ 1,068,211
10						
11		--Pumping--				
12		-Operations-				
13	7013	Labor	136,842	136,842	147,287	151,523
14	7153	Purchased Power	2,099	765	530	462
15	7163	Purchased Power	5,024	5,352	4,852	4,750
16	7183	Chemicals	479,713	536,551	536,551	541,099
17	7203	Supplies	130,713	127,870	130,108	132,320
18	7363	OS Other	200,229	175,287	178,354	181,386
19	7753	Other	200	200	204	207
20		-Maintenance-				
21	7014	Labor	2,529	2,529	2,722	2,800
22	7204	Supplies	909	909	925	941
23	7354	OS Lab Testing	409,718	401,587	408,615	415,561
24	7364	OS Other	224,773	153,071	155,749	158,397
25	7754	Other	970	970	987	1,004
26						
27		Total Pumping Expense	\$ 1,593,719	\$ 1,541,932	\$ 1,566,884	\$ 1,590,450
28						

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

EXPENSE DETAIL ACCOUNTS

LINE NO.	Acct. No.	Account Title	PER BOOKS 3/31/21	PRESENT RATES 3/31/21	PRESENT RATES 3/31/22	PRESENT RATES 3/31/23
	(1)	(2)	(3)	(4)	(5)	(6)
29		--Treatment & Disposal--				
30		-Operations-				
31	7015	Labor	48,336	48,336	52,025	53,522
32	75052	Labor	2,221	2,221	2,391	2,459
33	7105	Purchased Wastewater	807,330	799,010	801,545	819,648
34	7115	Sludge	897,917	906,281	985,056	1,019,503
35	7205	Supplies	1,043	1,043	1,061	1,079
36	7365	OS Other	790,272	702,761	715,059	727,215
37	7505	Transportation	43,079	32,166	32,729	33,286
38		-Maintenance-				
39	7366	OS Other	471,184	418,151	425,469	432,702
40						
41		Total Treatment & Disposal Expense	\$ 3,061,381	\$ 2,909,968	\$ 3,015,335	\$ 3,089,413
42						
43		--Reclaimed Water Treatment--				
44		-Operations-				
45	7369	OS Other	160	160	163	166
46						
47		Total Reclaimed Water Treatment Expense	\$ 160	\$ 160	\$ 163	\$ 166
48						
49		--Customer Accounting--				
50	7017	Labor	5,763	5,763	6,203	6,381
51	7367	OS Other	371,363	326,058	350,003	359,192
52	7707	Bad Debt	418,817	217,335	225,630	226,590
53						
54		Total Customer Accounting Expense	\$ 795,943	\$ 549,156	\$ 581,837	\$ 592,163
55						
56		--Administrative and General--				
57	7018	Labor	1,709,057	1,706,573	1,836,986	1,889,852
58	7048	Employee Benefits	1,037,218	1,127,446	1,209,223	1,243,433
59	7328	OS Accounting	36,046	36,046	36,677	37,300
60	7338	OS Legal	(7,565)	(7,565)	(7,697)	(7,828)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

EXPENSE DETAIL ACCOUNTS

LINE NO.	Acct. No.	Account Title	PER BOOKS 3/31/21	PRESENT RATES 3/31/21	PRESENT RATES 3/31/22	PRESENT RATES 3/31/23
	(1)	(2)	(3)	(4)	(5)	(6)
61	7349	Management Fees	835,039	675,988	694,888	714,262
62	7368	OS Other	393,594	357,803	364,064	370,253
63	7418	Leases	78,691	75,116	75,054	74,992
64	7508	Transportation	2,493	2,493	2,536	2,579
65	7578	Insurance	26,580	26,580	44,416	47,193
66	7588	Insurance	3,390	3,390	4,133	4,370
67	7598	Insurance	15,487	15,487	15,004	15,788
68	7758	Other	259,624	255,389	259,858	264,276
69	7608	Other	-	-	-	7,500
70	7668	Amortization of Rate Case	22,649	22,649	23,046	25,907
71	4060	Amortization of UPAA	(1,155,917)	(1,155,917)	(1,155,917)	(1,155,917)
72						
73		Total Admin & General Expense	\$ 3,256,383	\$ 3,141,476	\$ 3,402,269	\$ 3,533,958
74						
75		Total Operating Expenses	\$ 9,861,717	\$ 9,311,783	\$ 9,643,571	\$ 9,874,361

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

SUMMARY OF EXPENSE ACCOUNTS

LINE NO.	PER BOOKS 3/31/21	ADJUSTMENTS 3/31/21	PRESENT RATES 3/31/21	ADJUSTMENTS 3/31/22	PRESENT RATES 3/31/22	ADJUSTMENTS 3/31/23	PRESENT RATES 3/31/23
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1 Labor	\$ 1,904,748	\$ (2,484)	\$ 1,902,264	\$ 145,350	\$ 2,047,615	\$ 58,924	\$ 2,106,538
2 Employee Benefits	1,037,218	90,228	1,127,446	81,776	1,209,223	34,210	1,243,433
3 Purchased Water	-	-	-	-	-	-	-
4 Purchased Wastewater	807,330	(8,320)	799,010	2,535	801,545	18,103	819,648
5 Sludge	897,917	8,364	906,281	78,775	985,056	34,447	1,019,503
6 Purchased Power	958,620	37,908	996,527	(95,868)	900,660	(12,133)	888,526
7 Chemicals	479,713	56,838	536,551	-	536,551	4,548	541,099
8 Supplies	132,749	(2,842)	129,907	2,273	132,180	2,247	134,427
9 OS Engineer	-	-	-	-	-	-	-
10 OS Accounting	36,046	-	36,046	631	36,677	624	37,300
11 OS Legal	(7,565)	-	(7,565)	(132)	(7,697)	(131)	(7,828)
12 OS Lab Testing	409,718	(8,131)	401,587	7,028	408,615	6,946	415,561
13 OS Other	2,654,124	(342,240)	2,311,884	58,697	2,370,581	43,538	2,414,120
14 Management Fees	835,039	(159,051)	675,988	18,900	694,888	19,374	714,262
15 Leases	78,691	(3,574)	75,116	(63)	75,054	(62)	74,992
16 Transportation	45,571	(10,912)	34,659	607	35,265	600	35,865
17 Insurance	45,456	-	45,456	18,097	63,553	3,797	67,350
18 Other	260,794	(4,235)	256,559	4,490	261,049	11,938	272,986
19 Bad Debt	418,817	(201,482)	217,335	8,295	225,630	960	226,590
20 Amortization of Rate Case	22,649	-	22,649	396	23,046	2,861	25,907
21 Amortization of UPAA	(1,155,917)	-	(1,155,917)	-	(1,155,917)	-	(1,155,917)
22 Amortization of Tank Painting	-	-	-	-	-	-	-
23 Amortization Other	-	-	-	-	-	-	-
24 Total Operating Expenses	\$ 9,861,717		\$ 9,311,783		\$ 9,643,571		\$ 9,874,361
25 Pro Forma Adjustments		\$ (549,934)		\$ 331,789		\$ 230,790	
26 Uncollectibles @ Proposed Rates							\$ 202,084
27 Proposed Rates @ 3/31/23							\$ 10,076,445

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
NOTES TO STATEMENT OF INCOME
SUMMARY OF ADJUSTMENTS TO OPERATING EXPENSES

