

PENNSYLVANIA-AMERICAN WATER COMPANY

**2022 GENERAL BASE RATE CASE
R-2022-3031672 (WATER)
R-2022-3031673 (WASTEWATER)**

**EXHIBIT NO. 3-A
REVENUE DEFICIENCY AND ADJUSTMENTS**

Pennsylvania-American Water Company
Exhibit No. 3-A
Revenue Deficiency and Adjustments

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Pennsylvania-American Water Company

3-A Combined Water and Wastewater Revenue Requirement - Summary

		<u>Total Company</u>	<u>Water Operations</u>	<u>Wastewater SSS General Operations</u>	<u>Royersford Wastewater Operations</u>	<u>Upper Pottsgrove Wastewater Operations</u>	<u>York Wastewater Operations</u>	<u>CSS Wastewater Operations</u>
Present Rate Revenue	(1)	\$832,106,946	\$715,630,456	\$44,961,155	\$820,868	\$1,349,190	\$18,755,982	\$50,589,295
Additional Revenue Requirement	(2)	173,155,952	81,474,128	23,886,436	2,074,930	1,481,896	23,409,274	40,829,288
Act 11 - Wastewater Allocation	(3)	0	72,946,653	(12,786,945)	(1,504,562)	(859,192)	(18,985,985)	(38,809,970)
Proposed Revenues		<u>\$1,005,262,898</u>	<u>\$870,051,237</u>	<u>\$56,060,646</u>	<u>\$1,391,236</u>	<u>\$1,971,894</u>	<u>\$23,179,271</u>	<u>\$52,608,613</u>
Rate Increase/(Decrease)		\$173,155,952	\$154,420,781	\$11,099,491	\$570,368	\$622,704	\$4,423,289	\$2,019,318
		20.8%	21.6%	24.7%	69.5%	46.2%	23.6%	4.0%

Notes:

(1) **Present Rate Revenue:** Present Rate Revenues are developed in the sections of Exhibit 3-A that relate to each of these operations.

(2) **Additional Revenue Requirement:** The Additional Revenue Requirement are developed in subsequent sections of this Exhibit 3-A for each of the operations.

(3) **Act 11 - Wastewater Allocation** is the allocation between wastewater operations and water operations 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.

Water Operations

Pennsylvania-American Water Company - Water Operations

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Pennsylvania-American Water Company - Water Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2021

December 31, 2022, and 2023 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PER BOOKS	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT	RATE INCREASE	PROPOSED RATES AMOUNT	LINE NO.
1	Operating Revenue	\$686,616,812	\$10,462,598	\$697,079,410	\$22,389,892	\$719,469,302	(\$3,838,846)	\$715,630,456	\$81,474,128	\$797,104,584	1
2	Operating Revenue Deductions:										2
3	Operating Expenses	201,165,135	3,261,899	204,427,034	15,676,668	220,103,702	4,396,064	224,499,766	981,763	225,481,529	3
4	Depreciation	139,275,676	20,279,931	159,555,607	(652,153)	158,903,454	5,451,236	164,354,690	0	164,354,690	4
5	Amortizations	1,260,700	0	1,260,700	(7,513,178)	(6,252,478)	7,369,778	1,117,300	0	1,117,300	5
6	Taxes, Other Than Income:										6
7	Local Property And Miscellaneous	1,174,028	0	1,174,028	272,993	1,447,021	59,425	1,506,446	0	1,506,446	7
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	8
9	Public Utility Realty Taxes	2,259,209	0	2,259,209	(282,940)	1,976,269	82,588	2,058,857	0	2,058,857	9
10	Payroll Taxes	4,244,109	0	4,244,109	333,470	4,577,579	120,423	4,698,002	0	4,698,002	10
11	General Assessment	4,043,219	567,537	4,610,756	151,302	4,762,058	(24,385)	4,737,673	543,753	5,281,426	11
12	Other Taxes and Licenses	11,465	(11,465)	0	0	0	0	0	0	0	12
13	Total Taxes Other Than Income	11,732,030	556,072	12,288,102	474,825	12,762,927	238,051	13,000,978	543,753	13,544,731	13
14	Utility Operating Income Before Income Taxes	333,183,271	(13,635,304)	319,547,967	14,403,730	333,951,697	(21,293,975)	312,657,722	79,948,612	392,606,334	14
15	Income Taxes:										15
16	State Income Tax	23,101,778	(1,442,570)	21,659,208	(2,574,585)	19,084,623	(3,308,358)	15,776,265	7,984,334	23,760,599	16
17	Federal Income Tax	39,956,346	(2,735,982)	37,220,364	1,689,715	38,910,079	(5,269,663)	33,640,416	15,107,174	48,747,590	17
18	Amortization Of ITC & Excess Deferred Taxes	(233,592)	0	(233,592)	0	(233,592)	0	(233,592)	0	(233,592)	18
19	Total Income Taxes	62,824,532	(4,178,552)	58,645,980	(884,870)	57,761,110	(8,578,021)	49,183,089	23,091,508	72,274,597	19
20	Total Operating Revenue Deductions	416,258,073	19,919,350	436,177,423	7,101,292	443,278,715	8,877,108	452,155,823	24,617,024	476,772,847	20
21	Utility Operating Income	270,358,739	(9,456,752)	260,901,987	15,288,600	276,190,587	(12,715,954)	263,474,633	56,857,104	320,331,737	21
22	Income Deductions:										22
23	Interest On Long Term Debt	60,611,982	0	60,611,982	8,554,635	69,166,617	7,212,151	76,378,768	25,354	76,404,122	23
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	24
25	Interest On Notes Payable To Others	491,126	0	491,126	(491,126)	0	0	0	0	0	25
26	Total Income Deductions	61,103,108	0	61,103,108	8,063,509	69,166,617	7,212,151	76,378,768	25,354	76,404,122	26
27	Net Income	\$209,255,631	(\$9,456,752)	\$199,798,879	\$7,225,091	\$207,023,970	(\$19,928,105)	\$187,095,865	\$56,831,750	\$243,927,615	27
28	Preferred Dividends	123,131		123,131		35,555		39,121		39,134	28
29	Net Income To Common	\$209,132,500		\$199,675,748		\$206,988,415		\$187,056,744		\$243,888,481	29

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS

TOTAL REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021 AND DECEMBER 31, 2022

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2021	UNBILLED AND TCJA AMORTIZAION	ANNUALIZE ACQUISITION ADJUSTMENTS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS (*)	PRO FORMA PRESENT RATES 12/31/2021	OTHER REVENUE AND CUSTOMER ADJUSTMENTS (**)	DECLINING USAGE	ANNUALIZE 2022 RATE CHANGE	DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2022
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	461.1	RESIDENTIAL	\$455,376,400	(\$4,486,286)	\$606,497	(\$4,813,374)	\$446,683,236	\$1,288,978	(\$7,280,373)	\$6,396,074	\$13,749,631	\$460,837,547
4	461.2	COMMERCIAL	161,454,528	(2,134,443)	71,150	10,854,803	170,246,039	(640,184)	(1,414,010)	2,342,307	5,250,103	175,784,255
5	461.3	INDUSTRIAL	32,785,088	(474,836)	1,000	604,516	32,915,768	138,015		375,113	912,794	34,341,689
6	464	MUNICIPAL	18,246,894	(39,917)	14,622	2,496,028	20,717,626		(140,415)	97,107	636,315	21,310,633
7	466	SALES FOR RESALE	2,877,834	(132,185)	(343,483)	19,428	2,421,594	453,185		93,010	8,950	2,976,740
8		TOTAL METERED SALES	\$670,740,744	(\$7,267,667)	\$349,785	\$9,161,401	\$672,984,263	\$1,239,994	(\$8,834,798)	\$9,303,612	\$20,557,793	\$695,250,864
9		UNMETERED SALES										
10	460	RESIDENTIAL	\$111,307			667	\$111,974			1,445	3,493	\$116,913
11	460	COMMERCIAL					0					0
12	460	INDUSTRIAL					0					0
13	460	MUNICIPAL					0					0
14	460	MISCELLANEOUS					0					0
15		TOTAL UNMETERED SALES	\$111,307	\$0	\$0	\$667	\$111,974	\$0	\$0	\$1,445	\$3,493	\$116,913
16	462.1	PRIVATE FIRE PROTECTION	\$4,859,814	(\$371,789)		211,081	\$4,699,106	2,257		77,030	147,175	\$4,925,568
17	462.2	PUBLIC FIRE PROTECTION	8,585,369	(80,595)		273,721	8,778,495			31,986		8,810,481
18		TOTAL WATER SALES	\$684,297,234	(\$7,720,052)	\$349,785	\$9,646,871	\$686,573,838	\$1,242,251	(\$8,834,798)	\$9,414,073	\$20,708,461	\$709,103,825
19		OTHER OPERATING REVENUES										
20	469	GUARANTEED REVENUES	\$0				\$0					\$0
21	470	LATE PAYMENT FEES	(3,903,067)			8,189,348	4,286,280	140,655				4,426,935
22	471	MISC SERVICE REVENUES	4,159,492			(3,354)	4,156,138	27,668				4,183,806
23	472	RENTS FROM PROPERTIES	1,539,509				1,539,509	(319,460)				1,220,048
24	473	INTERCOMPANY RENTS	523,644				523,644	11,043				534,687
25	474	OTHER WATER REVENUES	0	\$0	0	0	0	0	0	0	0	0
26		TOTAL OTHER OPERATING REVENUES	\$2,319,578	\$0	\$0	\$8,185,994	\$10,505,571	(\$140,094)	\$0	\$0	\$0	\$10,365,477
27												
28		TOTAL OPERATING REVENUES	\$686,616,812	(\$7,720,052)	\$349,785	\$17,832,864	\$697,079,410	\$1,102,156	(\$8,834,798)	\$9,414,073	\$20,708,461	\$719,469,302

(*) The metered sales adjustments represents the removal of the TCJA, EADIT, DSIC and recoupment surcharges, change in the number of customers, normalized usage based on trend study, and annualization of the 2021 base rates and contract customer rates.

(**) The metered sales adjustments represent the acquisition of Creekside Development and Findlay Township Bulk customer, change in the number of customers, normalization of commercial Shale Gas usage, and annualization of the contract customer rates.

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2023

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2022	OTHER CUSTOMER ADJUSTMENTS (*)	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2023	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	461.1	RESIDENTIAL	\$460,837,547	\$2,572,271		(\$5,618,771)		\$457,791,046	11.63%	\$53,233,783	\$511,024,829
4	461.2	COMMERCIAL	175,784,255	499,935		(1,142,381)		175,141,808	13.73%	24,043,744	199,185,553
5	461.3	INDUSTRIAL	34,341,689	99,458				34,441,147	9.15%	3,150,163	37,591,309
6	464	MUNICIPAL	21,310,633			(130,237)		21,180,396	-2.14%	(453,151)	20,727,245
7	466	SALES FOR RESALE	2,976,740	56,609				3,033,349	1.05%	31,756	3,065,105
8		TOTAL METERED SALES	\$695,250,865	\$3,228,273	\$0	(\$6,891,389)	\$0	\$691,587,747	11.57%	\$80,006,295	\$771,594,042
9		UNMETERED SALES									
10	460	RESIDENTIAL	\$116,913					\$116,913	11.56%	13,518	\$130,431
11	460	COMMERCIAL	0					0	0.00%	0	0
12	460	INDUSTRIAL	0					0	0.00%	0	0
13	460	MUNICIPAL	0					0	0.00%	0	0
14	460	MISCELLANEOUS	0					0	0.00%	0	0
15		TOTAL UNMETERED SALES	\$116,913	\$0	\$0	\$0	\$0	\$116,913	11.56%	\$13,518	\$130,431
16	462.1	PRIVATE FIRE PROTECTION	\$4,925,568					4,925,568	6.94%	341,599	5,267,167
17	462.2	PUBLIC FIRE PROTECTION	8,810,481	31,986				8,842,466	6.87%	607,229	9,449,695
18		TOTAL WATER SALES	\$709,103,826	\$3,260,258	\$0	(\$6,891,389)	\$0	\$705,472,694	11.48%	\$80,968,641	\$786,441,335
19		OTHER OPERATING REVENUES									
20	469	GUARANTEED REVENUES	\$0					\$0	0.00%	0	\$0
21	470	LATE PAYMENT FEES	4,426,935		(22,669)			4,404,266	11.48%	505,487	4,909,753
22	471	MISC SERVICE REVENUES	4,183,806		12,360			4,196,166	0.00%	0	4,196,166
23	472	RENTS FROM PROPERTIES	1,220,048		(212,507)			1,007,542	0.00%	0	1,007,542
24	473	INTERCOMPANY RENTS	534,687		15,101			549,788	0.00%	0	549,788
25	474	OTHER WATER REVENUES	0					0	0.00%	0	0
26		TOTAL OTHER OPERATING REVENUES	\$10,365,477	\$0	(\$207,715)	\$0	\$0	\$10,157,761	4.98%	\$505,487	\$10,663,249
27											
28		TOTAL OPERATING REVENUES	\$719,469,303	\$3,260,258	(\$207,715)	(\$6,891,389)	\$0	\$715,630,455	11.38%	\$81,474,128	\$797,104,584

(*) The metered sales adjustments represent the change in the number of customers and the annualization of the 2022 contract customer rates, including acquisitions.

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT
1	Per Books		\$686,616,812				
2	Present Rates At 12/31/2022				\$697,079,410		
3	Present Rates At 12/31/2023						\$719,469,302
4							
5	TCJA, EADIT & Recoupment Adjustment	\$11,974,795					
6	Unbilled Adjustment	(7,720,052)					
7	DSIC Annualization	(3,558,754)		\$20,708,461			
8	Annualize 2021 Rate Change	5,333,047					
9	Change in Customers	541,370		1,520,796		3,041,592	
10	Usage Normalization	(4,998,999)		(8,834,798)		(6,891,389)	
11	Annualize - Valley Water	293,440					
12	Annualize - SLIBCO	56,345					
13	Annualize 2022 Rate Change			9,215,776			
14	Specific Customer Adjustment	63,338		146,669		143,051	
15	Findlay Township Bulk W			533,813		13,015	
16	Public Fire Protection	135,478		31,986		31,986	
17	Private Fire Protection	156,596		79,287			
18	Creekside Development			18,140		30,614	
19	Shale Gas Commercial Usage			(890,143)			
20							
21	Other Operating Revenues						
22	469 - Guaranteed Revenues						
23	470 - Penalties	8,189,348		140,655		(22,669)	
24	471 - Misc Service Revenues	(3,354)		27,668		12,360	
25	472 - Rents From Properties			(319,460)		(212,507)	
26	473-Intercompany Rents			11,043		15,101	
27							
28	Pro Forma Adjustment		10,462,597		22,389,892		(3,838,847)
29							
30	Pro Forma Present Rates At December 31, 2021		<u>\$697,079,410</u>				
31							
32	Pro Forma Present Rates At December 31, 2022				<u>\$719,469,302</u>		
33							
34	Pro Forma Present Rates At December 31, 2023						<u>\$715,630,455</u>

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

TCJA, EADIT & Recoupment Surcharge Adjustment

The following adjustment is being made to eliminate the tax credit, EADIT, and the recoupment surcharge revenues per books for the twelve months ended December 31, 2021.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT
1	Metered Sales	
2	Residential	\$8,132,085
3	Commercial	2,796,851
4	Industrial	497,653
5	Municipal	320,202
6	Sales For Resale	14,371
7	Other Water Revenue	0
		<hr/>
8	Total Metered Sales	\$11,761,161
9	Unmetered Sales	
10	Residential	\$0
11	Commercial	0
12	Industrial	0
13	Municipal	0
14	Sales For Resale	0
		<hr/>
15	Total Unmetered Sales	\$0
16	Private Fire Protection	75,391
17	Public Fire Protection	138,243
		<hr/>
18	Total Water Surcharges	\$11,974,795
19	Other Operating Revenues	\$0
20	Pro Forma Adjustment	<hr/> <hr/>

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment & TCJA Stub

The following adjustment is being made to eliminate unbilled revenue accrued per books and the TCJA stub revenues per books for the twelve months ended December 31, 2021.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT
1	Metered Sales	
2	Residential	(\$4,486,286)
3	Commercial	(2,134,443)
4	Industrial	(474,836)
5	Municipal	(39,917)
6	Sales For Resale	(132,185)
7	Miscellaneous	0
8	Total Metered Sales	(\$7,267,667)
9	Unmetered Sales	
10	Residential	\$0
11	Commercial	0
12	Industrial	0
13	Municipal	0
14	Sales For Resale	0
15	Total Unmetered Sales	\$0
16	Private Fire Protection	(371,789)
17	Public Fire Protection	(80,595)
18	Total Unbilled / TCJA Stub Water Sales	(\$7,720,052)
19	Other Operating Revenues	\$0
20	Pro Forma Adjustment	(\$7,720,052)

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

DSIC Annualization

The 2021 pro forma revenue adjustment is being made to eliminate the Distribution System Improvement Charge (DSIC) revenues per book for the 12 months ended December 31, 2021 in order to reset the DSIC to zero. The 2022 pro forma revenue adjustment is to annualize the DSIC revenues for 2022 based on the Company's pro forma level rate of 3.08%.

LINE NO.	DESCRIPTION	12/31/2021 PER BOOK DSIC REVENUE	12/31/2021 ANNUALIZED DSIC REVENUE	12/31/2022 ANNUALIZED DSIC REVENUE	12/31/2021 PRO FORMA ADJUSTMENT	12/31/2022 PRO FORMA ADJUSTMENT
1	Metered Sales					
2	Residential	\$2,535,400	\$0	\$13,749,631	(\$2,535,400)	\$13,749,631
3	Commercial	\$781,020	0	5,250,103	(781,020)	5,250,103
4	Industrial	\$132,671	0	912,794	(132,671)	912,794
5	Municipal	84,728	0	636,315	(84,728)	636,315
6	Sales For Resale	4,030	0	8,950	(4,030)	8,950
7	Miscellaneous	0	0	0	0	0
8	Total Metered Sales	\$3,537,849	\$0	\$20,557,793	(\$3,537,849)	\$20,557,793
9	Unmetered Sales					
10	Residential	\$0	\$0	\$3,493	\$0	\$3,493
11	Commercial	0	0	0	0	0
12	Industrial	0	0	0	0	0
13	Municipal	0	0	0	0	0
14	Sales For Resale	0	0	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$3,493	0	\$3,493
16	Private Fire Protection	\$20,906	\$0	\$147,175	(20,906)	\$147,175
17	Public Fire Protection	0	0	0	0	0
18	Total DSIC Water Sales	\$3,558,754	\$0	\$20,708,461	(\$3,558,754)	\$20,708,461
19	Other Operating Revenues	\$0	\$0	\$0	\$0	\$0
20	Pro Forma Adjustment	\$3,558,754	\$0	\$20,708,461	(\$3,558,754)	\$20,708,461

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Private Fire Protection

This revenue adjustment is being made to reflect the annualization of rates for private fire service based upon the number of customers receiving such service at December 31, 2021. The Company is not projecting a change in the number of customers for 2022 through 2023. The change in revenues are due to annualization of the change in rates in 2021 and 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annual Charge For Private Fire Protection			
2				\$4,776,136
3	Annual Charge For Private Fire Protection			
4			\$4,776,136	4,776,136
5	Annual Charge For Private Fire Protection			
6		\$4,699,106	4,699,106	
7	Less: Private Fire Protection Revenue For			
8	During The Twelve Months Ended 12/31/21	4,542,509		
9	Pro Forma Adjustment	<u>\$156,596</u>	<u>\$77,030</u>	<u>\$0</u>

Witness: Charles Rea
Reference: FR II.2 & FRII.10

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Public Fire Protection

This adjustment is being made to reflect the annualization of rates and revenues for public fire service based upon the number of customers/hydrants at December 31, 2021 and as projected at December 31, 2022 through December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annual Charge For Public Fire Protection			
2				\$8,842,466
3	Annual Charge For Public Fire Protection			
4			\$8,810,481	8,810,481
5	Annual Charge For Public Fire Protection			
6		\$8,778,495	8,778,495	
7	Less: Public Fire Protection Revenue For			
8	During the Twelve Months Ended 12/31/21	8,643,018		
9	Pro Forma Adjustment	<u>\$135,478</u>	<u>\$31,986</u>	<u>\$31,986</u>

Witness: Charles Rea
Reference: FR II.2 & FR II.10

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Usage Trend Adjustment

This adjustment is being made to address the change in usage trend in residential, commercial and municipal usage as well as the decline in usage that has been experienced for many years and is expected to continue to occur. Please refer to the testimony of Charles Rea (PAWC Statement No. 10).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Metered Sales			
2	Residential	(\$15,208,167)	(\$7,280,373)	(\$5,618,771)
3	Commercial	7,906,574	(1,414,010)	(1,142,381)
4	Industrial	0	0	0
5	Municipal	2,302,593	(140,415)	(130,237)
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	(\$4,998,999)	(\$8,834,798)	(\$6,891,389)
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Water Sales	(\$4,998,999)	(\$8,834,798)	(\$6,891,389)
19	Other Operating Revenues	\$0	\$0	\$0
20	Pro Forma Adjustment	(\$4,998,999)	(\$8,834,798)	(\$6,891,389)

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Valley Water

On November 19, 2021, the Company closed on the acquisition of the water utility property of the Valley Township and began providing direct service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition and to remove the revenues associated with bulk water sales from Valley Township.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2021 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	ADJUSTMENT AMOUNT
1	Metered Sales			
2	Residential	\$46,686	\$653,182	\$606,497
3	Commercial	313	15,118	14,805
4	Industrial	84	1,083	1,000
5	Municipal	109	14,731	14,622
6	Sales For Resale	343,483	0	(343,483)
7	Miscellaneous	0	0	0
8	Total Metered Sales	\$390,675	\$684,115	\$293,440
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection			
17	Public Fire Protection			
18	Total Water Sales	\$390,675	\$684,115	\$293,440
19	Other Operating Revenues	\$0	\$0	\$0
20	Pro Forma Adjustment	\$390,675	\$684,115	\$293,440

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - SLIBCO

On November 19, 2021, the Company closed on the acquisition of the water utility property of the SLIBCO Utilities and began providing service to that entity's customers. The following adjustment annualizes the 2021 revenues associated with this acquisition.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2021 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	ADJUSTMENT AMOUNT
1	Metered Sales			
2	Residential	\$0	\$0	\$0
3	Commercial	4,801	61,146	56,345
4	Industrial	0	0	0
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	\$4,801	\$61,146	\$56,345
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Waste Sales	\$4,801	\$61,146	\$56,345
17	Other Operating Revenues	\$0	\$0	\$0
18	Pro Forma Adjustment	\$4,801	\$61,146	\$56,345

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Rate Change Annualization

This revenue adjustment is being made to reflect the annualization of the base rates effective on January 28, 2021.

LINE NO.	DESCRIPTION	12/31/2021 PER BOOKS REVENUE	12/31/2021 ANNUALIZED REVENUE	12/31/2021 PRO FORMA ADJUSTMENT
1	Metered Sales			
2	Residential	\$456,486,798	\$460,542,014	\$4,055,216
3	Commercial	161,335,917	162,469,836	1,133,920
4	Industrial*	32,675,234	32,872,046	196,813
5	Municipal	18,442,450	18,400,411	(42,039)
6	Sales For Resale*	2,755,990	2,744,461	(11,529)
7	Miscellaneous	0	0	0
8	Total Metered Sales	\$671,696,389	\$677,028,769	\$5,332,380
9	Unmetered Sales			
10	Residential	\$111,307	\$111,974	\$667
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$111,307	\$111,974	\$667
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Billed Water Sales	\$671,807,696	\$677,140,743	\$5,333,047
19	Other Operating Revenues	\$0	\$0	\$0
20	Pro Forma Adjustment	\$671,807,696	\$677,140,743	\$5,333,047

Witness: Charles Rea
Reference: FR II.2

* Annualized excluded adjustment FRII.02r

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Rate Change Annualization

This revenue adjustment is being made to reflect the annualization of the base rates effective on January 1, 2022.

LINE NO.	DESCRIPTION	12/31/2021 ANNUALIZED REVENUE	ADJUSTMENTS	12/31/2022 ANNUALIZED REVENUE	12/31/2022 PRO FORMA ADJUSTMENT
1	Metered Sales				
2	Residential	\$460,542,014	(\$13,858,778)	\$453,079,310	\$6,396,074
3	Commercial	162,469,836	7,776,203	172,588,346	2,342,307
4	Industrial	32,914,768	139,015	33,428,896	375,113
5	Municipal	18,400,411	2,317,215	20,814,734	97,107
6	Sales For Resale	2,765,077	(254,202)	2,514,605	3,729
7	Miscellaneous			0	0
8	Total Metered Sales	\$677,092,106	(\$3,880,547)	\$682,425,890	\$9,214,331
9	Unmetered Sales				
10	Residential	\$111,974	\$0	\$113,419	\$1,445
11	Commercial	0	0	0	0
12	Industrial	0	0	0	0
13	Municipal	0	0	0	0
14	Sales For Resale	0	0	0	0
15	Total Unmetered Sales	\$111,974	\$0	\$113,419	\$1,445
16	Private Fire Protection	\$0	\$0	\$0	\$0
17	Public Fire Protection	0	0	0	0
18	Total Water Sales	\$677,204,080	(\$3,880,547)	\$682,539,309	\$9,215,776
19	Other Operating Revenues	\$0	\$0	\$0	\$0
20	Pro Forma Adjustment	\$677,204,080	(\$3,880,547)	\$682,539,309	\$9,215,776

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Specific Customer Adjustment

The following adjustments are for Industrial Standby and Resale Standby customers to account for the rate changes and terms per contract agreement.

LINE NO.	DESCRIPTION	BILLED 2021 AMOUNT	ANNUALIZED 12/31/2021 AMOUNT	ANNUALIZED 12/31/2022 AMOUNT	ANNUALIZED 12/31/2023 AMOUNT
1	Metered Sales				
2	Residential	\$0	\$0	\$0	\$0
3	Commercial	0	0	0	0
4	Industrial	3,610,920	3,653,642	3,791,657	3,891,115
5	Municipal	0	0	0	0
6	Sales For Resale	2,094,312	2,114,928	2,123,581	2,167,175
7	Miscellaneous				
8	Total Metered Sales	\$5,705,232	\$5,768,570	\$5,915,239	\$6,058,290
9	Unmetered Sales				
10	Residential	\$0	\$0	\$0	\$0
11	Commercial	0	0	0	0
12	Industrial	0	0	0	0
13	Municipal	0	0	0	0
14	Sales For Resale	0	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0	\$0
16	Total Water Sales	\$5,705,232	\$5,768,570	\$5,915,239	\$6,058,290
17	Other Operating Revenues	\$0	\$0	\$0	\$0
19	Total Operating Revenues	\$5,705,232	\$5,768,570	\$5,915,239	\$6,058,290
20	Adjustment Amount		\$63,338	\$146,669	\$143,051

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Rental Income - Cell Phone Towers & Timber Rights

The Company receives money from cellular phone providers for the lease of space on top of its water towers for the placement of antennas. This adjustment is being made to adjust for the difference between revenues that were recorded in 2021 and the revenue that is expected to be recorded as cell tower rental income in 2022 and 2023. The Company receives money for the rights to land that it owns for tree harvesting. This adjustment is being made to adjust for the difference between revenues that were recorded in 2021 and the revenue that is expected to be recorded as timber rights revenue income in 2022 and 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Cell Tower Rental Income	\$864,031	\$905,917
	Annualized Timber Rights Income	356,017	101,625
2	Less: Cell Tower Rental Income		
3	During The Twelve Months Ended 12/31/2021	1,539,509	
4	Pro Forma Adjustment	<u>(\$319,460)</u>	<u>(\$212,507)</u>
5	472 Other Water Revenues	(\$319,460)	(\$212,507)

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Rental Income - Intercompany Office

The Company charges the Service Company for employees that work in the Stafford Avenue & Mechanicsburg offices. This adjustment is being made to adjust for the difference between revenues that were recorded in 2021 and the revenue that are expected to be recorded as Intercompany Office rental income in 2022 and 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Intercompany Office Rental Income	\$534,687	\$549,788
2	Less: Intercompany Office Rental Income		
3	During The Twelve Months Ended 12/31/2021	523,644	
4	Pro Forma Adjustment	<u>\$11,043</u>	<u>\$15,101</u>
5	473 Other Water Revenues	\$11,043	\$15,101

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Usage Data

The Company supplies water usage data to municipalities so they can bill their residents for sewer. The Company adjusted the 2021 per book revenues to eliminate localities no longer using service. In addition, the Company increases this fee annually based on the change in the CPI. An adjustment is being made in 2022 for 7.04%, which is the actual 2021 change in the CPI. An adjustment is also being made in 2023 for 2.94%, which is the five year average of the change in the CPI.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Fee Increase		\$420,683	\$433,043
2	During the Twelve Months Ended 12/31/21	\$396,369		
3	Adjustments to remove localities no longer using service	(3,354)		
4	Usage Data Revenue	\$393,015	\$420,683	\$433,043
5	Pro Forma Adjustment	(\$3,354)	\$27,668	\$12,360
6	471 Other Water Revenues	(\$3,354)	\$27,668	\$12,360

Witness: Charles Rea
Reference: FR11.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Acquisition Adjustment - Findlay Township Bulk Water

During 2022, the Company will close a water supply agreement with Findlay Township Municipal Authority. The following adjustment annualizes the revenues associated with this agreement.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Metered Sales		
2	Residential	\$0	\$0
3	Commercial	0	0
4	Industrial	0	0
5	Municipal	0	0
6	Sales For Resale	533,813	546,828
7	Miscellaneous	0	0
8	Total Metered Sales	\$533,813	\$546,828
9	Unmetered Sales		
10	Residential	\$0	\$0
11	Commercial	0	0
12	Industrial	0	0
13	Municipal	0	0
14	Sales For Resale	0	0
15	Total Unmetered Sales	\$0	\$0
16	Total Water Sales	\$533,813	\$546,828
17	Miscellaneous Service Fees	\$0	\$0
18	Rents From Properties	0	0
19	Total Operating Revenues	\$533,813	\$546,828
20	Pro Forma Adjustment	\$533,813	\$13,015

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Acquisition Adjustment - Creekside Homeowner's Association

During 2022, the Company anticipates closing on the acquisition of the water utility property of the Creekside Homeowner's Association and will began providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Metered Sales			
2	Residential	\$0	\$18,140	\$48,754
3	Commercial	0	0	0
4	Industrial	0	0	0
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	\$0	\$18,140	\$48,754
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$2,257	\$2,257
17	Total Wastewater Sales	\$0	\$20,397	\$51,011
18	Miscellaneous Service Fees	\$0	\$0	\$0
19	Late Payment Fees	0	0	0
20	Total Operating Revenues	\$0	\$20,397	\$51,011
21	Pro Forma Adjustment	\$0	\$20,397	\$30,614

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Water

This adjustment is to normalize the usage for Shale Gas Commercial Customers using a three-year average 2019 - 2021 historical usage trend.

LINE NO.	DESCRIPTION	PRESENT RATES
		12/31/2022 AMOUNT
1	Metered Sales	
2	Residential	\$0
3	Commercial	(890,143)
4	Industrial	0
5	Municipal	0
6	Sales For Resale	0
7	Miscellaneous	0
		<hr/>
8	Total Metered Sales	(\$890,143)
9	Unmetered Sales	
10	Residential	\$0
11	Commercial	0
12	Industrial	0
13	Municipal	0
14	Sales For Resale	0
		<hr/>
15	Total Unmetered Sales	\$0
16	Total Water Sales	<hr/> (\$890,143)
17	Other Operating Revenues	\$0
18	Pro Forma Adjustment	<hr/> (\$890,143) <hr/>

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Change in Number of Customers

The following historic revenue adjustment reflects the change in revenues due to the average change in number of customers during the twelve months ended December 31, 2021. The following future and fully forecasted revenue adjustment reflects the change in revenues due to the projected change in number of customers during the twelve months ending December 31, 2022 through December 31, 2023. Projections were based on a five year historical growth average exclusive of acquisitions.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2022 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2023 REVENUE ADJUSTMENT
1	Residential Metered Customers	\$742,892	\$1,270,838	\$2,541,658
2	Residential revenue was adjusted by applying			
3	the average annual consumption per residential			
4	customer to the projected increase in customers			
5	for the test year 2021, 2022, 2023			
6	Residential Unmetered Customers			
7	Commercial Metered Customers	(201,522)	249,959	499,935
8	Commercial revenue was adjusted by applying			
9	the average annual consumption per residential			
10	customer to the projected increase in customers			
11	for the test year 2021, 2022, 2023			
12				
13	Any adjustments to large commercial accounts			
14	would be shown as specific customer adjustments.			
15	Industrial, Municipal And Sale For Resale			
16	Metered Customers			
17	Those large enough to warrant an adjustment are			
18	shown as specific customer adjustments.			
19	Pro Forma Adjustment	<u>\$541,370</u>	<u>\$1,520,796</u>	<u>\$3,041,592</u>

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2020 and 2021, and the estimated number of customers to be served at December 31, 2022 through 2023. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2023 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2020	SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	TO BE SERVED AT 12/31/2023	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered							
2	601.1	Residential	619,923	624,020	627,389	630,800	630,800	0	0
3	601.2	Commercial	45,650	45,820	45,969	46,119	46,119	0	0
4	601.3	Industrial	535	543	543	543	543	0	0
5	606	Municipal	2,207	2,256	2,256	2,256	2,256	0	0
6	607	Resale	24	23	24	24	24	0	0
7	601.4	Miscellaneous	0	0	0	0	0	0	0
8		Metered	668,339	672,662	676,181	679,742	679,742	0	0
9		Unmetered							
10	602.1	Residential	122	154	154	154	154	0	0
11	602.2	Commercial	1	0	0	0	0	0	0
12	602.3	Industrial	0	0	0	0	0	0	0
13	606	Municipal	0	0	0	0	0	0	0
14	602.4	Miscellaneous	0	0	0	0	0	0	0
15		Unmetered	123	154	154	154	154	0	0
16	604	Private Fire	3,923	3,926	3,933	3,940	3,940	0	0
17	605	Public Fire	410	411	411	411	410	1	0
18		Total Customers	672,795	677,153	680,679	684,247	684,246	1	0

Witness: Charles Rea

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2021 and projected to be imposed during 2022 and 2023. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23	PROPOSED RATES 12/31/23
1 Total Billed Water Sales	\$676,577,182	\$686,573,838	\$709,103,825	\$705,472,694	\$786,441,335
2 % Of Penalties To Total					
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	(3,903,067)	4,286,280	4,426,935	4,404,266	4,909,753
5 Less: Per Books At 12/31/2021		(3,903,067)			
6 Less: Present Rates At 12/31/2021			4,286,280		
7 Less: Present Rates At 12/31/2022				4,426,935	
8 Less: Present Rates At 12/31/2023					4,404,266
9 Pro Forma Adjustments		\$8,189,347	\$140,655	(\$22,669)	\$505,487

Witness: Charles Rea

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO. DESCRIPTION	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED ORIGINAL COST 12/31/23	DEPRECIATED ORIGINAL COST PROPOSED
1 Non-Depreciable Plant	\$25,203,145	\$25,463,145	\$26,245,057	\$26,245,057
2 Depreciable Plant	5,785,620,038	6,110,290,481	6,565,233,153	6,565,233,153
3 Total Utility Plant In Service	5,810,823,183	6,135,753,626	6,591,478,210	6,591,478,210
4 Deduct:				
5 Contributions In Aid Of Construction	250,393,243	251,687,835	252,982,427	252,982,427
6 Customer Advances For Construction	60,663,923	63,209,331	65,754,739	65,754,739
7 Excluded Property	1,558,014	1,558,014	1,558,014	1,558,014
8 Sub-Total	312,615,180	316,455,180	320,295,180	320,295,180
9 Net Utility Plant In Service	5,498,208,003	5,819,298,446	6,271,183,030	6,271,183,030
10 Accumulated Depreciation	1,085,903,417	1,172,474,736	1,245,558,484	1,245,558,484
11 Depreciated Utility Plant In Service	4,412,304,586	4,646,823,710	5,025,624,546	5,025,624,546
12 Add:				
13 Materials And Supplies	11,145,046	11,145,046	11,145,046	11,145,046
14 Cash Working Capital - Expenses	21,959,400	23,287,680	23,311,966	23,311,966
15 Accrued And Prepaid Taxes	5,869,197	5,876,331	5,496,961	6,838,143
16 Acquisition Adjustments	7,385,007	7,239,263	6,722,891	6,722,891
17 Other Additions	368,956	473,502	414,924	414,924
18 Deduct:				
19 Cash Working Capital - Int And Div	5,819,508	6,604,860	7,293,552	7,295,957
20 Unamortized Itc (3%)	268,499	252,695	236,891	236,891
21 Extension Deposits In Suspense	13,696	13,696	13,696	13,696
22 Citizens Acquisition CIAC & CAC, per settlement	0	18,666,034	18,326,990	18,326,990
23 Tax Cuts and Jobs Act -Stub Period	15,636,549	8,312,567	5,541,711	5,541,711
24 Other Deductions	528,423	500,733	473,043	473,043
25 Deferred Taxes	966,332,383	995,020,838	1,007,764,482	1,007,764,482
26 Total Rate Base Elements	\$3,470,433,134	\$3,665,474,109	\$4,033,065,969	\$4,034,404,746
27 Utility Operating Income				
28 Per Books	\$270,358,739	7.79%	7.38%	6.70%
29 Present Rates At 12/31/2021	260,901,987	7.52%	-	-
30 Present Rates At 12/31/2022	276,190,587	-	7.53%	-
31 Present Rates At 12/31/2023	263,474,633	-	-	6.53%
32 Proposed Rates At 12/31/2023	320,331,737	-	-	7.94%