LINE NO.	DESCRIPTION (1)	REFERENCE (2)	ADJUSTMENT (3)	PRESENT RATES 3/31/21		PRESENT RATES 3/31/22		PRESENT RATES 3/31/23	
				AMOUNT (4)	ADJUSTMENT (5)	AMOUNT (6)	ADJUSTMENT (7)	AMOUNT (8)	
1	Per Books			\$ 9,861,717		\$ 9,311,783		\$ 9,643,571	
2	Present Rates at 3/31/21								
3	Present Rates at 3/31/22								
4	General Price Level Adjustment	Schedule C-4.1	-		72,763		72,605		
5	Uncollectible Accounts	Schedule C-4.2	(201,372)		8,297		962		
6	Additional Cost Of Serving Customers	Schedule C-4.3	-		-		28,447		
7	Rate Case Expense	Schedule C-4.4	-		-		2,855		
8	Payroll	Schedule C-4.5	-		145,342		58,916		
9	Insurance Expense	Schedule C-4.6	(13,637)		12,668		2,658		
10	Management Service & Sundry	Schedule C-4.7	(159,051)		14,747		15,269		
11	Customer Service & Sundry	Schedule C-4.8	(45,304)		20,752		5,034		
12	Miscellaneous Expense Adjustments	Schedule C-4.9	11,976		62,915		16,870		
13	Specific Expenses Not Subject To Inflation	Schedule C-4.10	-		-		-		
14	Page Held For Future Use	Schedule C-5.1	-		-		-		
15	Purchased Power Expense	Schedule C-6.1	62,549		(95,436)		(19,389)		
16	Chemicals	Schedule C-6.2	56,838		-		-		
17	Purchased Wastewater Treatment Expense	Schedule C-7.1	(8,320)		2,535		11,214		
18	Employee Benefits	Schedule C-8.1	103,865		87,205		35,349		
19	Eliminate North Heidelberg Expenses	Schedule C-9.1	(357,477)		-		-		
20	Pro Forma Adjustments			<u>\$ (549,934)</u>		<u>\$ 331,789</u>		<u>\$ 230,790</u>	
21	Pro Forma Present Rates at March 31, 2021			<u>\$ 9,311,783</u>					
22	Pro Forma Present Rates at March 31, 2022					<u>\$ 9,643,571</u>			
23	Pro Forma Present Rates at March 31, 2023							<u>\$ 9,874,361</u>	

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

GENERAL PRICE LEVEL ADJUSTMENT

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Total Operations and Maintenance Expenses:		
2	Present Rates 3/31/2021	\$ 9,311,783	
3	Present Rates 3/31/2022		\$ 9,643,571
4	Less amounts specifically adjusted in this filing or not otherwise subject to inflation:		
5	Labor	1,901,805	2,047,148
6	Employee Benefits	1,127,446	1,209,223
7	Purchased Wastewater	799,010	801,545
8	Sludge	-	-
9	Purchased Power	1,021,168	925,732
10	Chemicals	536,551	536,551
11	Supplies	-	-
12	OS Engineer	-	-
13	OS Accounting	-	-
14	OS Legal	-	-
15	OS Lab Testing	-	-
16	OS Other	143,580	164,332
17	Management Fees	438,665	453,412
18	Leases	78,691	78,691
19	Transportation	-	-
20	Insurance	45,456	63,553
21	Other	-	-
22	Bad Debt	217,445	225,742
23	Amortization of Rate Case	-	22,649
24	Amortization of UPAA	(1,155,917)	(1,155,917)
25	Amortization of Tank Painting	-	-
26	Amortization Other	-	-
27	Total Operating Expenses Adjusted/Unadjusted for Separately	\$ 5,153,900	\$ 5,372,660
28	Total Operating Expenses Subject to Effects of Inflation	\$ 4,157,882	\$ 4,270,911
29	Inflation Factor - Schedule C-4.1.i	1.750%	1.700%
30	Estimated Effect of Inflation at Annual Rate Pro Forma Adjustment	\$ 72,763	\$ 72,605

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

INFLATION FACTOR CALCULATION

LINE NO.	GDP Chained Price Index (% Change From Same Quarter Prior Year)		
1	Second Quarter	2021	1.900% (a)
2	Third Quarter	2021	1.700% (a)
3	Fourth Quarter	2021	1.700% (a)
4	First Quarter	2022	1.700% (b)
5	Annual Average for the Period Ending 3/31/2022		1.750%
6	Second Quarter	2022	1.700% (b)
7	Third Quarter	2022	1.700% (b)
8	Fourth Quarter	2022	1.700% (b)
9	First Quarter	2023	1.700% (c)
10	Annual Average for the Period Ending 3/31/2023		1.700%

Source:

- (a) Blue Chip Economic Indicators Volume 45, No. 10, October 10, 2020, Page 5, Forecasted Future Periods
- (b) 2022 not available in Blue Chip Report. Used Prior Quarter, Q4-2021.
- (c) First Quarter of 2023 not available in Blue Chip Report. Used Prior Quarter, Q4-2021.

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

UNCOLLECTIBLE ACCOUNTS

For the three years ended March 31, 2021, the Company experienced an average uncollectible accounts factor of 1.19391% with regard to sales to general customers.

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Sales to General Customers Excluding Forfeited Discounts and Misc Revenue	\$ 33,551,045	\$ 18,212,794	\$ 18,907,755	\$ 18,988,325
2	Annualized Uncollectible Account based on Experience Factor @ 1.19391%		217,445	225,742	226,704 ‡
3	Less: Amount Charged to Operating Expense				
4	During the Twelve Months Ended 3/31/2021		418,817		
5	Less: Present Rates 3/31/2021			217,445	
6	Less: Present Rates 3/31/2022				225,742
7	Increase/(Decrease)		<u>\$ (201,372)</u>	<u>\$ 8,297</u>	<u>\$ 962</u>
8	Pro Forma Adjustment:				
9	7707		\$ (201,372)	\$ 8,297	\$ 962

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
NOTES TO STATEMENT OF INCOME
OPERATING EXPENSES
DERIVATION OF UNCOLLECTIBLE ACCOUNTS
BASED ON THREE YEARS OF HISTORY NORMALIZED

LINE NO.	DESCRIPTION	3/31/2019 AMOUNT	3/31/2020 AMOUNT	3/31/2021 AMOUNT	THREE YEAR AVERAGE
1	Net Write-Offs	\$ 157,468	\$ 191,032	\$ 435,145	
2	Sales to General Customers	\$ 13,398,038	\$ 17,218,493	\$ 33,551,045	
3	Factor	0.0117531	0.0110946	0.0129696	0.0119391

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

ADDITIONAL COST OF SERVING CUSTOMERS

The Company computes the additional cost of providing service to customers connected during the three years ending March 31, 2023, exclusive of acquisitions.

LINE NO.	DESCRIPTION	REFERENCE	PRESENT RATES 3/31/2023 AMOUNT
1	Estimated Additional Revenue from New Customers		
2	connected during the three years ended March 31, 2023	Schedule B-5	\$ 161,140
3	Operating Ratio		17.65%
4	Cost of Providing Service to New Customers		\$ 28,447
5	The operating ratio specifically related to the adjusted cost of serving new customers		
6	was computed as follows:		
7	Purchased Power Expense		\$ 906,343
8	Chemical Expense		536,551
9	Bill Processing & Postage Expense		117,737
10	Purchased Wastewater Expense		812,759
11	Sludge Expense		<u>982,909</u>
12	Total		<u>\$ 3,356,298</u>
13	Total Wastewater Sales at Present Rates	Schedule B-1	<u>\$ 19,011,761</u>
14	Operating Ratio		17.65%
15	Pro Forma Adjustment:		
16	7151		\$ 7,682
17	7183		\$ 4,548
18	7367		\$ 998
19	7105		\$ 6,889
20	7115		\$ 8,331
21	Total		\$ 28,447

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

RATE CASE EXPENSE

The following adjustment reflects the estimated cost of this rate case as summarized below. The total cost is being allocated based on the ratio of wastewater customers served to total water and wastewater customers. The Company proposes to normalize this cost over a thirty-six month period, which is consistent with the rate treatment in previous cases.