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2021	ADDITIONS	ACQUISITION	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2023
1	301.00	Organization	\$766,405	\$0	\$0	\$0	\$766,405	\$0	\$0	\$766,405
2	302.00	Franchises & Consents	2,404,599	0	0	0	2,404,599	0	0	2,404,599
3	303.00	Miscellaneous Intangible Plant	15,572	0	0	0	15,572	0	0	15,572
4		Total Intangible Plant	<u>\$3,186,576</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,186,576</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,186,576</u>
5	303.00	Land & Land Rights	\$22,016,569	\$240,000	\$20,000	\$0	\$22,276,569	\$900,800	\$118,888	\$23,058,481
6		Total Land & Land Rights	<u>\$22,016,569</u>	<u>\$240,000</u>	<u>\$20,000</u>	<u>\$0</u>	<u>\$22,276,569</u>	<u>\$900,800</u>	<u>\$118,888</u>	<u>\$23,058,481</u>
7	303.14	Water Rights - Hibernia	\$1,942,823	\$0	\$0	\$0	\$1,942,823	\$0	\$0	\$1,942,823
8	303.35	Waste Handling and Treatment Land	155,025	0	0	0	155,025	0	0	155,025
9	303.99	Comprehensive Planning Studies	10,129,414	450,000	0	0	10,579,414	719,357	0	11,298,771
10	304.15	Other Water Source Structures	51,463,964	0	0	0	51,463,964	0	0	51,463,964
11	304.20	Power and Pumping Structures	112,983,672	398,334	87,450	43,304	113,426,151	7,024,293	661,355	119,789,089
12	304.30	Purification Buildings	322,038,352	19,958,391	0	2,434,156	339,562,587	19,923,877	1,794,211	357,692,253
13	304.36	Waste Handling Struct. & Improv.	11,896,367	0	0	0	11,896,367	0	0	11,896,367
14	304.61	Office Buildings	49,011,069	2,440,806	0	342,410	51,109,465	1,421,151	212,981	52,317,635
15	304.62	Stores, Shop and Garage Buildings	62,515,022	1,523,971	0	237,105	63,801,887	1,603,334	240,284	65,164,937
16	304.63	Miscellaneous Structures and Improvements	12,636,277	0	0	0	12,636,277	0	0	12,636,277
17	305.00	Collecting and Impounding Reservoirs	135,786,031	900,000	0	0	136,686,031	55,900,366	8,073,589	184,512,809
18	306.00	Lake, River and Other Intakes	18,541,876	540,000	0	84,015	18,997,861	0	0	18,997,861
19	307.00	Wells and Springs	10,396,065	3,499,505	40,000	475,340	13,460,230	1,172,683	86,762	14,546,151
20	310.00	Other Power Production Equipment	18,792,587	2,560,543	49,848	398,379	21,004,599	14,996,255	2,223,456	33,777,397
21	311.00	Pumping Equipment	100,854,086	14,846,274	229,305	1,931,383	113,998,281	7,952,409	884,428	121,066,263
22	320.00	Purification System	320,542,112	45,429,510	12,270	6,650,600	359,333,293	67,071,626	9,236,869	417,168,050
23	320.30	Granular Activated Carbon	8,953,444	0	0	0	8,953,444	0	0	8,953,444
24	320.37	Waste Handling and Treatment Equipment	15,839,221	0	0	0	15,839,221	0	0	15,839,221
25	330.00	Distribution Reservoirs and Standpipes	198,886,155	15,812,252	179,349	1,251,634	213,626,122	17,116,040	1,434,961	229,307,200
26	331.00	Mains and Accessories	3,090,567,713	183,033,578	136,750	25,830,667	3,247,907,374	209,997,362	28,486,157	3,429,418,580
27	333.00	Services	649,939,237	25,018,984	152,007	2,060,239	673,049,989	32,950,766	1,844,428	704,156,327
28	334.00	Meters	195,525,442	19,632,204	0	2,577,643	212,580,003	36,502,908	4,912,166	244,170,745
29	335.00	Fire Hydrants	124,647,520	9,386,905	24,794	1,146,950	132,912,269	8,255,405	929,510	140,238,164
30	340.00	Office Furniture and Equipment	13,641,751	2,972,210	0	1,837,285	14,776,676	3,348,071	1,196,693	16,928,054
31	340.31	Computer Software	103,717,660	10,448,038	0	8,874,650	105,291,048	10,337,012	4,061,537	111,566,522
32	341.00	Transportation Equipment	71,372,197	9,630,000	0	1,498,273	79,503,924	10,493,918	1,572,675	88,425,166
33	342.00	Stores Equipment	450,197	0	0	0	450,197	0	0	450,197
34	343.00	Tools and Work Equipment	34,349,289	3,970,670	0	947	38,319,012	6,150,763	135,188	44,334,586
35	344.00	Laboratory Equipment	2,900,877	0	0	0	2,900,877	0	0	2,900,877
36	345.00	Power Operated Equipment	2,405,124	0	0	0	2,405,124	375,000	56,200	2,723,925
37	346.00	Communication Equipment	11,416,398	6,818,380	0	367,603	17,867,176	8,842,238	322,584	26,386,830
38	347.00	Miscellaneous Equipment	20,527,495	2,530,697	0	0	23,058,192	1,191,348	37,475	24,212,065
39	348.00	Other Tangible Equipment	795,578	0	0	0	795,578	0	0	795,578
40		Total Tangible Plant	<u>\$5,785,620,038</u>	<u>\$381,801,253</u>	<u>\$911,772</u>	<u>\$58,042,583</u>	<u>\$6,110,290,481</u>	<u>\$523,346,181</u>	<u>\$68,403,509</u>	<u>\$6,565,233,153</u>
41		Total Utility Plant In Service	<u>\$5,810,823,183</u>	<u>\$382,041,253</u>	<u>\$931,772</u>	<u>\$58,042,583</u>	<u>\$6,135,753,626</u>	<u>\$524,246,981</u>	<u>\$68,522,397</u>	<u>\$6,591,478,210</u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Contributions in Aid of Construction (CIAC)

The Company receives Contributions in Aid of Construction (CIAC) on an annual basis. The Commission's Order dated April 21, 1993, at Docket No. R-922428 approved the use of a three year average to calculate the future test year additions to CIAC. The following adjustment reflects the projected CIAC to be received during the twelve months ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Contributions In Aid Of Construction	\$250,393,243	\$251,687,835
2	Plus: Three Year Average Of Contributions	<u>1,294,592</u>	<u>1,294,592</u>
3	Contributions In Aid Of Construction	<u>(\$251,687,835)</u>	<u>(\$252,982,427)</u>

Witness: Stacey D. Gress

Reference: FR V.16

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Customer Advances For Construction (CAC)

The Company requires Customer Advances for Construction (CAC) for all main extensions requested by developers. New projects increase the CAC account and refunds to be made during the future test year to developers for prior year CAC decrease the CAC account. The following adjustment reflects the level of activity (advances and refunds) projected for the twelve months ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Customer Advances For Construction	\$60,663,923	\$63,209,331
2	Plus: Customer Advances For Construction To Be Capitalized	<u>7,545,408</u>	<u>7,545,408</u>
3	Sub-Total	<u>68,209,331</u>	<u>70,754,739</u>
4	Less: Customer Advances For Construction To Be Refunded	<u>5,000,000</u>	<u>5,000,000</u>
5	Customer Advances For Construction	<u><u>(\$63,209,331)</u></u>	<u><u>(\$65,754,739)</u></u>

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Excluded Property

Contained on the Company's records as of December 31, 2021 are several items which the Company excludes for rate-making purposes.

LINE NO.	DESCRIPTION	PRESENT RATES
		12/31/2021 AMOUNT
1	Excluded Property At 12/31/21	<u>\$1,558,014</u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Materials And Supplies

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

LINE NO.	MONTH	DETAIL	PRESENT RATES
			12/31/2022 and 12/31/2023 AMOUNT
1	December, 2020	\$10,105,875	
2	January, 2021	10,436,066	
3	February	10,703,284	
4	March	10,792,577	
5	April	11,120,898	
6	May	10,989,788	
7	June	10,805,125	
8	July	11,143,323	
9	August	11,116,728	
10	September	11,353,992	
11	October	11,467,481	
12	November	12,197,478	
13	December, 2021	12,652,989	
14	Total	<u>\$144,885,603</u>	
15	Average		\$11,145,046
16	Allowance For Materials And Supplies		
17	At 12/31/2022 and 12/31/2023		<u><u>\$11,145,046</u></u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for water service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2021 and as annualized under present rates for the twelve months ending December 31, 2022 and December 31, 2023.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO. DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT
1 Operating Revenue Billed During The Twelve Months Ended 12/31/2021				
2 Bi-Monthly Billings				
3 Lag Days				
4 Dollar Days				
5 Quarterly				
6 Lag Days				
7 Dollar Days				
8 Monthly Billings	\$678,896,760	\$697,079,410	\$719,469,302	\$715,630,456
9 Lag Days	56.9	56.9	56.9	56.9
10 Dollar Days	\$38,622,436,676	\$39,656,847,635	\$40,930,608,591	\$40,712,216,642
11 Total Billed Revenue	\$678,896,760	\$697,079,410	\$719,469,302	\$715,630,456
12 Total Dollar Days	\$38,622,436,676	\$39,656,847,635	\$40,930,608,591	\$40,712,216,642
13 Average Lag In Receipt Of Revenue (Line 12 / Line11)	56.9	56.9	56.9	56.9
14 Deduct: Average Lag In Payment Of				
15 Operating Expenses	16.9	16.2	16.9	17.7
16 Average Lag Between Payment Of Operating				
17 Expenses And Receipt Of Revenues	40.0	40.7	40.0	39.2
18 Working Capital Requirements				
19 Annual Operating Expenses (Including Payroll Expenses)		\$196,933,351	\$212,500,231	\$217,062,976
20 Operating Expenses Per Day (Line 20 / 365 Days)		539,543	582,192	594,693
21 Cash Working Capital Required				
22 (Line 17 * Line 20)		\$21,959,400	\$23,287,680	\$23,311,966

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO. DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS AMOUNT	DOLLAR DAYS	PRESENT RATES 12/31/2021 AMOUNT	DOLLAR DAYS	PRESENT RATES 12/31/2022 AMOUNT	DOLLAR DAYS	PRESENT RATES 12/31/2023 AMOUNT	DOLLAR DAYS
1 Labor and Payroll Taxes	12.09	\$58,813,350	\$711,053,402	\$58,813,350	\$711,053,402	\$63,675,465	\$769,836,372	\$65,381,242	\$790,459,216
2 Group Insurance	10.42	9,207,817	95,945,453	9,207,817	95,945,453	10,574,655	110,187,905	11,213,676	116,846,504
3 OPEB's and VEBA	4.00	(8,957,901)	(35,831,604)	(2,973,735)	(11,894,940)	(3,183,268)	(12,733,072)	(6,648,420)	(26,593,680)
4 Pension	(3.31)	(5,344,509)	17,690,325	(5,344,509)	17,690,325	(6,290,682)	20,822,157	(6,290,682)	20,822,157
5 Purchased Power	29.97	12,569,089	376,695,597	12,504,887	374,771,463	12,629,836	378,516,185	12,536,092	375,706,677
6 Purchased Water	35.49	3,024,165	107,327,616	3,024,165	107,327,616	3,140,244	111,447,260	3,218,122	114,211,150
7 Chemicals	49.18	10,776,803	530,003,172	10,776,803	530,003,172	14,988,150	737,117,217	17,351,207	853,332,360
8 Miscellaneous	41.24	33,093,908	1,364,792,766	30,415,762	1,254,346,025	32,883,646	1,356,121,561	36,278,409	1,496,121,587
9 Transportation	57.82	3,143,315	181,746,473	3,143,315	181,746,473	3,392,276	196,141,398	3,482,170	201,339,069
10 Ins Other Than Group	(64.44)	13,728,544	(884,667,375)	13,728,544	(884,667,375)	14,171,624	(913,219,451)	14,550,288	(937,620,559)
11 Service Company	12.09	55,929,261	676,184,765	55,929,261	676,184,765	58,840,088	711,376,664	58,386,882	705,897,403
12 Waste Disposal	43.88	2,218,559	97,350,369	2,218,559	97,350,369	2,218,559	97,350,369	2,218,559	97,350,369
13 Telephone	(0.01)	4,157,704	(41,577)	4,157,704	(41,577)	4,157,704	(41,577)	4,157,704	(41,577)
14 Rents	(8.28)	311,926	(2,582,747)	311,926	(2,582,747)	282,432	(2,338,537)	208,225	(1,724,103)
15 Natural Gas	34.44	1,019,502	35,111,649	1,019,502	35,111,649	1,019,502	35,111,649	1,019,502	35,111,649
16 Totals		<u>\$193,691,533</u>	<u>\$3,270,778,284</u>	<u>\$196,933,351</u>	<u>\$3,182,344,073</u>	<u>\$212,500,231</u>	<u>\$3,595,696,100</u>	<u>\$217,062,976</u>	<u>\$3,841,218,222</u>
17 Average Lag			<u>16.9</u>		<u>16.2</u>		<u>16.9</u>		<u>17.7</u>
18 Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$205,409,244		\$208,671,143		\$224,681,281		\$229,197,768	
19 Uncollectibles		8,379,726		8,399,807		8,669,605		8,623,347	
20 Amortizations		3,337,985		3,337,985		3,511,445		3,511,445	
21 Sum Of Other Expenses		<u>160,597,625</u>		<u>166,517,589</u>		<u>179,616,585</u>		<u>180,784,567</u>	
22 Miscellaneous		<u>\$33,093,908</u>		<u>\$30,415,762</u>		<u>\$32,883,646</u>		<u>\$36,278,409</u>	

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		PRESENT RATES 12/31/2023		PROPOSED RATES 12/31/2023	
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	195.1	\$4,610,756	\$2,464,544	\$4,762,058	\$2,545,418	\$4,737,673	\$2,532,384	\$5,281,426	\$2,823,031
2	Public Utility Realty Tax	72.9	2,259,209	451,223	1,976,269	394,712	2,058,857	411,207	2,058,857	411,207
3	Local Property Tax	79.0	1,174,028	254,073	1,447,021	313,151	1,506,446	326,011	1,506,446	326,011
4	State Income Tax	20.4	21,659,208	1,210,542	19,084,623	1,066,647	15,776,265	881,742	23,760,599	1,327,990
5	Federal Income Tax	14.6	37,220,364	<u>1,488,815</u>	38,910,079	<u>1,556,403</u>	33,640,416	<u>1,345,617</u>	48,747,590	<u>1,949,904</u>
6	Totals			<u>\$5,869,197</u>		<u>\$5,876,331</u>		<u>\$5,496,961</u>		<u>\$6,838,143</u>

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Calculation of Lag Days for Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS					TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2021 TAX						
1	General Assessment	7/1/21	6/30/22	6/29/21	9/14/21					
2	Percent Of Payment			53.96%	46.04%					1.0
3	Lag Days			(99.0)	(49.0)				(138.22)	195.1
4	Public Utility Realty Tax	1/1/21	12/31/21	4/29/21						
5	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
6	Lag Days			(16.0)					(16.00)	72.9
7	Local Property Tax	1/1/21	12/31/21	Lag calculated using expense lag method						
8	Payment									
9	Lag Days								(22.09)	79.0
10	State Income Tax	1/1/21	12/31/21	4/15/21	6/15/21	9/15/21		12/15/21		
11	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8		41.5	36.50	20.4
13	Federal Income Tax	1/1/21	12/31/21	4/23/21	6/15/21	9/24/21	12/21/21	12/22/21		
14	Percent Of Payment			25.00%	25.00%	25.00%	12.50%	12.50%		1.0
15	Lag Days			(17.5)	(4.3)	21.0	21.5	21.6	42.30	14.6

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

LINE NO.	DESCRIPTION	LONG TERM INTEREST	SHORT TERM INTEREST	PREFERRED DIVIDEND		
1	Average Lag Calculation					
2	Future Revenue Lag Days	56.9	56.9	56.9		
3	Less: Interest Payments Lag Days	91.8	82.4	46.2		
4	Average Lag Between The Payment	(34.9)	(25.5)	10.7		
5	Of Interest And The Receipt					
6	Of Revenues					
		PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23	PROPOSED AMOUNT 12/31/23	
7	Long Term Debt					
8	Working Capital Requirements					
9	Pro Forma Annual Interest Expense	\$60,611,982	\$69,166,617	\$76,378,768	\$76,404,122	
10	Interest Expense Per Day					
11	(Line 9 / 365 Days)	166,060	189,498	209,257	209,326	
12	Cash Working Capital Required					
13	(Line 4 Col.1 X Line 11)		(5,788,852)	(6,605,900)	(7,294,699)	(7,297,104)
14	Short Term Debt					
15	Working Capital Requirements					
16	Pro Forma Annual Interest Expense	491,126	0	0	0	
17	Interest Expense Per Day					
18	(Line 16 / 365 Days)	1,346	0	0	0	
19	Cash Working Capital Required					
20	(Line 4 Col.2 X Line 18)		(34,269)	0	0	0
21	Preferred Dividends					
22	Working Capital Requirements					
23	Pro Forma Annual Dividend Expense	123,131	35,555	39,121	39,134	
24	Dividend Expense Per Day					
25	(Line 23 / 365 Days)	337	97	107	107	
26	Cash Working Capital Required					
27	(Line 4 Col.3 X Line 25)	<u>3,613</u>	<u>1,040</u>	<u>1,147</u>	<u>1,147</u>	
28	Total Cash Working Capital Required					
29	(Line 13 + Line 20 + Line 27)	<u>(\$5,819,508)</u>	<u>(\$6,604,860)</u>	<u>(\$7,293,552)</u>	<u>(\$7,295,957)</u>	

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Acquisition Adjustments

The following adjustment reflects the recognition of the positive Utility Plant Acquisition Adjustments (UPAA) and transaction costs associated with the acquisition of the various water utility assets pursuant to the terms of the Commission-approved settlement of the Company's rate cases at Docket Nos. R-973944, R-2013-2355276 and R-2020-3019369. In addition, the Company is requesting recognition of the transaction costs associated with its acquisition of the water assets of the Valley Township Water at Docket No. A-2020-3019859, SLIBCO Utilities at Docket No. A-2020-3023369 and Creekside Homeowner's Association at Docket No. A-2022-3031020.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2021 AMOUNT	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT	2023 Amortizations	PRESENT RATES 12/31/2023 AMOUNT
1	PG&W	Approved Docket No. R-973944	\$7,181,314	\$455,956	\$6,725,358	\$455,956	\$6,269,402
2	Lake Spangenberg	Approved Docket No. R-2013-2355276	27,416	13,709	13,707	4,569	9,138
3	Fernwood	Approved Docket No. R-2013-2355276	11,262	5,630	5,631	1,877	3,754
4	Olwen Heights	Approved Docket No. R-2013-2355276	10,789	5,396	5,393	1,798	3,595
5	Steelton Transaction Costs	Approved Docket No. R-2020-3019369	144,403	15,898	128,505	15,898	112,608
6	Turbotville Water Transaction costs	Approved Docket No. R-2020-3019369	9,824	1,082	8,742	1,082	7,660
7	Valley Township Water Transaction costs	Seeking Approval			282,581	28,258	254,323
8	SLIBCO Utilities Transactions Costs	Seeking Approval			47,539	4,754	42,785
9	Creekside Homeowner's Association Transaction costs	Seeking Approval			21,807	2,181	19,626
10	Effect to Rate Base Element		<u>\$7,385,007</u>	<u>\$497,671</u>	<u>\$7,239,263</u>	<u>\$516,372</u>	<u>\$6,722,891</u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Other Rate Base Additions

The Company is requesting ongoing amortization of the costs incurred by the Company as receiver of Winola Water Company.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2021 AMOUNT	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT	2023 Amortizations	PRESENT RATES 12/31/2023 AMOUNT
1	Winola Water Company (P-2018-3006216)	Approved Docket No. R-2020-3019369	\$368,956	\$40,619	\$328,337		
2		Add: Costs Incurred			145,165		
3		Present Rates 12/31/2022			473,502		
4		Less: 2023 Amortizations				58,578	
5		Present Rates 12/31/2023					414,924
6	Effect to Rate Base Element		<u>\$368,956</u>	<u>\$40,619</u>	<u>473,502</u>	<u>\$58,578</u>	<u>\$414,924</u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Other Rate Base Deductions

The Company is reflecting the ongoing rate base deduction associated with an equipment discount in 2019 amortized over 20 years and as approved at Docket No. R-2020-3019369.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2021 AMOUNT	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT	2023 Amortizations	PRESENT RATES 12/31/2023 AMOUNT
1	Equipment Discount	Approved Docket No. R-2020-3019369	(\$528,423)	(\$27,690)	(\$500,733)	(\$27,690)	(\$473,043)
2	Effect to Rate Base Element		<u>(\$528,423)</u>	<u>(\$27,690)</u>	<u>(\$500,733)</u>	<u>(\$27,690)</u>	<u>(\$473,043)</u>
	Witness: Stacey D. Gress						
	Reference: Exhibit No. 3-C						

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Tax Cuts and Jobs Act Stub Period and Negative Surcharge for Deferred Tax Credit

The following adjustment reflects the amortization of the federal income tax savings associated with the 2017 Tax Cuts and Jobs Act ("TCJA") for January 1, 2018 through June 30, 2018 (the "Stub Period"), as authorized in the settlement at Docket No. R-2020-3019369. The adjustment reflects a true-up to the accrual of interest at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41. P.S. §§ 101, et seq.), which was lower than the amount projected in 2020. The reconciliation amounts shown in the Company's 2021 and 2022 TCJA Surcharge Reconciliation filings are included as part of this adjustment, and include the over/(under) collection plus interest. The Company is also proposing to amortize the balance at 12/31/2022 over a three-year period.

In addition, the Company has included the reconciliation for the over/(under) collection of the Negative Surcharge for Deferred Tax Credit as required by Tariff Water- PA P.U.C. No. 5 page 40. This amount includes the over collected surcharge, plus applicable interest, for the period from January 28, 2021 through December 31, 2021 to be amortized over a three-year period.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Tax Cuts and Jobs Act Stub Period	\$22,633,729	\$15,636,549	\$8,312,567
2	2020 Interest Accrual Adjustment	(62,313)		
3	Adjusted Beginning Balance	22,571,416		
4	TCJA Surcharge Reconciliation	(19,006)	(1,689)	
5	Less: 2021 Amortization	(6,915,861)		
6	Less: 2022 Amortization		(7,544,576)	
7	Less: 2023 Amortization			(2,696,762)
8	Negative Surcharge for Deferred Tax Credit Reconciliation		222,283	
9	Less: 2023 Amortization			(74,094)
10	Effect to Rate Base Element	<u>\$15,636,549</u>	<u>\$8,312,567</u>	<u>\$5,541,711</u>

Witness: Stacey D. Gress

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Unamortized Investment Tax Credit

The unamortized balance of the 3% Investment Tax Credit is not allowed as a part of the Rate Base Elements. The following sets forth the unamortized portion of the 3% Investment Tax Credit at December 31, 2021. The unamortized balance at December 31, 2022 and December 31, 2023 reflects one additional year of amortization.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Unamortized 3% ITC	\$268,499	\$252,695
2	Less: 3% ITC Amortization For The Twelve		
3	Months Ending 12/31/22	15,804	
4	Less: 3% ITC Amortization For The Twelve		
5	Months Ending 12/31/23	<u> </u>	<u>15,804</u>
6	Effect On Rate Base Elements	<u><u>(\$252,695)</u></u>	<u><u>(\$236,891)</u></u>

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Extension Deposits in Suspense

The Company requires customer advances for construction to extend its mains to serve new developments based upon an estimate of construction costs. At the completion of the project, entries are made to adjust estimated costs of construction to actual cost of construction. The difference is charged to the extension deposit in suspense account until it is refunded to the customer. The Commission's Order at Docket No. R-891208 approved an adjustment to rate base of an average of extension deposits in suspense. The following reflects the adjustment to rate base for such an average.

LINE NO.	MONTH	DETAIL	12/31/2022 and 12/31/2023 AMOUNT
1	December, 2020	(\$14,550)	
2	January, 2021	(13,050)	
3	February	(11,550)	
4	March	(12,300)	
5	April	(11,550)	
6	May	(12,300)	
7	June	(12,750)	
8	July	(13,500)	
9	August	(17,250)	
10	September	(15,750)	
11	October	(14,250)	
12	November	(14,250)	
13	December, 2021	<u>(15,000)</u>	
14	Total	(\$178,050)	
15	Average		<u>(\$13,696)</u>
16	Effect On Rate Base Elements		<u><u>\$13,696</u></u>

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Citizens Utilities Water Company Acquisition

Customer Advances for Construction (CAC) and Contributions in Aid of Construction (CIAC) Adjustment

Paragraph 8.d of the Joint Petition for Settlement at Docket No. R-2009-2097323, which was approved by the Commission in its final order entered November 7, 2009, provides that: "for ratemaking purposes: (i) \$14,147,208, or 40%, of the December 31, 2009 balance of the net customer advances for which Citizens Utilities Water Company of Pennsylvania ("Citizens") retained the refund liability upon the Company's acquisition of Citizens' water utility assets will be deemed deducted from the Company's rate base; (ii) \$8,895,830 (100%) of the December 31, 2009 balance of the net contributions in aid of construction the OCA proposed to attribute to PAWC from its acquisition of Citizens' water assets will be deducted from PAWC's rate base; (iii) in future base rate cases, the foregoing balances, adjusted to reflect accumulated amortization, will be deducted for ratemaking purposes until such balances are fully amortized; and (iv) the applicable depreciation rate for PAWC's transmission and distribution mains will be used to calculate the amortization of such balances for ratemaking purposes to offset the portion of depreciation expense on gross plant in service that is related to these advances and contributions." Shown below are the adjustments that are called for by the settlement at Docket No. R-2009-2097323.

LINE NO.	DESCRIPTION	Advances Acquisition Adjustment	CIAC Acquisition Adjustment	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	AMOUNT ESTABLISHED IN CASE R-2009-2097323	\$14,147,208	\$8,895,830		
2	Less: 2010 - AMORTIZATION	202,846	152,873		
3	2011 - AMORTIZATION	202,846	152,873		
4	2012 - AMORTIZATION	202,846	152,873		
5	2013 - AMORTIZATION	202,846	152,873		
6	2014 - AMORTIZATION	186,998	140,930		
7	2015 - AMORTIZATION	186,998	140,930		
8	2016 - AMORTIZATION	186,998	140,930		
9	2017 - AMORTIZATION	186,998	140,930		
10	2018 - AMORTIZATION	185,413	139,735		
11	2019 - AMORTIZATION	185,413	139,735		
12	2020 - AMORTIZATION	185,413	139,735		
13	2021 - AMORTIZATION	190,168	143,318		
14	2022 - AMORTIZATION	190,168	143,318		
15	PRESENT RATES 12/31/22	\$11,651,257	\$7,014,777	\$18,666,034	
16	2023 - AMORTIZATION	193,337	145,707		
17	Present Rates 12/31/23	\$11,457,920	\$6,869,070		\$18,326,990
18	Total Citizens Acquisition Adjustment			<u>(\$18,666,034)</u>	<u>(\$18,326,990)</u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Deferred Income Tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, the effects of the Tax Cuts and Jobs Act, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Deferred Tax	(\$966,332,383)	(\$995,020,838)	(\$1,007,764,482)
2	Less: Prior Year		(966,332,383)	(995,020,838)
3	Effect to Rate Base Element	<u>(\$966,332,383)</u>	<u>(\$28,688,455)</u>	<u>(\$12,743,644)</u>

Witness: Melissa Ciullo

Reference: FR IV.4

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		Source Of Supply Expenses				
2		-Operations-				
3	601.1	Salary And Wages	\$153,821	\$153,821	\$166,586	\$171,055
4	601.2	Salary And Wages	241,957	241,957	262,037	269,066
5	610.1	Purchased Water	3,024,165	3,024,165	3,140,244	3,218,122
6	615.1	Purchased Power	2,418,827	2,412,150	2,469,928	2,460,179
7	616.1	Purchased Fuel	54,748	54,748	54,748	54,748
8	620.1	Materials And Supplies	67,428	67,428	67,428	67,428
9	631.1	Contract Services - Engineering	144,399	144,399	144,399	144,399
10	633.1	Contract Services - Legal	0	0	0	0
11	636.1	Contract Services	725,438	725,438	735,938	735,938
12	641.1	Rental Of Building	0	0	0	0
13	642.1	Rental Of Equipment	26	26	26	26
14	650.1	Transportation	959	959	959	959
15		-Maintenance-				
16	620.2	Materials And Supplies	25,162	25,162	25,162	25,162
17	631.2	Contract Services - Engineering	341,001	341,001	341,001	341,001
18	636.2	Contract Services	111,104	111,104	111,104	111,104
19	650.2	Transportation	0	0	0	0
20		-Miscellaneous-				
21	675.1	Miscellaneous Operating Expense	1,263,396	1,263,396	1,263,396	1,265,396
22	675.2	Miscellaneous Maintenance Expense	46,564	46,564	46,564	46,564
23		Total Source Of Supply Expenses	<u>\$8,618,995</u>	<u>\$8,612,318</u>	<u>\$8,829,520</u>	<u>\$8,911,147</u>
24		Water Treatment				
25		-Operation-				
26	601.3	Salary And Wages	\$11,163,835	\$11,163,835	\$12,090,310	\$12,414,643
27	601.4	Salary And Wages	2,765,227	2,765,227	2,994,710	3,075,046
28	604.3	Employee Pension And Benefits	11,628	11,628	11,628	11,628
29	615.3	Purchased Power	9,521,003	9,494,720	9,830,758	9,793,574
30	618.3	Chemicals	10,776,803	10,747,053	14,836,382	17,156,856
31	620.3	Materials And Supplies	682,859	682,859	682,859	682,859
32	631.3	Contract Services - Engineering	106,422	106,422	106,422	106,422
33	633.3	Contract Services - Legal	0	0	0	0
34	634.3	Contract Services - Management	0	0	0	0
35	635.3	Contract Services - Test	185,347	185,347	185,347	185,347
36	636.3	Contract Services	957,489	956,959	1,007,884	1,007,884
37	641.3	Rental Of Building	5,759	5,759	5,759	5,759
38	642.3	Rental Of Equipment	5,274	5,274	5,274	5,274
39	650.3	Transportation	75,247	75,247	75,247	75,247
40		-Maintenance-				
41	620.4	Materials And Supplies	693,032	693,032	724,532	724,532
42	631.4	Contract Services - Engineering	49,624	49,624	49,624	49,624
43	636.4	Contract Services	1,232,773	1,232,773	1,232,773	1,232,773
44	650.4	Transportation	16,230	16,230	16,230	16,230
45	675.4	Miscellaneous Maintenance Expense	110,015	110,015	114,478	114,478
46		-Miscellaneous-				
47	675.3	Miscellaneous Operating Expense	<u>6,530,898</u>	<u>6,530,898</u>	<u>6,695,879</u>	<u>6,782,951</u>
48		Total Water Treatment Expense	<u>\$44,889,465</u>	<u>\$44,832,902</u>	<u>\$50,666,095</u>	<u>\$53,441,127</u>
49		Transmission And Distribution				
50		-Operation-				
51	601.5	Salary And Wages	\$5,782,225	\$5,782,225	\$6,262,086	\$6,430,072
52	601.6	Salary And Wages	8,412,935	8,412,935	9,111,116	9,355,530
53	604.5	Employee Pension And Benefits	39	39	39	39
54	615.5	Purchased Power	540,495	539,003	551,913	549,734
55	620.5	Materials And Supplies	1,219,421	1,219,421	1,219,421	1,219,421
56	631.5	Contract Services - Engineering	161,951	161,951	161,951	161,951
57	636.5	Contract Services	617,022	617,022	617,022	617,022
58	641.5	Rental Of Building	48,247	48,247	46,883	46,883
59	642.5	Rental Of Equipment	13,378	13,378	658	658
60	650.5	Transportation	33,687	33,687	33,687	33,687

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		-Maintenance-				
2	620.6	Materials And Supplies	\$833,470	\$833,470	\$1,399,536	\$1,761,922
3	631.6	Contract Services - Engineering	37,154	37,154	37,154	37,154
4	636.6	Contract Services	1,245,599	1,245,599	1,245,599	1,245,599
5	650.6	Transportation	110,789	110,789	110,789	110,789
6	675.6	Miscellaneous Operating Expense	4,264,582	4,264,582	4,287,157	4,287,157
7		-Miscellaneous-				
8	675.5	Miscellaneous Operating Expense	1,660,003	1,660,003	1,660,003	1,660,003
9		Total Transmission And Distribution	\$24,980,997	\$24,979,505	\$26,745,014	\$27,517,621
10		Customer Accounting				
11		-Operation-				
12	601.7	Salary And Wages	\$5,075,572	\$5,075,572	\$5,496,789	\$5,644,245
13	604.7	Employee Pension And Benefits	8,752	8,752	8,752	8,752
14	615.7	Purchased Power	0	0	0	0
15	620.7	Materials And Supplies	43,808	43,808	43,808	43,808
16	631.7	Contract Services - Engineering	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0
19	636.7	Contract Services	142,784	142,784	142,784	142,784
20	642.7	Rental Of Equipment	1,680	1,680	1,680	1,680
21	650.7	Transportation	1,759	1,759	1,759	1,759
22	657.7	Insurance	0	0	0	0
23	670.7	Bad Debt	8,366,360	8,386,441	8,656,239	10,517,486
24		-Miscellaneous-				
25	675.7	Miscellaneous Expense	2,075,727	2,053,446	2,799,084	2,803,073
26		Total Customer Accounting	\$15,716,442	\$15,714,242	\$17,150,895	\$19,163,587
27		Administrative And General				
28	601.8	Salary And Wages	\$20,973,668	\$20,976,987	\$22,717,570	\$23,326,900
29	603.8	Salary Of Officers	0	0	0	0
30	604.8	Employee Pension And Benefits	(1,166,815)	4,817,351	5,334,354	2,605,460
31	615.8	Purchased Power	34,016	34,016	34,016	34,016
32	620.8	Materials And Supplies	364,067	225,313	225,313	225,313
33	631.8	Contract Services	107,905	107,905	107,905	107,905
34	632.8	Contract Services - Accounting	592,202	592,202	592,202	592,202
35	633.8	Contract Services - Legal	3,176,115	2,043,636	2,043,636	2,043,636
36	634.8	Contract Services - Management	55,929,261	55,929,261	58,846,439	58,393,349
37	635.8	Contract Services - Test	0	0	0	0
38	636.8	Contract Services	853,256	760,333	1,245,893	1,698,269
39	641.8	Rental Of Building	163,924	163,924	167,503	103,080
40	642.8	Rental Of Equipment	73,639	73,639	54,650	44,866
41	650.8	Transportation	2,904,643	2,904,643	3,153,604	3,243,498
42	656.8	Insurance - Vehicles	253,554	253,554	267,653	274,493
43	657.8	Insurance	9,101,230	9,101,230	10,174,782	10,348,397
44	658.8	Workers Compensation	1,083,661	1,083,661	832,771	844,450
45	659.8	Insurance	3,290,100	3,290,100	2,896,418	3,082,948
46	660.8	Advertising	0	0	0	0
47	666.8	Amortization Of Rate Case	927,627	927,627	1,101,087	1,101,087
48	667.8	Regulatory Commission	53,046	53,046	53,046	53,046
49		-Miscellaneous-				
50	675.8	Miscellaneous Expense	8,244,137	6,949,640	6,863,335	7,343,369
51		Total Administrative And General	\$106,959,236	\$110,288,067	\$116,712,178	\$115,466,284
52		Total Operating Expenses	\$201,165,135	\$204,427,034	\$220,103,702	\$224,499,766

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	12/31/21 DETAIL	PRESENT RATES 12/31/21 AMOUNT	12/31/22 DETAIL	PRESENT RATES 12/31/22 AMOUNT	12/31/23 DETAIL	PRESENT RATES 12/31/23 AMOUNT
1	Per Books		\$201,165,135				
2	Present Rates At 12/31/2021				\$204,427,034		
3	Present Rates At 12/31/2022						\$220,103,702
4	Proposed Rates At 12/31/2023						
5	Compensation	\$0		\$4,528,645		\$1,585,354	
6	Group Insurance	0		1,366,838		639,021	
7	Other Post Employment Benefits & VEBA	5,984,166		(209,533)		(3,465,152)	
8	Pension	0		(946,173)		-	
9	Purchased Power	0		498,642		-	
10	Purchased Water	0		116,079		77,878	
11	Chemicals	0		4,211,347		2,363,057	
12	Change In Consumption Expense	(64,202)		(373,693)		(93,744)	
13	Transportation Expense	0		248,961		89,894	
14	Insurance Other Than Group	0		443,080		378,664	
15	Regulatory Expense (Rate Case Expense)	0		173,460		-	
16	Service Company Expense	0		2,910,827		(453,206)	
17	Postage and Customer Accounting	0		-		-	
18	Inflation	0		1,490,800		954,387	
19	401K & Defined Contribution Plan	0		305,871		97,237	
20	Rent Expense	0		(29,494)		(74,207)	
21	Waste Disposal	0		0		-	
22	Miscellaneous Adjustments	(2,678,146)		671,213		2,343,139	
23	Uncollectibles	<u>20,081</u>		<u>269,798</u>		<u>(46,258)</u>	
24	Pro Forma Adjustments		<u>3,261,899</u>		<u>15,676,668</u>		<u>4,396,064</u>
25	Present Rates At 12/31/2021		<u>\$204,427,034</u>				
26	Present Rates At 12/31/2022				<u>\$220,103,702</u>		
27	Present Rates At 12/31/2023						<u>\$224,499,766</u>

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Compensation

The following adjustment sets forth a summary of the Company's annualization of labor expense. The pro forma payroll for the future test years were developed by applying pay rates and associated performance pay that will become effective by December 31, 2022 and December 31, 2023 to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Salary and Wages	\$89,808,773	\$92,204,400
2	Annualized Performance Plan	6,787,968	6,983,635
3	Less: 38.82% Capitalized portion not charged to operating expense	<u>37,498,855</u>	<u>38,504,795</u>
4	Sub-Total	59,097,886	60,683,240
5	Less: Amount Charged To Operating Expense		
6	During The Twelve Months Ended 12/31/21	<u>54,569,241</u>	
7	Less: Amount Charged To Present Rates		
8	During the Twelve Months Ended 12/31/22		<u>59,097,886</u>
9	Pro Forma Adjustment	<u><u>\$4,528,645</u></u>	<u><u>\$1,585,354</u></u>
	601.1 Salary and Wages - Source of Supply	\$12,765	\$4,469
	601.2 Salary and Wages - Source of Supply	\$20,080	7,029
	601.3 Salary and Wages - Water Treatment	926,475	324,333
	601.4 Salary and Wages - Water Treatment	229,483	80,336
	601.5 Salary and Wages - Transmission & Distribution	479,861	167,986
	601.6 Salary and Wages - Transmission & Distribution	698,181	244,414
	601.7 Salary and Wages - Customer Accounting	421,217	147,456
	601.8 Salary and Wages - Administrative and General	1,740,583	609,330

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Group Insurance

The adjustment of the group insurance cost is based on the January 2022 premiums annualized for the future test year number of employees, less the annualized employee contribution, and adjusted for the portion not charged to operations. The fully projected future test year was developed by adjusting the annualized 2022 amount by a 3 year average of 6.04%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Group Insurance Cost	\$17,284,496	\$18,328,990
2	Less: 38.82% Not Charged To Operating Expense	6,709,841	7,115,314
3	Sub-Total	<u>10,574,655</u>	<u>11,213,676</u>
4	Less: Amount Charged To Operating Expense		
5	During the Twelve Months Ended 12/31/21	9,207,817	
6	Less: Amount Charged To Operating Expense		
7	During the Twelve Months Ended 12/31/22	<u></u>	<u>10,574,655</u>
8	Pro Forma Adjustment	<u>\$1,366,838</u>	<u>\$639,021</u>
	604.8 A&G Employees Pension And Benefits	\$1,366,838	\$639,021

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Other Post Employment Benefits (OPEB)

The following sets forth the Company's adjustment for post-retirement benefit costs under FAS 106 using the methodology approved by the Commission in the Company's base rate cases since 1992. In addition, the Company has included the expense associated with the Company's contributions to the Voluntary Employee Beneficiary Association (VEBA).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized OPEB Expense	(\$2,947,991)	(\$3,173,353)	(\$6,548,040)
2	Annualized Retiree VEBA Expense (\$600 x 365 employees)	216,716	219,000	219,000
3	Less: Capitalized portion not charged to operating expense	242,461	228,915	319,380
4	Sub-Total	(2,973,735)	(3,183,268)	(6,648,420)
5	Less: Amount Charged To Operating Expenses			
6	For The Twelve Months Ended 12/31/21	(8,957,901)	(2,973,735)	(3,183,268)
7	Pro Forma Adjustment	\$5,984,166	(\$209,533)	(\$3,465,152)
	604.8 A&G Employees' Welfare Expenses	\$5,984,166	(\$209,533)	(\$3,465,152)

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Pension

The following adjustment is being made to reflect the Company's projected Pension cost based on ASC715 (formerly FAS87) for PAWC employees. In addition, as approved at Docket No. R-2017-2595853, the Company continues to amortize the deferred pension liability for the difference between ASC 715 and ERISA for both PAWC and Service Company over a 10 year period beginning January 1, 2018.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT
1	PAWC Pension Costs	(\$2,201,231)
2	Less: 38.82% Capitalized service costs portion not charged to operating expense	2,131,033
3	10 yr. amortization of Deferred Pension Liability	(1,958,418)
4	Sub-Total	<u>(6,290,682)</u>
5	Less: Amount Charged To Operating Expense	
6	During The Twelve Months Ended 12/31/21	<u>(5,344,509)</u>
7	Pro Forma Adjustment	<u><u>(\$946,173)</u></u>
	604.8 A&G Employee Pension And Benefits	(\$946,173)

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

401K, Defined Contribution Plan (DCP) and Employee Stock Purchase Plan (ESPP) Expense

The following adjustment is being made to annualize 401K, DCP contributions and ESPP contributions based on the annualized compensation claim at December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized 401K - Company Match	\$2,559,686	\$2,628,931
2	Annualized DCP	3,063,544	3,146,402
3	Less: 38.82% Not Charged To Operating Expense	2,182,938	2,241,984
4	Sub-Total	<u>3,440,292</u>	<u>3,533,349</u>
5	Annualized ESPP	227,267	231,447
6	Less: Amount Charged To Operating Expense	3,361,688	3,667,559
7	Pro Forma Adjustment	<u>\$305,871</u>	<u>\$97,237</u>
	604.8 Employee Pension And Benefits AG	\$305,871	\$97,237

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Purchased Power

This adjustment reflects the application of rates for purchased power to be in effect as of December 2021 to anticipated billing units for the future and fully projected rate years. Accounts were adjusted for any known rate changes in either the future or fully projected rate years and were also adjusted to reflect 12 monthly bills.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Power Cost	\$12,978,967	\$12,978,967
2	Less: Amount Charged To Operating Expense	12,480,325	12,978,967
3	During the Preceding Calendar Year		
4	Pro Forma Adjustment	<u>\$498,642</u>	<u>\$0</u>
	615.1 Purchased Power - Source Of Supply	\$96,642	\$0
	615.3 Purchased Power - Water Treatment	380,405	0
	615.5 Purchased Power - Transmission and Distribution	21,595	0

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Purchased Water

This adjustment reflects the application of rates for purchased water in effect as of December 31, 2021 to anticipated billing units for the future test year. 2022 Diversion rights were inflated by 4.03% over 2021 amounts. The claimed amounts for the fully forecasted future test year (2023) were developed by applying an inflation factor of 2.48% to the 2022 amounts.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Purchased Water Cost	\$3,140,244	\$3,218,122
2	Less: Amount Charged To Operating Expense During the Twelve Months Ended 12/31/22 and 12/31/23	3,024,165	3,140,244
3	Pro Forma Adjustment	<u>\$116,079</u>	<u>\$77,878</u>
	610.1 Purchased Water	\$116,079	\$77,878

Witness: Thomas Markward
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Rate Base Elements

Operating Expenses

Chemicals

The annualization of chemical costs was based on the application of quarterly contract prices in during 2022 to anticipated 2021 usage. Intra-2022 prices were inflated by 1.01% per quarter for those vendors who did agree to annual contracts. The unit price amount was then increased by 15.55% based on external research related to the current volatility in the market to project 2023 cost levels.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2023 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Chemical Costs	\$14,988,150	\$17,351,207
2	Less: Amount Charged To Operating Expense	10,776,803	14,988,150
3	During the Twelve Months Ended 12/31/23		
4	Pro Forma Adjustment	<u>\$4,211,347</u>	<u>\$2,363,057</u>
	618.3 Chemicals - Water Treatment	<u>\$4,211,347</u>	<u>\$2,363,057</u>

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Change in Consumption

During the future test year - 2022, and fully projected future test year - 2023, the Company will experience changes in consumption due to net addition or loss of customers and other factors affecting the usage of specific customers. The calculations shown below reflect estimates of the change in operating expenses that will be realized by these changes in consumption.