LINE NO.	DESCRIPTION				
1	Engineering, Cost Allocation and Depreciation	\$	400,000		
2	Legal		1,200,000		
3	Other Consultants		100,000		
4	Rate of Return		95,000		
5	Notices and Postage		340,000		
6	Miscellaneous		65,000		
7	Total	\$	2,200,000		
8	Allocation of Total Rate Case Expense		Total	Annual Amortization	
9	Water	91.51%	\$ 2,013,220	\$ 671,073	
10	Wastewater	8.49%	\$ 186,780	\$ 62,260	
11	Wastewater - Current Exhibit	3.48%	\$ 76,512	\$ 25,504	
12	Normalization Period		36 Months		
13			PRESENT RATES	PRESENT RATES	
14			3/31/2022	3/31/2023	
15			AMOUNT	AMOUNT	
16	Annual Expense on a 36 Month Normalized Basis	\$	22,649	\$ 25,504	‡
17	Less: Amount Charged to Operating Expense				
18	During the Twelve Months Ended 3/31/2021		22,649		
19	Less: Present Rates 3/31/2022			22,649	
20	Increase/(Decrease)	\$	-	\$ 2,855	
21	Pro Forma Adjustment:				
22	7668			\$ 2,855	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

PAYROLL

The following amounts summarize the Company's estimated annualized payroll expense. This results from the calculation of employee compensation levels scheduled to be in effect by March 31, 2022 and March 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT	
1	Non-Union Payroll				
2	Gross Payroll	\$ 1,050,701	\$ 1,163,968	\$ 1,198,973	
3	Capital Payroll	164,774	182,536	188,026	
4	Non-Operating Payroll	5,668	6,279	6,468	
5	Expense Payroll	880,260	975,152	1,004,479	‡
6	Non-Union Expense Payroll Increase/(Decrease)		\$ 94,893	\$ 29,327	
7	Union Payroll				
8	Gross Payroll	\$ 1,025,628	\$ 1,076,279	\$ 1,105,986	
9	Capital Payroll	2,219	2,328	2,393	
10	Non-Operating Payroll	1,863	1,955	2,009	
11	Expense Payroll	1,021,545	1,071,995	1,101,584	‡
12	Union Expense Payroll Increase/(Decrease)		\$ 50,450	\$ 29,589	
13	Total Expense Payroll Increase/(Decrease)		<u>\$ 145,342</u>	<u>\$ 58,916</u>	
14	Pro Forma Adjustment:				
15	7013		\$ 10,442	\$ 4,233	
16	7014		\$ 193	\$ 78	
17	7015		\$ 3,688	\$ 1,495	
18	7017		\$ 440	\$ 178	
19	7018		\$ 130,410	\$ 52,863	
20	75052		\$ 169	\$ 69	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

INSURANCE EXPENSE

The Company's self insured policies for General Liability, Workers Compensation, Vehicle, and Other are evaluated annually by a third party insurance broker, using multiple year claims history. The Company has based its expense claim on the actual and projected premiums for the twelve months ending March 31, 2022 and March 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES	
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT	3/31/2023 AMOUNT	
1	General Liability	\$ 26,580	\$ 44,416	\$ 44,416	\$ 47,069		
2	Workers Compensation	3,390	4,133	4,133	4,380		
3	Other (Exec Risk, Property, Surety Bond)	15,487	15,004	15,004	15,901		
4		<u>45,456</u>	<u>63,553</u>	<u>63,553</u>	<u>67,350</u>		‡
5	Capitalized portion not charged to operating expense	30.00% (13,637)	(19,066)	(19,066)	(20,205)		‡
6	Subtotal Insurance	\$ 31,819	\$ 44,487	\$ 44,487	\$ 47,145		
7	Less: Amount Charged to Operating Expense						
8	During the Twelve Months Ended 3/31/2021	45,456					
9	Less: Present Rates 3/31/2021			31,819			
10	Less: Present Rates 3/31/2022				44,487		
11	Increase/(Decrease)	<u>\$ (13,637)</u>	<u>\$ 12,668</u>	<u>\$ 12,668</u>	<u>\$ 2,658</u>		
12	Pro Forma Adjustment:						
13	7578	\$ -	\$ 17,836	\$ 17,836	\$ 2,654		
14	7588	\$ -	\$ 743	\$ 743	\$ 247		
15	7598	\$ -	\$ (482)	\$ (482)	\$ 896		
16	7048	\$ (13,637)	\$ (5,429)	\$ (5,429)	\$ (1,139)		

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

MANAGEMENT SERVICE & SUNDRY

The following amounts summarize the estimated additional annualized payroll expense and the company portion of employee benefit related premiums of the Aqua Services, Inc. employees whose time was charged to Aqua Pennsylvania Wastewater during the test year.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT	
1	Management Fees Labor & Benefits	\$ 438,665	\$ 438,665	\$ 453,412	‡
2	Payroll Increase		10,779	11,103	‡
3	Employee Benefit Insurance Increase		3,967	4,166	‡
4	Management Fees All Other	237,322	237,322	237,322	
5	Total Expense Claim	\$ 675,988	\$ 690,735	\$ 706,003	
6	Less: Amount Charged to Operating Expense				
7	During the Twelve Months Ended 3/31/2021	835,039			
8	Less: Present Rates 3/31/2021		675,988		
9	Less: Present Rates 3/31/2022			690,735	
10	Increase/(Decrease)	\$ (159,051)	\$ 14,747	\$ 15,269	
11	Pro Forma Adjustment:				
12	7349	\$ (159,051)	\$ 14,747	\$ 15,269	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

CUSTOMER SERVICE & SUNDRY

The following amounts summarize the estimated additional annualized payroll expense and the company portion of employee benefit related premiums of the Aqua Customer Operations employees whose time was charged to Aqua Pennsylvania Wastewater during the test year.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT	
1	Customer Operations Labor & Benefits	\$ 143,580	\$ 143,580	\$ 164,332	‡
2	Payroll Increase		14,429	3,695	‡
3	Employee Benefit Increase		6,323	1,339	‡
4	Customer Operations All Other	49,211	49,211	49,211	
5	Total Expense Claim	\$ 192,792	\$ 213,543	\$ 218,577	
6	Less: Amount Charged to Operating Expense				
7	During the Twelve Months Ended 3/31/2021	238,096			
8	Less: Present Rates 3/31/2021		192,792		
9	Less: Present Rates 3/31/2022			213,543	
10	Increase/(Decrease)	\$ (45,304)	\$ 20,752	\$ 5,034	
11	Pro Forma Adjustment:				
12	7367	\$ (45,304)	\$ 20,752	\$ 5,034	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

MISCELLANEOUS EXPENSE ADJUSTMENTS

The following adjustments reflect miscellaneous additions or deductions from pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT
1	Additions:			
2	Sludge Expense Normalization	12,706	62,915	9,370
3	US Customer Education and Outreach			7,500
4	Deductions:			
5	Fines	(730)		
6	Increase/(Decrease)	<u>\$ 11,976</u>	<u>\$ 62,915</u>	<u>\$ 16,870</u>
7	Pro Forma Adjustment:			
8	7758	\$ (730)		
9	7115	\$ 12,706	\$ 62,915	\$ 9,370
10	7608			\$ 7,500