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Consumption (00 Gallons)	448,478,297	447,240,312	440,034,499	438,226,873
2	Change In Consumption		(1,237,984)	(7,205,813)	(1,807,627)
3	Power Costs Per Book	\$12,480,325			
4	Chemical Costs Per Book	10,776,803			
5	Total	<u>\$23,257,128</u>			
6	Rate Of Production Costs (00 Gallons) (Line 5/Line 1)		<u>\$0.05186</u>	<u>\$0.05186</u>	<u>\$0.05186</u>
7	Pro Forma Adjustment		<u>(\$64,202)</u>	<u>(\$373,693)</u>	<u>(\$93,744)</u>
	615.1 Source of Supply - Purchased Power		(\$6,677)	(\$38,864)	(\$9,749)
	615.3 Water Treatment - Purchased Power		(26,283)	(152,982)	(38,377)
	615.5 Transmission & Distribution - Purchased Power		(1,492)	(8,685)	(2,179)
	618.3 Water Treatment - Chemicals		(29,750)	(173,162)	(43,439)

Witness: Thomas Markward

Reference: FR II.09

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Leased Vehicles Expense	\$5,544,548	\$5,691,475
2	Less: 38.82% Not Charged To Operating Expense	2,152,272	2,209,305
3	Sub-Total	<u>3,392,276</u>	<u>3,482,170</u>
4	Less: Amount Charged To Operating Expense		
5	During the Twelve Months Ended 12/31/21	3,143,315	
6	Less: Present Rates During the Twelve Months Ended 12/31/22	<u> </u>	<u>3,392,276</u>
7	Pro Forma Adjustment	<u>\$248,961</u>	<u>\$89,894</u>
	650.8 A & G - Miscellaneous General Expense	\$248,961	\$89,894

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Insurance Other Than Group

The annualizations of Insurance Other Than Group (IOTG) costs were based on the actual and projected IOTG premiums for the twelve months ending December 31, 2021, adjusted for the 5 year average of retroactive adjustments. The present rates 12/31/2022 amounts are based on renewal data. Amounts for present rates 12/31/2023 were increased by a 5 year average of 6.44% except for claims amounts which were held at 2022 levels. Present rates for water at 2022 and 2023 have been allocated to other cost of service areas based on depreciated utility plant in service as of 12/31/21.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Workers Compensation Premium	\$1,361,133	\$1,380,272
2	Less: 38.82% Not Charged To Operating Expense	<u>(528,362)</u>	<u>(535,822)</u>
3	Sub-Total	832,771	844,450
4	Add: Annualized Vehicle, General Liability,		
5	Property And Other Insurance	<u>13,338,853</u>	<u>13,705,838</u>
6	Sub-Total	14,171,624	14,550,288
7	Less: Per Books and Present Rates	<u>13,728,544</u>	<u>14,171,624</u>
8	Pro Forma Adjustment	<u>\$443,080</u>	<u>\$378,664</u>
	656.8 Vehicle Insurance	14,099	6,840
	657.8 General Liability Insurance	1,073,552	173,615
	658.8 Workers Compensation	(479,061)	19,139
	658.8 Insurance WC Capitalized Credits	228,172	(7,460)
	659.8 Other Insurance	(393,682)	186,530

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a two-year period. Additionally, there are adjustments for 10 year amortizations of the Customer Class Demand Study, as well as Lead Service Line Program costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT
1	Rate Case Expense Allocation	\$2,021,639
2	Normalized Over 2 Years	1,010,820
3	Plus Allocation of Amortization of Demand Study	23,344
4	Plus Allocation of Amortization of Lead Service Line Costs	25,224
5	Less: Amount Charged To Operating Expense	
6	During The Twelve Months Ended 12/31/21	885,928
7	Pro Forma Adjustment	\$173,460
	666.8 Regulatory Commission Expense	\$173,460
	Witness: Stacey D. Gress	
	Reference: Exhibit No. 3-B	

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Service Company

This adjustment reflects the cost of services provided by American Water Works Service Company (AWWSC), for the twelve months ended December 31, 2022, and December 31, 2023. An allocation factor based on customer counts was applied to each cost of service area to allocate a portion of the total projected Service Company costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Service Company Cost	\$58,840,088	\$58,386,882
2	Less: Amount Charged To Operating Expense		
3	During The Twelve Months Ended 12/31/21	55,929,261	
4	And Present Rates 12/31/22		58,840,088
5	Pro Forma Adjustment	\$2,910,827	(\$453,206)
	634.8 AG - Contract Services - Management	\$2,910,827	(\$453,206)
	Witness: Lori O'Malley		
	Reference: Exhibit No. 3-B		

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Inflation

The Company has proposed various pro forma adjustments for specific expense items. The remaining expense items are anticipated to continue to rise due to inflationary increases. The following adjustment captures the estimated increases due to inflation.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Total O & M Expenses Per Books	\$201,165,135	\$201,165,135
2	Less: Adjusted Expenses	<u>164,172,575</u>	<u>164,172,575</u>
3	2022 Expenses Subject To Inflation	36,992,560	36,992,560
4	2022 Inflation		<u>1,490,800</u>
5	2023 Expenses Subject To Inflation		38,483,360
6	Inflation Factor	<u>4.03%</u>	<u>2.48%</u>
7	Pro Forma Adjustment	<u>\$1,490,800</u>	<u>\$954,387</u>
	636.8 Contracted Services	\$476,364	\$304,961
	620.6 Materials And Supplies	566,066	362,386
	675.3 Waste Disposal	135,936	87,024
	675.8 Miscellaneous Expense	312,434	200,016

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Rent Expense

This adjustment reflects the annualization of rates for rentals in effect as of December 2022 and December 2023 for the future test years. Accounts were also adjusted for ending rental contracts and for expenses not likely to recur.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT
1	Annualized Rent Expense	\$265,140	\$190,933
2	Less: Per Books Amount and Present Rates	294,634	265,140
3	Pro Forma Adjustment	<u>(\$29,494)</u>	<u>(\$74,207)</u>
	641.5 Rents-Real Property - Transmission & Distribution	(\$1,364)	\$0
	641.8 Rents - Real Property - Admin & General	3,579	(64,423)
	642.5 Rents-Equipment - Transmission & Distribution	(12,720)	-
	642.8 Rents-Equipment - Admin & General	(18,989)	(9,784)

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment reflects miscellaneous additions or deductions from pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	<u>Additions:</u>			
2	DEP Adjustment			\$2,000
3	Conferences & Registrations 3 Year Average	311,667		
4	Severance Pay 3 Year Average	3,319		
5	Creekside Water Annualized O&M		21,868	2,213
6	Valley Water Annualized O&M		190,439	
7	Siblico Water Annualized O&M		18,415	
8	Findlay Township Water Annualized O&M		133,836	0
9	Credit Card/E-check Transaction Fees	(21,355)	745,638	3,989
10	Amortization of Revolving Credit Line Fees			280,017
11	Arrearage Management Plan and Low Income Program			2,054,920
12	<u>Deductions:</u>			
13	Donations	(200,956)		
14	Lobbying	(68,164)		
15	Temporary Employee Costs	(46,609)		
16	Fines	(8,269)		
17	COVID-19 Related Financial Impacts	(1,486,552)		
18	Injuries And Damages 3 Year Average	(\$6,000)		
19	Legal Fees	(1,132,479)		
20	Removal of prior year expense	(22,749)		
21	Reclass transfer taxes	(11,465)		
22	PA HQ - Corporate Campus		(413,966)	
23	Pro Forma Adjustment	(\$2,689,612)	\$696,229	\$2,343,139
	408.13 Other Taxes and Licenses	(11,465)		
	408.2 Taxes, Other Than Income - Property		25,016	
	601.8 Salary & Wages - Admin & General	3,319		
	615.3 Purch Power Oper WT		108,615	1,193
	618.3 Chemicals- Water Treatment		51,145	856
	620.4 M&S Maint WT		31,500	
	620.8 M&S AG	(138,754)		
	633.8 Contract Services - Legal	(1,132,479)		
	634.8 AG - Contract Services Management		6,351	116
	636.1 Contract Svc-Other - Source of Supply		10,500	
	636.3 Cont Serv Other Operating	(530)	50,925	
	636.8 Contract Service - Admin & General	(92,923)	9,196	147,415
	670.7 Uncollectible Accounts Exp - CA			1,907,505
	675.1 Misc Operations SS			2,000
	675.3 Misc Exp Oper WT		29,045	48
	675.4 Water Treatment - Struct & Imp		4,463	
	675.6 Misc Expense Maintenance TD		22,575	
	675.7 Misc Exp Customer Accounting	(22,281)	745,638	3,989
	675.8 Misc Expense Admin & General	(1,294,497)	(398,739)	280,017

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Total Sales	\$678,896,760	\$697,079,410	\$719,469,302	\$715,630,456	\$797,104,584
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$8,399,807	\$8,669,605	\$8,623,347	\$9,605,110
4	Less: Amount Charged To Operating Expense					
5	During The Twelve Months Ended 12/31/2021		8,379,726			
6	Less: Present Rates 12/31/2021			8,399,807		
7	Less: Present Rates 12/31/2022				8,669,605	
8	Less: Present Rates 12/31/2023					8,623,347
9	Pro Forma Adjustment		\$20,081	\$269,798	(\$46,258)	\$981,763
670.7	Customer Accounting And Collecting - Bad Debt		\$20,081	\$269,798	(\$46,258)	\$981,763

Witness: Cas Swiz

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Depreciation	\$159,555,607	\$159,236,940	\$164,693,734
2	Less: Citizens Acquisition CIAC & CAC		333,486	339,044
3	Subtotal	<u>\$159,555,607</u>	<u>\$158,903,454</u>	<u>\$164,354,690</u>
4	Book Depreciation	<u>139,275,676</u>	<u>159,555,607</u>	<u>158,903,454</u>
5	Pro Forma Adjustment	<u>\$20,279,931</u>	<u>(\$652,153)</u>	<u>\$5,451,236</u>
	503 Depreciation	\$20,279,931	(\$652,153)	\$5,451,236

Witness: Stacey D. Gress, John Spanos
Reference: Exhibit No. 3-C, Exhibits No. 11

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	PG&W	Approved Docket No. R-973944	\$455,956	\$455,956
2	Lake Spangenberg Water Co.	Approved Docket No. R-2013-2355276	13,709	4,569
3	Fernwood Community Water System	Approved Docket No. R-2013-2355276	5,630	1,877
4	Olwen Heights Water Service Co.	Approved Docket No. R-2013-2355276	5,396	1,798
5	Indian Rocks Property Owners Assn.	Approved Docket No. R-2013-2355276	(1,234)	(411)
6	North Fayette County Mun Auth.	Approved Docket No. R-2013-2355276	(62,966)	(20,989)
7	Wildcat Park Corporation	Approved Docket No. R-2013-2355276	(8,271)	(2,757)
8	Turbotville Water Negative UPAA	Approved Docket No. R-2020-3019369	(81,601)	(81,601)
9	Turbotville Water Transaction Costs	Approved Docket No. R-2020-3019369	1,082	1,082
10	Steelton Acquisition Costs	Approved Docket No. R-2020-3019369	15,898	15,898
11	Creekside Homeowner's Association Negative UPAA	Seeking Approval	0	(75,104)
12	Creekside Homeowner's Association transaction costs	Seeking Approval	0	2,181
13	Valley Township Water Transaction costs	Seeking Approval	0	28,258
14	Slibco Utilities Transactions Costs	Seeking Approval	0	4,754
15	DEP Safe Drinking Water Fees	Approved Docket No. R-2020-3019369	558,667	201,741
16	Steelton DEP Safe Drinking Water Fees	Approved Docket No. R-2020-3019369	3,333	3,333
17	Steelton Post-in-service AFUDC	Approved Docket No. R-2020-3019369	597	3,292
18	Steelton Deferred Depreciation	Approved Docket No. R-2020-3019369	1,898	12,181
19	Equipment Discount	Approved Docket No. R-2020-3019369	(27,690)	(27,690)
20	SFAS 109 Regulatory Assets Afudc	Approved Docket No. R-00072229	371,076	384,816
21	Receivership Costs:			
22	Winola Water Company (P-2018-3006216)	Seeking Approval	40,619	58,578
23	Tax Cuts and Jobs Act Stub Period and Reconciliation	Approved Docket No. R-2020-3019369	(7,544,576)	(2,696,762)
24	Negative Surcharge for Deferred Tax Credit Reconciliation	Seeking Approval		(74,094)
25	COVID-19 Emergency Response	Seeking Approval	0	2,916,394
26	Proforma Expense		(6,252,478)	1,117,300
27	Less: Per Books		1,260,700	(6,252,478)
28	Pro Forma Adjustment		(\$7,513,178)	\$7,369,778

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Taxes, Other than Income

Pennsylvania Property Tax

The following adjustment reflects the projected property tax expense, local and PURTA, for the twelve months ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Property Subject to Tax	\$644,716,318	\$666,328,294	\$694,174,029
2	PURTA Tax 2021	\$1,912,173		
3	Property Tax UPIS	1,375,885		
4	Total	<u>\$3,288,058</u>		
5	Rate (Line 4 / Line 1)	\$0.005100	\$0.005100	\$0.005100
6	Projected property tax expense (Line 1 x Line 5)		<u>\$3,398,274</u>	<u>\$3,540,288</u>
7	Less: Amount Charged To Operating Expense			3,398,274
8	During The 12 Months Ended 12/31/21		<u>3,433,237</u>	
9	Pro Forma Adjustment		<u><u>(\$34,963)</u></u>	<u><u>\$142,014</u></u>
408.11 Taxes, Other Than Income - PURTA			(\$20,333)	\$82,588
408.2 Taxes, Other Than Income - Property			(14,630)	59,426
Total PURTA			\$1,976,269	\$2,058,857
Total Local Property Tax			<u>1,422,005</u>	<u>1,481,430</u>
Total			<u><u>\$3,398,274</u></u>	<u><u>\$3,540,288</u></u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations

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 at December 31, 2022 through December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Payroll Taxes	\$7,482,150	\$7,678,983
2	Less: 38.82% Not Charged To Operating Expense	2,904,571	2,980,981
3	Sub-Total	<u>4,577,579</u>	<u>4,698,002</u>
4	Less: Amount Charged To Operating Expense	4,244,109	4,577,579
5	Pro Forma Adjustment	<u>\$333,470</u>	<u>\$120,422</u>
	408.12 - Taxes - Payroll	\$333,470	\$120,422

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Total Water Sales	\$686,573,838	\$709,103,825	\$705,472,694	\$786,441,335
2	Estimated General Assessment Fee				
3	Public Utility Commission At 0.004732071817	3,248,917	3,355,530	3,338,347	3,721,497
4	Consumer Advocate Fee At 0.001576414354	1,082,325	1,117,841	1,112,117	1,239,757
5	Small Business Advocate Fee At 0.000324126811	222,537	229,840	228,663	254,907
6	Damage Prevention Comittee Fee At 0.000082988139	56,977	58,847	58,546	65,265
7	Subtotal	4,610,756	4,762,058	4,737,673	5,281,426
8	Less: Amount Charged To Operating Expenses During				
9	The Twelve Months Ended 12/31/2021	4,043,219			
10	Less: Pro Forma Under Present Rates At 12/31/2021		4,610,756		
11	Less: Pro Forma Under Present Rates At 12/31/2022			4,762,058	
12	Less: Pro Forma Under Present Rates At 12/31/2023				4,737,673
13	Pro Forma Adjustment	\$567,537	\$151,302	(\$24,385)	\$543,753
	507.1 Taxes Other Than Income				\$1,238,207
	Witness: Stacey D. Gress				

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED 12/31/23 AMOUNT
1	State Income Tax Per Computation				
2	Shown On Following Page	\$21,659,208	\$19,084,623	\$15,776,265	\$23,760,599
3	Less: State Income Tax Per Book				
4	Computation Shown On Following Page	23,101,778			
5	Less: Present Rates 12/31/2021		21,659,208		
6	Less: Present Rates 12/31/2022			19,084,623	
7	Less: Present Rates 12/31/2023				15,776,265
<hr/>					
8	Pro Forma Adjustment	(\$1,442,570)	(\$2,574,585)	(\$3,308,358)	\$7,984,334
<hr/>					
9	Federal Income Tax Per Computation				
10	Shown On Following Page	\$37,220,364	\$38,910,079	\$33,640,416	\$48,747,590
11	Less: Federal Income Tax Per Book				
12	Computation Shown On Following Page	39,956,346			
13	Less: Present Rates 12/31/2021		37,220,364		
14	Less: Present Rates 12/31/2022			38,910,079	
15	Less: Present Rates 12/31/2023				33,640,416
<hr/>					
16	Pro Forma Adjustment	(\$2,735,982)	\$1,689,715	(\$5,269,663)	\$15,107,174

Witness: Melissa Ciullo

Pennsylvania-American Water Company - Water Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Utility Operating Income Before Taxes	\$333,183,271	\$319,547,967	\$333,951,697	\$312,657,722	\$392,606,334
2	Less: Interest Expense	61,103,108	61,103,108	69,166,617	76,378,768	76,404,122
3	Taxable Operating Income	272,080,163	258,444,859	264,785,080	236,278,954	316,202,212
4	Add: Premature Property Losses / Amortizations	1,260,700	1,260,700	(6,252,478)	1,117,300	1,117,300
5	Depr - Straight Line-Remaining Life (Including COR)	139,275,676	159,555,607	158,903,454	164,354,690	164,354,690
6	Taxable Meals & Entertainment	61,163	61,163	61,163	61,163	61,163
7	Total	140,597,539	160,877,470	152,712,139	165,533,153	165,533,153
8	Deduct:					
9	Tax Depreciation:					
10	State Tax Depreciation Adjustments	181,428,674	202,513,442	226,459,956	243,891,532	243,891,532
11	Total	181,428,674	202,513,442	226,459,956	243,891,532	243,891,532
12	State Taxable Income	231,249,028	216,808,887	191,037,263	157,920,575	237,843,833
13	State Income Tax At:					
14	Historic, Future And Fully Projected At 9.99%	23,101,778	21,659,208	19,084,623	15,776,265	23,760,599
15	Taxable Income After State Income Tax	208,147,250	195,149,679	171,952,640	142,144,310	214,083,234
16	Add:					
17	Federal Tax Depreciation Adjustments	27,972,898	27,941,984	54,525,814	58,163,208	58,163,208
18	Income Subject To Federal Income Tax	236,120,148	223,091,663	226,478,454	200,307,518	272,246,442
19	Federal Income Tax @ 21%	49,585,231	46,849,249	47,560,475	42,064,579	57,171,753
20	Excess ADIT	9,628,885	9,628,885	8,650,396	8,424,163	8,424,163
21	Federal Tax Liability	\$39,956,346	\$37,220,364	\$38,910,079	\$33,640,416	\$48,747,590
	Witness: Melissa Ciullo					

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	PROPOSED
		12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/23 AMOUNT	12/31/23 AMOUNT
1	Interest On Long Term Debt Per Computation				
2	Shown On Following Page	\$60,611,982	\$69,166,617	\$76,378,768	\$76,404,122
3	Less: Interest On Long Term Debt As Per Book				
4	Computation On Following Page	60,611,982			
5	Less: Present Rates At 12/31/2021		60,611,982		
6	Less: Present Rates At 12/31/2022			69,166,617	
7	Less: Present Rates At 12/31/2023				76,378,768
<hr/>					
8	Pro Forma Adjustment	\$0	\$8,554,635	\$7,212,151	\$25,354
<hr/>					
9	Interest On Short Term Debt Per Computation				
10	Shown On Following Page	\$491,126	\$0	\$0	\$0
11	Less: Interest On Short Term Debt As Per Book				
12	Computation On Following Page	491,126			
13	Less: Present Rates At 12/31/2021		491,126		
14	Less: Present Rates At 12/31/2022			0	
15	Less: Present Rates At 12/31/2023				0
<hr/>					
16	Pro Forma Adjustment	\$0	(\$491,126)	\$0	\$0

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - Water Operations

Notes to Statement Of Income

Application of Income Deductions

LINE NO.	DESCRIPTION	PRESENT RATES AT DECEMBER 31, 2021			PRESENT RATES AT DECEMBER 31, 2022			PRESENT RATES AT DECEMBER 31, 2023		
		AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure									
2	Long Term Debt	\$1,452,629,157	40.15%	4.35%	\$1,566,937,139	43.68%	4.32%	\$1,795,801,017	43.94%	4.31%
3	Short Term Debt	282,368,383	7.81%	0.18%	0	0.00%	0.00%	0	0.00%	0.00%
4	Total Debt	1,734,997,540	47.96%		1,566,937,139	43.68%		1,795,801,017	43.94%	
5	Preferred Stock	1,389,142	0.04%	8.87%	355,301	0.01%	9.70%	346,649	0.01%	9.70%
6	Common Equity	1,881,341,452	52.00%		2,019,978,282	56.31%		2,290,214,728	56.05%	
7	Totals	\$3,617,728,134	100.00%		\$3,587,270,723	100.00%		\$4,086,362,394	100.00%	
					PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT		
8	Application Of Long Term Debt Interest:									
9	Original Cost Rate Base				\$3,470,433,134	\$3,665,474,109	\$4,033,065,969	\$4,034,404,746		
10	Debt Percentage (From Above)				40.15%	43.68%	43.94%	43.94%		
11	Debt Portion Of Rate Base				1,393,378,903	1,601,079,091	1,772,129,187	1,772,717,445		
12	Interest Cost (From Above)				4.35%	4.32%	4.31%	4.31%		
13	Pro Forma Long Term Interest Deduction				\$60,611,982	\$69,166,617	\$76,378,768	\$76,404,122		
14	Application Of Short Term Debt Interest:									
15	Original Cost Rate Base				\$3,470,433,134	\$3,665,474,109	\$4,033,065,969	\$4,034,404,746		
16	Debt Percentage (From Above)				7.81%	0.00%	0.00%	0.00%		
17	Debt Portion Of Rate Base				271,040,828	0	0	0		
18	Interest Cost (From Above)				0.18%	0.00%	0.00%	0.00%		
19	Pro Forma Short Term Interest Deduction				\$491,126	\$0	\$0	\$0		

Witness: Ann E. Bulkley

Wastewater SSS

General Operations

Pennsylvania-American Water Company - Wastewater SSS General Operations

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Pennsylvania-American Water Company - Wastewater SSS General Operations

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Pennsylvania-American Water Company - Wastewater SSS General Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2021

December 31, 2022, and 2023 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PER BOOKS	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT	RATE INCREASE	PROPOSED RATES AMOUNT	LINE NO.
1	Operating Revenue	\$39,114,118	(\$538,505)	\$38,575,613	\$6,837,054	\$45,412,667	(\$451,512)	\$44,961,155	\$23,886,436	\$68,847,591	1
2	Operating Revenue Deductions:										2
3	Operating Expenses	10,554,362	(456,193)	10,098,169	2,429,930	12,528,099	943,801	13,471,900	287,831	13,759,731	3
4	Depreciation	12,745,280	621,780	13,367,060	1,036,559	14,403,619	1,213,926	15,617,545	0	15,617,545	4
5	Amortizations	8,365	0	8,365	(211,306)	(202,941)	48,037	(154,904)	0	(154,904)	5
6	Taxes, Other Than Income:										6
7	Local Property And Miscellaneous	1,043,220	0	1,043,220	30,029	1,073,249	14,043	1,087,292	0	1,087,292	7
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	8
9	Public Utility Realty Taxes	0	0	0	0	0	0	0	0	0	9
10	Payroll Taxes	225,648	0	225,648	(19,359)	206,289	5,924	212,213	0	212,213	10
11	General Assessment	229,403	23,007	252,410	45,631	298,041	(3,015)	295,026	159,418	454,444	11
12	Other Taxes and Licenses	0	0	0	0	0	0	0	0	0	12
13	Total Taxes Other Than Income	1,498,271	23,007	1,521,278	56,301	1,577,579	16,952	1,594,531	159,418	1,753,949	13
14	Utility Operating Income Before Income Taxes	14,307,840	(727,099)	13,580,741	3,525,570	17,106,311	(2,674,228)	14,432,083	23,439,187	37,871,270	14
15	Income Taxes:										15
16	State Income Tax	1,176,585	(112,691)	1,063,894	258,183	1,322,077	(308,912)	1,013,165	2,340,804	3,353,969	16
17	Federal Income Tax	1,711,825	(213,537)	1,498,288	853,010	2,351,298	(510,473)	1,840,825	4,429,039	6,269,864	17
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	18
19	Total Income Taxes	2,888,410	(326,228)	2,562,182	1,111,193	3,673,375	(819,385)	2,853,990	6,769,843	9,623,833	19
20	Total Operating Revenue Deductions	27,694,688	(137,634)	27,557,054	4,422,677	31,979,731	1,403,331	33,383,062	7,217,092	40,600,154	20
21	Utility Operating Income	11,419,430	(400,871)	11,018,559	2,414,377	13,432,936	(1,854,843)	11,578,093	16,669,344	28,247,437	21
22	Income Deductions:										22
23	Interest On Long Term Debt	5,732,865	0	5,732,865	548,723	6,281,588	489,926	6,771,514	7,149	6,778,663	23
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	24
25	Interest On Notes Payable To Others	752,779	0	752,779	(190,883)	561,896	(21,028)	540,868	571	541,439	25
26	Total Income Deductions	6,485,644	0	6,485,644	357,840	6,843,484	468,898	7,312,382	7,720	7,320,102	26
27	Net Income	\$4,933,786	(\$400,871)	\$4,532,915	\$2,056,537	\$6,589,452	(\$2,323,741)	\$4,265,711	\$16,661,624	\$20,927,335	27
28	Preferred Dividends	11,520		11,520		3,368		3,606		3,610	28
29	Net Income To Common	\$4,922,266		\$4,521,395		\$6,586,084		\$4,262,105		\$20,923,725	29

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER SSS OPERATIONS

TOTAL REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021 AND DECEMBER 31, 2022

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2021	UNBILLED AND TCJA AMORTIZAION	ANNUALIZE ACQUISITION ADJUSTMENTS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS (*)	PRO FORMA PRESENT RATES 12/31/2021	ANNUALIZE ACQUISITION AND OTHER ADJUSTMENTS	DECLINING USAGE	ANNUALIZE 2022 RATE CHANGE	DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2022
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	522.1	RESIDENTIAL	\$24,988,502	(\$640,382)	\$2,330,563	\$528,948	\$27,207,631	\$517,140	(\$507,463)	\$3,710,408	\$1,152,021	\$32,079,736
4	522.2	COMMERCIAL	6,311,424	(61,940)	252,063	55,550	6,557,097	29,580	(65,594)	1,032,859	287,621	7,841,563
5	522.3	INDUSTRIAL	1,414,088	(10,486)		(12,089)	1,391,513	295,800		70,413	46,538	1,804,264
6	522.4	MUNICIPAL	667,816	(26,052)	29,502	(6,498)	664,768		(5,269)	104,300	29,928	793,726
7	522.4	BULK	4,833,957	123,779	(3,162,882)	(30,251)	1,764,603			23,245	73,110	1,860,958
8		TOTAL METERED SALES	\$38,215,787	(\$615,082)	(\$550,754)	\$535,661	\$37,585,612	\$842,520	(\$578,326)	\$4,941,225	\$1,589,217	\$44,380,247
9		UNMETERED SALES										
10	522.1	RESIDENTIAL					\$0					\$0
11	522.2	COMMERCIAL					0					0
12	522.3	INDUSTRIAL					0					0
13	522.4	MUNICIPAL					0					0
14	522.4	BULK					0					0
15		TOTAL UNMETERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16		TOTAL WASTEWATER SALES	\$38,215,787	(\$615,082)	(\$550,754)	\$535,661	\$37,585,612	\$842,520	(\$578,326)	\$4,941,225	\$1,589,217	\$44,380,247
17		OTHER OPERATING REVENUES										
18	530	GUARANTEED REVENUES	\$0				\$0					\$0
19	532	LATE PAYMENT FEES	142,977			91,670	234,647	42,419				277,066
20	536	MISC SERVICE REVENUES	755,354				755,354					755,354
21	534	RENTS FROM PROPERTIES					\$0					\$0
22	535	INTERCOMPANY RENTS					\$0					\$0
23	523	OTHER WW REVENUES	\$0			0	\$0					\$0
24		TOTAL OTHER OPERATING REVENUES	\$898,331	\$0	\$0	\$91,670	\$990,001	\$42,419	\$0	\$0	\$0	\$1,032,420
26		TOTAL OPERATING REVENUES	\$39,114,118	(\$615,082)	(\$550,754)	\$627,330	\$38,575,613	\$884,939	(\$578,326)	\$4,941,225	\$1,589,217	\$45,412,667

(*) The metered sales adjustments represent the removal of the TCJA, EADIT, DSIC and recoupment surcharges, annualizing specific customers for 12 months of billing, and the annualization of the 2021 base rates.

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER SSS OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2023

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2022	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2023	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$32,079,736			(\$391,147)		\$31,688,590	54.00%	\$17,111,664	\$48,800,254
4	522.2	COMMERCIAL	7,841,563			(52,653)		7,788,910	53.39%	4,158,359	11,947,269
5	522.3	INDUSTRIAL	1,804,264					1,804,264	57.47%	1,036,935	2,841,198
6	522.4	MUNICIPAL	793,726			(4,911)		788,815	57.56%	454,024	1,242,839
7	522.4	BULK	1,860,958					1,860,958	52.51%	977,256	2,838,214
8		TOTAL METERED SALES	\$44,380,247	\$0	\$0	(\$448,711)	\$0	\$43,931,536	54.03%	\$23,738,238	\$67,669,775
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	\$0					\$0	0.00%	0	\$0
11	522.2	COMMERCIAL	0					0	0.00%	0	0
12	522.3	INDUSTRIAL	0					0	0.00%	0	0
13	522.4	MUNICIPAL	0					0	0.00%	0	0
14	522.4	BULK	0					0	0.00%	0	0
15		TOTAL UNMETERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	\$0
16		TOTAL WASTEWATER SALES	\$44,380,247	\$0	\$0	(\$448,711)	\$0	\$43,931,536	54.03%	\$23,738,238	\$67,669,775
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	\$0					0	0.00%	0	\$0
19	532	LATE PAYMENT FEES	277,066		(2,801)			274,265	54.03%	148,197	422,462
20	536	MISC SERVICE REVENUES	755,354					755,354	0.00%	0	755,354
21	534	RENTS FROM PROPERTIES	\$0					0	0.00%	0	0
22	535	INTERCOMPANY RENTS	\$0					0	0.00%	0	0
23	523	OTHER WW REVENUES	\$0					0	0.00%	0	0
23		TOTAL OTHER OPERATING REVENUES	\$1,032,420	\$0	(\$2,801)	\$0	\$0	\$1,029,618	14.39%	\$148,197	\$1,177,816
24		TOTAL OPERATING REVENUES	\$45,412,667	\$0	(\$2,801)	(\$448,711)	\$0	\$44,961,154	53.13%	\$23,886,436	\$68,847,591
25											

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER SSS OPERATIONS

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT
1	Per Books		\$39,114,118				
2	Present Rates At 12/31/2022				\$38,575,613		
3	Present Rates At 12/31/2023						\$45,412,667
4							
5	TCJA, EADIT & Recoupment Adjustment	\$212,323					
6	Unbilled Adjustment	(615,082)					
7	DSIC Annualization	(211,797)		\$1,589,217			
8	Valley WW Annualization	(562,263)					
9	Annualize 2021 Rate Change	501,890					
10	Delaware Sewer Co Annualization	11,509					
11	Foster Township Acquisition			842,520			
12	Declining Usage			(578,326)		(448,711)	
13	Annualize 2022 Rate Change			4,941,225			
14	Specific Customer Adj.	33,245					
15	Other Operating Revenues						
16							
17	470 - Penalties	91,670		42,419		(2,801)	
18							
19							
20	Pro Forma Adjustment		(538,505)		6,837,054		(451,512)
21	Pro Forma Present Rates At December 31, 2021		<u>\$38,575,612</u>				
22	Pro Forma Present Rates At December 31, 2022				<u>\$45,412,667</u>		
23	Pro Forma Present Rates At December 31, 2023						<u>\$44,961,155</u>

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

TCJA, EADIT & Recoupment Surcharge Adjustment

The following adjustment is being made to eliminate the tax credit, EADIT, and the recoupment surcharge revenues per books for the twelve months ended December 31, 2021.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT
1	Metered Sales	
2	Residential	\$117,455
3	Commercial	55,100
4	Industrial	6,136
5	Municipal	5,602
6	Miscellaneous (Bulk Customers)	28,030
7	Other WW Revenue	0
8	Total Metered Sales	\$212,323
9	Unmetered Sales	
10	Residential	\$0
11	Commercial	0
12	Industrial	0
13	Municipal	0
14	Miscellaneous (Bulk Customers)	0
15	Total Unmetered Sales	\$0
16	Total Wastewater Surcharges	\$212,323
17	Other Operating Revenues	\$0
18	Pro Forma Adjustment	<u>\$212,323</u>

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment & TCJA Stub

The following adjustment is being made to eliminate unbilled revenue accrued per books and the TCJA stub revenues per books for the twelve months ended December 31, 2021.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT
1	Metered Sales	
2	Residential	(\$640,382)
3	Commercial	(61,940)
4	Industrial	(10,486)
5	Municipal	(26,052)
6	Miscellaneous (Bulk Customers)	123,779
		<hr/>
7	Total Metered Sales	(\$615,082)
8	Unmetered Sales	
9	Residential	\$0
10	Commercial	0
11	Industrial	0
12	Municipal	0
13	Miscellaneous (Bulk Customers)	0
		<hr/>
14	Total Unmetered Sales	\$0
		<hr/>
15	Total Unbilled / TCJA Stub Wastewater Sales	(\$615,082)
16	Other Operating Revenues	\$0
17	Pro Forma Adjustment	<u>(\$615,082)</u>

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

DSIC Annualization

The 2021 pro forma revenue adjustment is being made to eliminate the Distribution System Improvement Charge (DSIC) revenues per book for the 12 months ended December 31, 2021 in order to reset the DSIC to zero. The 2022 pro forma revenue adjustment is to annualize the DSIC revenues for 2022 based on the Company's pro forma level rate of 4.12%.