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

SPECIFIC EXPENSES NOT SUBJECT TO INFLATION

The following amounts reflect specific expenses that are not separately adjusted for and are not subject to growth from inflation. These amounts are eliminated from the eligible Operating Expenses subject to inflation on Schedule C-4.1.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT	
1	Leases	\$ 78,691	\$ 78,691	\$ 78,691	‡
2	Total Specific Expenses Not Subject to Inflation	<u>\$ 78,691</u>	<u>\$ 78,691</u>	<u>\$ 78,691</u>	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

PAGE HELD FOR FUTURE USE

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

PURCHASED POWER EXPENSE

This adjustment summarizes the Company's purchased power expense claim as detailed on Schedule C-6.1.i & Schedule C-6.1.ii.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT	
1	Claimed Purchased Power Expense - Electric	\$ 959,273	\$ 864,520	\$ 844,248	
2	Claimed Purchased Power Expense - Gas	61,896	61,212	62,095	
3		<u>\$ 1,021,168</u>	<u>\$ 925,732</u>	<u>\$ 906,343</u>	‡
4	Less: Amount Charged to Operating Expense				
5	During the Twelve Months Ended 3/31/2021	958,620			
6	Less: Present Rates 3/31/2021		1,021,168		
7	Less: Present Rates 3/31/2022			925,732	
8	Increase/(Decrease)	<u>\$ 62,549</u>	<u>\$ (95,436)</u>	<u>\$ (19,389)</u>	
9	Pro Forma Adjustment:				
10	7151	\$ 58,506	\$ (89,268)	\$ (18,136)	
11	7153	\$ 137	\$ (209)	\$ (42)	
12	7155	\$ -	\$ -	\$ -	
13	7158	\$ -	\$ -	\$ -	
14	7161	\$ 3,578	\$ (5,459)	\$ (1,109)	
15	7163	\$ 328	\$ (500)	\$ (102)	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

PURCHASED POWER - ELECTRIC

LINE NO.	UTILITY	LOCATION	HISTORIC KW HOURS	PRESENT RATES		FUTURE KW HOURS	PRESENT RATES		FULLY PROJECTED	
				3/31/2021 AMOUNT			3/31/2022 AMOUNT		FUTURE KW HOURS	3/31/2023 AMOUNT
1	Adams Co-op	Wastewater	139,163	\$ 13,006		139,163	\$ 13,279		139,163	\$ 13,558
2	Central Electric Co-op	Wastewater	1,451	\$ 612		1,451	\$ 625		1,451	\$ 638
3	PECO	Wastewater	5,742,452	\$ 459,632		5,742,452	\$ 414,383		5,742,452	\$ 402,481
4	PenElec	Wastewater	731,882	\$ 72,804		731,882	\$ 64,930		731,882	\$ 64,077
5	PP&L	Wastewater	4,140,106	\$ 354,644		4,140,106	\$ 311,531		4,140,106	\$ 302,481
6	MetEd	Wastewater	3,482	\$ 603		3,482	\$ 583		3,482	\$ 580
7	United Electric Co-op	Wastewater	523,584	\$ 57,971		523,584	\$ 59,189		523,584	\$ 60,432
8				\$ 959,273			\$ 864,520			\$ 844,248

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

PURCHASED POWER - GAS

LINE NO.	UTILITY	LOCATION	HISTORIC THERMS	PRESENT RATES 3/31/2021 AMOUNT	FUTURE THERMS	PRESENT RATES 3/31/2022 AMOUNT	FULLY PROJECTED FUTURE THERMS	PRESENT RATES 3/31/2023 AMOUNT
1	COLUMBIA GAS OF PA	Wastewater	1,502	\$ 1,632	1,688	\$ 1,856	1,688	\$ 1,879
2	PECO	Wastewater	44,694	\$ 37,023	45,547	\$ 38,182	45,547	\$ 38,640
3	UGI UTILITIES , INC	Wastewater	3,712	\$ 3,092	3,142	\$ 2,648	3,142	\$ 2,680
4	Direct Purchases - Fuel Oil, Propane and Generator Diesel	Wastewater		\$ 20,149		\$ 18,526		\$ 18,896
5				<u>\$ 61,896</u>		<u>\$ 61,212</u>		<u>\$ 62,095</u>

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

CHEMICALS

The chemical expense claim was based on the normalized average expense for the three years ended March 31, 2021.

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Chemical Expense Claim (3 Year Average Normalized)	\$ 536,551	\$ 536,551	\$ 536,551 ‡
2	Less: Amount Charged to Operating Expense			
3	During the Twelve Months Ended 3/31/2021	479,713		
4	Less: Present Rates 3/31/2021		536,551	
5	Less: Present Rates 3/31/2022			536,551
6	Increase/(Decrease)	<u>\$ 56,838</u>	<u>\$ -</u>	<u>\$ -</u>
7	Pro Forma Adjustment:			
8	7183	\$ 56,838	\$ -	\$ -

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

PURCHASED WASTEWATER TREATMENT EXPENSE

The Company's claim for purchased wastewater treatment expense normalizes the cost of services provided by wastewater treatment providers for the Company's Beech Mountain, Village at Valley Forge and Media service areas. The service providers are Butler Township Sewer Authority, Upper Merion Sewer and Nether Providence Township.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT	
1	Claimed Purchased Wastewater Expense	\$ 799,010	\$ 801,545	\$ 812,759	‡
2	Less: Amount Charged to Operating Expense				
3	During the Twelve Months Ended 3/31/2021	807,330			
4	Less: Present Rates 3/31/2021		799,010		
5	Less: Present Rates 3/31/2022			\$ 801,545	
6	Increase/(Decrease)	<u>\$ (8,320)</u>	<u>\$ 2,535</u>	<u>\$ 11,214</u>	
7	Pro Forma Adjustment:				
8	7105	\$ (8,320)	\$ 2,535	\$ 11,214	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

EMPLOYEE BENEFITS

Aqua Pennsylvania Water Operations charges a portion of employee benefits and other related overheads to Aqua Pennsylvania Wastewater through an intracompany transaction which is calculated based on approximately 60% of wastewater payroll expense. Refer to Exhibit 1-A Water, Schedule C-8.5 for the corresponding entry.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT	
1	Wastewater Intracompany Benefits	\$ 1,141,083	\$ 1,228,289	\$ 1,263,638	‡
2	Less: Amount Charged to Operating Expense				
3	During the Twelve Months Ended 3/31/2021	1,037,218			
4	Less: Present Rates 3/31/2021		1,141,083		
5	Less: Present Rates 3/31/2022			1,228,289	
6	Increase/(Decrease)	<u>\$ 103,865</u>	<u>\$ 87,205</u>	<u>\$ 35,349</u>	
7	Pro Forma Adjustment:				
8	7048	\$ 103,865	\$ 87,205	\$ 35,349	

‡ : Amount removed for Inflation Adjustment (Schedule C-4.1)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

ELIMINATE NORTH HEIDELBERG EXPENSES

Beginning March 5, 2018, the Company was appointed receiver for the North Heidelberg Sewer Company at Docket No. M-2018-2645983. The following adjustment removes the expenses incurred from operating North Heidelberg during the test year which was recorded above the line. Refer to Schedule B-6 of this exhibit for the removal of North Heidelberg revenues.