LINE NO.	DESCRIPTION	12/31/2021 PER BOOK DSIC REVENUE	12/31/2021 ANNUALIZED DSIC REVENUE	12/31/2022 ANNUALIZED DSIC REVENUE	12/31/2021 PRO FORMA ADJUSTMENT	12/31/2022 PRO FORMA ADJUSTMENT
1	Metered Sales					
2	Residential	\$129,548	\$0	\$1,152,021	(\$129,548)	\$1,152,021
3	Commercial	26,293	0	287,621	(26,293)	287,621
4	Industrial	7,516	0	46,538	(7,516)	46,538
5	Municipal	7,352	0	29,928	(7,352)	29,928
6	Sales For Resale	0	0	0	0	0
7	Miscellaneous (Bulk)	41,088	0	73,110	(41,088)	73,110
8	Total Metered Sales	\$211,797	\$0	\$1,589,217	(\$211,797)	\$1,589,217
9	Unmetered Sales					
10	Residential	\$0	\$0	\$0	\$0	\$0
11	Commercial	0	0	0	0	0
12	Industrial	0	0	0	0	0
13	Municipal	0	0	0	0	0
14	Miscellaneous (Bulk)	0	0	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0	0	\$0
16	Private Fire Protection	\$0	\$0	\$0	0	\$0
17	Public Fire Protection	0	0	0	0	0
18	Total DSIC Water Sales	\$211,797	\$0	\$1,589,217	(\$211,797)	\$1,589,217
19	Other Operating Revenues	\$0	\$0	\$0	\$0	\$0
20	Pro Forma Adjustment	\$211,797	\$0	\$1,589,217	(\$211,797)	\$1,589,217

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

Usage Trend Adjustment

This adjustment is being made to address the decline in usage that has been experienced for many years and is expected to continue to occur. Please refer to the testimony of Charles Rea (PAWC Statement No. 10).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Metered Sales		
2	Residential	(\$507,463)	(\$391,147)
3	Commercial	(65,594)	(52,653)
4	Industrial	0	0
5	Municipal	(5,269)	(4,911)
6	Sales For Resale	0	0
7	Miscellaneous (Bulk)	0	0
8	Total Metered Sales	(\$578,326)	(\$448,711)
9	Unmetered Sales		
10	Residential	\$0	\$0
11	Commercial	0	0
12	Industrial	0	0
13	Municipal	0	0
14	Miscellaneous (Bulk)	0	0
15	Total Unmetered Sales	\$0	\$0
16	Private Fire Protection	\$0	\$0
17	Public Fire Protection	0	0
18	Total Wastewater Sales	(\$578,326)	(\$448,711)
19	Other Operating Revenues	\$0	\$0
20	Pro Forma Adjustment	(\$578,326)	(\$448,711)

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

Rate Change Annualization

This revenue adjustment is being made to reflect the annualization of the base rates effective on January 28, 2021.

LINE NO.	DESCRIPTION	12/31/2021 PER BOOKS REVENUE	12/31/2021 ANNUALIZED REVENUE	12/31/2021 PRO FORMA ADJUSTMENT
1	Metered Sales			
2	Residential	\$24,336,026	\$24,877,067	\$541,041
3	Commercial	5,997,808	6,024,551	26,743
4	Industrial	1,069,856	1,056,737	(13,119)
5	Municipal	632,278	627,530	(4,748)
6	Sales For Resale	0	0	0
7	Miscellaneous (Bulk)	4,931,338	4,883,311	(48,027)
8	Total Metered Sales	\$36,967,307	\$37,469,197	\$501,890
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Miscellaneous (Bulk)	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Billed Wastewater Sales	\$36,967,307	\$37,469,197	\$501,890
19	Other Operating Revenues	\$0	\$0	\$0
20	Pro Forma Adjustment	\$36,967,307	\$37,469,197	\$501,890

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

Rate Change Annualization

This revenue adjustment is being made to reflect the annualization of the base rates effective on January 1, 2022.

LINE NO.	DESCRIPTION	12/31/2021 ANNUALIZED REVENUE	ADJUSTMENTS	12/31/2022 ANNUALIZED REVENUE	12/31/2022 PRO FORMA ADJUSTMENT
1	Metered Sales				
2	Residential	\$24,877,067	\$2,330,563	\$30,918,038	\$3,710,408
3	Commercial	6,024,551	252,063	7,309,473	1,032,859
4	Industrial	1,056,737	2,410	1,129,561	70,413
5	Municipal	627,530	29,502	761,332	104,300
6	Sales For Resale	0	0	0	0
7	Miscellaneous (Bulk)	4,883,311	(3,132,048)	1,774,509	23,245
8	Total Metered Sales	\$37,469,197	(\$517,509)	\$41,892,913	\$4,941,225
9	Unmetered Sales				
10	Residential	\$0	\$0	\$0	\$0
11	Commercial	0	0	0	0
12	Industrial	0	0	0	0
13	Municipal	0	0	0	0
14	Miscellaneous (Bulk)	0	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0	\$0
17	Public Fire Protection	0	0	0	0
18	Total Wastewater Sales	\$37,469,197	(\$517,509)	\$41,892,913	\$4,941,225
19	Other Operating Revenues	\$0	\$0	\$0	\$0
20	Pro Forma Adjustment	\$37,469,197	(\$517,509)	\$41,892,913	\$4,941,225

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

Specific Customer Adjustment

The following adjustments are to annualize the account for 12 months of billing in 2021.

LINE NO.	DESCRIPTION	PRESENT RATES
		12/31/2021 AMOUNT
1	Sales	
2	Residential	
3	Commercial	
4	Industrial	
5	Penn State Special Metals	\$1,738
6	PSC Metals	672
7	Municipal	
8	Bulk	
9	St Lawrence Borough	30,835
10	Total Pro forma Adjustment	<u>\$33,245</u>

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Valley Wastewater

On November 19, 2021, the Company closed on the acquisition of the wastewater utility property of Valley Township and began providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition and to remove the revenues associated with the bulk wastewater sales from Valley Township.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2021 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	ADJUSTMENT AMOUNT
1	Metered Sales			
2	Residential	\$129,859	\$2,448,912	\$2,319,054
3	Commercial	10,729	262,792	252,063
4	Industrial	0	0	0
5	Municipal	161	29,663	29,502
6	Sales For Resale	0	0	0
7	Miscellaneous (Bulk)	<u>3,162,882</u>	<u>0</u>	<u>(3,162,882)</u>
8	Total Metered Sales	\$3,303,631	\$2,741,367	(\$562,263)
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Miscellaneous (Bulk)	<u>0</u>	<u>0</u>	<u>0</u>
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Wastewater Sales	<u>\$3,303,631</u>	<u>\$2,741,367</u>	<u>(\$562,263)</u>
17	Other Operating Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
18	Pro Forma Adjustment	<u><u>\$3,303,631</u></u>	<u><u>\$2,741,367</u></u>	<u><u>(\$562,263)</u></u>

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Delaware Sewer Company

On May 13, 2021, the Company closed on the acquisition of the water utility property of the Delaware Sewer Company and began providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2021 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	ADJUSTMENT AMOUNT
1	Metered Sales			
2	Residential	\$16,210	\$27,720	\$11,509
3	Commercial	0	0	0
4	Industrial	0	0	0
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous (Bulk)	0	0	0
8	Total Metered Sales	\$16,210	\$27,720	\$11,509
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Miscellaneous (Bulk)	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Wastewater Sales	\$16,210	\$27,720	\$11,509
17	Other Operating Revenues	\$0	\$0	\$0
18	Pro Forma Adjustment	\$16,210	\$27,720	\$11,509

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

Acquisition Adjustment - Foster Township WW

During 2022, the Company will close on the acquisition of the wastewater utility property of Foster Township and begin providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Metered Sales			
2	Residential	\$0	\$517,140	\$517,140
3	Commercial	0	29,580	29,580
4	Industrial	0	295,800	295,800
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous (Bulk)			
8	Total Metered Sales	\$0	\$842,520	\$842,520
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Miscellaneous (Bulk)	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Wastewater Sales	\$0	\$842,520	\$842,520
17	Miscellaneous Service Fees	\$0	\$0	\$0
18	Rents From Properties	0	0	0
19	Total Operating Revenues	\$0	\$842,520	\$842,520
20	Pro Forma Adjustment	\$0	\$842,520	\$0

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2020 and 2021, and the estimated number of customers to be served at December 31, 2022 through 2023. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2023 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2020	SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	TO BE SERVED AT 12/31/2023	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered							
2	601.1	Residential	31,906	33,520	33,520	33,520	33,520	0	0
3	601.2	Commercial	1,683	1,671	1,671	1,671	1,671	0	0
4	601.3	Industrial	11	9	9	9	9	0	0
5	606	Municipal	79	88	88	88	88	0	0
6	607	Resale	4	5	5	5	5	0	0
7	601.4	Miscellaneous	0	0	0	0	0	0	0
8		Metered	33,683	35,293	35,293	35,293	35,293	0	0
9		Unmetered							
10	602.1	Residential	1,338	2,702	3,206	3,206	2,702	0	504
11	602.2	Commercial	33	138	149	149	138	0	11
12	602.3	Industrial	4	5	6	6	5	0	1
13	606	Municipal	4	4	4	4	4	0	0
14	602.4	Miscellaneous	0	0	0	0	0	0	0
15		Unmetered	1,379	2,849	3,365	3,365	2,849	0	516
16	604	Private Fire							
17	605	Public Fire							
18	Total Customers		35,062	38,142	38,658	38,658	38,142	0	516

Witness: Charles Rea

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2021 and projected to be imposed during 2022 and 2023. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23	PROPOSED RATES 12/31/23
1 Total Billed Wastewater Sales	\$37,600,705	\$37,585,612	\$44,380,247	\$43,931,536	\$67,669,774
2 % Of Penalties To Total					
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	142,977	234,647	277,066	274,265	422,462
5 Less: Per Books At 12/31/2021		142,977			
6 Less: Present Rates At 12/31/2021			234,647		
7 Less: Present Rates At 12/31/2022				277,066	
8 Less: Present Rates At 12/31/2023					274,265
9 Pro Forma Adjustments		\$91,670	\$42,419	(\$2,801)	\$148,197

Witness: Charles Rea

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED ORIGINAL COST 12/31/23	DEPRECIATED ORIGINAL COST PROPOSED
1	Non-Depreciable Plant	\$6,261,251	\$6,261,256	\$6,261,256	\$6,261,256
2	Depreciable Plant	591,884,962	630,910,582	668,282,537	668,282,537
3	Total Utility Plant In Service	598,146,213	637,171,838	674,543,793	674,543,793
4	Deduct:				
5	Contributions In Aid Of Construction	41,742,743	44,590,619	45,265,297	45,265,297
6	Customer Advances For Construction	480,879	480,879	480,879	480,879
7	Excluded Property	0	0	0	0
8	Sub-Total	42,223,622	45,071,498	45,746,176	45,746,176
9	Net Utility Plant In Service	555,922,591	592,100,340	628,797,617	628,797,617
10	Accumulated Depreciation	182,978,506	195,174,930	205,425,326	205,425,326
11	Depreciated Utility Plant In Service	372,944,085	396,925,410	423,372,291	423,372,291
12	Add:				
13	Materials And Supplies	119,526	119,526	119,526	119,526
14	Cash Working Capital - Expenses	791,422	1,188,648	1,285,414	1,285,414
15	Accrued And Prepaid Taxes	480,075	559,515	523,258	916,462
16	Acquisition Adjustments	1,783,914	1,951,694	1,797,783	1,797,783
17	Other Additions	0	0	0	0
18	Deduct:				
19	Cash Working Capital - Int And Div	619,049	653,495	698,278	699,010
20	Unamortized Itc (3%)	0	0	0	0
21	Extension Deposits In Suspense	0	0	0	0
22	Tax Cuts and Jobs Act -Stub Period	733,976	370,214	246,809	246,809
23	Other Deductions	0	0	0	0
24	Deferred Taxes	50,080,125	52,521,641	54,379,157	54,379,157
25	Total Rate Base Elements	\$324,685,872	\$347,199,443	\$371,774,028	\$372,166,500
26	Utility Operating Income				
27	Per Books	\$11,419,430	3.52%	3.29%	3.07%
28	Present Rates At 12/31/2021	11,018,559	3.39%	-	-
29	Present Rates At 12/31/2022	13,432,936	-	3.87%	-
30	Present Rates At 12/31/2023	11,578,093	-	-	3.11%
31	Proposed Rates At 12/31/2023	28,247,437	-	-	7.59%

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2021	ADDITIONS	ACQUISITION	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2023
1	352.00	Franchises & Consents	\$221,140	\$0	\$0	\$0	\$221,140	\$0	\$0	\$221,140
2	353.00	Land & Land Rights	6,040,112	0	5	0	6,040,117	0	0	6,040,117
3		Total Intangible Plant	\$6,261,251	\$0	\$5	\$0	\$6,261,256	\$0	\$0	\$6,261,256
4	354.20	Structures And Improvements - Collection	\$2,918,770	\$205,674	289,990	\$15,702	\$3,398,731	\$295,930	\$28,595	\$3,666,067
5	354.30	Structures And Improvements - SPP	19,933,089	349,461	342,472	26,680	20,598,342	837,500	63,016	21,372,826
6	354.40	Structures And Improvements - TDP	150,943,499	2,608,806	789,634	199,173	154,142,767	1,300,000	97,816	155,344,951
7	354.70	Structures And Improvements - General	3,507,073	367,826	0	28,082	3,846,817	235,369	11,382	4,070,804
8	355.00	Power Generation Equipment	4,465,252	1,267,931	316,085	96,802	5,952,466	2,461,828	185,236	8,229,059
9	360.10	Collection Sewers - Force Mains	47,525,259	4,259,123	770,034	325,168	52,229,247	5,403,032	406,541	57,225,739
10	361.10	Collection Sewers - Gravity Mains	179,776,118	7,855,184	4,386,596	599,714	191,418,185	9,489,342	714,007	200,193,519
11	361.20	Manholes	32,362,549	450,375	1,254,574	26,444	34,041,053	409,570	22,844	34,427,779
12	363.00	Services	49,404,688	1,199,187	1,140,837	61,602	51,683,110	1,184,801	59,957	52,807,954
13	364.00	Flow Measuring Devices	553,399	43,773	0	9,015	588,157	43,313	8,774	622,696
14	365.00	Flow Measuring Installations	272,564	0	0	0	272,564	0	0	272,564
15	370.00	Receiving Wells	143,420	0	0	0	143,420	0	0	143,420
16	371.00	Pumping Equipment	14,808,569	2,461,102	231,532	187,896	17,313,306	2,512,500	189,048	19,636,758
17	380.00	Treatment Equipment	70,703,797	8,277,097	197,409	631,925	78,546,378	12,816,537	964,356	90,398,559
18	381.00	Plant Sewers	6,214,182	0	0	0	6,214,182	0	0	6,214,182
19	382.00	Outfall Sewer Lines	604,389	0	0	0	604,389	0	0	604,389
20	389.10	Other Plant And Miscellaneous Equipment - Intangibles	598,405	600,000	0	0	1,198,405	859,143	0	2,057,548
21	390.00	Office Furniture And Equipment	682,596	35,794	0	0	718,390	40,673	0	759,063
22	390.20	Computers & Peripheral	0	0	0	0	0	0	0	0
23	391.00	Transportation Equipment	1,627,653	0	0	0	1,627,653	0	0	1,627,653
24	392.00	Stores Equipment	107,351	0	0	0	107,351	0	0	107,351
25	393.00	Tools, Shop And Garage Equipment	872,283	178,606	0	16,369	1,034,520	291,443	25,017	1,300,946
26	394.00	Laboratory Equipment	536,028	0	0	54,587	481,441	0	62,682	418,759
27	395.00	Power Operated Equipment	552,371	0	0	0	552,371	0	0	552,371
28	396.00	Communication Equipment	2,195,943	1,316,570	0	239,918	3,272,595	1,810,694	136,391	4,946,898
29	397.00	Miscellaneous Equipment	561,485	436,000	0	86,974	910,511	384,937	28,995	1,266,452
30	398.00	Other Tangible Plant	14,232	0	0	0	14,232	0	0	14,232
31		Total Tangible Plant	\$591,884,962	\$31,912,510	\$9,719,161	\$2,606,051	\$630,910,582	\$40,376,611	\$3,004,656	\$668,282,537
32		Total Utility Plant In Service	\$598,146,213	\$31,912,510	\$9,719,166	\$2,606,051	\$637,171,838	\$40,376,611	\$3,004,656	\$674,543,793

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Contributions in Aid of Construction (CIAC)

The Company receives Contributions in Aid of Construction (CIAC) on an annual basis. The Commission's Order dated April 21, 1993, at Docket No. R-922428 approved the use of a three year average to calculate the future test year additions to CIAC. The following adjustment reflects the projected CIAC to be received during the twelve months ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Contributions In Aid Of Construction	\$41,742,743	\$44,590,619
2	Plus: Three Year Average Of Contributions	674,678	674,678
3	Plus: Foster Township Acquired Contributions	<u>2,173,198</u>	<u></u>
4	Contributions In Aid Of Construction	<u><u>(\$44,590,619)</u></u>	<u><u>(\$45,265,297)</u></u>

Witness: Stacey D. Gress

Reference: FR V.16

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Customer Advances For Construction (CAC)

The Company requires Customer Advances for Construction (CAC) for all main extensions requested by developers. New projects increase the CAC account and refunds to be made during the future test year to developers for prior year CAC decrease the CAC account. The following adjustment reflects the level of activity (advances and refunds) projected for the twelve months ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Customer Advances For Construction	\$480,879	\$480,879
2	Plus: Customer Advances For Construction To Be Capitalized	<u>0</u>	<u>0</u>
3	Sub-Total	<u>480,879</u>	<u>480,879</u>
4	Less: Customer Advances For Construction To Be Refunded	<u>0</u>	<u>0</u>
5	Customer Advances For Construction	<u><u>(\$480,879)</u></u>	<u><u>(\$480,879)</u></u>

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Materials And Supplies

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

LINE NO.	MONTH	DETAIL	PRESENT RATES
			12/31/2022 and 12/31/2023 AMOUNT
1	December, 2020	\$87,701	
2	January, 2021	88,635	
3	February	96,014	
4	March	83,294	
5	April	103,023	
6	May	106,317	
7	June	146,897	
8	July	92,578	
9	August	94,861	
10	September	119,872	
11	October	134,400	
12	November	186,287	
13	December, 2021	213,963	
14	Total	<u>\$1,553,841</u>	
15	Average		\$119,526
16	Allowance For Materials And Supplies		
17	At 12/31/2022 and 12/31/2023		<u><u>\$119,526</u></u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for wastewater service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2021 and as annualized under present rates for the twelve months ending December 31, 2022 and December 31, 2023.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO. DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT
1 Operating Revenue Billed During The Twelve Months Ended 12/31/2021				
2 Bi-Monthly Billings				
3 Lag Days				
4 Dollar Days				
5 Quarterly				
6 Lag Days				
7 Dollar Days				
8 Monthly Billings	\$38,499,036	\$38,575,613	\$45,412,667	\$44,961,155
9 Lag Days	56.9	56.9	56.9	56.9
10 Dollar Days	\$2,190,210,158	\$2,194,566,624	\$2,583,526,626	\$2,557,840,108
11 Total Billed Revenue	\$38,499,036	\$38,575,613	\$45,412,667	\$44,961,155
12 Total Dollar Days	\$2,190,210,158	\$2,194,566,624	\$2,583,526,626	\$2,557,840,108
13 Average Lag In Receipt Of Revenue (Line 12 / Line11)	56.9	56.9	56.9	56.9
14 Deduct: Average Lag In Payment Of				
15 Operating Expenses	28.0	27.6	21.3	21.2
16 Average Lag Between Payment Of Operating				
17 Expenses And Receipt Of Revenues	28.9	29.3	35.6	35.7
18 Working Capital Requirements				
19 Annual Operating Expenses (Including Payroll Expenses)		\$9,858,981	\$12,187,165	\$13,142,331
20 Operating Expenses Per Day (Line 20 / 365 Days)		27,011	33,389	36,006
21 Cash Working Capital Required				
22 (Line 17 * Line 20)		\$791,422	\$1,188,648	\$1,285,414

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO. DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS	DOLLAR DAYS	PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		PRESENT RATES 12/31/2023	
		AMOUNT		AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS
1 Labor and Payroll Taxes	12.09	\$3,127,681	\$37,813,663	\$3,127,681	\$37,813,663	\$2,810,434	\$33,978,147	\$2,893,794	\$34,985,969
2 Group Insurance	10.42	623,811	6,500,111	623,811	6,500,111	550,171	5,732,782	583,417	6,079,205
3 OPEB's and VEBA	4.00	26,234	104,936	26,234	104,936	26,234	104,936	26,234	104,936
4 Pension	(3.31)	173,186	(573,246)	173,186	(573,246)	173,186	(573,246)	173,186	(573,246)
5 Purchased Power	29.97	1,385,321	41,518,070	1,162,305	34,834,281	1,251,293	37,501,251	1,229,166	36,838,105
6 Purchased Water	35.49	0	0	0	0	0	0	0	0
7 Chemicals	49.18	731,941	35,996,858	731,941	35,996,858	871,869	42,878,517	960,803	47,252,292
8 Miscellaneous	41.24	2,115,762	87,254,025	1,890,361	77,958,488	3,254,014	134,195,537	3,479,649	143,500,725
9 Transportation	57.82	99,499	5,753,032	99,499	5,753,032	93,817	5,424,499	98,687	5,706,082
10 Ins Other Than Group	(64.44)	65,511	(4,221,529)	65,511	(4,221,529)	1,197,695	(77,179,466)	1,229,699	(79,241,804)
11 Service Company	12.09	0	0	0	0	0	0	509,244	6,156,760
12 Waste Disposal	43.88	1,712,273	75,134,539	1,712,273	75,134,539	1,712,273	75,134,539	1,712,273	75,134,539
13 Telephone	(0.01)	160,679	(1,607)	160,679	(1,607)	160,679	(1,607)	160,679	(1,607)
14 Rents	(8.28)	516	(4,272)	516	(4,272)	516	(4,272)	516	(4,272)
15 Natural Gas	34.44	84,984	2,926,849	84,984	2,926,849	84,984	2,926,849	84,984	2,926,849
16 Totals		<u>\$10,307,398</u>	<u>\$288,201,429</u>	<u>\$9,858,981</u>	<u>\$272,222,103</u>	<u>\$12,187,165</u>	<u>\$260,118,466</u>	<u>\$13,142,331</u>	<u>\$278,864,533</u>
17 Average Lag			<u>28.0</u>		<u>27.6</u>		<u>21.3</u>		<u>21.2</u>
18 Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$10,780,010		\$10,323,817		\$12,734,388		\$13,684,113	
19 Uncollectibles		472,612		464,836		547,223		541,782	
20 Amortizations		0		0		0		0	
21 Sum Of Other Expenses		<u>8,191,636</u>		<u>7,968,620</u>		<u>8,933,151</u>		<u>9,662,682</u>	
22 Miscellaneous		<u>\$2,115,762</u>		<u>\$1,890,361</u>		<u>\$3,254,014</u>		<u>\$3,479,649</u>	

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		PRESENT RATES 12/31/2023		PROPOSED RATES 12/31/2023	
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	195.1	\$252,410	\$134,918	\$298,041	\$159,309	\$295,026	\$157,697	\$454,444	\$242,910
2	Public Utility Realty Tax	72.9	0	0	0	0	0	0	0	0
3	Local Property Tax	79.0	1,043,220	225,764	1,073,249	232,263	1,087,292	235,302	1,087,292	235,302
4	State Income Tax	20.4	1,063,894	59,461	1,322,077	73,891	1,013,165	56,626	3,353,969	187,455
5	Federal Income Tax	14.6	1,498,288	<u>59,932</u>	2,351,298	<u>94,052</u>	1,840,825	<u>73,633</u>	6,269,864	<u>250,795</u>
6	Totals			<u>\$480,075</u>		<u>\$559,515</u>		<u>\$523,258</u>		<u>\$916,462</u>

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Calculation of Lag Days for Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS					TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2021 TAX						
1	General Assessment	7/1/21	6/30/22	6/29/21	9/14/21					
2	Percent Of Payment			53.96%	46.04%					1.0
3	Lag Days			(99.0)	(49.0)				(138.22)	195.1
4	Public Utility Realty Tax	1/1/21	12/31/21	4/29/21						
5	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
6	Lag Days			(16.0)					(16.00)	72.9
7	Local Property Tax	1/1/21	12/31/21	Lag calculated using expense lag method						
8	Payment									
9	Lag Days								(22.09)	79.0
10	State Income Tax	1/1/21	12/31/21	4/15/21	6/15/21	9/15/21		12/15/21		
11	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8		41.5	36.50	20.4
13	Federal Income Tax	1/1/21	12/31/21	4/23/21	6/15/21	9/24/21	12/21/21	12/22/21		
14	Percent Of Payment			25.00%	25.00%	25.00%	12.50%	12.50%		1.0
15	Lag Days			(17.5)	(4.3)	21.0	21.5	21.6	42.30	14.6

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

**LINE
NO. DESCRIPTION**

	LONG TERM INTEREST	SHORT TERM INTEREST	PREFERRED DIVIDEND		
1 Average Lag Calculation					
2 Future Revenue Lag Days	56.9	56.9	56.9		
3 Less: Interest Payments Lag Days	91.8	82.4	46.2		
4 Average Lag Between The Payment	(34.9)	(25.5)	10.7		
5 Of Interest And The Receipt					
6 Of Revenues					
	PRESENT RATES 12/31/21		PRESENT RATES 12/31/22	PRESENT RATES 12/31/23	PROPOSED AMOUNT 12/31/23
7 Long Term Debt					
8 Working Capital Requirements					
9 Pro Forma Annual Interest Expense	\$5,732,865		\$6,281,588	\$6,771,514	\$6,778,663
10 Interest Expense Per Day					
11 (Line 9 / 365 Days)	15,706		17,210	18,552	18,572
12 Cash Working Capital Required					
13 (Line 4 Col.1 X Line 11)		(547,511)	(599,941)	(646,723)	(647,420)
14 Long Term Debt - Wastewater Specific					
15 Working Capital Requirements					
16 Pro Forma Annual Interest Expense	752,779		561,896	540,868	541,439
17 Interest Expense Per Day					
18 (Line 16 / 365 Days)	2,062		1,539	1,482	1,483
19 Cash Working Capital Required					
20 (Line 4 Col.2 X Line 18)		(71,881)	(53,650)	(51,663)	(51,697)
21 Preferred Dividends					
22 Working Capital Requirements					
23 Pro Forma Annual Dividend Expense	11,520		3,368	3,606	3,610
24 Dividend Expense Per Day					
25 (Line 23 / 365 Days)	32		9	10	10
26 Cash Working Capital Required					
27 (Line 4 Col.3 X Line 25)		<u>343</u>	<u>96</u>	<u>107</u>	<u>107</u>
28 Total Cash Working Capital Required					
29 (Line 13 + Line 20 + Line 27)		<u>(\$619,049)</u>	<u>(\$653,495)</u>	<u>(\$698,278)</u>	<u>(\$699,010)</u>

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Acquisition Adjustments

The following adjustment reflects the recognition of the positive Utility Plant Acquisition Adjustments (UPAA) and transaction costs associated with the acquisition of the various wastewater utility assets pursuant to the terms of the Commission-approved settlement of the Company's rate cases at Docket Nos. R-2013-2355276, R-2017-2595853 and R-2020-3019369. In addition, the Company is requesting recognition of the transaction costs associated with its acquisition of the wastewater assets of the Valley Township WW at Docket No. A-2020-3020178 and Foster Township at Docket No. A-2021-3028676.

LINE NO.	DESCRIPTION		PRESENT RATES		PRESENT RATES		PRESENT RATES
			12/31/2021 AMOUNT	2022 Amortizations	12/31/2022 AMOUNT	2023 Amortizations	12/31/2023 AMOUNT
1	Clean Treatment Sewage Company	Approved Docket No. R-2013-2355276	\$117,564	\$58,782	\$58,782	\$19,594	\$39,188
2	New Cumberland Borough Acquisition Costs	Approved Docket No. R-2017-2595853	90,018	15,003	75,015	15,003	60,012
3	Delaware Sewer Acquisition Positive UPAA	Approved Docket No. R-2020-3019369	56,044	6,170	49,874	6,170	43,704
4	Delaware Sewer Acquisition Transaction Costs	Approved Docket No. R-2020-3019369	248,386	32,000	216,386	26,769	189,617
5	Sadsbury Acquisition Costs	Approved Docket No. R-2020-3019369	237,167	26,110	211,057	26,110	184,947
6	Exeter Acquisition Costs	Approved Docket No. R-2020-3019369	1,028,743	26,322	1,002,421	26,322	976,099
7	Turbotville WW Transaction costs	Approved Docket No. R-2020-3019369	5,992	660	5,332	660	4,672
8	Valley Township Wastewater Transaction Costs	Seeking Approval			272,200	27,220	244,980
9	Foster Township Transactions Costs	Seeking Approval			60,627	6,063	54,564
10	Effect to Rate Base Element		<u>\$1,783,914</u>	<u>\$165,047</u>	<u>\$1,951,694</u>	<u>\$153,911</u>	<u>\$1,797,783</u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Tax Cuts and Jobs Act Stub Period

The following adjustment reflects the amortization of the federal income tax savings associated with the 2017 Tax Cuts and Jobs Act ("TCJA") for January 1, 2018 through June 30, 2018 (the "Stub Period"), as authorized in the settlement at Docket No. R-2020-3019369. The adjustment reflects a true-up to the accrual of interest at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41. P.S. §§ 101, et seq.), which was lower than the amount projected in 2020. The reconciliation amounts shown in the Company's 2021 and 2022 TCJA Surcharge Reconciliation filings are included as part of this adjustment, and include the over/(under) collection plus interest. The Company is also proposing to amortize the balance at 12/31/2022 over a three-year period.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Tax Cuts and Jobs Act Stub Period	\$1,059,468	\$733,976	\$370,214
2	2020 Interest Accrual Adjustment	(2,872)		
3	Adjusted Beginning Balance	1,056,596		
4	TCJA Surcharge Reconciliation	1,107	(10,605)	
5	Less: 2021 Amortization	(323,727)		
6	Less: 2022 Amortization		(353,157)	
7	Less: 2023 Amortization			(123,405)
8	Effect to Rate Base Element	<u>\$733,976</u>	<u>\$370,214</u>	<u>\$246,809</u>

Witness: Stacey D. Gress

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Deferred Income Tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, the effects of the Tax Cuts and Jobs Act, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Deferred Tax	(\$50,080,125)	(\$52,521,641)	(\$54,379,157)
2	Less: Prior Year		(50,080,125)	(52,521,641)
3	Effect to Rate Base Element	<u>(\$50,080,125)</u>	<u>(\$2,441,516)</u>	<u>(\$1,857,516)</u>

Witness: Melissa Ciullo

Reference: FR IV.4

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		Source Of Supply Expenses				
2		-Operations-				
3	601.1	Salary And Wages	\$0	\$0	\$0	\$0
4	601.2	Salary And Wages	0	0	0	0
5	610.1	Purchased Water	0	0	0	0
6	615.1	Purchased Power	0	0	0	0
7	616.1	Purchased Fuel	0	0	0	0
8	620.1	Materials And Supplies	0	0	0	0
9	631.1	Contract Services - Engineering	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0
11	636.1	Contract Services	0	0	0	0
12	641.1	Rental Of Building	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0
14	650.1	Transportation	0	0	0	0
15		-Maintenance-				
16	620.2	Materials And Supplies	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0
18	636.2	Contract Services	0	0	0	0
19	650.2	Transportation	0	0	0	0
19		-Miscellaneous-				
20	675.1	Miscellaneous Operating Expense	0	0	0	0
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0
22		Total Source Of Supply Expenses	\$0	\$0	\$0	\$0
23		Water Treatment				
24		-Operation-				
25	601.3	Salary And Wages	\$1,610,105	\$1,610,105	\$1,444,831	\$1,487,794
26	601.4	Salary And Wages	185,927	185,927	166,842	171,803
27	604.3	Employee Pension And Benefits	355	355	355	355
28	615.3	Purchased Power	1,265,443	1,127,637	1,247,421	1,234,495
29	618.3	Chemicals	731,941	652,233	791,285	872,503
30	620.3	Materials And Supplies	258,270	258,270	258,270	258,270
31	631.3	Contract Services - Engineering	14,675	14,675	14,675	14,675
32	633.3	Contract Services - Legal	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0
34	635.3	Contract Services - Test	219,257	219,257	219,257	219,257
35	636.3	Contract Services	498,771	498,771	1,023,572	1,031,988
36	641.3	Rental Of Building	(631)	(631)	(631)	(631)
37	642.3	Rental Of Equipment	997	997	997	997
38	650.3	Transportation	3,775	3,775	3,775	3,775
39		-Maintenance-				
40	620.4	Materials And Supplies	41,918	41,918	41,918	41,918
41	631.4	Contract Services - Engineering	621	621	621	621
42	636.4	Contract Services	94,521	94,521	94,521	94,521
43	650.4	Transportation	51	51	51	51
44	675.4	Miscellaneous Maintenance Expense	9,807	9,807	9,807	9,807
45		-Miscellaneous-				
46	675.3	Miscellaneous Operating Expense	2,237,013	2,237,013	2,324,812	2,377,995
47		Total Water Treatment Expense	\$7,172,816	\$6,955,302	\$7,642,378	\$7,820,195
48		Transmission And Distribution				
49		-Operation-				
50	601.5	Salary And Wages	\$307,421	\$307,421	\$275,865	\$284,068
51	601.6	Salary And Wages	262,373	262,373	235,441	242,442
52	604.5	Employee Pension And Benefits	0	0	0	0
53	615.5	Purchased Power	50,511	45,009	48,816	48,270
54	620.5	Materials And Supplies	6,233	6,233	69,233	69,233
55	631.5	Contract Services - Engineering	12,207	12,207	12,207	12,207
56	636.5	Contract Services	6,712	6,712	66,212	66,212
57	641.5	Rental Of Building	150	150	150	150
58	642.5	Rental Of Equipment	0	0	0	0
59	650.5	Transportation	49	49	49	49

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		-Maintenance-				
2	620.6	Materials And Supplies	\$41,244	\$41,244	\$108,709	\$119,970
3	631.6	Contract Services - Engineering	2,757	2,757	2,757	2,757
4	636.6	Contract Services	163,349	163,349	163,349	163,349
5	650.6	Transportation	1,233	1,233	1,233	1,233
6	675.6	Miscellaneous Operating Expense	8,345	8,345	18,845	18,845
7		-Miscellaneous-				
8	675.5	Miscellaneous Operating Expense	49,482	49,482	140,045	140,045
9		Total Transmission And Distribution	\$912,066	\$906,564	\$1,142,911	\$1,168,830
10		Customer Accounting				
11		-Operation-				
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0
14	615.7	Purchased Power	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0
19	636.7	Contract Services	0	0	0	0
20	642.7	Rental Of Equipment	0	0	0	0
21	650.7	Transportation	0	0	0	0
22	657.7	Insurance	0	0	0	0
23	670.7	Bad Debt	472,612	464,836	547,223	650,689
24		-Miscellaneous-				
25	675.7	Miscellaneous Expense	3,960	11,095	93,237	93,465
26		Total Customer Accounting	\$476,572	\$475,931	\$640,460	\$744,154
27		Administrative And General				
28	601.8	Salary And Wages	\$536,207	\$536,207	\$481,166	\$495,474
29	603.8	Salary Of Officers	0	0	0	0
30	604.8	Employee Pension And Benefits	1,035,727	836,307	741,093	779,601
31	615.8	Purchased Power	69,367	69,367	69,367	69,367
32	620.8	Materials And Supplies	3,502	3,502	3,502	3,502
33	631.8	Contract Services	500	500	500	500
34	632.8	Contract Services - Accounting	0	0	0	0
35	633.8	Contract Services - Legal	0	0	0	0
36	634.8	Contract Services - Management	0	0	43,696	553,735
37	635.8	Contract Services - Test	0	0	0	0
38	636.8	Contract Services	6,063	6,063	42,848	66,397
39	641.8	Rental Of Building	0	0	0	0
40	642.8	Rental Of Equipment	0	0	0	0
41	650.8	Transportation	94,391	94,391	88,709	93,579
42	656.8	Insurance - Vehicles	0	0	22,620	23,198
43	657.8	Insurance	0	0	864,688	879,361
44	658.8	Workers Compensation	65,511	65,511	70,380	71,368
45	659.8	Insurance	0	0	244,787	260,552
46	660.8	Advertising	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	59,044	59,044
48	667.8	Regulatory Commission	0	0	0	0
49		-Miscellaneous-				
50	675.8	Miscellaneous Expense	181,640	148,524	369,950	383,044
51		Total Administrative And General	\$1,992,908	\$1,760,372	\$3,102,350	\$3,738,722
52		Total Operating Expenses	\$10,554,362	\$10,098,169	\$12,528,099	\$13,471,900

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	12/31/21 DETAIL	PRESENT RATES 12/31/21 AMOUNT	12/31/22 DETAIL	PRESENT RATES 12/31/22 AMOUNT	12/31/23 DETAIL	PRESENT RATES 12/31/23 AMOUNT
1	Per Books		\$10,554,362				
2	Present Rates At 12/31/2021				\$10,098,169		
3	Present Rates At 12/31/2022						\$12,528,099
4	Proposed Rates At 12/31/2023						
5	Compensation	\$0		(\$297,888)		\$77,436	
6	Group Insurance	0		(73,640)		33,246	
7	Other Post Employment Benefits & VEBA	0		-		-	
8	Pension	0		-		-	
9	Purchased Power	0		117,460		-	
10	Waste Disposal	0		-		-	
11	Chemicals	0		139,928		88,934	
12	Change In Consumption Expense	(223,016)		(28,472)		(22,127)	
13	Transportation Expense	0		(5,682)		4,870	
14	Insurance Other Than Group	0		1,132,184		32,004	
15	Regulatory Expense (Rate Case Expense)	0		59,044		-	
16	Service Company Expense	0		-		509,244	
17	Postage and Customer Accounting	0		-		-	
18	Inflation	0		157,902		101,087	
19	401K & Defined Contribution Plan	0		(21,574)		5,262	
20	Rent Expense	0		-		-	
21	Miscellaneous Adjustments	(225,401)		1,168,281		119,286	
22	Uncollectibles	<u>(7,776)</u>		<u>82,387</u>		<u>(5,441)</u>	
23	Pro Forma Adjustments		<u>(456,193)</u>		<u>2,429,930</u>		<u>943,801</u>
24	Present Rates At 12/31/2021		<u>\$10,098,169</u>				
25	Present Rates At 12/31/2022				<u>\$12,528,099</u>		
26	Present Rates At 12/31/2023						<u>\$13,471,900</u>

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Compensation

The following adjustment sets forth a summary of the Company's annualization of labor expense. The pro forma payroll for the future test years were developed by applying pay rates and associated performance pay that will become effective by December 31, 2022 and December 31, 2023 to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Salary and Wages	\$3,188,072	\$3,282,861
2	Annualized Performance Plan	226,752	233,505
3	Less: 23.74% Capitalized portion not charged to operating expense	<u>810,679</u>	<u>834,785</u>
4	Sub-Total	2,604,145	2,681,581
5	Less: Amount Charged To Operating Expense		
6	During The Twelve Months Ended 12/31/21	<u>2,902,033</u>	
7	Less: Amount Charged To Present Rates		
8	During the Twelve Months Ended 12/31/22		<u>2,604,145</u>
9	Pro Forma Adjustment	<u><u>(\$297,888)</u></u>	<u><u>\$77,436</u></u>
	601.3 Salary and Wages - Water Treatment	(165,274)	42,963
	601.4 Salary and Wages - Water Treatment	(19,085)	4,961
	601.5 Salary and Wages - Transmission & Distribution	(31,556)	8,203
	601.6 Salary and Wages - Transmission & Distribution	(26,932)	7,001
	601.7 Salary and Wages - Customer Accounting	0	0
	601.8 Salary and Wages - Administrative and General	(55,041)	14,308

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Group Insurance

The adjustment of the group insurance cost is based on the January 2022 premiums annualized for the future test year number of employees, less the annualized employee contribution, and adjusted for the portion not charged to operations. The fully projected future test year was developed by adjusting the annualized 2022 amount by a 3 year average of 6.04%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Group Insurance Cost	\$721,441	\$765,037
2	Less: 23.74% Not Charged To Operating Expense	171,270	181,620
3	Sub-Total	<u>550,171</u>	<u>583,417</u>
4	Less: Amount Charged To Operating Expense		
5	During the Twelve Months Ended 12/31/21	623,811	
6	Less: Amount Charged To Operating Expense		
7	During the Twelve Months Ended 12/31/22	<u></u>	<u>550,171</u>
8	Pro Forma Adjustment	<u>(\$73,640)</u>	<u>\$33,246</u>
	604.8 A&G Employees Pension And Benefits	(\$73,640)	\$33,246

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

401K, Defined Contribution Plan (DCP) and Employee Stock Purchase Plan (ESPP) Expense

The following adjustment is being made to annualize 401K, DCP contributions and ESPP contributions based on the annualized compensation claim at December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized 401K - Company Match	\$92,585	\$95,344
2	Annualized DCP	130,916	134,817
3	Less: 23.74% Not Charged To Operating Expense	53,059	54,641
4	Sub-Total	<u>170,442</u>	<u>175,520</u>
5	Annualized ESPP	6,891	7,075
6	Less: Amount Charged To Operating Expense	198,907	177,333
7	Pro Forma Adjustment	<u>(\$21,574)</u>	<u>\$5,262</u>
	604.8 Employee Pension And Benefits AG	(\$21,574)	\$5,262

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Purchased Power

This adjustment reflects the application of rates for purchased power to be in effect as of December 2021 to anticipated billing units for the future and fully projected rate years. Accounts were adjusted for any known rate changes in either the future or fully projected rate years and were also adjusted to reflect 12 monthly bills.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Power Cost	\$1,433,414	\$1,433,414
2	Less: Amount Charged To Operating Expense	1,315,954	1,433,414
3	During the Preceding Calendar Year		
4	Pro Forma Adjustment	<u>\$117,460</u>	<u>\$0</u>
	615.3 Purchased Power - Water Treatment	112,951	0
	615.5 Purchased Power - Transmission and Distribution	4,509	0

Witness: Thomas Markward
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Rate Base Elements

Operating Expenses

Chemicals

The annualization of chemical costs was based on the application of quarterly contract prices in during 2022 to anticipated 2021 usage. Intra-2022 prices were inflated by 1.01% per quarter for those vendors who did agree to annual contracts. The unit price amount was then increased by 15.55% based on external research related to the current volatility in the market to project 2023 cost levels.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2023 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Chemical Costs	\$871,869	\$960,803
2	Less: Amount Charged To Operating Expense	731,941	871,869
3	During the Twelve Months Ended 12/31/23		
4	Pro Forma Adjustment	<u>\$139,928</u>	<u>\$88,934</u>
	618.3 Chemicals - Water Treatment	<u>\$139,928</u>	<u>\$88,934</u>

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Change in Consumption

During the future test year - 2022, and fully projected future test year - 2023, the Company will experience changes in consumption due to net addition or loss of customers and other factors affecting the usage of specific customers. The calculations shown below reflect estimates of the change in operating expenses that will be realized by these changes in consumption.

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Consumption (00 Gallons)	23,370,525	20,825,554	20,500,647	20,248,140
2	Change In Consumption		(2,544,971)	(324,908)	(252,507)
3	Power Costs Annualized 2021	\$1,315,954			
4	Chemical Costs Per Book	731,941			
5	Total	<u>\$2,047,895</u>			
6	Rate Of Production Costs (00 Gallons) (Line 5/Line 1)		<u>\$0.08763</u>	<u>\$0.08763</u>	<u>\$0.08763</u>
7	Pro Forma Adjustment		<u>(\$223,016)</u>	<u>(\$28,472)</u>	<u>(\$22,127)</u>
	615.1 Source of Supply - Purchased Power		\$0	\$0	\$0
	615.3 Water Treatment - Purchased Power		(137,806)	(17,593)	(13,673)
	615.5 Transmission & Distribution - Purchased Power		(5,502)	(702)	(546)
	618.3 Water Treatment - Chemicals		(79,708)	(10,176)	(7,908)

Witness: Thomas Markward

Reference: FR II.09

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Leased Vehicles Expense	\$123,026	\$129,412
2	Less: 23.74% Not Charged To Operating Expense	29,209	30,725
3	Sub-Total	<u>93,817</u>	<u>98,687</u>
4	Less: Amount Charged To Operating Expense		
5	During the Twelve Months Ended 12/31/21	99,499	
6	Less: Present Rates During the Twelve Months Ended 12/31/22	<u> </u>	<u>93,817</u>
7	Pro Forma Adjustment	<u><u>(\$5,682)</u></u>	<u><u>\$4,870</u></u>
	650.8 A & G - Miscellaneous General Expense	(\$5,682)	\$4,870

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Insurance Other Than Group

The annualizations of Insurance Other Than Group (IOTG) costs were based on the actual and projected IOTG premiums for the twelve months ending December 31, 2021, adjusted for the 5 year average of retroactive adjustments. The present rates 12/31/2022 amounts are based on renewal data. Amounts for present rates 12/31/2023 were increased by a 5 year average of 6.44% except for claims amounts which were held at 2022 levels. Present rates for water at 2022 and 2023 have been allocated to other cost of service areas based on depreciated utility plant in service as of 12/31/21.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Workers Compensation Premium	\$115,034	\$116,652
2	Less: 38.82% Not Charged To Operating Expense	<u>(44,654)</u>	<u>(45,284)</u>
3	Sub-Total	70,380	71,368
4	Add: Annualized Vehicle, General Liability,		
5	Property And Other Insurance	<u>1,127,315</u>	<u>1,158,331</u>
6	Sub-Total	1,197,695	1,229,699
7	Less: Per Books and Present Rates	<u>65,511</u>	<u>1,197,695</u>
8	Pro Forma Adjustment	<u><u>\$1,132,184</u></u>	<u><u>\$32,004</u></u>
	656.8 Vehicle Insurance	22,620	578
	657.8 General Liability Insurance	859,908	14,673
	658.8 Workers Compensation	40,990	1,618
	658.8 Insurance WC Capitalized Credits	(36,121)	(630)
	659.8 Other Insurance	244,787	15,765

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a two-year period. Additionally, there is an adjustment for a 10 year amortization of the Customer Class Demand Study.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT
1	Rate Case Expense Allocation	\$115,423
2	Normalized Over 2 Years	57,712
3	Plus Allocation of Amortization of Demand Study	1,333
4	Less: Amount Charged To Operating Expense	
5	During The Twelve Months Ended 12/31/21	0
6	Pro Forma Adjustment	\$59,044
	666.8 Regulatory Commission Expense	\$59,044

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Service Company

This adjustment reflects the cost of services provided by American Water Works Service Company (AWWSC), for the twelve months ended December 31, 2023. An allocation factor based on customer counts was applied to each cost of service area to allocate a portion of the total projected Service Company costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Service Company Cost	\$509,244
2	Less: Present Rates 12/31/22	<u>0</u>
3	Pro Forma Adjustment	<u><u>\$509,244</u></u>
	634.8 AG - Contract Services - Management	\$509,244

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Inflation

The Company has proposed various pro forma adjustments for specific expense items. The remaining expense items are anticipated to continue to rise due to inflationary increases. The following adjustment captures the estimated increases due to inflation.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Total O & M Expenses Per Books	\$10,554,362	\$10,554,362
2	Less: Adjusted Expenses	<u>6,636,186</u>	<u>6,636,186</u>
3	2022 Expenses Subject To Inflation	3,918,176	3,918,176
4	2022 Inflation		<u>157,902</u>
5	2023 Expenses Subject To Inflation		4,076,078
6	Inflation Factor	<u>4.03%</u>	<u>2.48%</u>
7	Pro Forma Adjustment	<u>\$157,902</u>	<u>\$101,087</u>
	636.8 Contracted Services	\$36,785	\$23,549
	620.6 Materials And Supplies	17,590	11,261
	675.3 Waste Disposal	83,074	53,183
	675.8 Miscellaneous Expense	20,453	13,094

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment reflects miscellaneous additions or deductions from pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	<u>Additions:</u>			
2	PA HQ - Corporate Campus		192,418	
3	Foster Township Wastewater Annualized O&M		609,798	1,735
4	Valley Wastewater Annualized O&M		284,163	
5	Delaware Sewer Annualized O&M		3,136	
6	Credit Card/E-check Transaction Fees	7,135	82,142	228
7	Arrearage Management Plan and Low Income Program			117,323
8	<u>Deductions:</u>			
9	Fines	(\$13,506)		
10	Nutrient Credits	(19,610)		
11	Pension	(173,186)		
12	OPEB	(26,234)		
13	Pro Forma Adjustment	<u>(\$225,401)</u>	<u>\$1,171,657</u>	<u>\$119,286</u>
	408.2 Taxes, Other Than Income - Property		3,376	-
	604.8 A&G Employee Pension And Benefits	(199,420)		
	615.3 Purch Power Oper WT		24,426	747
	618.3 Chemicals- Water Treatment		9,300	192
	620.5 M&S Oper TD		63,000	-
	620.6 M&S Maint TD		49,875	-
	634.8 AG - Contract Services Management		43,696	795
	636.5 Contract Services - Transmission & Distribution		59,500	-
	636.3 Cont Serv Other Operating		524,801	8,416
	657.8 General Liability		4,780	-
	670.7 Uncollectible Acconts Exp - CA			108,907
	675.3 Misc Exp Oper WT		4,725	-
	675.5 Misc Exp Oper TD		90,563	-
	675.6 Misc Expense Maintenance TD		10,500	-
	675.7 Misc Exp Customer Accounting	7,135	82,142	228
	675.8 Misc Expense Admin & General	(33,116)	200,973	-

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Total Sales	\$38,499,036	\$38,575,613	\$45,412,667	\$44,961,155	\$68,847,591
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$464,836	\$547,223	\$541,782	\$829,613
4	Less: Amount Charged To Operating Expense					
5	During The Twelve Months Ended 12/31/2021		472,612			
6	Less: Present Rates 12/31/2021			464,836		
7	Less: Present Rates 12/31/2022				547,223	
8	Less: Present Rates 12/31/2023					541,782
9	Pro Forma Adjustment		(\$7,776)	\$82,387	(\$5,441)	\$287,831
670.7	Customer Accounting And Collecting - Bad Debt		(\$7,776)	\$82,387	(\$5,441)	\$287,831

Witness: Cas Swiz

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Depreciation	\$13,367,060	\$14,403,619	\$15,617,545
2	Book Depreciation	<u>12,745,280</u>	<u>13,367,060</u>	<u>14,403,619</u>
3	Pro Forma Adjustment	<u>\$621,780</u>	<u>\$1,036,559</u>	<u>\$1,213,926</u>
	503 Depreciation	\$621,780	\$1,036,559	\$1,213,926

Witness: Stacey D. Gress, John Spanos

Reference: Exhibits No. 11

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Clean Treatment Sewage Company	Approved Docket No. R-2013-2355276	\$58,782	\$19,594
2	New Cumberland Borough Acquisition Costs	Approved Docket No. R-2017-2595853	15,003	15,003
3	Delaware Sewer Positive UPAA	Approved Docket No. R-2020-3019369	6,170	6,170
4	Delaware Sewer Acquisition Costs	Approved Docket No. R-2020-3019369	32,000	26,769
5	Turbotville WW Negative UPAA	Approved Docket No. R-2020-3019369	(20,406)	(20,406)
6	Turbotville Wastewater Acquisition Costs	Approved Docket No. R-2020-3019369	660	660
7	Sadsbury Acquisition Costs	Approved Docket No. R-2020-3019369	26,110	26,110
8	Exeter Acquisition Costs	Approved Docket No. R-2020-3019369	26,322	26,322
9	Sadsbury Post-in-service AFUDC	Approved Docket No. R-2020-3019369	358	171
10	Sadsbury Deferred Depreciation	Approved Docket No. R-2020-3019369	556	56
11	Exeter Post-in-service AFUDC	Approved Docket No. R-2020-3019369	2,597	3,599
12	Exeter Deferred Depreciation	Approved Docket No. R-2020-3019369	2,064	10,857
13	Valley Township Wastewater Transaction Costs	Seeking Approval		27,220
14	Foster Township Transactions Costs	Seeking Approval		6,063
15	Foster Township Negative UPAA	Seeking Approval		(205,665)
16	Valley Township Wastewater Post-in-service AFUDC	Seeking Approval		93
17	Valley Township Wastewater Deferred Depreciation	Seeking Approval		461
18	COVID-19 Emergency Response	Seeking Approval		25,424
19	Tax Cuts and Jobs Act Stub Period and Reconciliation	Approved Docket No. R-2020-3019369	(353,157)	(123,405)
20	Proforma Expense		(202,941)	(154,904)
21	Less: Per Books		8,365	(202,941)
22	Pro Forma Adjustment		(\$211,306)	\$48,037

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Taxes, Other than Income

Pennsylvania Property Tax

The following adjustment reflects the projected property tax expense, local and PURTA, for the twelve months ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Property Subject to Tax	\$183,342,543	\$188,026,774	\$190,494,764
2	Property Tax UPIS	\$1,043,220		
3	Total	<u>\$1,043,220</u>		
4	Rate (Line 3 / Line 1)	\$0.005690	\$0.005690	\$0.005690
5	Projected property tax expense (Line 1 x Line 4)		<u>\$1,069,873</u>	<u>\$1,083,916</u>
6	Less: Amount Charged To Operating Expense			1,069,873
7	During The 12 Months Ended 12/31/21		1,043,220	
8	Pro Forma Adjustment		<u>\$26,653</u>	<u>\$14,043</u>
	408.2 Taxes, Other Than Income - Property		\$26,653	\$14,043

Witness: Stacey D. Gress

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater SSS General Operations

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 at December 31, 2022 through December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Payroll Taxes	\$270,508	\$278,276
2	Less: 23.74% Not Charged To Operating Expense	64,219	66,063
3	Sub-Total	<u>206,289</u>	<u>212,213</u>
4	Less: Amount Charged To Operating Expense	225,648	206,289
5	Pro Forma Adjustment	<u><u>(\$19,359)</u></u>	<u><u>\$5,924</u></u>
	408.12 - Taxes - Payroll	(\$19,359)	\$5,924

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

**Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees**

LINE NO. DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1 Total Wastewater Sales	\$37,585,612	\$44,380,247	\$43,931,536	\$67,669,774
2 Estimated General Assessment Fee				
3 Public Utility Commission At 0.004732071817	177,858	210,011	207,887	320,218
4 Consumer Advocate Fee At 0.001576414354	59,250	69,962	69,254	106,676
5 Small Business Advocate Fee At 0.000324126811	12,183	14,385	14,239	21,934
6 Damage Prevention Comittee Fee At 0.000082988139	3,119	3,683	3,646	5,616
7 Subtotal	252,410	298,041	295,026	454,444
8 Less: Amount Charged To Operating Expenses During				
9 The Twelve Months Ended 12/31/2021	229,403			
10 Less: Pro Forma Under Present Rates At 12/31/2021		252,410		
11 Less: Pro Forma Under Present Rates At 12/31/2022			298,041	
12 Less: Pro Forma Under Present Rates At 12/31/2023				295,026
13 Pro Forma Adjustment	\$23,007	\$45,631	(\$3,015)	\$159,418
507.1 Taxes Other Than Income				\$225,041
Witness: Stacey D. Gress				

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED 12/31/23 AMOUNT
1	State Income Tax Per Computation				
2	Shown On Following Page	\$1,063,894	\$1,322,077	\$1,013,165	\$3,353,969
3	Less: State Income Tax Per Book				
4	Computation Shown On Following Page	1,176,585			
5	Less: Present Rates 12/31/2021		1,063,894		
6	Less: Present Rates 12/31/2022			1,322,077	
7	Less: Present Rates 12/31/2023				1,013,165
<hr/>					
8	Pro Forma Adjustment	(\$112,691)	\$258,183	(\$308,912)	\$2,340,804
<hr/>					
9	Federal Income Tax Per Computation				
10	Shown On Following Page	\$1,498,288	\$2,351,298	\$1,840,825	\$6,269,864
11	Less: Federal Income Tax Per Book				
12	Computation Shown On Following Page	1,711,825			
13	Less: Present Rates 12/31/2021		1,498,288		
14	Less: Present Rates 12/31/2022			2,351,298	
15	Less: Present Rates 12/31/2023				1,840,825
<hr/>					
16	Pro Forma Adjustment	(\$213,537)	\$853,010	(\$510,473)	\$4,429,039

Witness: Melissa Ciullo

Pennsylvania-American Water Company - Wastewater SSS General Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Utility Operating Income Before Taxes	\$14,307,840	\$13,580,741	\$17,106,311	\$14,432,083	\$37,871,270
2	Less: Interest Expense	6,485,644	6,485,644	6,843,484	7,312,382	7,320,102
3	Taxable Operating Income	7,822,196	7,095,097	10,262,827	7,119,701	30,551,168
4	Add: Premature Property Losses / Amortizations	8,365	8,365	(202,941)	(154,904)	(154,904)
5	Depr - Straight Line-Remaining Life (Including COR)	12,745,280	13,367,060	14,403,619	15,617,545	15,617,545
6	Taxable Meals & Entertainment	1,988	1,988	1,988	1,988	1,988
7	Total	12,755,633	13,377,413	14,202,666	15,464,629	15,464,629
8	Deduct:					
9	Tax Depreciation:					
10	State Tax Depreciation Adjustments	8,800,204	9,822,921	11,231,494	12,442,537	12,442,537
11	Total	8,800,204	9,822,921	11,231,494	12,442,537	12,442,537
12	State Taxable Income	11,777,625	10,649,589	13,233,999	10,141,793	33,573,260
13	State Income Tax At:					
14	Historic, Future And Fully Projected At 9.99%	1,176,585	1,063,894	1,322,077	1,013,165	3,353,969
15	Taxable Income After State Income Tax	10,601,040	9,585,695	11,911,922	9,128,628	30,219,291
16	Add:					
17	Federal Tax Depreciation Adjustments	1,356,826	1,355,327	2,704,259	2,967,294	2,967,294
18	Income Subject To Federal Income Tax	11,957,866	10,941,022	14,616,181	12,095,922	33,186,585
19	Federal Income Tax @ 21%	2,511,152	2,297,615	3,069,398	2,540,144	6,969,183
20	Excess ADIT	799,327	799,327	718,100	699,319	699,319
21	Federal Tax Liability Witness: Melissa Ciullo	\$1,711,825	\$1,498,288	\$2,351,298	\$1,840,825	\$6,269,864

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	PROPOSED
		12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/23 AMOUNT	12/31/23 AMOUNT
1	Interest On Long Term Debt Per Computation				
2	Shown On Following Page	\$5,732,865	\$6,281,588	\$6,771,514	\$6,778,663
3	Less: Interest On Long Term Debt As Per Book				
4	Computation On Following Page	5,732,865			
5	Less: Present Rates At 12/31/2021		5,732,865		
6	Less: Present Rates At 12/31/2022			6,281,588	
7	Less: Present Rates At 12/31/2023				6,771,514
<hr/>					
8	Pro Forma Adjustment	\$0	\$548,723	\$489,926	\$7,149
<hr/>					
9	Interest On Wastewater Specific Long Term Debt Per Computation				
10	Shown On Following Page	\$752,779	\$561,896	\$540,868	\$541,439
11	Less: Interest On Wastewater Specific Long Term Debt As Per Book				
12	Computation On Following Page	752,779			
13	Less: Present Rates At 12/31/2021		752,779		
14	Less: Present Rates At 12/31/2022			561,896	
15	Less: Present Rates At 12/31/2023				540,868
<hr/>					
16	Pro Forma Adjustment	\$0	(\$190,883)	(\$21,028)	\$571

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - Wastewater SSS General Operations

Notes to Statement Of Income

Application of Income Deductions

PRESENT RATES AT DECEMBER 31, 2021				PRESENT RATES AT DECEMBER 31, 2022			PRESENT RATES AT DECEMBER 31, 2023			
LINE NO.	DESCRIPTION	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure									
2	Long Term Debt	\$292,725,976	40.59%	4.35%	\$429,719,609	41.88%	4.32%	\$469,628,075	42.26%	4.31%
3	Long Term Debt - WW Specific	65,182,069	9.04%	2.56%	64,002,276	6.24%	2.59%	62,810,631	5.65%	2.57%
4	Total Debt	357,908,045	49.63%		493,721,885	48.12%		532,438,706	47.91%	
5	Preferred Stock	262,358	0.04%	8.87%	96,199	0.01%	9.70%	104,851	0.01%	9.70%
6	Common Equity	362,906,749	50.33%		532,171,228	51.87%		578,778,070	52.08%	
7	Totals	\$721,077,152	100.00%		\$1,025,989,312	100.00%		\$1,111,321,627	100.00%	
					PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT		
8	Application Of Long Term Debt Interest:									
9	Original Cost Rate Base				\$324,685,872	\$347,199,443	\$371,774,028	\$372,166,500		
10	Debt Percentage (From Above)				40.59%	41.88%	42.26%	42.26%		
11	Debt Portion Of Rate Base				131,789,995	145,407,127	157,111,704	157,277,563		
12	Interest Cost (From Above)				4.35%	4.32%	4.31%	4.31%		
13	Pro Forma Long Term Interest Deduction				\$5,732,865	\$6,281,588	\$6,771,514	\$6,778,663		
14	Application Of Wastewater Specific Long Term Debt Interest:									
15	Original Cost Rate Base				\$324,685,872	\$347,199,443	\$371,774,028	\$372,166,500		
16	Debt Percentage (From Above)				9.04%	6.24%	5.65%	5.65%		
17	Debt Portion Of Rate Base				29,351,603	21,665,245	21,005,233	21,027,407		
18	Interest Cost (From Above)				2.56%	2.59%	2.57%	2.57%		
19	Pro Forma Wastewater Specific Long Term Interest Deduction				\$752,779	\$561,896	\$540,868	\$541,439		

Witness: Ann E. Bulkley

Royersford WW Operations

Pennsylvania-American Water Company - Royersford WW Operations

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Pennsylvania-American Water Company - Royersford WW Operations

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Pennsylvania-American Water Company - Royersford WW Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2021

December 31, 2022, and 2023 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PER BOOKS	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT	RATE INCREASE	PROPOSED RATES AMOUNT	LINE NO.
1	Operating Revenue	\$494,443	\$326,425	\$820,868	\$0	\$820,868	\$0	\$820,868	\$2,074,930	\$2,895,798	1
2	Operating Revenue Deductions:										2
3	Operating Expenses	337,535	27,413	364,948	227,281	592,229	29,790	622,019	25,003	647,022	3
4	Depreciation	355,502	286,510	642,012	(5,195)	636,817	6,441	643,258	0	643,258	4
5	Amortizations	0	0	0	0	0	35,714	35,714	0	35,714	5
6	Taxes, Other Than Income:										6
7	Local Property And Miscellaneous	0	0	0	8,098	8,098	0	8,098	0	8,098	7
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	8
9	Public Utility Realty Taxes	0	0	0	0	0	0	0	0	0	9
10	Payroll Taxes	8,207	0	8,207	2,332	10,539	304	10,843	0	10,843	10
11	General Assessment	0	5,478	5,478	0	5,478	0	5,478	13,849	19,327	11
12	Other Taxes and Licenses	0	0	0	0	0	0	0	0	0	12
13	Total Taxes Other Than Income	8,207	5,478	13,685	10,430	24,115	304	24,419	13,849	38,268	13
14	Utility Operating Income Before Income Taxes	(206,801)	7,024	(199,777)	(232,516)	(432,293)	(72,249)	(504,542)	2,036,078	1,531,536	14
15	Income Taxes:										15
16	State Income Tax	(10,428)	29,350	18,922	(24,727)	(5,805)	(4,160)	(9,965)	203,337	193,372	16
17	Federal Income Tax	(19,801)	55,532	35,731	(46,246)	(10,515)	(7,147)	(17,662)	384,734	367,072	17
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	18
19	Total Income Taxes	(30,229)	84,882	54,653	(70,973)	(16,320)	(11,307)	(27,627)	588,071	560,444	19
20	Total Operating Revenue Deductions	671,015	404,283	1,075,298	161,543	1,236,841	60,942	1,297,783	626,923	1,924,706	20
21	Utility Operating Income	(176,572)	(77,858)	(254,430)	(161,543)	(415,973)	(60,942)	(476,915)	1,448,007	971,092	21
22	Income Deductions:										22
23	Interest On Long Term Debt	226,181	0	226,181	6,933	233,114	(698)	232,416	621	233,037	23
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	24
25	Interest On Notes Payable To Others	29,700	0	29,700	(8,848)	20,852	(2,288)	18,564	50	18,614	25
26	Total Income Deductions	255,881	0	255,881	(1,915)	253,966	(2,986)	250,980	671	251,651	26
27	Net Income	(\$432,453)	(\$77,858)	(\$510,311)	(\$159,628)	(\$669,939)	(\$57,956)	(\$727,895)	\$1,447,336	\$719,441	27
28	Preferred Dividends	454		454		125		124		124	28
29	Net Income To Common	(\$432,907)		(\$510,765)		(\$670,064)		(\$728,019)		\$719,317	29

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER ROYERSFORD

TOTAL REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021 AND DECEMBER 31, 2022

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2021	UNBILLED	ANNUALIZE ACQUISITION ADJUSTMENTS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	PRO FORMA PRESENT RATES 12/31/2021	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	DECLINING USAGE		DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2022
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	522.1	RESIDENTIAL	\$290,335	(\$18,959)	\$212,597		\$483,973					\$483,973
4	522.2	COMMERCIAL	164,251	(8,891)	116,266		271,626					271,626
5	522.3	INDUSTRIAL	5,358	(177)	3,686		8,868					8,868
6	522.4	MUNICIPAL	217	(7)	150		360					360
7	522.4	BULK	31,489	(6,063)	25,524		50,949					50,949
8		TOTAL METERED SALES	\$491,650	(\$34,097)	\$358,223	\$0	\$815,775	\$0	\$0	\$0	\$0	\$815,775
9		UNMETERED SALES										
10	522.1	RESIDENTIAL					\$0					\$0
11	522.2	COMMERCIAL					0					0
12	522.3	INDUSTRIAL					0					0
13	522.4	MUNICIPAL					0					0
14	522.4	BULK					0					0
15		TOTAL UNMETERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16		TOTAL WASTEWATER SALES	\$491,650	(\$34,097)	\$358,223	\$0	\$815,775	\$0	\$0	\$0	\$0	\$815,775
17		OTHER OPERATING REVENUES										
18	530	GUARANTEED REVENUES					\$0					\$0
19	532	LATE PAYMENT FEES	\$2,793		\$2,299		5,093					5,093
20	536	MISC SERVICE REVENUES					0					0
21	534	RENTS FROM PROPERTIES					0					0
22	535	INTERCOMPANY RENTS					0					0
23	523	OTHER WW REVENUES					0					0
24		TOTAL OTHER OPERATING REVENUES	\$2,793	\$0	\$2,299	\$0	\$5,093	\$0	\$0	\$0	\$0	\$5,093
25		TOTAL OPERATING REVENUES	\$494,443	(\$34,097)	\$360,522	\$0	\$820,868	\$0	\$0	\$0	\$0	\$820,868
26												

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER ROYERSFORD

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2023

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2022	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2023	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$483,973					\$483,973	189.81%	\$918,607	\$1,402,579
4	522.2	COMMERCIAL	271,626					271,626	399.04%	1,083,906	1,355,532
5	522.3	INDUSTRIAL	8,868					8,868	399.04%	35,386	44,253
6	522.4	MUNICIPAL	360					360	399.04%	1,437	1,797
7	522.4	BULK	50,949					50,949	44.60%	22,722	73,671
8		TOTAL METERED SALES	\$815,775	\$0	\$0	\$0	\$0	\$815,775	252.77%	\$2,062,057	\$2,877,832
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	\$0					\$0	0.00%	0	\$0
11	522.2	COMMERCIAL	0					0	0.00%	0	0
12	522.3	INDUSTRIAL	0					0	0.00%	0	0
13	522.4	MUNICIPAL	0					0	0.00%	0	0
14	522.4	BULK	0					0	0.00%	0	0
15		TOTAL UNMETERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	\$0
16		TOTAL WASTEWATER SALES	\$815,775	\$0	\$0	\$0	\$0	\$815,775	252.77%	\$2,062,057	\$2,877,832
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	\$0					\$0	0.00%	\$0	\$0
19	532	LATE PAYMENT FEES	5,093					5,093	252.77%	12,873	17,966
20	536	MISC SERVICE REVENUES	0					0	0.00%	0	0
21	534	RENTS FROM PROPERTIES	0					0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0					0	0.00%	0	0
23	523	OTHER WW REVENUES	0					0	0.00%	0	0
24		TOTAL OTHER OPERATING REVENUES	\$5,093	\$0	\$0	\$0	\$0	\$5,093	252.77%	\$12,873	\$17,966
25		TOTAL OPERATING REVENUES	\$820,868	\$0	\$0	\$0	\$0	\$820,868	252.77%	\$2,074,930	\$2,895,798
26											

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER ROYERSFORD

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT
1	Per Books		\$494,443				
2	Present Rates At 12/31/2022				\$820,868		
3	Present Rates At 12/31/2023						\$820,868
4							
5	Unbilled Adjustment	(34,097)					
6	Annualization of Revenue	358,223					
7							
8							
9	Other Operating Revenues						
10							
11	470 - Penalties	2,299					
12							
13							
14	Pro Forma Adjustment		326,425		0		0
15	Pro Forma Present Rates At December 31, 2021		\$820,868				
16	Pro Forma Present Rates At December 31, 2022				\$820,868		
17	Pro Forma Present Rates At December 31, 2023						\$820,868

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment

The following adjustment is being made to eliminate unbilled revenue accrued per books for the twelve months ended December 31, 2021.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT
1	Metered Sales	
2	Residential	(\$18,959)
3	Commercial	(8,891)
4	Industrial	(177)
5	Municipal	(7)
6	Miscellaneous (Bulk Customers)	(6,063)
		<hr/>
7	Total Metered Sales	(\$34,097)
8	Unmetered Sales	
9	Residential	\$0
10	Commercial	0
11	Industrial	0
12	Municipal	0
13	Miscellaneous (Bulk Customers)	0
		<hr/>
14	Total Unmetered Sales	\$0
		<hr/>
15	Total Unbilled Wastewater Sales	(\$34,097)
16	Other Operating Revenues	\$0
17	Pro Forma Adjustment	<u>(\$34,097)</u>

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Royersford Wastewater

On May 25, 2021, the Company closed on the acquisition of wastewater utility property of Royersford Borough and began providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2021 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	ADJUSTMENT AMOUNT
1	Wastewater Revenues			
2	Residential	\$271,376	\$483,973	\$212,597
3	Commercial	155,360	271,626	116,266
4	Industrial	5,181	8,868	3,686
5	Municipal	210	360	150
6	Sales For Resale		0	0
7	Miscellaneous (Bulk)	<u>25,425</u>	<u>50,949</u>	<u>25,524</u>
8	Total Metered Sales	\$457,552	\$815,775	\$358,223
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Miscellaneous (Bulk)	<u>0</u>	<u>0</u>	<u>0</u>
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Wastewater Sales	<u>\$457,552</u>	<u>\$815,775</u>	<u>\$358,223</u>
17	Other Operating Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
18	Pro Forma Adjustment	<u>\$457,552</u>	<u>\$815,775</u>	<u>\$358,223</u>

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2020 and 2021, and the estimated number of customers to be served at December 31, 2022 through 2023. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2023 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2020	SERVED AT 12/31/2021	TO BE	TO BE	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
					SERVED AT 12/31/2022	SERVED AT 12/31/2023			
1		Metered							
2	601.1	Residential		1,259	1,259	1,259	0	1,259	
3	601.2	Commercial		203	203	203	0	203	
4	601.3	Industrial		6	6	6	0	6	
5	606	Municipal		1	1	1	0	1	
6	607	Resale		1	1	1	0	1	
7	601.4	Miscellaneous		0	0	0	0	0	
8		Metered	0	1,470	1,470	1,470	1,470	0	0
9		Unmetered							
10	602.1	Residential		9	9	9	0	9	
11	602.2	Commercial		7	7	7	0	7	
12	602.3	Industrial		1	1	1	0	1	
13	606	Municipal		0	0	0	0	0	
14	602.4	Miscellaneous		0	0	0	0	0	
15		Unmetered	0	17	17	17	17	0	0
16	604	Private Fire							
17	605	Public Fire							
18	Total Customers		0	1,487	1,487	1,487	1,487	0	0

Witness: Charles Rea

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2021 and projected to be imposed during 2022 and 2023. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23	PROPOSED RATES 12/31/23
1 Total Billed Wastewater Sales	\$457,553	\$815,776	\$815,776	\$815,776	\$2,877,832
2 % Of Penalties To Total					
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	2,793	5,093	5,093	5,093	17,966
5 Less: Per Books At 12/31/2021		2,793			
6 Less: Present Rates At 12/31/2021			5,093		
7 Less: Present Rates At 12/31/2022				5,093	
8 Less: Present Rates At 12/31/2023					5,093
9 Pro Forma Adjustments		\$2,300	\$0	\$0	\$12,873

Witness: Charles Rea

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED ORIGINAL COST 12/31/23	DEPRECIATED ORIGINAL COST PROPOSED
1	Non-Depreciable Plant	\$3,101	\$3,101	\$3,101	\$3,101
2	Depreciable Plant	19,400,884	19,716,112	20,232,205	20,232,205
3	Total Utility Plant In Service	19,403,985	19,719,213	20,235,306	20,235,306
4	Deduct:				
5	Contributions In Aid Of Construction	0	0	0	0
6	Customer Advances For Construction	0	0	0	0
7	Excluded Property	0	0	0	0
8	Sub-Total	0	0	0	0
9	Net Utility Plant In Service	19,403,985	19,719,213	20,235,306	20,235,306
10	Accumulated Depreciation	6,620,391	7,233,706	7,826,526	7,826,526
11	Depreciated Utility Plant In Service	12,783,594	12,485,507	12,408,780	12,408,780
12	Add:				
13	Materials And Supplies	4,651	4,651	4,651	4,651
14	Cash Working Capital - Expenses	30,149	54,242	56,843	56,843
15	Accrued And Prepaid Taxes	5,415	3,935	3,417	37,574
16	Acquisition Adjustments	0	355,962	320,366	320,366
17	Other Additions	0	0	0	0
18	Deduct:				
19	Cash Working Capital - Int And Div	24,426	24,263	23,984	24,019
20	Unamortized Itc (3%)	0	0	0	0
21	Extension Deposits In Suspense	0	0	0	0
22	Tax Cuts and Jobs Act -Stub Period	0	0	0	0
23	Other Deductions	0	0	0	0
24	Deferred Taxes	(10,592)	(4,786)	9,840	9,840
25	Total Rate Base Elements	\$12,809,975	\$12,884,820	\$12,760,233	\$12,794,355
26	Utility Operating Income				
27	Per Books	(\$176,572)	-1.38%	-1.37%	-1.38%
28	Present Rates At 12/31/2021	(254,430)	-1.99%	-	-
29	Present Rates At 12/31/2022	(415,973)	-	-3.23%	-
30	Present Rates At 12/31/2023	(476,915)	-	-	-3.74%
31	Proposed Rates At 12/31/2023	971,092	-	-	7.59%

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2021	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2023
1	353.00	Land & Land Rights	\$3,101	\$0	\$0	\$3,101	\$0	\$0	\$3,101
2		Total Intangible Plant	\$3,101	\$0	\$0	\$3,101	\$0	\$0	\$3,101
3	354.20	Structures And Improvements - Collection	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	354.30	Structures And Improvements - SPP	627,002	0	0	627,002	0	0	627,002
5	354.40	Structures And Improvements - TDP	787,395	5,000	400	791,995	25,000	1,927	815,068
6	354.70	Structures And Improvements - General	0	0	0	0	0	0	0
7	355.00	Power Generation Equipment	932,793	20,000	1,800	950,993	25,000	3,800	972,193
8	360.10	Collection Sewers - Force Mains	79,236	20,000	1,598	97,638	20,000	1,541	116,096
9	361.10	Collection Sewers - Gravity Mains	2,677,569	60,000	3,995	2,733,573	60,000	3,853	2,789,720
10	361.20	Manholes	106,954	25,000	1,199	130,756	25,000	1,156	154,600
11	363.00	Services	80,890	20,000	1,598	99,292	20,000	1,541	117,750
12	364.00	Flow Measuring Devices	45,063	10,000	0	55,063	10,000	0	65,063
13	365.00	Flow Measuring Installations	0	0	0	0	0	0	0
14	370.00	Receiving Wells	0	0	0	0	0	0	0
15	371.00	Pumping Equipment	442,227	20,000	1,200	461,027	25,000	2,200	483,827
16	380.00	Treatment Equipment	13,576,316	110,000	8,986	13,677,330	200,000	13,265	13,864,065
17	381.00	Plant Sewers	0	0	0	0	0	0	0
18	382.00	Outfall Sewer Lines	0	0	0	0	0	0	0
19	389.10	Other Plant And Miscellaneous Equipment - Intangibles	0	0	0	0	0	0	0
20	390.00	Office Furniture And Equipment	23,874	25,000	2,000	46,874	35,000	2,771	79,104
21	390.20	Computers & Peripheral	0	0	0	0	0	0	0
22	391.00	Transportation Equipment	0	0	0	0	75,000	0	75,000
23	392.00	Stores Equipment	0	0	0	0	0	0	0
24	393.00	Tools, Shop And Garage Equipment	0	0	0	0	0	0	0
25	394.00	Laboratory Equipment	3,279	5,000	495	7,784	5,000	853	11,931
26	395.00	Power Operated Equipment	0	0	0	0	0	0	0
27	396.00	Communication Equipment	18,287	20,000	1,500	36,787	20,000	1,000	55,787
28	397.00	Miscellaneous Equipment	0	0	0	0	5,000	0	5,000
29	398.00	Other Tangible Plant	0	0	0	0	0	0	0
30		Total Tangible Plant	\$19,400,884	\$340,000	\$24,771	\$19,716,112	\$550,000	\$33,907	\$20,232,205
31		Total Utility Plant In Service	\$19,403,985	\$340,000	\$24,771	\$19,719,213	\$550,000	\$33,907	\$20,235,306

Witness: Stacey D. Gress

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Rate Base Elements

Materials And Supplies

The Company's claim for materials and supplies at December 31, 2022 and December 31, 2023 is calculated on the basis of the average monthly balances in the material and supplies accounts for PAWC's other wastewater districts for the period of December 2020 to December 2021. This balance was divided by the total number of customers in the other wastewater districts in order to calculate the amount of materials and supplies per customer. This per customer number was then multiplied by the total number of Royersford Wastewater customers to calculate the Company's claim.