LINE NO.	DESCRIPTION	PRESENT RATES	
		3/31/2021 AMOUNT	
1	Claimed North Heidelberg Sewer Expenses	\$	-
2	Less: Amount Charged to Operating Expense		
3	During the Twelve Months Ended 3/31/2021		357,477
4	Increase/(Decrease)	\$	<u>(357,477)</u>
5	Pro Forma Adjustment:		
6	7018	\$	(2,484)
7	7115	\$	(4,343)
8	7151	\$	(23,170)
9	7153	\$	(1,471)
10	7354	\$	(8,131)
11	7362	\$	(23,956)
12	7363	\$	(24,942)
13	7364	\$	(71,703)
14	7365	\$	(87,511)
15	7366	\$	(53,033)
16	7368	\$	(35,791)
17	7505	\$	(10,912)
18	7418	\$	(3,574)
19	7203	\$	(2,842)
20	7758	\$	(3,505)
21	7707	\$	(109)

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

STATEMENT OF DEPRECIATION

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		3/31/21 AMOUNT	3/31/22 AMOUNT	3/31/23 AMOUNT
	(1)	(2)	(3)	(4)
1	Annualized Depreciation Expense	\$ 5,886,311	\$ 6,872,757	\$ 7,780,016
2	Less: Amount Charged to Depreciation Expense			
3	During the Twelve Months Ended 3/31/2021	5,692,168		
4	Less: Present Rates 3/31/2021		5,886,311	
5	Less: Present Rates 3/31/2022			6,872,757
6	Increase/(Decrease)	<u>\$ 194,143</u>	<u>\$ 986,446</u>	<u>\$ 907,259</u>
7	Pro Forma Adjustment:			
8		\$ 194,143	\$ 986,446	\$ 907,259

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO TAXES OTHER THAN INCOME

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES		PROPOSED RATES	
		ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Per Books		\$ 296,435						
2	Present Rates at 3/31/21				\$ 291,871				
3	Present Rates at 3/31/22						\$ 296,292		
4	Present Rates at 3/31/23								\$ 296,805
5	General Assessment Fees By The Pennsylvania Public Utility Commission	(3,538)		3,144		364		76,570	
6	General Assessment Fees By The Consumer Advocate, Small Business Advocate, And Damage Prevention Committee	(1,026)		1,277		148		31,114	
7	Public Utility Realty Tax	-		-		-			
8	Pennsylvania Property Tax	-		-		-			
9	Pro Forma Adjustment		<u>\$ (4,564)</u>		<u>\$ 4,421</u>		<u>\$ 513</u>		<u>\$ 107,684</u>
10	Pro Forma Present Rates at March 31, 2021		<u>\$ 291,871</u>						
11	Pro Forma Present Rates at March 31, 2022				<u>\$ 296,292</u>				
12	Pro Forma Present Rates at March 31, 2023						<u>\$ 296,805</u>		
13	Pro Forma Proposed Rates at March 31, 2023								<u>\$ 107,684</u>

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

TAXES OTHER THAN INCOME

GENERAL ASSESSMENT FEES BY THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT	PROPOSED RATES AMOUNT
1	Gross Utility Water Revenues	\$ 18,236,230	\$ 18,931,192	\$ 19,011,761	\$ 35,938,022
2	Estimated General Assessment Fee:				
3	Public Utility Commission Fee At 0.004523752666	82,496	85,640	86,005	162,575
4	Total General Assessment Fees	\$ 82,496	\$ 85,640	\$ 86,005	\$ 162,575
5	Less: Amount Charged to Taxes Other Than Income				
6	During the Twelve Months Ended 3/31/2021	86,034			
7	Less: Present Rates 3/31/2021		82,496		
8	Less: Present Rates 3/31/2022			85,640	
9	Less: Present Rates 3/31/2023				86,005
10	Increase/(Decrease)	<u>\$ (3,538)</u>	<u>\$ 3,144</u>	<u>\$ 364</u>	<u>\$ 76,570</u>
11	Pro Forma Adjustment:				
12	4081	\$ (3,538)	\$ 3,144	\$ 364	\$ 76,570

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

TAXES OTHER THAN INCOME

GENERAL ASSESSMENT FEES BY THE CONSUMER ADVOCATE, SMALL BUSINESS ADVOCATE, AND DAMAGE PREVENTION COMMITTEE

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT	PROPOSED RATES AMOUNT
1	Gross Utility Water Revenues	\$ 18,236,230	\$ 18,931,192	\$ 19,011,761	\$ 35,938,022
2	Estimated General Assessment Fee:				
3	Consumer Advocate Fee At 0.001625725256	29,647	30,777	30,908	58,425
4	Small Business Advocate Fee At 0.000184760982	3,369	3,498	3,513	6,640
5	Damage Prevention Fee At 0.000027700326	505	524	527	995
6	Total General Assessment Fees	\$ 33,522	\$ 34,799	\$ 34,947	\$ 66,061
7	Less: Amount Charged to Taxes Other Than Income				
8	During the Twelve Months Ended 3/31/2021	34,548			
9	Less: Present Rates 3/31/2021		33,522		
10	Less: Present Rates 3/31/2022			34,799	
11	Less: Present Rates 3/31/2023				34,947
12	Increase/(Decrease)	\$ (1,026)	\$ 1,277	\$ 148	\$ 31,114
13	Pro Forma Adjustment:				
14	4081	\$ (1,026)	\$ 1,277	\$ 148	\$ 31,114

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

TAXES OTHER THAN INCOME

PUBLIC UTILITY REALTY TAX

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT
1	PURTA Liability	\$ -	\$ -	\$ -
2	Less: Amount Charged to Taxes Other Than Income			
3	During the Twelve Months Ended 3/31/2021	-		
4	Less: Present Rates 3/31/2021		-	
5	Less: Present Rates 3/31/2022			-
6	Increase/(Decrease)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
7	Pro Forma Adjustment:			
8	4082	\$ -	\$ -	\$ -

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

TAXES OTHER THAN INCOME

PENNSYLVANIA PROPERTY TAX

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT
1	Claimed Property Tax Expense	\$ 175,853	\$ 175,853	\$ 175,853
2	Less: Amount Charged to Taxes Other Than Income			
3	During the Twelve Months Ended 3/31/2021	175,853		
4	Less: Present Rates 3/31/2021		175,853	
5	Less: Present Rates 3/31/2022			175,853
6	Increase/(Decrease)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
7	Pro Forma Adjustment:			
8	4081	\$ -	\$ -	\$ -

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

INTEREST ON LONG-TERM DEBT

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

LINE NO.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1		PRESENT RATES @ 3/31/21			PRESENT RATES @ 3/31/22			PRESENT RATES @ 3/31/23		
2	Capital Structure	\$	%	Cost Rate	\$	%	Cost Rate	\$	%	Cost Rate
3	Long-term Debt	\$ 1,825,756,444	48.25%	4.04%	\$ 1,814,246,887	44.47%	4.01%	\$ 1,988,887,917	46.08%	4.00%
4	Common Equity	\$ 1,957,971,316	51.75%	10.75%	\$ 2,265,829,316	55.53%	10.75%	\$ 2,327,719,016	53.92%	10.75%
5		<u>\$ 3,783,727,759</u>	<u>100.00%</u>	<u>7.51%</u>	<u>\$ 4,080,076,202</u>	<u>100.00%</u>	<u>7.75%</u>	<u>\$ 4,316,606,932</u>	<u>100.00%</u>	<u>7.64%</u>
6			PRESENT RATES			PRESENT RATES			PRESENT RATES	
7	Calculation of Interest:		3/31/21			3/31/22			3/31/23	
8	Original Cost Rate Base	Schedule G-1 Col 3, Row 15	\$	159,637,968	Schedule G-1 Col 4, Row 15	\$	178,331,943	Schedule G-1 Col 5, Row 15	\$	198,372,990
9	Applicable Percentage			<u>48.25%</u>			<u>44.47%</u>			<u>46.08%</u>
10	Applicable Portion of Rate Base		\$	77,029,868		\$	79,297,091		\$	91,400,873
11	Cost Rate			4.04%			4.01%			4.00%
12	Pro-Forma Long-term Interest Expense		<u>\$</u>	<u>3,112,007</u>		<u>\$</u>	<u>3,179,813</u>		<u>\$</u>	<u>3,656,035</u>
13	Less: Interest on Long Term Debt Per Books 3/31/21			12,946						
14	Less: Interest on Long Term Debt Present Rates at 3/31/21						3,112,007			
15	Less: Interest on Long Term Debt Present Rates at 3/31/22									<u>3,179,813</u>
16	Long Term Debt Pro Forma Adjustment		<u>\$</u>	<u>3,099,061</u>		<u>\$</u>	<u>67,807</u>		<u>\$</u>	<u>476,222</u>