LINE NO.	DETAIL	12/31/2022 and 12/31/2023 AMOUNT
1	13-Month average of M&S for PAWC's 18 other WW districts	\$119,526
2	Number of customers in PAWC's 18 other WW districts	38,142
3	Amount of M&S per customer	\$3.13
4	Total number of Royersford WW customers	1,486
5	Allowance for Materials and Supplies	
6	At 12/31/2022 and 12/31/2023	<u><u>\$4,651</u></u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for wastewater service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2021 and as annualized under present rates for the twelve months ending December 31, 2022 and December 31, 2023.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO. DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT
1 Operating Revenue Billed During The Twelve Months Ended 12/31/2021				
2 Bi-Monthly Billings				
3 Lag Days				
4 Dollar Days				
5 Quarterly				
6 Lag Days				
7 Dollar Days				
8 Monthly Billings	\$460,346	\$820,868	\$820,868	\$820,868
9 Lag Days	56.9	56.9	56.9	56.9
10 Dollar Days	\$26,189,084	\$46,699,181	\$46,699,181	\$46,699,181
11 Total Billed Revenue	\$460,346	\$820,868	\$820,868	\$820,868
12 Total Dollar Days	\$26,189,084	\$46,699,181	\$46,699,181	\$46,699,181
13 Average Lag In Receipt Of Revenue (Line 12 / Line11)	56.9	56.9	56.9	56.9
14 Deduct: Average Lag In Payment Of				
15 Operating Expenses	26.6	26.6	23.5	23.6
16 Average Lag Between Payment Of Operating				
17 Expenses And Receipt Of Revenues	30.3	30.3	33.4	33.3
18 Working Capital Requirements				
19 Annual Operating Expenses (Including Payroll Expenses)		\$363,264	\$592,877	\$622,971
20 Operating Expenses Per Day (Line 20 / 365 Days)		995	1,624	1,707
21 Cash Working Capital Required				
22 (Line 17 * Line 20)		\$30,149	\$54,242	\$56,843

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO. DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS		PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		PRESENT RATES 12/31/2023	
		AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS
1 Labor and Payroll Taxes	12.09	\$123,577	\$1,494,046	\$123,577	\$1,494,046	\$144,055	\$1,741,625	\$148,333	\$1,793,346
2 Group Insurance	10.42	27,953	291,270	27,953	291,270	33,506	349,133	35,531	370,233
3 OPEB's and VEBA	4.00	1,021	4,084	1,021	4,084	1,021	4,084	1,021	4,084
4 Pension	(3.31)	7,098	(23,494)	7,098	(23,494)	7,098	(23,494)	7,098	(23,494)
5 Purchased Power	29.97	15,668	469,570	47,174	1,413,805	91,506	2,742,435	91,506	2,742,435
6 Purchased Water	35.49	0	0	0	0	0	0	0	0
7 Chemicals	49.18	25,198	1,239,238	25,198	1,239,238	50,631	2,490,033	58,549	2,879,440
8 Miscellaneous	41.24	73,144	3,016,459	65,134	2,686,126	159,190	6,564,996	166,158	6,852,356
9 Transportation	57.82	(252)	(14,571)	(252)	(14,571)	169	9,772	169	9,772
10 Ins Other Than Group	(64.44)	2,480	(159,811)	2,480	(159,811)	41,820	(2,694,881)	42,937	(2,766,860)
11 Service Company	12.09	0	0	0	0	0	0	7,788	94,157
12 Waste Disposal	43.88	59,515	2,611,518	59,515	2,611,518	59,515	2,611,518	59,515	2,611,518
13 Telephone	(0.01)	1,105	(11)	1,105	(11)	1,105	(11)	1,105	(11)
14 Rents	(8.28)	0	0	0	0	0	0	0	0
15 Natural Gas	34.44	3,261	112,309	3,261	112,309	3,261	112,309	3,261	112,309
16 Totals		\$339,768	\$9,040,607	\$363,264	\$9,654,509	\$592,877	\$13,907,519	\$622,971	\$14,679,285
17 Average Lag			26.6		26.6		23.5		23.6
18 Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$345,742		\$373,155		\$602,768		\$632,862	
19 Uncollectibles		5,974		9,891		9,891		9,891	
20 Amortizations		0		0		0		0	
21 Sum Of Other Expenses		266,624		298,130		433,687		456,813	
22 Miscellaneous		\$73,144		\$65,134		\$159,190		\$166,158	

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		PRESENT RATES 12/31/2023		PROPOSED RATES 12/31/2023	
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	195.1	\$5,478	\$2,928	\$5,478	\$2,928	\$5,478	\$2,928	\$19,327	\$10,331
2	Public Utility Realty Tax	72.9	0	0	0	0	0	0	0	
3	Local Property Tax	79.0	0	0	8,098	1,752	8,098	1,752	8,098	1,752
4	State Income Tax	20.4	18,922	1,058	(5,805)	(324)	(9,965)	(557)	193,372	10,808
5	Federal Income Tax	14.6	35,731	<u>1,429</u>	(10,515)	<u>(421)</u>	(17,662)	<u>(706)</u>	367,072	<u>14,683</u>
6	Totals			<u>\$5,415</u>		<u>\$3,935</u>		<u>\$3,417</u>		<u>\$37,574</u>

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Rate Base Elements

Calculation of Lag Days for Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS					TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2021 TAX						
1	General Assessment	7/1/21	6/30/22	6/29/21	9/14/21					
2	Percent Of Payment			53.96%	46.04%					1.0
3	Lag Days			(99.0)	(49.0)				(138.22)	195.1
4	Public Utility Realty Tax	1/1/21	12/31/21	4/29/21						
5	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
6	Lag Days			(16.0)					(16.00)	72.9
7	Local Property Tax	1/1/21	12/31/21	Lag calculated using expense lag method						
8	Payment									
9	Lag Days								(22.09)	79.0
10	State Income Tax	1/1/21	12/31/21	4/15/21	6/15/21	9/15/21		12/15/21		
11	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8		41.5	36.50	20.4
13	Federal Income Tax	1/1/21	12/31/21	4/23/21	6/15/21	9/24/21	12/21/21	12/22/21		
14	Percent Of Payment			25.00%	25.00%	25.00%	12.50%	12.50%		1.0
15	Lag Days			(17.5)	(4.3)	21.0	21.5	21.6	42.30	14.6

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

**LINE
NO. DESCRIPTION**

	LONG TERM INTEREST	SHORT TERM INTEREST	PREFERRED DIVIDEND		
1 Average Lag Calculation					
2 Future Revenue Lag Days	56.9	56.9	56.9		
3 Less: Interest Payments Lag Days	91.8	82.4	46.2		
4 Average Lag Between The Payment 5 Of Interest And The Receipt 6 Of Revenues	(34.9)	(25.5)	10.7		
	PRESENT RATES 12/31/21		PRESENT RATES 12/31/22	PRESENT RATES 12/31/23	PROPOSED AMOUNT 12/31/23
7 Long Term Debt					
8 Working Capital Requirements					
9 Pro Forma Annual Interest Expense	\$226,181		\$233,114	\$232,416	\$233,037
10 Interest Expense Per Day					
11 (Line 9 / 365 Days)	620		639	637	638
12 Cash Working Capital Required					
13 (Line 4 Col.1 X Line 11)		(21,613)	(22,276)	(22,206)	(22,241)
14 Long Term Debt - Wastewater Specific					
15 Working Capital Requirements					
16 Pro Forma Annual Interest Expense	29,700		20,852	18,564	18,614
17 Interest Expense Per Day					
18 (Line 16 / 365 Days)	81		57	51	51
19 Cash Working Capital Required					
20 (Line 4 Col.2 X Line 18)		(2,824)	(1,987)	(1,778)	(1,778)
21 Preferred Dividends					
22 Working Capital Requirements					
23 Pro Forma Annual Dividend Expense	454		125	124	124
24 Dividend Expense Per Day					
25 (Line 23 / 365 Days)	1		0	0	0
26 Cash Working Capital Required					
27 (Line 4 Col.3 X Line 25)		<u>11</u>	<u>0</u>	<u>0</u>	<u>0</u>
28 Total Cash Working Capital Required					
29 (Line 13 + Line 20 + Line 27)		<u>(\$24,426)</u>	<u>(\$24,263)</u>	<u>(\$23,984)</u>	<u>(\$24,019)</u>

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Rate Base Elements

Acquisition Adjustments

The Company is requesting recognition of the transaction costs associated with its acquisition of the wastewater assets of the Borough of Royersford at Docket No. A-2020-3019634.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2021 AMOUNT	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT	2023 Amortizations	PRESENT RATES 12/31/2023 AMOUNT
1	Borough of Royersford WW Acquisition Costs	Seeking Approval	\$0	\$0	\$355,962	\$35,596	\$320,366
2	Effect to Rate Base Element		<u>\$0</u>	<u>\$0</u>	<u>\$355,962</u>	<u>\$35,596</u>	<u>\$320,366</u>
	Witness: Stacey D. Gress Reference: Exhibit No. 3-C						

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Rate Base Elements

Deferred Income Tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Deferred Tax	\$10,592	\$4,786	(\$9,840)
2	Less: Prior Year		10,592	4,786
3	Effect to Rate Base Element	<u>\$10,592</u>	<u>(\$5,806)</u>	<u>(\$14,626)</u>

Witness: Melissa Ciullo

Reference: FR IV.4

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		Source Of Supply Expenses				
2		-Operations-				
3	601.1	Salary And Wages	\$0	\$0	\$0	\$0
4	601.2	Salary And Wages	0	0	0	0
5	610.1	Purchased Water	0	0	0	0
6	615.1	Purchased Power	0	0	0	0
7	616.1	Purchased Fuel	0	0	0	0
8	620.1	Materials And Supplies	0	0	0	0
9	631.1	Contract Services - Engineering	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0
11	636.1	Contract Services	0	0	0	0
12	641.1	Rental Of Building	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0
14	650.1	Transportation	0	0	0	0
15		-Maintenance-				
16	620.2	Materials And Supplies	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0
18	636.2	Contract Services	0	0	0	0
19		-Miscellaneous-				
20	675.1	Miscellaneous Operating Expense	0	0	0	0
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0
22		Total Source Of Supply Expenses	\$0	\$0	\$0	\$0
23		Water Treatment				
24		-Operation-				
25	601.3	Salary And Wages	\$47,216	\$47,216	\$54,642	\$56,268
26	601.4	Salary And Wages	44,489	44,489	51,486	53,018
27	604.3	Employee Pension And Benefits	0	0	0	0
28	615.3	Purchased Power	15,668	27,747	72,029	72,029
29	618.3	Chemicals	25,198	44,625	70,058	77,975
30	620.3	Materials And Supplies	10,783	10,783	36,000	36,000
31	631.3	Contract Services - Engineering	12,000	12,000	12,000	12,000
32	633.3	Contract Services - Legal	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0
34	635.3	Contract Services - Test	9,072	9,072	10,800	10,800
35	636.3	Contract Services	7,234	7,234	600	600
36	641.3	Rental Of Building	0	0	0	0
37	642.3	Rental Of Equipment	0	0	0	0
38	650.3	Transportation	0	0	0	0
39		-Maintenance-				
40	620.4	Materials And Supplies	117	117	6,000	6,000
41	631.4	Contract Services - Engineering	0	0	0	0
42	636.4	Contract Services	1,815	1,815	1,815	1,815
43	650.4	Transportation	0	0	0	0
44	675.4	Miscellaneous Maintenance Expense	0	0	0	0
45		-Miscellaneous-				
46	675.3	Miscellaneous Operating Expense	67,858	67,858	85,102	85,102
47		Total Water Treatment Expense	\$241,450	\$272,956	\$400,532	\$411,607
48		Transmission And Distribution				
49		-Operation-				
50	601.5	Salary And Wages	\$7,674	\$7,674	\$8,881	\$9,145
51	601.6	Salary And Wages	933	933	1,080	1,112
52	604.5	Employee Pension And Benefits	0	0	0	0
53	615.5	Purchased Power	0	0	50	50
54	620.5	Materials And Supplies	0	0	0	0
55	631.5	Contract Services - Engineering	0	0	0	0
56	636.5	Contract Services	0	0	0	0
57	641.5	Rental Of Building	0	0	0	0
58	642.5	Rental Of Equipment	0	0	0	0
59	650.5	Transportation	0	0	0	0

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		-Maintenance-				
2	620.6	Materials And Supplies	\$0	\$0	\$1,057	\$1,734
3	631.6	Contract Services - Engineering	0	0	0	0
4	636.6	Contract Services	14,627	14,627	37,786	37,786
5	650.6	Transportation	0	0	0	0
6	675.6	Miscellaneous Operating Expense	1,569	1,569	1,569	1,569
7		-Miscellaneous-				
8	675.5	Miscellaneous Operating Expense	0	0	0	0
9		Total Transmission And Distribution	\$24,803	\$24,803	\$50,423	\$51,396
10		Customer Accounting				
11		-Operation-				
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0
14	615.7	Purchased Power	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0
19	636.7	Contract Services	0	0	0	0
20	642.7	Rental Of Equipment	0	0	0	0
21	650.7	Transportation	0	0	0	0
22	657.7	Insurance	0	0	0	0
23	670.7	Bad Debt	5,974	9,891	9,891	14,038
24		-Miscellaneous-				
25	675.7	Miscellaneous Expense	0	109	3,399	3,408
26		Total Customer Accounting	\$5,974	\$10,000	\$13,290	\$17,446
27		Administrative And General				
28	601.8	Salary And Wages	\$15,057	\$15,057	\$17,425	\$17,944
29	603.8	Salary Of Officers	0	0	0	0
30	604.8	Employee Pension And Benefits	44,814	36,695	44,029	46,335
31	615.8	Purchased Power	0	0	0	0
32	620.8	Materials And Supplies	0	0	0	0
33	631.8	Contract Services	0	0	0	0
34	632.8	Contract Services - Accounting	0	0	0	0
35	633.8	Contract Services - Legal	0	0	0	0
36	634.8	Contract Services - Management	0	0	0	7,788
37	635.8	Contract Services - Test	0	0	0	0
38	636.8	Contract Services	284	284	2,268	3,656
39	641.8	Rental Of Building	0	0	0	0
40	642.8	Rental Of Equipment	0	0	0	0
41	650.8	Transportation	(252)	(252)	169	169
42	656.8	Insurance - Vehicles	0	0	790	810
43	657.8	Insurance	0	0	30,025	30,537
44	658.8	Workers Compensation	2,480	2,480	2,458	2,492
45	659.8	Insurance	0	0	8,547	9,098
46	660.8	Advertising	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	2,248	2,248
48	667.8	Regulatory Commission	0	0	0	0
49		-Miscellaneous-				
50	675.8	Miscellaneous Expense	2,925	2,925	20,025	20,492
51		Total Administrative And General	\$65,308	\$57,189	\$127,984	\$141,570
52		Total Operating Expenses	\$337,535	\$364,948	\$592,229	\$622,019

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO. DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES	
	12/31/21 DETAIL	12/31/21 AMOUNT	12/31/22 DETAIL	12/31/22 AMOUNT	12/31/23 DETAIL	12/31/23 AMOUNT
1 Per Books		\$337,535				
2 Present Rates At 12/31/2021				\$364,948		
3 Present Rates At 12/31/2022						\$592,229
4 Proposed Rates At 12/31/2023						
5 Compensation	\$0		\$18,146		\$3,974	
6 Group Insurance	0		5,553		2,025	
7 Other Post Employment Benefits & VEBA	0		-		-	
8 Pension	0		-		-	
9 Purchased Power	0		44,332		-	
10 Waste Disposal	0		-		-	
11 Chemicals	0		25,433		7,918	
12 Change In Consumption Expense	31,506		-		-	
13 Transportation Expense	0		421		-	
14 Insurance Other Than Group	0		39,340		1,117	
15 Regulatory Expense (Rate Case Expense)	0		2,248		-	
16 Service Company Expense	0		-		7,788	
17 Postage and Customer Accounting	0		-		-	
18 Inflation	0		3,453		2,211	
19 401K & Defined Contribution Plan	0		1,781		281	
20 Rent Expense	0		-		-	
21 Miscellaneous Adjustments	(8,010)		86,574		4,476	
22 Uncollectibles	<u>3,917</u>		<u>0</u>		<u>0</u>	
23 Pro Forma Adjustments		<u>27,413</u>		<u>227,281</u>		<u>29,790</u>
24 Present Rates At 12/31/2021		<u>\$364,948</u>				
25 Present Rates At 12/31/2022				<u>\$592,229</u>		
26 Present Rates At 12/31/2023						<u>\$622,019</u>

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Compensation

The following adjustment sets forth a summary of the Company's annualization of labor expense. The pro forma payroll for the future test years were developed by applying pay rates and associated performance pay that will become effective by December 31, 2022 and December 31, 2023 to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Salary and Wages	\$160,311	\$165,082
2	Annualized Performance Plan	14,769	15,209
3	Less: 23.74% Capitalized portion not charged to operating expense	<u>41,564</u>	<u>42,801</u>
4	Sub-Total	133,516	137,490
5	Less: Amount Charged To Operating Expense		
6	During the Twelve Months Ended 12/31/21	<u>115,370</u>	
7	Less: Amount Charged To Present Rates		
8	During the Twelve Months Ended 12/31/22		<u>133,516</u>
9	Pro Forma Adjustment	<u>\$18,146</u>	<u>\$3,974</u>
	601.3 Salary and Wages - Water Treatment	\$7,426	\$1,626
	601.4 Salary and Wages - Water Treatment	6,997	1,532
	601.5 Salary and Wages - Transmission & Distribution	1,207	264
	601.6 Salary and Wages - Transmission & Distribution	147	32
	601.7 Salary and Wages - Customer Accounting	0	0
	601.8 Salary and Wages - Administrative and General	2,368	519

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Group Insurance

The adjustment of the group insurance cost is based on the January 2022 premiums annualized for the future test year number of employees, less the annualized employee contribution, and adjusted for the portion not charged to operations. The fully projected future test year was developed by adjusting the annualized 2022 amount by a 3 year average of 6.04%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Group Insurance Cost	\$43,937	\$46,592
2	Less: 23.74% Not Charged To Operating Expense	10,431	11,061
3	Sub-Total	<u>33,506</u>	<u>35,531</u>
4	Less: Amount Charged To Operating Expense		
5	During the Twelve Months Ended 12/31/21	27,953	
6	Less: Amount Charged To Operating Expense		
7	During the Twelve Months Ended 12/31/22		<u>33,506</u>
8	Pro Forma Adjustment	<u>\$5,553</u>	<u>\$2,025</u>
	604.8 A&G Employees Pension And Benefits	\$5,553	\$2,025

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

401K, Defined Contribution Plan (DCP) and Employee Stock Purchase Plan (ESPP) Expense

The following adjustment is being made to annualize 401K, DCP contributions and ESPP contributions based on the annualized compensation claim at December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized 401K - Company Match	\$4,472	\$4,605
2	Annualized DCP	7,825	8,059
3	Less: 23.74% Not Charged To Operating Expense	2,920	3,006
4	Sub-Total	<u>9,377</u>	<u>9,658</u>
5	Annualized ESPP	0	0
6	Less: Amount Charged To Operating Expense	7,596	9,377
7	Pro Forma Adjustment	<u>\$1,781</u>	<u>\$281</u>
	604.8 Employee Pension And Benefits AG	\$1,781	\$281

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Purchased Power

This adjustment reflects the application of rates for purchased power to be in effect as of December 2021 to anticipated billing units for the future and fully projected rate years. Accounts were adjusted for any known rate changes in either the future or fully projected rate years and were also adjusted to reflect 12 monthly bills.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Power Cost	\$60,000	\$60,000
2	Less: Amount Charged To Operating Expense	15,668	60,000
3	During the Preceding Calendar Year		
4	Pro Forma Adjustment	<u>\$44,332</u>	<u>\$0</u>
	615.3 Purchased Power - Water Treatment	\$44,282	\$0
	615.5 Purchased Power - Transmission and Distribution	50	0

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Rate Base Elements

Operating Expenses

Chemicals

The annualization of chemical costs was based on the application of quarterly contract prices in during 2022 to anticipated 2021 usage. Intra-2022 prices were inflated by 1.01% per quarter for those vendors who did agree to annual contracts. The unit price amount was then increased by 15.55% based on external research related to the current volatility in the market to project 2023 cost levels.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2023 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Chemical Costs	\$50,631	\$58,549
2	Less: Amount Charged To Operating Expense	25,198	50,631
3	During the Twelve Months Ended 12/31/23		
4	Pro Forma Adjustment	<u>\$25,433</u>	<u>\$7,918</u>
	618.3 Chemicals - Water Treatment	<u>\$25,433</u>	<u>\$7,918</u>

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Change in Consumption

During the future test year - 2022, and fully projected future test year - 2023, the Company will experience changes in consumption due to net addition or loss of customers and other factors affecting the usage of specific customers. The calculations shown below reflect estimates of the change in operating expenses that will be realized by these changes in consumption.

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Consumption (00 Gallons)	498,789	883,339	883,339	883,339
2	Change In Consumption		384,550	0	0
3	Power Costs Per Book	\$15,668			
4	Chemical Costs Per Book	25,198			
5	Total	<u>\$40,866</u>			
6	Rate Of Production Costs (00 Gallons) (Line 5/Line 1)		<u>\$0.08193</u>	<u>\$0.08193</u>	<u>\$0.08193</u>
7	Pro Forma Adjustment		<u>\$31,506</u>	<u>\$0</u>	<u>\$0</u>
	615.1 Source of Supply - Purchased Power		\$0	\$0	\$0
	615.3 Water Treatment - Purchased Power		12,079	0	0
	615.5 Transmission & Distribution - Purchased Power		0	0	0
	618.3 Water Treatment - Chemicals		19,427	0	0

Witness: Thomas Markward

Reference: FR II.09

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Leased Vehicles Expense	\$222	\$222
2	Less: 23.74% Not Charged To Operating Expense	53	53
3	Sub-Total	<u>169</u>	<u>169</u>
4	Less: Amount Charged To Operating Expense		
5	During the Twelve Months Ended 12/31/21	(252)	
6	Less: Present Rates During the Twelve Months Ended 12/31/22	<u> </u>	<u>169</u>
7	Pro Forma Adjustment	<u><u>\$421</u></u>	<u><u>\$0</u></u>
	650.8 A & G - Miscellaneous General Expense	\$421	\$0

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Insurance Other Than Group

The annualizations of Insurance Other Than Group (IOTG) costs were based on the actual and projected IOTG premiums for the twelve months ending December 31, 2021, adjusted for the 5 year average of retroactive adjustments. The present rates 12/31/2022 amounts are based on renewal data. Amounts for present rates 12/31/2023 were increased by a 5 year average of 6.44% except for claims amounts which were held at 2022 levels. Present rates for water at 2022 and 2023 have been allocated to other cost of service areas based on depreciated utility plant in service as of 12/31/21.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Workers Compensation Premium	\$4,017	\$4,073
2	Less: 38.82% Not Charged To Operating Expense	<u>(1,559)</u>	<u>(1,581)</u>
3	Sub-Total	2,458	2,492
4	Add: Annualized Vehicle, General Liability,		
5	Property And Other Insurance	<u>39,362</u>	<u>40,445</u>
6	Sub-Total	41,820	42,937
7	Less: Per Books and Present Rates	<u>2,480</u>	<u>41,820</u>
8	Pro Forma Adjustment	<u>\$39,340</u>	<u>\$1,117</u>
	656.8 Vehicle Insurance	790	20
	657.8 General Liability Insurance	30,025	512
	658.8 Workers Compensation	1,448	56
	658.8 Insurance Wc Capitalized Credits	(1,470)	(22)
	659.8 Other Insurance	8,547	551

Witness: Thomas Markward
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a two-year period. Additionally, there is an adjustment for a 10 year amortization of the Customer Class Demand Study.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT
1	Rate Case Expense Allocation	\$4,395
2	Normalized Over 2 Years	2,198
3	Plus Allocation of Amortization of Demand Study	51
4	Less: Amount Charged To Operating Expense	
5	During The Twelve Months Ended 12/31/21	0
6	Pro Forma Adjustment	\$2,248
	666.8 Regulatory Commission Expense	\$2,248

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Service Company

This adjustment reflects the cost of services provided by American Water Works Service Company (AWWSC), for the twelve months ended December 31, 2023. An allocation factor based on customer counts was applied to each cost of service area to allocate a portion of the total projected Service Company costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Service Company Cost	\$7,788
2	Less: Present Rates 12/31/22	<u>0</u>
3	Pro Forma Adjustment	<u><u>\$7,788</u></u>
	634.8 AG - Contract Services - Management	\$7,788

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Inflation

The Company has proposed various pro forma adjustments for specific expense items. The remaining expense items are anticipated to continue to rise due to inflationary increases. The following adjustment captures the estimated increases due to inflation.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Total O & M Expenses Per Books	\$337,535	\$337,535
2	Less: Adjusted Expenses	<u>251,845</u>	<u>251,845</u>
3	2022 Expenses Subject To Inflation	85,690	85,690
4	2022 Inflation		<u>3,453</u>
5	2023 Expenses Subject To Inflation		89,143
6	Inflation Factor	<u>4.03%</u>	<u>2.48%</u>
7	Pro Forma Adjustment	<u><u>\$3,453</u></u>	<u><u>\$2,211</u></u>
	636.8 Contracted Services	\$1,668	\$1,068
	620.6 Materials And Supplies	1,057	677
	675.8 Miscellaneous Expense	728	466

Witness: Lori O'Malley

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment reflects miscellaneous additions or deductions from pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	<u>Additions:</u>			
2	PA HQ - Corporate Campus		\$7,666	
3	Royersford WW Annualized O&M		83,716	
4	Credit Card/E-check Transaction Fees	109	3,290	9
5	Arrearage Management Plan and Low Income Program			4,467
6	<u>Deductions:</u>			
7	Pension	(\$7,098)		
8	OPEB	(1,021)		
9	Pro Forma Adjustment	<u>(\$8,010)</u>	<u>\$94,672</u>	<u>\$4,476</u>
	408.2 Taxes, Other Than Income - Property		8,098	
	604.8 A&G Employee Pension And Benefits	(8,119)	0	
	620.3 M&S Oper WT		25,217	
	620.4 M&S Maint WT		5,883	
	635.3 Cont Serv Testing Operating		1,728	
	636.3 Cont Serv Other Operating		(6,634)	
	636.6 Contract Services - Water Treatment		23,159	
	636.8 Contract Service - Admin & General		316	320
	670.7 Uncollectible Acconts Exp - CA			4,147
	675.3 Misc Exp Oper WT		17,244	
	675.7 Misc Exp Customer Accounting	109	3,290	9
	675.8 Misc Expense Admin & General		16,371	

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Total Sales	\$460,346	\$820,868	\$820,868	\$820,868	\$2,895,798
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$9,891	\$9,891	\$9,891	\$34,894
4	Less: Amount Charged To Operating Expense					
5	During The Twelve Months Ended 12/31/2021		5,974			
6	Less: Present Rates 12/31/2021			9,891		
7	Less: Present Rates 12/31/2022				9,891	
8	Less: Present Rates 12/31/2023					9,891
9	Pro Forma Adjustment		\$3,917	\$0	\$0	\$25,003
671	Customer Accounting And Collecting - Bad Debt		\$3,917	\$0	\$0	\$25,003

Witness: Cas Swiz

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Depreciation	\$642,012	\$636,817	\$643,258
2	Book Depreciation	<u>355,502</u>	<u>642,012</u>	<u>636,817</u>
3	Pro Forma Adjustment	<u>\$286,510</u>	<u>(\$5,195)</u>	<u>\$6,441</u>
	503 Depreciation	\$286,510	(\$5,195)	\$6,441

Witness: Stacey D. Gress, John Spanos

Reference: Exhibits No. 11

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Borough of Royersford WW Acquisition Costs	Seeking Approval	\$0	\$35,596
2	Borough of Royersford WW Post-in-service AFUDC	Seeking Approval	0	13
3	Borough of Royersford WW Deferred Depreciation	Seeking Approval	0	105
4	Proforma Expense		0	35,714
5	Less: Per Books		0	0
6	Pro Forma Adjustment		\$0	\$35,714

Witness: Stacey D. Gress

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Royersford WW Operations

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 at December 31, 2022 through December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Payroll Taxes	\$13,820	\$14,218
2	Less: 23.74% Not Charged To Operating Expense	3,281	3,375
3	Sub-Total	10,539	10,843
4	Less: Amount Charged To Operating Expense	8,207	10,539
5	Pro Forma Adjustment	\$2,332	\$304
	408.12 - Taxes - Payroll	\$2,332	\$304

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees

LINE NO. DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1 Total Wastewater Sales	\$815,776	\$815,776	\$815,776	\$2,877,832
2 Estimated General Assessment Fee				
3 Public Utility Commission At 0.004732071817	3,860	3,860	3,860	13,618
4 Consumer Advocate Fee At 0.001576414354	1,286	1,286	1,286	4,537
5 Small Business Advocate Fee At 0.000324126811	264	264	264	933
6 Damage Prevention Comittee Fee At 0.000082988139	68	68	68	239
7 Subtotal	5,478	5,478	5,478	19,327
8 Less: Amount Charged To Operating Expenses During				
9 The Twelve Months Ended 12/31/2021	0			
10 Less: Pro Forma Under Present Rates At 12/31/2021		5,478		
11 Less: Pro Forma Under Present Rates At 12/31/2022			5,478	
12 Less: Pro Forma Under Present Rates At 12/31/2023				5,478
13 Pro Forma Adjustment	\$5,478	\$0	\$0	\$13,849
507.1 Taxes Other Than Income				\$19,327

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO. DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED 12/31/23 AMOUNT
1 State Income Tax Per Computation				
2 Shown On Following Page	\$18,922	(\$5,805)	(\$9,965)	\$193,372
3 Less: State Income Tax Per Book				
4 Computation Shown On Following Page	(10,428)			
5 Less: Present Rates 12/31/2021		18,922		
6 Less: Present Rates 12/31/2022			(5,805)	
7 Less: Present Rates 12/31/2023				(9,965)
<hr/>				
8 Pro Forma Adjustment	\$29,350	(\$24,727)	(\$4,160)	\$203,337
<hr/>				
9 Federal Income Tax Per Computation				
10 Shown On Following Page	\$35,731	(\$10,515)	(\$17,662)	\$367,072
11 Less: Federal Income Tax Per Book				
12 Computation Shown On Following Page	(19,801)			
13 Less: Present Rates 12/31/2021		35,731		
14 Less: Present Rates 12/31/2022			(10,515)	
15 Less: Present Rates 12/31/2023				(17,662)
<hr/>				
16 Pro Forma Adjustment	\$55,532	(\$46,246)	(\$7,147)	\$384,734

Witness: Melissa Ciullo

Pennsylvania-American Water Company - Royersford WW Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Utility Operating Income Before Taxes	(\$206,801)	(\$199,777)	(\$432,293)	(\$504,542)	\$1,531,536
2	Less: Interest Expense	255,881	255,881	253,966	250,980	251,651
3	Taxable Operating Income	(462,682)	(455,658)	(686,259)	(755,522)	1,279,885
4	Add: Premature Property Losses / Amortizations	0	0	0	35,714	35,714
5	Depr - Straight Line-Remaining Life (Including COR)	355,502	642,012	636,817	643,258	643,258
6	Taxable Meals & Entertainment	601	601	601	601	601
7	Total	356,103	642,613	637,418	679,573	679,573
8	Deduct:					
9	Tax Depreciation:					
10	State Tax Depreciation Adjustments	(2,199)	(2,454)	9,265	23,798	23,798
11	Total	(2,199)	(2,454)	9,265	23,798	23,798
12	State Taxable Income	(104,380)	189,409	(58,106)	(99,747)	1,935,660
13	State Income Tax At:					
14	Historic, Future And Fully Projected At 9.99%	(10,428)	18,922	(5,805)	(9,965)	193,372
15	Taxable Income After State Income Tax	(93,952)	170,487	(52,301)	(89,782)	1,742,288
16	Add:					
17	Federal Tax Depreciation Adjustments	(339)	(339)	2,231	5,675	5,675
18	Income Subject To Federal Income Tax	(94,291)	170,148	(50,070)	(84,107)	1,747,963
19	Federal Income Tax @ 21%	(19,801)	35,731	(10,515)	(17,662)	367,072
20	Excess ADIT	0	0	0	0	0
21	Federal Tax Liability	(\$19,801)	\$35,731	(\$10,515)	(\$17,662)	\$367,072
	Witness: Melissa Ciullo					

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO. DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	PROPOSED
	12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/23 AMOUNT	12/31/23 AMOUNT
1 Interest On Long Term Debt Per Computation				
2 Shown On Following Page	\$226,181	\$233,114	\$232,416	\$233,037
3 Less: Interest On Long Term Debt As Per Book				
4 Computation On Following Page	226,181			
5 Less: Present Rates At 12/31/2021		226,181		
6 Less: Present Rates At 12/31/2022			233,114	
7 Less: Present Rates At 12/31/2023				232,416
8 Pro Forma Adjustment	\$0	\$6,933	(\$698)	\$621
9 Interest On Wastewater Specific Long Term Debt Per Computation				
10 Shown On Following Page	\$29,700	\$20,852	\$18,564	\$18,614
11 Less: Interest On Wastewater Specific Long Term Debt As Per Book				
12 Computation On Following Page	29,700			
13 Less: Present Rates At 12/31/2021		29,700		
14 Less: Present Rates At 12/31/2022			20,852	
15 Less: Present Rates At 12/31/2023				18,564
16 Pro Forma Adjustment	\$0	(\$8,848)	(\$2,288)	\$50

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - Royersford WW Operations

Notes to Statement Of Income

Application of Income Deductions

PRESENT RATES AT DECEMBER 31, 2021				PRESENT RATES AT DECEMBER 31, 2022			PRESENT RATES AT DECEMBER 31, 2023			
LINE NO.	DESCRIPTION	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure									
2	Long Term Debt	\$292,725,976	40.59%	4.35%	\$429,719,609	41.88%	4.32%	\$469,628,075	42.26%	4.31%
3	Long Term Debt - WW Specific	65,182,069	9.04%	2.56%	64,002,276	6.24%	2.59%	62,810,631	5.65%	2.57%
4	Total Debt	357,908,045	49.63%		493,721,885	48.12%		532,438,706	47.91%	
5	Preferred Stock	262,358	0.04%	8.87%	96,199	0.01%	9.70%	104,851	0.01%	9.70%
6	Common Equity	362,906,749	50.33%		532,171,228	51.87%		578,778,070	52.08%	
7	Totals	\$721,077,152	100.00%		\$1,025,989,312	100.00%		\$1,111,321,627	100.00%	
					PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT		
8	Application Of Long Term Debt Interest:									
9	Original Cost Rate Base				\$12,809,975	\$12,884,820	\$12,760,233	\$12,794,355		
10	Debt Percentage (From Above)				40.59%	41.88%	42.26%	42.26%		
11	Debt Portion Of Rate Base				5,199,569	5,396,163	5,392,474	5,406,894		
12	Interest Cost (From Above)				4.35%	4.32%	4.31%	4.31%		
13	Pro Forma Long Term Interest Deduction				\$226,181	\$233,114	\$232,416	\$233,037		
14	Application Of Wastewater Specific Long Term Debt Interest:									
15	Original Cost Rate Base				\$12,809,975	\$12,884,820	\$12,760,233	\$12,794,355		
16	Debt Percentage (From Above)				9.04%	6.24%	5.65%	5.65%		
17	Debt Portion Of Rate Base				1,158,022	804,013	720,953	722,881		
18	Interest Cost (From Above)				2.56%	2.59%	2.57%	2.57%		
19	Pro Forma Wastewater Specific Long Term Interest Deduction				\$29,700	\$20,852	\$18,564	\$18,614		

Witness: Ann E. Bulkley

Upper Pottsgrove WW Operations

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

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Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

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Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2021