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

AMORTIZATION OF DEBT ISSUANCE & PREMIUM/DISCOUNT ON DEBT

LINE NO.	DESCRIPTION	PER BOOKS 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Amortization of Debt Discount and Expense Per Books	\$ -	\$ -	\$ -
2	Eliminate Amortization of Debt Discount and Expense	-	-	-
3	Sub-Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
4	Pro Forma Adjustment:			
5	4276	\$ -	\$ -	\$ -

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

OTHER INTEREST CHARGES

LINE NO.	DESCRIPTION	PER BOOKS 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Other Interest Charges Per Books	\$ -	\$ -	\$ -
2	Eliminate Other Interest Charges	-	-	-
3	Sub-Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
4	Pro Forma Adjustment:			
5	4190	\$ -	\$ -	\$ -

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

INTEREST DURING CONSTRUCTION

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

LINE NO.	DESCRIPTION	PER BOOKS 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Interest During Construction Per Books	\$ (672,579)	\$ -	\$ -
2	Eliminate Interest During Construction	672,579	-	-
3	Sub-Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
4	Pro Forma Adjustment:			
5	4200	\$ 672,579	\$ -	\$ -

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO INCOME TAXES

LINE NO.	DESCRIPTION	REFERENCE	PRESENT RATES	PRESENT RATES	PRESENT RATES	PROPOSED RATES
			3/31/21 AMOUNT	3/31/22 AMOUNT	3/31/23 AMOUNT	3/31/23 AMOUNT
	(1)	(2)	(3)	(4)	(5)	(6)
1	Federal Income Tax - Current	Schedule F-2	\$ (1,822,911)	\$ (1,917,154)	\$ (2,233,149)	\$ 907,717
2	Less: Per Book	Schedule A-1	467,457			
3	Less: Present Rates at 3/31/21			(1,822,911)		
4	Less: Present Rates at 3/31/22				(1,917,154)	
5	Less: Present Rates at 3/31/23					(2,233,149)
6	Pro Forma Adjustment		<u>\$ (2,290,368)</u>	<u>\$ (94,243)</u>	<u>\$ (315,995)</u>	<u>\$ 3,140,866</u>
7	State Income Tax - Current	Schedule F-2	\$ (1,162,297)	\$ (1,015,483)	\$ (1,182,491)	\$ 477,497
8	Less: Per Book	Schedule A-1	150,744			
9	Less: Present Rates at 3/31/21			(1,162,297)		
10	Less: Present Rates at 3/31/22				(1,015,483)	
11	Less: Present Rates at 3/31/23					(1,182,491)
12	Pro Forma Adjustment		<u>\$ (1,313,041)</u>	<u>\$ 146,814</u>	<u>\$ (167,007)</u>	<u>\$ 1,659,988</u>
13	Federal Income Tax - Deferred	Schedule F-2	\$ 1,027,299	\$ 1,046,246	\$ 1,139,605	\$ 1,139,605
14	Less: Per Book	Schedule A-1	188,838			
15	Less: Present Rates at 3/31/21			1,027,299		
16	Less: Present Rates at 3/31/22				1,046,246	
17	Less: Present Rates at 3/31/23					1,139,605
18	Pro Forma Adjustment		<u>\$ 838,461</u>	<u>\$ 18,947</u>	<u>\$ 93,360</u>	<u>\$ -</u>
19	State Income Tax - Deferred	Schedule F-2	\$ (39,415)	\$ (39,415)	\$ (3,285)	\$ (3,285)
20	Less: Per Book	Schedule A-1	(218,035)			
21	Less: Present Rates at 3/31/21			(39,415)		
22	Less: Present Rates at 3/31/22				(39,415)	
23	Less: Present Rates at 3/31/23					(3,285)
24	Pro Forma Adjustment		<u>\$ 178,620</u>	<u>\$ -</u>	<u>\$ 36,130</u>	<u>\$ -</u>

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

LINE NO.	REFERENCE	PRESENT RATES 3/31/21		PRESENT RATES 3/31/22		PRESENT RATES 3/31/23		PROPOSED RATES 3/31/23		
		FEDERAL (3)	STATE (4)	FEDERAL (5)	STATE (6)	FEDERAL (7)	STATE (8)	FEDERAL (9)	STATE (10)	
1	Utility Operating Income Before Tax	Schedule A-1	\$ 2,746,265	\$ 2,746,265	\$ 2,118,571	\$ 2,118,571	\$ 1,060,579	\$ 1,060,579	\$ 17,677,072	\$ 17,677,072
2	Interest Expense	Schedule A-1	(3,112,007)	(3,112,007)	(3,179,813)	(3,179,813)	(3,656,035)	(3,656,035)	(3,656,035)	(3,656,035)
3	State Income Tax	[11]	1,162,297		1,015,483		1,182,491		(477,497)	
4	Tax Repair Deduction		(4,870,211)	(4,870,211)	(4,460,000)	(4,460,000)	(4,460,000)	(4,460,000)	(4,460,000)	(4,460,000)
5	Book Depreciation	Schedule A-1	5,886,311	5,886,311	6,872,757	6,872,757	7,780,016	7,780,016	7,780,016	7,780,016
6	Tax Depreciation		(10,493,186)	(12,284,968)	(11,496,302)	(11,516,514)	(12,541,095)	(12,561,306)	(12,541,095)	(12,561,306)
7	Taxable Income	Sum of Lines [1] : [6]	\$ (8,680,530)	\$ (11,634,609)	\$ (9,129,304)	\$ (10,164,999)	\$ (10,634,043)	\$ (11,836,746)	\$ 4,322,462	\$ 4,779,746
8	Income Tax Rate		21.00%	9.99%	21.00%	9.99%	21.00%	9.99%	21.00%	9.99%
9	Pro Forma Income Tax : Current	[7] * [8]	(1,822,911)	(1,162,297)	(1,917,154)	(1,015,483)	(2,233,149)	(1,182,491)	907,717	477,497
10	Other									
11	Total - Current Income Tax	[9] + [10]	\$ (1,822,911)	\$ (1,162,297)	\$ (1,917,154)	\$ (1,015,483)	\$ (2,233,149)	\$ (1,182,491)	\$ 907,717	\$ 477,497
12	Deferred Income Tax:									
13	Catch Up Adjustment		\$ (261,967)	\$ (394,544)	\$ (261,967)	\$ (394,544)	\$ (21,831)	\$ (32,879)	\$ (21,831)	\$ (32,879)
14	Income Tax Rate		21.00%	9.99%	21.00%	9.99%	21.00%	9.99%	21.00%	9.99%
15	Deferred Income Tax - Repair Adjustment	[13] * [14]	(55,013)	(39,415)	(55,013)	(39,415)	(4,584)	(3,285)	(4,584)	(3,285)
16	Normalized Book Depreciation		(5,301,232)		(6,224,822)		(7,065,181)		(7,065,181)	
17	Normalized Tax Depreciation		10,493,186		11,496,302		12,541,095		12,541,095	
18	Income Tax Rate		21.00%	9.99%	21.00%	9.99%	21.00%	9.99%	21.00%	9.99%
19	Deferred Income Tax - Tax/Book Depreciation	([16] + [17]) * [18]	1,090,310	-	1,107,011	-	1,149,942	-	1,149,942	-
20	Flowback of TRA-86		-		-		-		-	
21	Flowback of TCJA 2017 (ARAM) - Protected		(8,550)		(6,303)		(6,303)		(6,303)	
22	Flowback of TCJA 2017 - 10 Years		551		551		551		551	
23	Total Flow Through		(7,998)	-	(5,752)	-	(5,752)	-	(5,752)	-
24	Total - Deferred Income Tax	[15] + [19] + [23]	\$ 1,027,299	\$ (39,415)	\$ 1,046,246	\$ (39,415)	\$ 1,139,605	\$ (3,285)	\$ 1,139,605	\$ (3,285)
25	Amortization of Income Tax Credit		-		-		-		-	
26	Total - Income Tax	[11] + [24] + [25]	\$ (795,612)	\$ (1,201,712)	\$ (870,908)	\$ (1,054,898)	\$ (1,093,544)	\$ (1,185,776)	\$ 2,047,322	\$ 474,212