December 31, 2022, and 2023 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PER BOOKS	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT	RATE INCREASE	PROPOSED RATES AMOUNT	LINE NO.
1	Operating Revenue	\$0	\$0	\$0	\$1,333,493	\$1,333,493	\$15,697	\$1,349,190	\$1,481,896	\$2,831,086	1
2	Operating Revenue Deductions:										2
3	Operating Expenses	0	0	0	760,084	760,084	19,672	779,756	17,857	797,613	3
4	Depreciation	0	0	0	411,723	411,723	(3,409)	408,314	0	408,314	4
5	Amortizations	0	0	0	0	0	36,575	36,575	0	36,575	5
6	Taxes, Other Than Income:										6
7	Local Property And Miscellaneous	0	0	0	0	0	19,784	19,784	0	19,784	7
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	8
9	Public Utility Realty Taxes	0	0	0	0	0	0	0	0	0	9
10	Payroll Taxes	0	0	0	9,719	9,719	278	9,997	0	9,997	10
11	General Assessment	0	0	0	8,900	8,900	105	9,005	9,889	18,894	11
12	Other Taxes and Licenses	0	0	0	0	0	0	0	0	0	12
13	Total Taxes Other Than Income	0	0	0	18,619	18,619	20,167	38,786	9,889	48,675	13
14	Utility Operating Income Before Income Taxes	0	0	0	143,067	143,067	(57,308)	85,759	1,454,150	1,539,909	14
15	Income Taxes:										15
16	State Income Tax	0	0	0	27,469	27,469	(3,526)	23,943	145,222	169,165	16
17	Federal Income Tax	0	0	0	51,957	51,957	(5,680)	46,277	274,774	321,051	17
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	18
19	Total Income Taxes	0	0	0	79,426	79,426	(9,206)	70,220	419,996	490,216	19
20	Total Operating Revenue Deductions	0	0	0	1,269,852	1,269,852	63,799	1,333,651	447,742	1,781,393	20
21	Utility Operating Income	0	0	0	63,641	63,641	(48,102)	15,539	1,034,154	1,049,693	21
22	Income Deductions:										22
23	Interest On Long Term Debt	0	0	0	257,165	257,165	(5,709)	251,456	443	251,899	23
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	24
25	Interest On Notes Payable To Others	0	0	0	23,004	23,004	(2,919)	20,085	35	20,120	25
26	Total Income Deductions	0	0	0	280,169	280,169	(8,628)	271,541	478	272,019	26
27	Net Income	\$0	\$0	\$0	(\$216,528)	(\$216,528)	(\$39,474)	(\$256,002)	\$1,033,676	\$777,674	27
28	Preferred Dividends	0		0		138		134		134	28
29	Net Income To Common	\$0		\$0		(\$216,666)		(\$256,136)		\$777,540	29

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER UPPER POTTS GROVE

TOTAL REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021 AND DECEMBER 31, 2022

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2021	UNBILLED	ACQUISITION ADJUSTMENTS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	PRO FORMA PRESENT RATES 12/31/2021	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	DECLINING USAGE	ACQUISITION ADJUSTMENTS	DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2022
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	522.1	RESIDENTIAL					\$0			\$1,212,900		\$1,212,900
4	522.2	COMMERCIAL					0			51,480		51,480
5	522.3	INDUSTRIAL					0			35,880		35,880
6	522.4	MUNICIPAL					0			24,960		24,960
7	522.4	BULK					0					0
8		TOTAL METERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,325,220	\$0	\$1,325,220
9		UNMETERED SALES										
10	522.1	RESIDENTIAL					\$0					\$0
11	522.2	COMMERCIAL					0					0
12	522.3	INDUSTRIAL					0					0
13	522.4	MUNICIPAL					0					0
14	522.4	BULK					0					0
15		TOTAL UNMETERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16		TOTAL WASTEWATER SALES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,325,220	\$0	\$1,325,220
17		OTHER OPERATING REVENUES										
18	530	GUARANTEED REVENUES					\$0					\$0
19	532	LATE PAYMENT FEES					0			8,273		8,273
20	536	MISC SERVICE REVENUES					0					0
21	534	RENTS FROM PROPERTIES					0					0
22	535	INTERCOMPANY RENTS					0					0
23	523	OTHER WW REVENUES					0					0
24		TOTAL OTHER OPERATING REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,273	\$0	\$8,273
25		TOTAL OPERATING REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,333,493	\$0	\$1,333,493
26												

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER UPPER POTTS GROVE

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2023

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2022	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2023	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$1,212,900	\$15,600				\$1,228,500	60.41%	\$742,116	\$1,970,616
4	522.2	COMMERCIAL	51,480	0				51,480	650.45%	334,852	\$386,332
5	522.3	INDUSTRIAL	35,880	0				35,880	650.45%	233,382	\$269,262
6	522.4	MUNICIPAL	24,960	0				24,960	650.45%	162,353	\$187,313
7	522.4	BULK	0					0	0.00%	0	\$0
8		TOTAL METERED SALES	\$1,325,220	\$15,600	\$0	\$0	\$0	\$1,340,820	109.84%	\$1,472,702	\$2,813,522
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	\$0					\$0	0.00%	\$0	\$0
11	522.2	COMMERCIAL	0					0	0.00%	0	0
12	522.3	INDUSTRIAL	0					0	0.00%	0	0
13	522.4	MUNICIPAL	0					0	0.00%	0	0
14	522.4	BULK	0					0	0.00%	0	0
15		TOTAL UNMETERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	\$0
16		TOTAL WASTEWATER SALES	\$1,325,220	\$15,600	\$0	\$0	\$0	\$1,340,820	109.84%	\$1,472,702	\$2,813,522
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	\$0					\$0	0.00%	\$0	0
19	532	LATE PAYMENT FEES	8,273		97			8,370	109.84%	9,194	17,564
20	536	MISC SERVICE REVENUES	0					0	0.00%	0	0
21	534	RENTS FROM PROPERTIES	0					0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0					0	0.00%	0	0
23	523	OTHER WW REVENUES	0					0	0.00%	0	0
24		TOTAL OTHER OPERATING REVENUES	\$8,273	\$0	\$97	\$0	\$0	\$8,370	109.84%	\$9,194	\$17,564
25		TOTAL OPERATING REVENUES	\$1,333,493	\$15,600	\$97	\$0	\$0	\$1,349,190	109.84%	\$1,481,896	\$2,831,086
26											

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER UPPER POTTS GROVE

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT
1	Per Books		\$0				
2	Present Rates At 12/31/2022				\$0		
3	Present Rates At 12/31/2023						\$1,333,493
4							
5	Annualization of Acquired System			\$1,325,220		\$15,600	
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16	Other Operating Revenues			8,273		97	
17							
18	470 - Penalties						
19							
20							
21	Pro Forma Adjustment		0		1,333,493		15,697
22	Pro Forma Present Rates At December 31, 2021		\$0				
23	Pro Forma Present Rates At December 31, 2022				\$1,333,493		
24	Pro Forma Present Rates At December 31, 2023						\$1,349,191

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Operating Revenues

Acquisition Adjustment - Upper Pottsgrove WW

During 2022, the Company will close on the acquisition of the wastewater utility property of Upper Pottsgrove and begin providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Metered Sales			
2	Residential	\$0	\$1,212,900	\$1,228,500
3	Commercial	0	51,480	51,480
4	Industrial	0	35,880	35,880
5	Municipal	0	24,960	24,960
6	Sales For Resale	0	0	0
7	Miscellaneous (Bulk)	0	0	0
8	Total Metered Sales	\$0	\$1,325,220	\$1,340,820
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Miscellaneous (Bulk)	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Wastewater Sales	\$0	\$1,325,220	\$1,340,820
17	Miscellaneous Service Fees	\$0	\$0	\$0
18	Rents From Properties	0	0	0
19	Total Operating Revenues	\$0	\$1,325,220	\$1,340,820
20	Pro Forma Adjustment	\$0	\$1,325,220	\$15,600

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2020 and 2021, and the estimated number of customers to be served at December 31, 2022 through 2023. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2023 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2020	SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	TO BE SERVED AT 12/31/2023	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered							
2	601.1	Residential							
3	601.2	Commercial							
4	601.3	Industrial							
5	606	Municipal							
6	607	Resale							
7	601.4	Miscellaneous							
8		Metered	0	0	0	0	0	0	0
9		Unmetered							
10	602.1	Residential			1,555	1,575	1,575		
11	602.2	Commercial			29	29	29		
12	602.3	Industrial			6	6	6		
13	606	Municipal			3	3	3		
14	602.4	Miscellaneous			0	0	0		
15		Unmetered	0	0	1,593	1,613	1,613	0	0
16	604	Private Fire							
17	605	Public Fire							
18		Total Customers	0	0	1,593	1,613	1,613	0	0

Witness: Charles Rea

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2021 and projected to be imposed during 2022 and 2023. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23	PROPOSED RATES 12/31/23
1 Total Billed Wastewater Sales	\$0	\$0	\$1,325,220	\$1,340,820	\$2,813,522
2 % Of Penalties To Total					
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	0	0	8,273	8,371	17,565
5 Less: Per Books At 12/31/2021		0			
6 Less: Present Rates At 12/31/2021			0		
7 Less: Present Rates At 12/31/2022				8,273	
8 Less: Present Rates At 12/31/2023					8,371
9 Pro Forma Adjustments		\$0	\$8,273	\$98	\$9,194

Witness: Charles Rea

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO. DESCRIPTION	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED ORIGINAL COST 12/31/23	DEPRECIATED ORIGINAL COST PROPOSED
1 Non-Depreciable Plant	\$0	\$10,356	\$10,356	\$10,356
2 Depreciable Plant	0	17,929,747	18,032,764	18,032,764
3 Total Utility Plant In Service	0	17,940,103	18,043,120	18,043,120
4 Deduct:				
5 Contributions In Aid Of Construction	0	0	0	0
6 Customer Advances For Construction	0	0	0	0
7 Excluded Property	0	0	0	
8 Sub-Total	0	0	0	0
9 Net Utility Plant In Service	0	17,940,103	18,043,120	18,043,120
10 Accumulated Depreciation	0	4,116,603	4,524,478	4,524,478
11 Depreciated Utility Plant In Service	0	13,823,500	13,518,642	13,518,642
12 Add:				
13 Materials And Supplies	0	4,986	4,986	4,986
14 Cash Working Capital - Expenses	0	33,040	33,904	33,904
15 Accrued And Prepaid Taxes	0	8,370	12,283	36,677
16 Acquisition Adjustments	0	365,751	329,176	329,176
17 Other Additions	0	0	0	0
18 Deduct:				
19 Cash Working Capital - Int And Div	0	26,772	25,936	25,970
20 Unamortized Itc (3%)	0	0	0	0
21 Extension Deposits In Suspense	0	0	0	0
22 Tax Cuts and Jobs Act -Stub Period	0	0	0	
23 Other Deductions	0	0	0	0
24 Deferred Taxes	0	(5,309)	67,470	67,470
25 Total Rate Base Elements	\$0	\$14,214,184	\$13,805,585	\$13,829,945
26 Utility Operating Income				
27 Per Books	\$0	0.00%	0.00%	0.00%
28 Present Rates At 12/31/2021	0	0.00%	-	-
29 Present Rates At 12/31/2022	63,641	-	0.45%	-
30 Present Rates At 12/31/2023	15,539	-	0.11%	-
31 Proposed Rates At 12/31/2023	1,049,693	-	-	7.59%

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2021	ADDITIONS	ACQUISITION	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2023
1	352.00	Franchises & Consents		\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	353.10	Land & Land Rights		0	10,356	0	10,356	0	0	10,356
3		Total Intangible Plant	\$0	\$0	\$10,356	\$0	\$10,356	\$0	\$0	\$10,356
4	354.20	Structures And Improvements - Collection		\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	354.30	Structures And Improvements - SPP		0	1,412,678	0	1,412,678	0	0	1,412,678
6	354.40	Structures And Improvements - TDP		0	2,190,765	0	2,190,765	0	0	2,190,765
7	354.70	Structures And Improvements - General		0	0	0	0	0	0	0
8	355.00	Power Generation Equipment		2,500	55,505	203	57,802	5,000	424	62,379
9	360.10	Collection Sewers - Force Mains		0	756,805	0	756,805	0	0	756,805
10	361.10	Collection Sewers - Gravity Mains		12,500	7,634,830	1,014	7,646,316	25,000	2,118	7,669,198
11	361.20	Manholes		6,000	1,853,615	284	1,859,331	12,000	593	1,870,738
12	363.00	Services		10,000	2,022,553	406	2,032,147	20,000	847	2,051,300
13	364.00	Flow Measuring Devices		0	0	0	0	0	0	0
14	365.00	Flow Measuring Installations		0	0	0	0	0	0	0
15	370.00	Receiving Wells		0	0	0	0	0	0	0
16	371.00	Pumping Equipment		0	470,893	0	470,893	0	0	470,893
17	380.00	Treatment Equipment		0	1,460,510	0	1,460,510	0	0	1,460,510
18	381.00	Plant Sewers		0	0	0	0	0	0	0
19	382.00	Outfall Sewer Lines		0	0	0	0	0	0	0
20	389.10	Other Plant And Miscellaneous Equipment - Intangibles		0	0	0	0	0	0	0
21	390.00	Office Furniture And Equipment		0	0	0	0	0	0	0
22	390.20	Computers & Peripheral		0	0	0	0	0	0	0
23	391.00	Transportation Equipment		40,000	0	0	40,000	40,000	0	80,000
24	392.00	Stores Equipment		0	0	0	0	0	0	0
25	393.00	Tools, Shop And Garage Equipment		2,500	0	0	2,500	5,000	0	7,500
26	394.00	Laboratory Equipment		0	0	0	0	0	0	0
27	395.00	Power Operated Equipment		0	0	0	0	0	0	0
28	396.00	Communication Equipment		0	0	0	0	0	0	0
29	397.00	Miscellaneous Equipment		0	0	0	0	0	0	0
30	398.00	Other Tangible Plant		0	0	0	0	0	0	0
31		Total Tangible Plant	\$0	\$73,500	\$17,858,154	\$1,907	\$17,929,747	\$107,000	\$3,983	\$18,032,764
32		Total Utility Plant In Service	\$0	\$73,500	\$17,868,510	\$1,907	\$17,940,103	\$107,000	\$3,983	\$18,043,120

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Rate Base Elements

Materials And Supplies

The Company's claim for materials and supplies at December 31, 2022 and December 31, 2023 is calculated on the basis of the average monthly balances in the material and supplies accounts for PAWC's other wastewater districts for the period of December 2020 to December 2021. This balance was divided by the total number of customers in the other wastewater districts in order to calculate the amount of materials and supplies per customer. This per customer number was then multiplied by the total number of Upper Pottsgrove Wastewater customers to calculate the Company's claim.

LINE NO.	DETAIL	12/31/2022 and 12/31/2023 AMOUNT
1	13-Month average of M&S for PAWC's 18 other WW districts	\$119,526
2	Number of customers in PAWC's 18 other WW districts	38,143
3	Amount of M&S per customer	\$3.13
4	Total number of Upper Pottsgrove WW customers	1,593
5	Allowance for Materials and Supplies	
6	At 12/31/2022 and 12/31/2023	<u><u>\$4,986</u></u>

Witness: Stacey D. Gress

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for wastewater service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months December 31, 2021 and as annualized under present rates for the twelve months ending December 31, 2022 and December 31, 2023.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO. DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT
1 Operating Revenue Billed During The Twelve Months Ended 12/31/2021				
2 Bi-Monthly Billings				
3 Lag Days				
4 Dollar Days				
5 Quarterly				
6 Lag Days				
7 Dollar Days				
8 Monthly Billings	\$0	\$0	\$1,333,493	\$1,349,190
9 Lag Days	56.9	56.9	56.9	56.9
10 Dollar Days	\$0	\$0	\$75,862,417	\$76,755,419
11 Total Billed Revenue	\$0	\$0	\$1,333,493	\$1,349,190
12 Total Dollar Days	\$0	\$0	\$75,862,417	\$76,755,419
13 Average Lag In Receipt Of Revenue (Line 12 / Line11)	0.0	0.0	56.9	56.9
14 Deduct: Average Lag In Payment Of				
15 Operating Expenses	0.0	0.0	40.9	40.9
16 Average Lag Between Payment Of Operating				
17 Expenses And Receipt Of Revenues	0.0	0.0	16.0	16.0
18 Working Capital Requirements				
19 Annual Operating Expenses (Including Payroll Expenses)		\$0	\$753,734	\$773,495
20 Operating Expenses Per Day (Line 20 / 365 Days)		0	2,065	2,119
21 Cash Working Capital Required				
22 (Line 17 * Line 20)		\$0	\$33,040	\$33,904

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO.	DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS		PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		PRESENT RATES 12/31/2023	
			AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS
1	Labor and Payroll Taxes	12.09	\$0	\$0	\$0	\$0	\$9,719	\$117,503	\$9,997	\$120,864
2	Group Insurance	10.42	0	0	0	0	0	0	0	0
3	OPEB's and VEBA	4.00	0	0	0	0	0	0	0	0
4	Pension	(3.31)	0	0	0	0	0	0	0	0
5	Purchased Power	29.97	0	0	0	0	0	0	0	0
6	Purchased Water	35.49	0	0	0	0	0	0	0	0
7	Chemicals	49.18	0	0	0	0	0	0	0	0
8	Miscellaneous	41.24	0	0	0	0	744,015	30,683,179	763,498	31,486,658
9	Transportation	57.82	0	0	0	0	0	0	0	0
10	Ins Other Than Group	(64.44)	0	0	0	0	0	0	0	0
11	Service Company	12.09	0	0	0	0	0	0	0	0
12	Waste Disposal	43.88	0	0	0	0	0	0	0	0
13	Telephone	(0.01)	0	0	0	0	0	0	0	0
14	Rents	(8.28)	0	0	0	0	0	0	0	0
15	Natural Gas	34.44	0	0	0	0	0	0	0	0
16	Totals		\$0	\$0	\$0	\$0	\$753,734	\$30,800,682	\$773,495	\$31,607,522
17	Average Lag			0.0		0.0		40.9		40.9
18	Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$0		\$0		\$769,803		\$789,753	
19	Uncollectibles		0		0		16,069		16,258	
20	Amortizations		0		0		0		0	
21	Sum Of Other Expenses		0		0		9,719		9,997	
22	Miscellaneous		\$0		\$0		\$744,015		\$763,498	

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		PRESENT RATES 12/31/2023		PROPOSED RATES 12/31/2023	
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	195.1	\$0	\$0	\$8,900	\$4,757	\$9,005	\$4,813	\$18,894	\$10,099
2	Public Utility Realty Tax	72.9	0	0	0	0	0	0	0	0
3	Local Property Tax	79.0	0	0	0	0	19,784	4,281	19,784	4,281
4	State Income Tax	20.4	0	0	27,469	1,535	23,943	1,338	169,165	9,455
5	Federal Income Tax	14.6	0	0	51,957	2,078	46,277	1,851	321,051	12,842
6	Totals			\$0		\$8,370		\$12,283		\$36,677

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Rate Base Elements

Calculation of Lag Days for Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS					TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2021 TAX						
1	General Assessment	7/1/21	6/30/22	6/29/21	9/14/21					
2	Percent Of Payment			53.96%	46.04%					1.0
3	Lag Days			(99.0)	(49.0)				(138.22)	195.1
4	Public Utility Realty Tax	1/1/21	12/31/21	4/29/21						
5	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
6	Lag Days			(16.0)					(16.00)	72.9
7	Local Property Tax	1/1/21	12/31/21	Lag calculated using expense lag method						
8	Payment									
9	Lag Days								(22.09)	79.0
10	State Income Tax	1/1/21	12/31/21	4/15/21	6/15/21	9/15/21		12/15/21		
11	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8		41.5	36.50	20.4
13	Federal Income Tax	1/1/21	12/31/21	4/23/21	6/15/21	9/24/21	12/21/21	12/22/21		
14	Percent Of Payment			25.00%	25.00%	25.00%	12.50%	12.50%		1.0
15	Lag Days			(17.5)	(4.3)	21.0	21.5	21.6	42.30	14.6

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

LINE				
NO. DESCRIPTION				
	LONG TERM	SHORT TERM	PREFERRED	
	INTEREST	INTEREST	DIVIDEND	
1 Average Lag Calculation				
2 Future Revenue Lag Days	56.9	56.9	56.9	
3 Less: Interest Payments Lag Days	91.8	82.4	46.2	
4 Average Lag Between The Payment	(34.9)	(25.5)	10.7	
5 Of Interest And The Receipt				
6 Of Revenues				
	PRESENT		PRESENT	PRESENT
	RATES		RATES	RATES
	12/31/21		12/31/22	12/31/23
7 Long Term Debt				PROPOSED
8 Working Capital Requirements				AMOUNT
9 Pro Forma Annual Interest Expense	\$0		\$257,165	\$251,456
10 Interest Expense Per Day				\$251,899
11 (Line 9 / 365 Days)	0		705	689
12 Cash Working Capital Required				
13 (Line 4 Col.1 X Line 11)		0	(24,576)	(24,019)
				(24,053)
14 Long Term Debt - Wastewater Specific				
15 Working Capital Requirements				
16 Pro Forma Annual Interest Expense	0		23,004	20,085
17 Interest Expense Per Day				20,120
18 (Line 16 / 365 Days)	0		63	55
19 Cash Working Capital Required				
20 (Line 4 Col.2 X Line 18)		0	(2,196)	(1,917)
				(1,917)
21 Preferred Dividends				
22 Working Capital Requirements				
23 Pro Forma Annual Dividend Expense	0		138	134
24 Dividend Expense Per Day				134
25 (Line 23 / 365 Days)	0		0	0
26 Cash Working Capital Required				
27 (Line 4 Col.3 X Line 25)	<u>0</u>		<u>0</u>	<u>0</u>
				<u>0</u>
28 Total Cash Working Capital Required				
29 (Line 13 + Line 20 + Line 27)	<u>\$0</u>		<u>(\$26,772)</u>	<u>(\$25,936)</u>
				<u>(\$25,970)</u>

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Rate Base Elements

Acquisition Adjustments

The Company is requesting recognition of the transaction costs associated with its acquisition of the wastewater assets of Upper Pottsgrove Township at Docket No. A-2020-3021460.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2021 AMOUNT	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT	2023 Amortizations	PRESENT RATES 12/31/2023 AMOUNT
1	Upper Pottsgrove Township	Seeking Approval	\$0	\$0	\$365,751	\$36,575	\$329,176
2	Effect to Rate Base Element		<u>\$0</u>	<u>\$0</u>	<u>\$365,751</u>	<u>\$36,575</u>	<u>\$329,176</u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Rate Base Elements

Deferred Income Tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Deferred Tax	\$0	\$5,309	(\$67,470)
2	Less: Prior Year		0	5,309
3	Effect to Rate Base Element	<u>\$0</u>	<u>\$5,309</u>	<u>(\$72,779)</u>

Witness: Melissa Ciullo

Reference: FR IV.4

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		Source Of Supply Expenses				
2		-Operations-				
3	601.1	Salary And Wages	\$0	\$0	\$0	\$0
4	601.2	Salary And Wages	0	0	0	0
5	610.1	Purchased Water	0	0	0	0
6	615.1	Purchased Power	0	0	0	0
7	616.1	Purchased Fuel	0	0	0	0
8	620.1	Materials And Supplies	0	0	0	0
9	631.1	Contract Services - Engineering	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0
11	636.1	Contract Services	0	0	0	0
12	641.1	Rental Of Building	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0
14	650.1	Transportation	0	0	0	0
15		-Maintenance-				
16	620.2	Materials And Supplies	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0
18	636.2	Contract Services	0	0	0	0
19		-Miscellaneous-				
20	675.1	Miscellaneous Operating Expense	0	0	0	0
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0
22		Total Source Of Supply Expenses	\$0	\$0	\$0	\$0
23		Water Treatment				
24		-Operation-				
25	601.3	Salary And Wages	\$0	\$0	\$122,369	\$126,001
26	601.4	Salary And Wages	0	0	0	0
27	604.3	Employee Pension And Benefits	0	0	0	0
28	615.3	Purchased Power	0	0	15,810	15,810
29	618.3	Chemicals	0	0	0	0
30	620.3	Materials And Supplies	0	0	0	0
31	631.3	Contract Services - Engineering	0	0	0	0
32	633.3	Contract Services - Legal	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0
34	635.3	Contract Services - Test	0	0	0	0
35	636.3	Contract Services	0	0	143,301	146,803
36	641.3	Rental Of Building	0	0	0	0
37	642.3	Rental Of Equipment	0	0	0	0
38	650.3	Transportation	0	0	0	0
39		-Maintenance-				
40	620.4	Materials And Supplies	0	0	0	0
41	631.4	Contract Services - Engineering	0	0	0	0
42	636.4	Contract Services	0	0	0	0
43	650.4	Transportation	0	0	0	0
44	675.4	Miscellaneous Maintenance Expense	0	0	0	0
45		-Miscellaneous-				
46	675.3	Miscellaneous Operating Expense	0	0	134,722	134,722
47		Total Water Treatment Expense	\$0	\$0	\$416,202	\$423,337
48		Transmission And Distribution				
49		-Operation-				
50	601.5	Salary And Wages	\$0	\$0	\$0	\$0
51	601.6	Salary And Wages	0	0	0	0
52	604.5	Employee Pension And Benefits	0	0	0	0
53	615.5	Purchased Power	0	0	18	18
54	620.5	Materials And Supplies	0	0	0	0
55	631.5	Contract Services - Engineering	0	0	0	0
56	636.5	Contract Services	0	0	0	0
57	641.5	Rental Of Building	0	0	0	0
58	642.5	Rental Of Equipment	0	0	0	0
59	650.5	Transportation	0	0	0	0

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		-Maintenance-				
2	620.6	Materials And Supplies	\$0	\$0	\$57,198	\$58,422
3	631.6	Contract Services - Engineering	0	0	0	0
4	636.6	Contract Services	0	0	0	0
5	650.6	Transportation	0	0	0	0
6	675.6	Miscellaneous Operating Expense	0	0	0	0
7		-Miscellaneous-				
8	675.5	Miscellaneous Operating Expense	0	0	13,789	14,084
9		Total Transmission And Distribution	\$0	\$0	\$71,005	\$72,524
10		Customer Accounting				
11		-Operation-				
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0
14	615.7	Purchased Power	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0
19	636.7	Contract Services	0	0	0	0
20	642.7	Rental Of Equipment	0	0	0	0
21	650.7	Transportation	0	0	0	0
22	657.7	Insurance	0	0	0	0
23	670.7	Bad Debt	0	0	16,069	20,841
24		-Miscellaneous-				
25	675.7	Miscellaneous Expense	0	0	3,757	3,767
26		Total Customer Accounting	\$0	\$0	\$19,826	\$24,608
27		Administrative And General				
28	601.8	Salary And Wages	\$0	\$0	\$0	\$0
29	603.8	Salary Of Officers	0	0	0	0
30	604.8	Employee Pension And Benefits	0	0	32,182	33,833
31	615.8	Purchased Power	0	0	0	0
32	620.8	Materials And Supplies	0	0	0	0
33	631.8	Contract Services	0	0	0	0
34	632.8	Contract Services - Accounting	0	0	0	0
35	633.8	Contract Services - Legal	0	0	0	0
36	634.8	Contract Services - Management	0	0	138,287	140,804
37	635.8	Contract Services - Test	0	0	0	0
38	636.8	Contract Services	0	0	0	354
39	641.8	Rental Of Building	0	0	50,049	51,120
40	642.8	Rental Of Equipment	0	0	0	0
41	650.8	Transportation	0	0	0	0
42	656.8	Insurance - Vehicles	0	0	0	0
43	657.8	Insurance	0	0	28,516	29,127
44	658.8	Workers Compensation	0	0	0	0
45	659.8	Insurance	0	0	0	0
46	660.8	Advertising	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	2,485	2,485
48	667.8	Regulatory Commission	0	0	0	0
49		-Miscellaneous-				
50	675.8	Miscellaneous Expense	0	0	1,532	1,565
51		Total Administrative And General	\$0	\$0	\$253,050	\$259,287
52		Total Operating Expenses	\$0	\$0	\$760,084	\$779,756

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES	
		12/31/21 DETAIL	12/31/21 AMOUNT	12/31/22 DETAIL	12/31/22 AMOUNT	12/31/23 DETAIL	12/31/23 AMOUNT
1	Per Books		\$0				
2	Present Rates At 12/31/2021				\$0		
3	Present Rates At 12/31/2022						\$760,084
4	Proposed Rates At 12/31/2023						
5	Compensation	\$0		\$0		\$0	
6	Group Insurance	0		-		-	
7	Other Post Employment Benefits & VEBA	0		-		-	
8	Pension	0		-		-	
9	Purchased Power	0		-		-	
10	Waste Disposal	0		-		-	
11	Chemicals	0		-		-	
12	Change In Consumption Expense	0		-		-	
13	Transportation Expense	0		-		-	
14	Insurance Other Than Group	0		-		-	
15	Regulatory Expense (Rate Case Expense)	0		2,485		-	
16	Service Company Expense	0		-		-	
17	Postage and Customer Accounting	0		-		-	
18	Inflation	0		-		-	
19	401K & Defined Contribution Plan	0		-		-	
20	Rent Expense	0		-		-	
21	Miscellaneous Adjustments	0		741,530		19,483	
22	Uncollectibles	<u>0</u>		<u>16,069</u>		<u>189</u>	
23	Pro Forma Adjustments		<u>0</u>		<u>760,084</u>		<u>19,672</u>
24	Present Rates At 12/31/2021		<u>\$0</u>				
25	Present Rates At 12/31/2022				<u>\$760,084</u>		
26	Present Rates At 12/31/2023						<u>\$779,756</u>

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a two-year period. Additionally, there is an adjustment for a 10 year amortization of the Customer Class Demand Study.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT
1	Rate Case Expense Allocation	\$4,857
2	Normalized Over 2 Years	2,429
3	Plus Allocation of Amortization of Demand Study	56
4	Less: Amount Charged To Operating Expense	
5	During The Twelve Months Ended 12/31/21	0
6	Pro Forma Adjustment	\$2,485
	666.8 Regulatory Commission Expense	\$2,485

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment is being made to add Upper Pottsgrove WW expenses to pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNTS
1	Upper Pottsgrove WW Annualized O&M	\$747,492	\$34,598
2	Credit Card/E-check Transaction Fees	3,757	10
3	Arrearage Management Plan and Low Income Program		4,937
4	Pro Forma Adjustment	<u>\$751,249</u>	<u>\$39,545</u>
	408.12 Payroll Taxes	9,719	278
	408.2 Taxes, Other Than Income - Property	0	19,784
	601.3 Salary and Wages- Water Treatment	122,369	3,632
	604.8 A&G Employee Pension And Benefits	32,182	1,651
	615.3 Purch Power Oper WT	15,810	0
	615.5 Purch Power Oper TD	18	0
	620.6 M&S Maint TD	57,198	1,224
	634.8 AG - Contract Services Management	138,287	2,517
	636.3 Cont Serv Other Operating	143,301	3,502
	636.8 Contract Service - Admin & General		354
	641.8 Rents - Admin & General	50,049	1,071
	657.8 General Liability	28,516	610
	670.7 Uncollectible Acconts Exp - CA		4,583
	675.3 Misc Exp Oper WT	134,722	0
	675.5 Misc Exp Oper TD	13,789	295
	675.7 Misc Exp Customer Accounting	3,757	10
	675.8 Misc Expense Admin & General	1,532	33

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Total Sales	\$0	\$0	\$1,333,493	\$1,349,190	\$2,831,086
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$0	\$16,069	\$16,258	\$34,115
4	Less: Amount Charged To Operating Expense					
5	During The Twelve Months Ended 12/31/2021		0			
6	Less: Present Rates 12/31/2021			0		
7	Less: Present Rates 12/31/2022				16,069	
8	Less: Present Rates 12/31/2023					16,258
9	Pro Forma Adjustment		\$0	\$16,069	\$189	\$17,857
670.7	Customer Accounting And Collecting - Bad Debt		\$0	\$16,069	\$189	\$17,857
	Witness: Cas Swiz					

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Depreciation	\$0	\$411,723	\$408,314
2	Book Depreciation	<u>0</u>	<u>0</u>	<u>411,723</u>
3	Pro Forma Adjustment	<u>\$0</u>	<u>\$411,723</u>	<u>(\$3,409)</u>
	503 Depreciation	\$0	\$411,723	(\$3,409)

Witness: Stacey D. Gress, John Spanos

Reference: Exhibits No. 11

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Upper Pottsgrove Township Transaction Costs Seeking Approval	\$0	\$36,575
2	Proforma Expense	0	36,575
3	Less: Per Books	0	0
4	Pro Forma Adjustment	\$0	\$36,575

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

**Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees**

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Total Wastewater Sales	\$0	\$1,325,220	\$1,340,820	\$2,813,522
2	Estimated General Assessment Fee				
3	Public Utility Commission At 0.004732071817	0	6,271	6,345	13,314
4	Consumer Advocate Fee At 0.001576414354	0	2,089	2,114	4,435
5	Small Business Advocate Fee At 0.000324126811	0	430	435	912
6	Damage Prevention Committee Fee At 0.000082988139	0	110	111	233
7	Subtotal	0	8,900	9,005	18,894
8	Less: Amount Charged To Operating Expenses During				
9	The Twelve Months Ended 12/31/2021	0			
10	Less: Pro Forma Under Present Rates At 12/31/2021		0		
11	Less: Pro Forma Under Present Rates At 12/31/2022			8,900	
12	Less: Pro Forma Under Present Rates At 12/31/2023				9,005
13	Pro Forma Adjustment	\$0	\$8,900	\$105	\$9,889
	507.1 Taxes Other Than Income				\$18,894
	Witness: Stacey D. Gress				

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED 12/31/23 AMOUNT
1	State Income Tax Per Computation				
2	Shown On Following Page	\$0	\$27,469	\$23,943	\$169,165
3	Less: State Income Tax Per Book				
4	Computation Shown On Following Page	0			
5	Less: Present Rates 12/31/2021		0		
6	Less: Present Rates 12/31/2022			27,469	
7	Less: Present Rates 12/31/2023				23,943
<hr/>					
8	Pro Forma Adjustment	\$0	\$27,469	(\$3,526)	\$145,222
<hr/>					
9	Federal Income Tax Per Computation				
10	Shown On Following Page	\$0	\$51,957	\$46,277	\$321,051
11	Less: Federal Income Tax Per Book				
12	Computation Shown On Following Page	0			
13	Less: Present Rates 12/31/2021		0		
14	Less: Present Rates 12/31/2022			51,957	
15	Less: Present Rates 12/31/2023				46,277
<hr/>					
16	Pro Forma Adjustment	\$0	\$51,957	(\$5,680)	\$274,774

Witness: Melissa Ciullo

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Utility Operating Income Before Taxes	\$0	\$0	\$143,067	\$85,759	\$1,539,909
2	Less: Interest Expense	0	0	280,169	271,541	272,019
3	Taxable Operating Income	0	0	(137,102)	(185,782)	1,267,890
4	Add: Premature Property Losses / Amortizations	0	0	0	36,575	36,575
5	Depr - Straight Line-Remaining Life (Including COR)	0	0	411,723	408,314	408,314
6	Taxable Meals & Entertainment	0	0	0	0	0
7	Total	0	0	411,723	444,889	444,889
8	Deduct:					
9	Tax Depreciation:					
10	State Tax Depreciation Adjustments	0	0	(348)	19,433	19,433
11	Total	0	0	(348)	19,433	19,433
12	State Taxable Income	0	0	274,969	239,674	1,693,346
13	State Income Tax At:					
14	Historic, Future And Fully Projected At 9.99%	0	0	27,469	23,943	169,165
15	Taxable Income After State Income Tax	0	0	247,500	215,731	1,524,181
16	Add:					
17	Federal Tax Depreciation Adjustments	0	0	(84)	4,634	4,634
18	Income Subject To Federal Income Tax	0	0	247,416	220,365	1,528,815
19	Federal Income Tax @ 21%	0	0	51,957	46,277	321,051
20	Excess ADIT	0	0	0	0	0
21	Federal Tax Liability	\$0	\$0	\$51,957	\$46,277	\$321,051
	Witness: Melissa Ciullo					

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	PROPOSED
		12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/23 AMOUNT	12/31/23 AMOUNT
1	Interest On Long Term Debt Per Computation				
2	Shown On Following Page	\$0	\$257,165	\$251,456	\$251,899
3	Less: Interest On Long Term Debt As Per Book				
4	Computation On Following Page	0			
5	Less: Present Rates At 12/31/2021		0		
6	Less: Present Rates At 12/31/2022			257,165	
7	Less: Present Rates At 12/31/2023				251,456
<hr/>					
8	Pro Forma Adjustment	\$0	\$257,165	(\$5,709)	\$443
<hr/>					
9	Interest On Wastewater Specific Long Term Debt Per Computation				
10	Shown On Following Page	\$0	\$23,004	\$20,085	\$20,120
11	Less: Interest On Wastewater Specific Long Term Debt As Per Book				
12	Computation On Following Page	0			
13	Less: Present Rates At 12/31/2021		0		
14	Less: Present Rates At 12/31/2022			23,004	
15	Less: Present Rates At 12/31/2023				20,085
<hr/>					
16	Pro Forma Adjustment	\$0	\$23,004	(\$2,919)	\$35

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - Upper Pottsgrove WW Operations

Notes to Statement Of Income

Application of Income Deductions

PRESENT RATES AT DECEMBER 31, 2021				PRESENT RATES AT DECEMBER 31, 2022			PRESENT RATES AT DECEMBER 31, 2023			
LINE NO.	DESCRIPTION	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure									
2	Long Term Debt	\$292,725,976	40.59%	4.35%	\$429,719,609	41.88%	4.32%	\$469,628,075	42.26%	4.31%
3	Long Term Debt - WW Specific	65,182,069	9.04%	2.56%	64,002,276	6.24%	2.59%	62,810,631	5.65%	2.57%
4	Total Debt	357,908,045	49.63%		493,721,885	48.12%		532,438,706	47.91%	
5	Preferred Stock	262,358	0.04%	8.87%	96,199	0.01%	9.70%	104,851	0.01%	9.70%
6	Common Equity	362,906,749	50.33%		532,171,228	51.87%		578,778,070	52.08%	
7	Totals	\$721,077,152	100.00%		\$1,025,989,312	100.00%		\$1,111,321,627	100.00%	
					PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT		
8	Application Of Long Term Debt Interest:									
9	Original Cost Rate Base				\$0	\$14,214,184	\$13,805,585	\$13,829,945		
10	Debt Percentage (From Above)				40.59%	41.88%	42.26%	42.26%		
11	Debt Portion Of Rate Base				0	5,952,900	5,834,240	5,844,535		
12	Interest Cost (From Above)				4.35%	4.32%	4.31%	4.31%		
13	Pro Forma Long Term Interest Deduction				\$0	\$257,165	\$251,456	\$251,899		
14	Application Of Wastewater Specific Long Term Debt Interest:									
15	Original Cost Rate Base				\$0	\$14,214,184	\$13,805,585	\$13,829,945		
16	Debt Percentage (From Above)				9.04%	6.24%	5.65%	5.65%		
17	Debt Portion Of Rate Base				0	886,965	780,016	781,392		
18	Interest Cost (From Above)				2.56%	2.59%	2.57%	2.57%		
19	Pro Forma Wastewater Specific Long Term Interest Deduction				\$0	\$23,004	\$20,085	\$20,120		

Witness: Ann E. Bulkley

York WW Operations

Pennsylvania-American Water Company - York WW Operations

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Pennsylvania-American Water Company - York WW Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2021