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
 RATE BASE AS OF MARCH 31, 2021,
 MARCH 31, 2022 AND MARCH 31, 2023 UNDER PRESENT AND PROPOSED RATES

LINE NO.	REFERENCE	ORIGINAL COST		ORIGINAL COST	
		3/31/21	3/31/22	3/31/23	
(1)	(2)	(3)	(4)	(5)	
1	Utility Plant in Service	Schedule G-2	\$ 229,950,556	\$ 254,999,149	\$ 281,132,004
2	Utility Plant Acquisition Adjustment	Schedule G-3	1,537,912	1,436,568	1,335,224
3			231,488,468	256,435,717	282,467,228
4	Less: Accumulated Depreciation	Schedule G-2	(45,811,938)	(49,645,082)	(55,041,320)
5	Net Plant in Service		<u>185,676,530</u>	<u>206,790,635</u>	<u>227,425,909</u>
6	Additions:				
7	Materials & Supplies	Schedule G-4	-	-	-
8	Cash Working Capital	Schedule G-5	554,000	554,000	554,000
9			<u>554,000</u>	<u>554,000</u>	<u>554,000</u>
10	Deductions:				
	Contributions in Aid of Construction and				
11	Customer Advances for Construction	Schedule G-6	(20,196,246)	(21,515,117)	(20,965,154)
12	Deferred Income Taxes	Schedule G-7	(6,396,317)	(7,497,575)	(8,641,765)
13	Investment Tax Credit		-	-	-
14			<u>(26,592,562)</u>	<u>(29,012,692)</u>	<u>(29,606,919)</u>
15	Total Rate Base		<u>\$ 159,637,968</u>	<u>\$ 178,331,943</u>	<u>\$ 198,372,990</u>

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
 NOTES TO RATE BASE ELEMENTS
 UTILITY PLANT IN SERVICE & ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Utility Plant in Service	\$ 229,950,556	\$ 229,950,556	\$ 254,999,149
2	Plus: Additions		27,871,915	28,357,469
3	Less: Retirements		<u>(2,823,322)</u>	<u>(2,224,614)</u>
4	Utility Plant in Service	<u>\$ 229,950,556</u>	<u>\$ 254,999,149</u>	<u>\$ 281,132,004</u>
5	Accumulated Depreciation		<u>(45,811,938)</u>	<u>(49,645,082)</u>
			<u>(55,041,320)</u>	

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO RATE BASE ELEMENTS

UTILITY PLANT ACQUISITION ADJUSTMENTS

The following adjustment reflects the recognition of the positive Utility Plant Acquisition Adjustments (UPAA) associated with the acquisition of various water utility assets pursuant to the terms of the Commission-approved settlement of the Company's rate cases at Docket Nos. R-00072319, R-2008-2081738, and R-2010-2207833, and R-2018-3003558.

LINE NO.	DESCRIPTION	DOCKET NO.	ORIGINAL ACQUISITION ADJUSTMENT	DATE CLOSED	AMORTIZATION PERIOD	PRESENT RATES		PRESENT RATES		PRESENT RATES	
						3/31/2021 BALANCE	FTY AMORTIZATIONS	3/31/2022 BALANCE	FPFTY AMORTIZATIONS	3/31/2023 BALANCE	
1	Rivercrest	R-00072319	\$ 41,118	6/27/2002	10/06 - 9/26	\$ 11,308	\$ 2,056	\$ 9,252	\$ 2,056	\$ 7,196	
2	White Haven	R-2008-2081738	\$ 267,972	3/11/2002	10/08 - 9/28	\$ 100,490	\$ 13,399	\$ 87,091	\$ 13,399	\$ 73,693	
3	Masthope	R-2010-2207833	\$ 309,404	1/20/2006	6/11 - 5/31	\$ 158,570	\$ 15,470	\$ 143,099	\$ 15,470	\$ 127,629	
4	Treasure Lake	R-2018-3003558	\$ 1,298,027	2/28/2012	4/19 - 3/39	\$ 1,168,224	\$ 64,901	\$ 1,103,323	\$ 64,901	\$ 1,038,422	
5	Bunker Hill WW	R-2018-3003558	\$ 35,598	8/11/2015	4/19 - 3/39	\$ 32,038	\$ 1,780	\$ 30,258	\$ 1,780	\$ 28,479	
6	Avon Grove	R-2018-3003558	\$ 74,758	9/7/2017	4/19 - 3/39	\$ 67,282	\$ 3,738	\$ 63,544	\$ 3,738	\$ 59,807	
7	Effect to Rate Base Element		<u>\$ 2,026,877</u>			<u>\$ 1,537,912</u>	<u>\$ 101,344</u>	<u>\$ 1,436,568</u>	<u>\$ 101,344</u>	<u>\$ 1,335,224</u>	

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO RATE BASE ELEMENTS

MATERIALS AND SUPPLIES

LINE NO.	MONTH	YEAR	BALANCE
1	March	2020	\$ -
2	April	2020	-
3	May	2020	-
4	June	2020	-
5	July	2020	-
6	August	2020	-
7	September	2020	-
8	October	2020	-
9	November	2020	-
10	December	2020	-
11	January	2021	-
12	February	2021	-
13	March	2021	-
14	Total		<u>\$ -</u>
15	13 Month Average		\$ -
16	Allowance for Materials & Supplies		<u> </u>
17	At 3/31/2022 and 3/31/2023		<u><u>\$ -</u></u>

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO RATE BASE ELEMENTS

CASH WORKING CAPITAL SUMMARY

LINE NO.	DESCRIPTION	REFERENCE	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Cash Working Capital - Expenses	Schedule G-5.2	\$ 898,000	\$ 898,000	\$ 898,000
2	Cash Working Capital - Taxes	Schedule G-5.3	68,000	68,000	68,000
3	Cash Working Capital - Interest	Schedule G-5.4	(412,000)	(412,000)	(412,000)
4	Total Cash Working Capital Requirement		\$ 554,000	\$ 554,000	\$ 554,000

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO RATE BASE ELEMENTS

CASH WORKING CAPITAL

CALCULATION OF LAG DAYS IN RECEIPT OF REVENUE

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

LINE NO.	MONTH (1)	YEAR (2)	BALANCE (3)
1	March	2020	\$ 1,728,988
2	April	2020	1,648,682
3	May	2020	1,624,323
4	June	2020	1,773,347
5	July	2020	1,816,566
6	August	2020	1,862,170
7	September	2020	1,746,354
8	October	2020	1,700,262
9	November	2020	1,589,223
10	December	2020	1,600,252
11	January	2021	1,541,282
12	February	2021	1,578,243
13	March	2021	1,352,334
14	Total		\$ 21,562,025
15	Average Accounts Receivable Balance		\$ 1,658,617
16	Gross Utility Water Revenues recorded		
17	During the Twelve Months Ended 3/31/2021		\$ 18,335,514
16	Average Daily Billing		\$ 50,234
18	Lag in Receipt of Payment		33.0
19	Average Use Period (a)		15.2
20	Bill Issue Period		2.0
21	Lag Days in Receipt of Revenue		<u>50.2</u>

Reference:
 (a) One-half of monthly billing period.

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
 NOTES TO RATE BASE ELEMENTS
 CASH WORKING CAPITAL
 CALCULATION OF LAG DAYS IN PAYMENT OF EXPENSES

LINE NO.	ITEM	AMOUNT	LAG DAYS	Ref. #	DOLLAR DAYS
	(1)	(2)	(3)	(4)	(5)
1	Hourly Labor	\$ 1,101,584	7.5	(a)	\$ 8,261,882
2	Non-Union Labor	1,004,479	11.0	(b)	11,049,269
3	Management Fee	714,262	16.0	(d)	11,428,185
4	Electric Power	888,526	20.7	(c)	18,415,943
5					
6	Employee Group Insurance	1,263,638	16.0	(d)	20,218,208
7	Liability Insurance	67,350	(1.4)	(c)	(92,258)
8	SFI Postage	51,111	(8.0)	(c)	(406,901)
9	Pension	0	300.6	(c)	0
10	SFAS106	0	365.7	(e)	0
11	All Other Expenses (g)	5,686,830	25.5	(f)	145,014,163
12	Total	<u>\$ 10,777,781</u>			<u>\$ 213,888,491</u>
13	Average Lag Days in Payment of Expenses		<u>19.8</u>	Col 5, Row 12 / Col 2, Row 12	
14	Average Lag Days in Receipt of Revenues		<u>50.2</u>	Schedule G-5.1	
15	Average Lag Days between Payment of Expenses				
16	and Receipt of Revenue		<u>30.4</u>	[14] - [13]	
17	WORKING CAPITAL REQUIREMENT				
18	Pro-forma Annual Expense Per Day		\$ 29,528	Col 2, Row 12 / 365	
19	Cash Working Capital Required		\$ 897,656	[16] * [18]	
20	USE		<u>\$ 898,000</u>	* Rounded to nearest thousandth	

Reference:

- (a) Weekly payroll paid on Thursday for preceding weeks work.
- (b) Bi-weekly payroll paid on Thursday for the preceding two weeks work.
- (c) Calculated based on test year actual experience.
- (d) Based on normal payment schedule & Intercompany settlement (1st of each month)
- (e) Payment made last week of calendar year
- (f) Assumes service rendered on 15th of the month, paid 10th of the following month. (Same procedure as prior rate cases.)
- (g) Less annual uncollectible accounts expense and other non-cash items

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
 NOTES TO RATE BASE ELEMENTS
 CASH WORKING CAPITAL
 CALCULATION OF LAG DAYS IN PAYMENT OF TAXES

LINE NO.	ITEM	AMOUNT	LAG DAYS	Ref. #	DOLLAR DAYS
	(1)	(2)	(3)	(4)	(5)
1	PA PUC - General Assessments	\$ 86,005	(197.5)	(a)	\$ (16,985,890)
2	OCA & SBA - General Assessments	34,947	(197.5)	(a)	(6,902,065)
3	Public Utility Realty Tax	-	(11.3)	(a)	-
4	Local, County, School, & Municipal Tax	175,853	(167.0)	(a)	(29,367,508)
5	FICA Taxes - Hourly	-	8.5		-
6	FICA Taxes - Executive & Exempt	-	12.0		-
7	Federal Unemployment Tax	-	75.0		-
8	PA Unemployment Tax	-	75.0		-
9	PA State Income Tax	(1,182,491)	45.2	(a)	(53,448,590)
10	Federal Income Tax	(2,233,149)	33.4	(a)	(74,587,179)
11	Total	<u>\$ (3,118,835)</u>			<u>\$ (181,291,231)</u>
12	Average Lag Days in Payment of Taxes		<u>58.1</u>	Col 5, Row 11 / Col 2, Row 11	
13	Average Lag Days in Receipt of Revenues		<u>50.2</u>	Schedule G-5.1	
14	Average Lag Days between Payment of Taxes				
15	and Receipt of Revenue		<u>(7.9)</u>	[13] - [12]	
16	WORKING CAPITAL REQUIREMENT				
17	Pro-forma Annual Tax Expense Per Day		\$ (8,545)	Col 2, Row 11 / 365	
18	Cash Working Capital Required		\$ 67,504	[15] * [17]	
19	USE		<u>\$ 68,000</u>	* Rounded to nearest thousandth	

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

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE
 NOTES TO RATE BASE ELEMENTS
 CASH WORKING CAPITAL
 CALCULATION OF LAG DAYS IN PAYMENT OF INTEREST

LINE NO.	ITEM (1)	AMOUNT (2)	LAG DAYS (3)	Ref. # (4)	DOLLAR DAYS (5)
1	Long Term Debt- Interest	\$ 3,656,035	91.3	(a)	\$ 333,613,187
2	PennVest-Interest	-	15.2	(b)	-
3	Total	<u>\$ 3,656,035</u>			<u>\$ 333,613,187</u>
4	Average Lag Days in Payment of Interest		<u>91.3</u>	Col 5, Row 3 / Col 2, Row 3	
5	Average Lag Days in Receipt of Revenues		<u>50.2</u>	Schedule G-5.1	
6	Average Lag Days between Payment of Interest				
7	and Receipt of Revenue		<u>(41.1)</u>	[5] - [4]	
8	WORKING CAPITAL REQUIREMENT				
9	Pro-forma Annual Interest Expense Per Day		\$ 10,017		
10	Cash Working Capital Required		\$ (411,680)		
11	USE		<u>\$ (412,000)</u>	* Rounded to nearest thousandth	

Reference:
 (a) Paid Semi-Annually
 (b) Paid Monthly

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO RATE BASE ELEMENTS

CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) AND CUSTOMER ADVANCES FOR CONSTRUCTION (CAC)

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		3/31/2021 AMOUNT	3/31/2022 AMOUNT	3/31/2023 AMOUNT
1	Customer Advances and Contributions In Aid Of Construction	\$ 20,196,246	\$ 20,196,246	\$ 21,515,117
2	Plus: Contributions		1,866,141	5,000
3	Less: Amortization		(547,270)	(554,963)
4	Customer Advances and Contributions In Aid Of Construction	<u>\$ (20,196,246)</u>	<u>\$ (21,515,117)</u>	<u>\$ (20,965,154)</u>

AQUA PENNSYLVANIA WASTEWATER, INC. - BASE

NOTES TO RATE BASE ELEMENTS

DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	REFERENCE	PRESENT RATES 3/31/2021 AMOUNT	PRESENT RATES 3/31/2022 AMOUNT	PRESENT RATES 3/31/2023 AMOUNT
1	Deferred Income Taxes	FR.TX4	\$ 6,396,317	\$ 6,396,317	\$ 7,497,575
2	Change in Deferred Tax	Schedule F-2		1,101,259	1,144,190
3	Deferred Income Taxes		<u>\$ (6,396,317)</u>	<u>\$ (7,497,575)</u>	<u>\$ (8,641,765)</u>