December 31, 2022, and 2023 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PER BOOKS	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT	RATE INCREASE	PROPOSED RATES AMOUNT	LINE NO.
1	Operating Revenue	\$0	\$0	\$0	\$18,755,982	\$18,755,982	\$0	\$18,755,982	\$23,409,274	\$42,165,256	1
2	Operating Revenue Deductions:										2
3	Operating Expenses	0	0	0	8,981,160	8,981,160	155,480	9,136,640	282,081	9,418,721	3
4	Depreciation	0	0	0	5,756,690	5,756,690	39,569	5,796,259	0	5,796,259	4
5	Amortizations	0	0	0	0	0	193,972	193,972	0	193,972	5
6	Taxes, Other Than Income:										6
7	Local Property And Miscellaneous	0	0	0	0	0	972,312	972,312	0	972,312	7
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	8
9	Public Utility Realty Taxes	0	0	0	0	0	0	0	0	0	9
10	Payroll Taxes	0	0	0	153,486	153,486	4,346	157,832	0	157,832	10
11	General Assessment	0	0	0	125,177	125,177	0	125,177	156,232	281,409	11
12	Other Taxes and Licenses	0	0	0	0	0	0	0	0	0	12
13	Total Taxes Other Than Income	0	0	0	278,663	278,663	976,658	1,255,321	156,232	1,411,553	13
14	Utility Operating Income Before Income Taxes	0	0	0	3,739,469	3,739,469	(1,365,679)	2,373,790	22,970,961	25,344,751	14
15	Income Taxes:										15
16	State Income Tax	0	0	0	492,187	492,187	(145,331)	346,856	2,294,043	2,640,899	16
17	Federal Income Tax	0	0	0	932,565	932,565	(260,502)	672,063	4,340,564	5,012,627	17
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	18
19	Total Income Taxes	0	0	0	1,424,752	1,424,752	(405,833)	1,018,919	6,634,607	7,653,526	19
20	Total Operating Revenue Deductions	0	0	0	16,441,265	16,441,265	959,846	17,401,111	7,072,920	24,474,031	20
21	Utility Operating Income	0	0	0	2,314,717	2,314,717	(959,846)	1,354,871	16,336,354	17,691,225	21
22	Income Deductions:										22
23	Interest On Long Term Debt	0	0	0	4,170,625	4,170,625	67,811	4,238,436	7,006	4,245,442	23
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	24
25	Interest On Notes Payable To Others	0	0	0	373,068	373,068	(34,527)	338,541	559	339,100	25
26	Total Income Deductions	0	0	0	4,543,693	4,543,693	33,284	4,576,977	7,565	4,584,542	26
27	Net Income	\$0	\$0	\$0	(\$2,228,976)	(\$2,228,976)	(\$993,130)	(\$3,222,106)	\$16,328,789	\$13,106,683	27
28	Preferred Dividends	0		0		2,236		2,257		2,261	28
29	Net Income To Common	\$0		\$0		(\$2,231,212)		(\$3,224,363)		\$13,104,422	29

PENNSYLVANIA-AMERICAN WATER COMPANY - CITY OF YORK WASTEWATER

TOTAL REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021 AND DECEMBER 31, 2022

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2021	UNBILLED	ACQUISITION ADJUSTMENTS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	PRO FORMA PRESENT RATES 12/31/2021	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	DECLINING USAGE	ACQUISITION ADJUSTMENTS	DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2022
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	522.1	RESIDENTIAL					\$0			\$4,288,976		\$4,288,976
4	522.2	COMMERCIAL					0			3,640,414		3,640,414
5	522.3	INDUSTRIAL					0			1,635,974		1,635,974
6	522.4	MUNICIPAL					0					0
7	522.4	BULK					0			9,074,251		9,074,251
8		TOTAL METERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$18,639,615	\$0	\$18,639,615
9		UNMETERED SALES										
10	522.1	RESIDENTIAL					\$0					\$0
11	522.2	COMMERCIAL					0					0
12	522.3	INDUSTRIAL					0					0
13	522.4	MUNICIPAL					0					0
14	522.4	BULK					0					0
15		TOTAL UNMETERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16		TOTAL WASTEWATER SALES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$18,639,615	\$0	\$18,639,615
17		OTHER OPERATING REVENUES										
18	530	GUARANTEED REVENUES					\$0					\$0
19	532	LATE PAYMENT FEES					0			116,367		116,367
20	536	MISC SERVICE REVENUES					0					0
21	534	RENTS FROM PROPERTIES					0					0
22	535	INTERCOMPANY RENTS					0					0
23	523	OTHER WW REVENUES					0					0
24		TOTAL OTHER OPERATING REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$116,367	\$0	\$116,367
25		TOTAL OPERATING REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$18,755,982	\$0	\$18,755,982
26												

PENNSYLVANIA-AMERICAN WATER COMPANY - CITY OF YORK WASTEWATER

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2023

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2022	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2023	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$4,288,976					\$4,288,976	369.61%	\$15,852,491	\$20,141,467
4	522.2	COMMERCIAL	3,640,414					3,640,414	140.47%	5,113,554	8,753,967
5	522.3	INDUSTRIAL	1,635,974					1,635,974	140.47%	2,297,992	3,933,966
6	522.4	MUNICIPAL	0					0	0.00%	0	0
7	522.4	BULK	9,074,251					9,074,251	0.00%	0	9,074,251
8		TOTAL METERED SALES	\$18,639,615	\$0	\$0	\$0	\$0	\$18,639,615	124.81%	\$23,264,036	\$41,903,651
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	\$0					\$0	0.00%	\$0	\$0
11	522.2	COMMERCIAL	0					0	0.00%	0	0
12	522.3	INDUSTRIAL	0					0	0.00%	0	0
13	522.4	MUNICIPAL	0					0	0.00%	0	0
14	522.4	BULK	0					0	0.00%	0	0
15		TOTAL UNMETERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	\$0
16		TOTAL WASTEWATER SALES	\$18,639,615	\$0	\$0	\$0	\$0	\$18,639,615	124.81%	\$23,264,036	\$41,903,651
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	\$0					0	0.00%	\$0	0
19	532	LATE PAYMENT FEES	\$116,367		0			116,367	124.81%	145,238	261,605
20	536	MISC SERVICE REVENUES	\$0					0	0.00%	0	0
21	534	RENTS FROM PROPERTIES	\$0					0	0.00%	0	0
22	535	INTERCOMPANY RENTS	\$0					0	0.00%	0	0
23	523	OTHER WW REVENUES	\$0					0	0.00%	0	0
24		TOTAL OTHER OPERATING REVENUES	\$116,367	\$0	\$0	\$0	\$0	\$116,367	124.81%	\$145,238	\$261,605
25		TOTAL OPERATING REVENUES	\$18,755,982	\$0	\$0	\$0	\$0	\$18,755,982	124.81%	\$23,409,274	\$42,165,256
26											

PENNSYLVANIA-AMERICAN WATER COMPANY - CITY OF YORK WASTEWATER

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT
1	Per Books		\$0				
2	Present Rates At 12/31/2022				\$0		
3	Present Rates At 12/31/2023						\$18,755,982
4							
5	Annualization of Acquired System			\$18,639,615			
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16	Other Operating Revenues						
17	470 - Penalties			116,367		0	
18							
19							
20							
21	Pro Forma Adjustment		<u>0</u>		<u>18,755,982</u>		<u>0</u>
22	Pro Forma Present Rates At December 31, 2021		<u><u>\$0</u></u>				
23	Pro Forma Present Rates At December 31, 2022				<u>\$18,755,982</u>		
24	Pro Forma Present Rates At December 31, 2023						<u><u>\$18,755,982</u></u>

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Operating Revenues

Acquisition Adjustment - City of York

During 2022, the Company will close on the acquisition of the wastewater utility property of the City of York and begin providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Metered Sales			
2	Residential	\$0	\$4,288,976	\$4,288,976
3	Commercial	0	3,640,414	3,640,414
4	Industrial	0	1,635,974	1,635,974
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous (Bulk)		9,074,251	9,074,251
8	Total Metered Sales	\$0	\$18,639,615	\$18,639,615
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Miscellaneous (Bulk)	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Wastewater Sales	\$0	\$18,639,615	\$18,639,615
17	Miscellaneous Service Fees	\$0	\$0	\$0
18	Rents From Properties	0	0	0
19	Total Operating Revenues	\$0	\$18,639,615	\$18,639,615
20	Pro Forma Adjustment	\$0	\$18,639,615	\$0

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2020 and 2021, and the estimated number of customers to be served at December 31, 2022 through 2023. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2023 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2020	SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	TO BE SERVED AT 12/31/2023	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered							
2	601.1	Residential			12,167	12,167	12,167		
3	601.2	Commercial			1,354	1,354	1,354		
4	601.3	Industrial			67	67	67		
5	606	Municipal			0	0	0		
6	607	Resale			0	0	0		
7	601.4	Miscellaneous			7	7	7		
8		Metered	0	0	13,595	13,595	13,595	0	0
9		Unmetered							
10	602.1	Residential							
11	602.2	Commercial							
12	602.3	Industrial							
13	606	Municipal							
14	602.4	Miscellaneous							
15		Unmetered	0	0	0	0	0	0	0
16	604	Private Fire							
17	605	Public Fire							
18	Total Customers		0	0	13,595	13,595	13,595	0	0

Witness: Charles Rea

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2021 and projected to be imposed during 2022 and 2023. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23	PROPOSED RATES 12/31/23
1 Total Billed Wastewater Sales	\$0	\$0	\$18,639,615	\$18,639,615	\$41,903,651
2 % Of Penalties To Total					
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	0	0	116,367	116,367	261,604
5 Less: Per Books At 12/31/2021		0			
6 Less: Present Rates At 12/31/2021			0		
7 Less: Present Rates At 12/31/2022				116,367	
8 Less: Present Rates At 12/31/2023					116,367
9 Pro Forma Adjustments		\$0	\$116,367	\$0	\$145,237

Witness: Charles Rea

Pennsylvania-American Water Company - York WW Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED ORIGINAL COST 12/31/23	DEPRECIATED ORIGINAL COST PROPOSED
1	Non-Depreciable Plant	\$0	\$5,198,862	\$5,198,862	\$5,198,862
2	Depreciable Plant	0	228,730,044	237,404,885	237,404,885
3	Total Utility Plant In Service	0	233,928,906	242,603,747	242,603,747
4	Deduct:				
5	Contributions In Aid Of Construction	0	0	0	0
6	Customer Advances For Construction	0	0	0	0
7	Excluded Property	0	0	0	0
8	Sub-Total	0	0	0	0
9	Net Utility Plant In Service	0	233,928,906	242,603,747	242,603,747
10	Accumulated Depreciation	0	5,491,845	10,985,445	10,985,445
11	Depreciated Utility Plant In Service	0	228,437,061	231,618,302	231,618,302
12	Add:				
13	Materials And Supplies	0	42,477	42,477	42,477
14	Cash Working Capital - Expenses	0	392,953	400,005	400,005
15	Accrued And Prepaid Taxes	0	131,722	323,598	708,944
16	Acquisition Adjustments	0	1,923,631	1,731,268	1,731,268
17	Other Additions	0	0	0	0
18	Deduct:				
19	Cash Working Capital - Int And Div	0	433,873	437,080	437,778
20	Unamortized Itc (3%)	0	0	0	0
21	Extension Deposits In Suspense	0	0	0	0
22	Tax Cuts and Jobs Act -Stub Period	0	0	0	0
23	Other Deductions	0	0	0	0
24	Deferred Taxes	0	(27,139)	977,248	977,248
25	Total Rate Base Elements	\$0	\$230,521,110	\$232,701,322	\$233,085,970
26	Utility Operating Income				
27	Per Books	\$0	0.00%	0.00%	0.00%
28	Present Rates At 12/31/2021	0	0.00%	-	-
29	Present Rates At 12/31/2022	2,314,717	-	1.00%	-
30	Present Rates At 12/31/2023	1,354,871	-	-	0.58%
31	Proposed Rates At 12/31/2023	17,691,225	-	-	7.59%

Witness: Stacey D. Gress

Pennsylvania-American Water Company - York WW Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2021	ADDITIONS	ACQUISITION	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2023
1	352.00	Franchises & Consents	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	353.00	Land & Land Rights		0	5,198,862	0	5,198,862	0	0	5,198,862
3		Total Intangible Plant	\$0	\$0	\$5,198,862	\$0	\$5,198,862	\$0	\$0	\$5,198,862
4	354.20	Structures And Improvements - Collection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	354.30	Structures And Improvements - SPP		0	106,379	0	106,379	1,000,000	0	1,106,379
6	354.40	Structures And Improvements - TDP		112,500	122,160,376	8,419	122,264,457	3,750,000	26,643	125,987,814
7	354.70	Structures And Improvements - General		0	0	0	0	150,000	0	150,000
8	355.00	Power Generation Equipment		25,000	5,976	0	30,976	50,000	0	80,976
9	360.10	Collection Sewers - Force Mains		75,000	78,399	0	153,399	0	0	153,399
10	361.10	Collection Sewers - Gravity Mains		225,000	45,579,370	19,645	45,784,725	400,000	62,167	46,122,558
11	361.20	Manholes		75,000	9,672,856	4,490	9,743,366	100,000	14,210	9,829,156
12	363.00	Services		56,250	7,218,082	2,806	7,271,526	75,000	8,881	7,337,645
13	364.00	Flow Measuring Devices		0	83,864	0	83,864	0	0	83,864
14	365.00	Flow Measuring Installations		0	0	0	0	0	0	0
15	370.00	Receiving Wells		0	0	0	0	0	0	0
16	371.00	Pumping Equipment		275,000	6,369,535	20,580	6,623,955	200,000	25,000	6,798,955
17	380.00	Treatment Equipment		500,000	34,597,801	39,290	35,058,511	450,000	99,334	35,409,177
18	381.00	Plant Sewers		0	0	0	0	0	0	0
19	382.00	Outfall Sewer Lines		0	0	0	0	0	0	0
20	389.10	Other Plant And Miscellaneous Equipment - Intangibles		0	0	0	0	200,000	0	200,000
21	390.00	Office Furniture And Equipment		0	45,693	0	45,693	250,000	0	295,693
22	390.20	Computers & Peripheral		0	0	0	0	0	0	0
23	391.00	Transportation Equipment		885,000	94,855	66,231	913,624	295,000	52,398	1,156,226
24	392.00	Stores Equipment		0	0	0	0	0	0	0
25	393.00	Tools, Shop And Garage Equipment		300,000	0	0	300,000	250,000	0	550,000
26	394.00	Laboratory Equipment		0	287,951	103,382	184,569	150,000	14,026	320,542
27	395.00	Power Operated Equipment		0	0	0	0	0	0	0
28	396.00	Communication Equipment		90,000	0	0	90,000	1,657,500	0	1,747,500
29	397.00	Miscellaneous Equipment		75,000	0	0	75,000	0	0	75,000
30	398.00	Other Tangible Plant		0	0	0	0	0	0	0
31		Total Tangible Plant	\$0	\$2,693,750	\$226,301,138	\$264,845	\$228,730,044	\$8,977,500	\$302,659	\$237,404,885
32		Total Utility Plant In Service	\$0	\$2,693,750	\$231,500,000	\$264,845	\$233,928,906	\$8,977,500	\$302,659	\$242,603,747

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - York WW Operations

Notes to Rate Base Elements

Materials And Supplies

The Company's claim for materials and supplies at December 31, 2022 and December 31, 2023 is calculated on the basis of the average monthly balances in the material and supplies accounts for PAWC's other wastewater districts for the period of December 2020 to December 2021. This balance was divided by the total number of customers in the other wastewater districts in order to calculate the amount of materials and supplies per customer. This per customer number was then multiplied by the total number of York Wastewater customers to calculate the Company's claim.

LINE NO.	DETAIL	12/31/2022 and 12/31/2023 AMOUNT
1	13-Month average of M&S for PAWC's 18 other WW districts	\$119,526
2	Number of customers in PAWC's 18 other WW districts	38,142
3	Amount of M&S per customer	\$3.13
4	Total number of City of York WW customers	13,571
5	Allowance for Materials and Supplies	
6	At 12/31/2022 and 12/31/2023	<u><u>\$42,477</u></u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - York WW Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for wastewater service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2021 and as annualized under present rates for the twelve months ending December 31, 2022 and December 31, 2023.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO. DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT
1 Operating Revenue Billed During The Twelve Months Ended 12/31/2021				
2 Bi-Monthly Billings				
3 Lag Days				
4 Dollar Days				
5 Quarterly				
6 Lag Days				
7 Dollar Days				
8 Monthly Billings	\$0	\$0	\$18,755,982	\$18,755,982
9 Lag Days	56.9	56.9	56.9	56.9
10 Dollar Days	\$0	\$0	\$1,067,027,816	\$1,067,027,816
11 Total Billed Revenue	\$0	\$0	\$18,755,982	\$18,755,982
12 Total Dollar Days	\$0	\$0	\$1,067,027,816	\$1,067,027,816
13 Average Lag In Receipt Of Revenue (Line 12 / Line11)	0.0	0.0	56.9	56.9
14 Deduct: Average Lag In Payment Of				
15 Operating Expenses	0.0	0.0	40.8	40.8
16 Average Lag Between Payment Of Operating				
17 Expenses And Receipt Of Revenues	0.0	0.0	16.1	16.1
18 Working Capital Requirements				
19 Annual Operating Expenses (Including Payroll Expenses)		\$0	\$8,908,636	\$9,068,462
20 Operating Expenses Per Day (Line 20 / 365 Days)		0	24,407	24,845
21 Cash Working Capital Required				
22 (Line 17 * Line 20)		\$0	\$392,953	\$400,005

Witness: Stacey D. Gress

Pennsylvania-American Water Company - York WW Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO.	DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS	ESSENT RATES 12/31/2		PRESENT RATES 12/31/2022		PRESENT RATES 12/31/2023		
			DOLLAR AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS
1	Labor and Payroll Taxes	12.09	\$0	\$0	\$0	\$0	\$153,486	\$1,855,646	\$157,832	\$1,908,189
2	Group Insurance	10.42	0	0	0	0	0	0	0	0
3	OPEB's and VEBA	4.00	0	0	0	0	0	0	0	0
4	Pension	(3.31)	0	0	0	0	0	0	0	0
5	Purchased Power	29.97	0	0	0	0	0	0	0	0
6	Purchased Water	35.49	0	0	0	0	0	0	0	0
7	Chemicals	49.18	0	0	0	0	0	0	0	0
8	Miscellaneous	41.24	0	0	0	0	8,695,693	358,610,379	8,848,922	364,929,543
9	Transportation	57.82	0	0	0	0	59,457	3,437,804	61,708	3,567,957
10	Ins Other Than Group	(64.44)	0	0	0	0	0	0	0	0
11	Service Company	12.09	0	0	0	0	0	0	0	0
12	Waste Disposal	43.88	0	0	0	0	0	0	0	0
13	Telephone	(0.01)	0	0	0	0	0	0	0	0
14	Rents	(8.28)	0	0	0	0	0	0	0	0
15	Natural Gas	34.44	0	0	0	0	0	0	0	0
16	Totals		\$0	\$0	\$0	\$0	\$8,908,636	\$363,903,829	\$9,068,462	\$370,405,689
17	Average Lag			0.0		0.0		40.8		40.8
18	Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$0		\$0		\$9,134,646		\$9,294,472	
19	Uncollectibles		0		0		226,010		226,010	
20	Amortizations		0		0		0		0	
21	Sum Of Other Expenses		0		0		212,943		219,540	
22	Miscellaneous		\$0		\$0		\$8,695,693		\$8,848,922	

Witness: Stacey D. Gress

Pennsylvania-American Water Company - York WW Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		PRESENT RATES 12/31/2023		PROPOSED RATES 12/31/2023	
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	195.1	\$0	\$0	\$125,177	\$66,910	\$125,177	\$66,910	\$281,409	\$150,419
2	Public Utility Realty Tax	72.9	0	0	0	0	0	0	0	0
3	Local Property Tax	79.0	0	0	0	0	972,312	210,419	972,312	210,419
4	State Income Tax	20.4	0	0	492,187	27,509	346,856	19,386	2,640,899	147,601
5	Federal Income Tax	14.6	0	0	932,565	37,303	672,063	26,883	5,012,627	200,505
6	Totals			\$0		\$131,722		\$323,598		\$708,944

Witness: Stacey D. Gress

Pennsylvania-American Water Company - York WW Operations

Notes to Rate Base Elements

Calculation of Lag Days for Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS					TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2021 TAX						
1	General Assessment	7/1/21	6/30/22	6/29/21	9/14/21					
2	Percent Of Payment			53.96%	46.04%					1.0
3	Lag Days			(99.0)	(49.0)				(138.22)	195.1
4	Public Utility Realty Tax	1/1/21	12/31/21	4/29/21						
5	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
6	Lag Days			(16.0)					(16.00)	72.9
7	Local Property Tax	1/1/21	12/31/21	Lag calculated using expense lag method						
8	Payment									
9	Lag Days								(22.09)	79.0
10	State Income Tax	1/1/21	12/31/21	4/15/21	6/15/21	9/15/21		12/15/21		
11	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8		41.5	36.50	20.4
13	Federal Income Tax	1/1/21	12/31/21	4/23/21	6/15/21	9/24/21	12/21/21	12/22/21		
14	Percent Of Payment			25.00%	25.00%	25.00%	12.50%	12.50%		1.0
15	Lag Days			(17.5)	(4.3)	21.0	21.5	21.6	42.30	14.6

Pennsylvania-American Water Company - York WW Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

LINE

NO. DESCRIPTION

	LONG TERM INTEREST	SHORT TERM INTEREST	PREFERRED DIVIDEND		
1	Average Lag Calculation				
2	Future Revenue Lag Days	56.9	56.9	56.9	
3	Less: Interest Payments Lag Days	91.8	82.4	46.2	
4	Average Lag Between The Payment	(34.9)	(25.5)	10.7	
5	Of Interest And The Receipt				
6	Of Revenues				
	PRESENT RATES 12/31/21		PRESENT RATES 12/31/22	PRESENT RATES 12/31/23	PROPOSED AMOUNT 12/31/23
7	Long Term Debt				
8	Working Capital Requirements				
9	Pro Forma Annual Interest Expense	\$0	\$4,170,625	\$4,238,436	\$4,245,442
10	Interest Expense Per Day				
11	(Line 9 / 365 Days)	0	11,426	11,612	11,631
12	Cash Working Capital Required				
13	(Line 4 Col.1 X Line 11)		0	(398,310)	(404,794)
					(405,457)
14	Long Term Debt - Wastewater Specific				
15	Working Capital Requirements				
16	Pro Forma Annual Interest Expense	0	373,068	338,541	339,100
17	Interest Expense Per Day				
18	(Line 16 / 365 Days)	0	1,022	928	929
19	Cash Working Capital Required				
20	(Line 4 Col.2 X Line 18)		0	(35,627)	(32,350)
					(32,385)
21	Preferred Dividends				
22	Working Capital Requirements				
23	Pro Forma Annual Dividend Expense	0	2,236	2,257	2,261
24	Dividend Expense Per Day				
25	(Line 23 / 365 Days)	0	6	6	6
26	Cash Working Capital Required				
27	(Line 4 Col.3 X Line 25)		0	64	64
					64
28	Total Cash Working Capital Required				
29	(Line 13 + Line 20 + Line 27)		\$0	(\$433,873)	(\$437,080)
					(\$437,778)

Witness: Stacey D. Gress

Pennsylvania-American Water Company - York WW Operations

Notes to Rate Base Elements

Acquisition Adjustments

The Company is requesting recognition of the transaction costs associated with its acquisition of the wastewater assets of the City of York at Docket No. A-2021-3024681.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2021 AMOUNT	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT	2023 Amortizations	PRESENT RATES 12/31/2023 AMOUNT
1	City of York Wastewater Authority Acquisitions Costs	Seeking Approval	\$0	\$0	\$1,923,631	\$192,363	\$1,731,268
2	Effect to Rate Base Element		<u>\$0</u>	<u>\$0</u>	<u>\$1,923,631</u>	<u>\$192,363</u>	<u>\$1,731,268</u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - York WW Operations

Notes to Rate Base Elements

Deferred Income Tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Deferred Tax	\$0	\$27,139	(\$977,248)
2	Less: Prior Year		0	27,139
3	Effect to Rate Base Element	<u>\$0</u>	<u>\$27,139</u>	<u>(\$1,004,387)</u>

Witness: Melissa Ciullo

Reference: FR IV.4

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		Source Of Supply Expenses				
2		-Operations-				
3	601.1	Salary And Wages	\$0	\$0	\$0	\$0
4	601.2	Salary And Wages	0	0	0	0
5	610.1	Purchased Water	0	0	0	0
6	615.1	Purchased Power	0	0	0	0
7	616.1	Purchased Fuel	0	0	0	0
8	620.1	Materials And Supplies	0	0	0	0
9	631.1	Contract Services - Engineering	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0
11	636.1	Contract Services	0	0	0	0
12	641.1	Rental Of Building	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0
14	650.1	Transportation	0	0	0	0
15		-Maintenance-				
16	620.2	Materials And Supplies	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0
18	636.2	Contract Services	0	0	0	0
19		-Miscellaneous-				
20	675.1	Miscellaneous Operating Expense	0	0	0	0
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0
22		Total Source Of Supply Expenses	\$0	\$0	\$0	\$0
23		Water Treatment				
24		-Operation-				
25	601.3	Salary And Wages	\$0	\$0	\$1,935,813	\$1,992,739
26	601.4	Salary And Wages	0	0	0	0
27	604.3	Employee Pension And Benefits	0	0	0	0
28	615.3	Purchased Power	0	0	700,216	700,216
29	618.3	Chemicals	0	0	321,000	321,000
30	620.3	Materials And Supplies	0	0	0	0
31	631.3	Contract Services - Engineering	0	0	0	0
32	633.3	Contract Services - Legal	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0
34	635.3	Contract Services - Test	0	0	0	0
35	636.3	Contract Services	0	0	1,147,750	1,147,750
36	641.3	Rental Of Building	0	0	0	0
37	642.3	Rental Of Equipment	0	0	0	0
38	650.3	Transportation	0	0	0	0
39		-Maintenance-				
40	620.4	Materials And Supplies	0	0	0	0
41	631.4	Contract Services - Engineering	0	0	0	0
42	636.4	Contract Services	0	0	0	0
43	650.4	Transportation	0	0	0	0
44	675.4	Miscellaneous Maintenance Expense	0	0	0	0
45		-Miscellaneous-				
46	675.3	Miscellaneous Operating Expense	0	0	460,438	460,438
47		Total Water Treatment Expense	\$0	\$0	\$4,565,216	\$4,622,142
48		Transmission And Distribution				
49		-Operation-				
50	601.5	Salary And Wages	\$0	\$0	\$0	\$0
51	601.6	Salary And Wages	0	0	0	0
52	604.5	Employee Pension And Benefits	0	0	0	0
53	615.5	Purchased Power	0	0	784	784
54	620.5	Materials And Supplies	0	0	0	0
55	631.5	Contract Services - Engineering	0	0	0	0
56	636.5	Contract Services	0	0	0	0
57	641.5	Rental Of Building	0	0	0	0
58	642.5	Rental Of Equipment	0	0	0	0
59	650.5	Transportation	0	0	0	0

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		-Maintenance-				
2	620.6	Materials And Supplies	\$0	\$0	\$975,000	\$975,000
3	631.6	Contract Services - Engineering	0	0	0	0
4	636.6	Contract Services	0	0	0	0
5	650.6	Transportation	0	0	0	0
6	675.6	Miscellaneous Operating Expense	0	0	0	0
7		-Miscellaneous-				
8	675.5	Miscellaneous Operating Expense	0	0	813,889	813,889
9		Total Transmission And Distribution	\$0	\$0	\$1,789,673	\$1,789,673
10		Customer Accounting				
11		-Operation-				
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0
14	615.7	Purchased Power	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0
19	636.7	Contract Services	0	0	0	0
20	642.7	Rental Of Equipment	0	0	0	0
21	650.7	Transportation	0	0	0	0
22	657.7	Insurance	0	0	0	0
23	670.7	Bad Debt	0	0	226,010	264,204
24		-Miscellaneous-				
25	675.7	Miscellaneous Expense	0	0	31,310	31,389
26		Total Customer Accounting	\$0	\$0	\$257,320	\$295,593
27		Administrative And General				
28	601.8	Salary And Wages	\$0	\$0	\$0	\$0
29	603.8	Salary Of Officers	0	0	0	0
30	604.8	Employee Pension And Benefits	0	0	660,005	694,129
31	615.8	Purchased Power	0	0	0	0
32	620.8	Materials And Supplies	0	0	0	0
33	631.8	Contract Services	0	0	0	0
34	632.8	Contract Services - Accounting	0	0	0	0
35	633.8	Contract Services - Legal	0	0	0	0
36	634.8	Contract Services - Management	0	0	1,151,261	1,172,215
37	635.8	Contract Services - Test	0	0	0	0
38	636.8	Contract Services	0	0	0	2,952
39	641.8	Rental Of Building	0	0	44,500	44,500
40	642.8	Rental Of Equipment	0	0	0	0
41	650.8	Transportation	0	0	59,457	61,708
42	656.8	Insurance - Vehicles	0	0	0	0
43	657.8	Insurance	0	0	368,020	368,020
44	658.8	Workers Compensation	0	0	0	0
45	659.8	Insurance	0	0	0	0
46	660.8	Advertising	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	20,707	20,707
48	667.8	Regulatory Commission	0	0	0	0
49		-Miscellaneous-				
50	675.8	Miscellaneous Expense	0	0	65,000	65,000
51		Total Administrative And General	\$0	\$0	\$2,368,951	\$2,429,231
52		Total Operating Expenses	\$0	\$0	\$8,981,160	\$9,136,640

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES	
		12/31/21 DETAIL	12/31/21 AMOUNT	12/31/22 DETAIL	12/31/22 AMOUNT	12/31/23 DETAIL	12/31/23 AMOUNT
1	Per Books		\$0				
2	Present Rates At 12/31/2021				\$0		
3	Present Rates At 12/31/2022						\$8,981,160
4	Proposed Rates At 12/31/2023						
5	Compensation	\$0		\$0		\$0	
6	Group Insurance	0		-		-	
7	Other Post Employment Benefits & VEBA	0		-		-	
8	Pension	0		-		-	
9	Purchased Power	0		-		-	
10	Waste Disposal	0		-		-	
11	Chemicals	0		-		-	
12	Change In Consumption Expense	0		-		-	
13	Transportation Expense	0		59,457		2,251	
14	Insurance Other Than Group	0		-		-	
15	Regulatory Expense (Rate Case Expense)	0		20,707		-	
16	Service Company Expense	0		-		-	
17	Postage and Customer Accounting	0		-		-	
18	Inflation	0		-		-	
19	401K & Defined Contribution Plan	0		-		-	
20	Rent Expense	0		-		-	
21	Miscellaneous Adjustments	0		8,674,986		153,229	
22	Uncollectibles	<u>0</u>		<u>226,010</u>		<u>0</u>	
23	Pro Forma Adjustments		<u>0</u>		<u>8,981,160</u>		<u>155,480</u>
24	Present Rates At 12/31/2021		<u>\$0</u>				
25	Present Rates At 12/31/2022				<u>\$8,981,160</u>		
26	Present Rates At 12/31/2023						<u>\$9,136,640</u>

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Leased Vehicles Expense	\$77,968	\$80,920
2	Less: 23.74% Not Charged To Operating Expense	18,511	19,212
3	Sub-Total	<u>59,457</u>	<u>61,708</u>
4	Less: Amount Charged To Operating Expense		
5	During the Twelve Months Ended 12/31/21	0	
6	Less: Present Rates During the Twelve Months Ended 12/31/22	<u> </u>	<u>59,457</u>
7	Pro Forma Adjustment	<u><u>\$59,457</u></u>	<u><u>\$2,251</u></u>
	650.8 A & G - Miscellaneous General Expense	\$59,457	\$2,251

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a two-year period. Additionally, there is an adjustment for a 10 year amortization of the Customer Class Demand Study.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT
1	Rate Case Expense Allocation	\$40,479
2	Normalized Over 2 Years	20,240
3	Plus Allocation of Amortization of Demand Study	467
4	Less: Amount Charged To Operating Expense	
5	During The Twelve Months Ended 12/31/21	0
6	Pro Forma Adjustment	\$20,707
	666.8 Regulatory Commission Expense	\$20,707

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment is being made to add York WW expenses to pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	<u>Additions:</u>		
2	York WW Annualized O&M	\$8,797,162	\$1,088,663
3	Credit Card/E-check Transaction Fees	31,310	80
4	Arrearage Management Plan and Low Income Program		41,145
5	Pro Forma Adjustment	<u>\$8,828,471</u>	<u>\$1,129,888</u>
	408.12 Payroll Taxes	153,486	4,347
	408.2 Taxes, Other Than Income - Property	0	972,312
	601.3 Salary and Wages- Water Treatment	1,935,813	56,926
	604.8 A&G Employee Pension And Benefits	660,005	34,124
	615.3 Purch Power Oper WT	700,216	0
	615.5 Purch Power Oper TD	784	0
	618.3 Chemicals- Water Treatment	321,000	0
	620.6 M&S Maint TD	975,000	0
	634.8 AG - Contract Services Management	1,151,261	20,954
	636.3 Cont Serv Other Operating	1,147,750	0
	636.8 Contract Service - Admin & General	0	2,952
	641.8 Rents - Admin & General	44,500	0
	657.8 General Liability	368,020	0
	670.7 Uncollectible Accounts Exp - CA	0	38,194
	675.3 Misc Exp Oper WT	460,438	0
	675.5 Misc Exp Oper TD	813,889	0
	675.7 Misc Exp Customer Accounting	31,310	80
	675.8 Misc Expense Admin & General	65,000	0

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Total Sales	\$0	\$0	\$18,755,982	\$18,755,982	\$42,165,256
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$0	\$226,010	\$226,010	\$508,091
4	Less: Amount Charged To Operating Expense					
5	During The Twelve Months Ended 12/31/2021		0			
6	Less: Present Rates 12/31/2021			0		
7	Less: Present Rates 12/31/2022				226,010	
8	Less: Present Rates 12/31/2023					226,010
9	Pro Forma Adjustment		\$0	\$226,010	\$0	\$282,081
670.7	Customer Accounting And Collecting - Bad Debt		\$0	\$226,010	\$0	\$282,081

Witness: Cas Swiz

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Depreciation	\$0	\$5,756,690	\$5,796,259
2	Book Depreciation	<u>0</u>	<u>0</u>	<u>5,756,690</u>
3	Pro Forma Adjustment	<u>\$0</u>	<u>\$5,756,690</u>	<u>\$39,569</u>
	503 Depreciation	\$0	\$5,756,690	\$39,569

Witness: Stacey D. Gress, John Spanos

Reference: Exhibits No. 11

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	City of York Wastewater Authority Acquisitions Costs	Seeking Approval	\$0	\$192,363
2	City of York Wastewater Authority Post-in-service AFUDC	Seeking Approval	0	132
3	City of York Wastewater Authority Deferred Depreciation	Seeking Approval	0	1,477
4	Proforma Expense		0	193,972
5	Less: Per Books		0	0
6	Pro Forma Adjustment		\$0	\$193,972

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Total Wastewater Sales	\$0	\$18,639,615	\$18,639,615	\$41,903,651
2	Estimated General Assessment Fee				
3	Public Utility Commission At 0.004732071817	0	88,204	88,204	198,291
4	Consumer Advocate Fee At 0.001576414354	0	29,384	29,384	66,058
5	Small Business Advocate Fee At 0.000324126811	0	6,042	6,042	13,582
6	Damage Prevention Committee Fee At 0.000082988139	0	1,547	1,547	3,478
7	Subtotal	0	125,177	125,177	281,409
8	Less: Amount Charged To Operating Expenses During				
9	The Twelve Months Ended 12/31/2021	0			
10	Less: Pro Forma Under Present Rates At 12/31/2021		0		
11	Less: Pro Forma Under Present Rates At 12/31/2022			125,177	
12	Less: Pro Forma Under Present Rates At 12/31/2023				125,177
13	Pro Forma Adjustment	\$0	\$125,177	\$0	\$156,232

507.1 Taxes Other Than Income

\$281,409

Witness: Stacey D. Gress

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED 12/31/23 AMOUNT
1	State Income Tax Per Computation				
2	Shown On Following Page	\$0	\$492,187	\$346,856	\$2,640,899
3	Less: State Income Tax Per Book				
4	Computation Shown On Following Page	0			
5	Less: Present Rates 12/31/2021		0		
6	Less: Present Rates 12/31/2022			492,187	
7	Less: Present Rates 12/31/2023				346,856
<hr/>					
8	Pro Forma Adjustment	\$0	\$492,187	(\$145,331)	\$2,294,043
<hr/>					
9	Federal Income Tax Per Computation				
10	Shown On Following Page	\$0	\$932,565	\$672,063	\$5,012,627
11	Less: Federal Income Tax Per Book				
12	Computation Shown On Following Page	0			
13	Less: Present Rates 12/31/2021		0		
14	Less: Present Rates 12/31/2022			932,565	
15	Less: Present Rates 12/31/2023				672,063
<hr/>					
16	Pro Forma Adjustment	\$0	\$932,565	(\$260,502)	\$4,340,564

Witness: Melissa Ciullo

Pennsylvania-American Water Company - York WW Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Utility Operating Income Before Taxes	\$0	\$0	\$3,739,469	\$2,373,790	\$25,344,751
2	Less: Interest Expense	0	0	4,543,693	4,576,977	4,584,542
3	Taxable Operating Income	0	0	(804,224)	(2,203,187)	20,760,209
4	Add: Premature Property Losses / Amortizations	0	0	0	193,972	193,972
5	Depr - Straight Line-Remaining Life (Including COR)	0	0	5,756,690	5,796,259	5,796,259
6	Taxable Meals & Entertainment	0	0	0	0	0
7	Total	0	0	5,756,690	5,990,231	5,990,231
8	Deduct:					
9	Tax Depreciation:					
10	State Tax Depreciation Adjustments	0	0	25,673	315,013	315,013
11	Total	0	0	25,673	315,013	315,013
12	State Taxable Income	0	0	4,926,793	3,472,031	26,435,427
13	State Income Tax At:					
14	Historic, Future And Fully Projected At 9.99%	0	0	492,187	346,856	2,640,899
15	Taxable Income After State Income Tax	0	0	4,434,606	3,125,175	23,794,528
16	Add:					
17	Federal Tax Depreciation Adjustments	0	0	6,181	75,124	75,124
18	Income Subject To Federal Income Tax	0	0	4,440,787	3,200,299	23,869,652
19	Federal Income Tax @ 21%	0	0	932,565	672,063	5,012,627
20	Excess ADIT	0	0	0	0	0
21	Federal Tax Liability	\$0	\$0	\$932,565	\$672,063	\$5,012,627

Witness: Melissa Ciullo

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	PROPOSED
		12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/23 AMOUNT	12/31/23 AMOUNT
1	Interest On Long Term Debt Per Computation				
2	Shown On Following Page	\$0	\$4,170,625	\$4,238,436	\$4,245,442
3	Less: Interest On Long Term Debt As Per Book				
4	Computation On Following Page	0			
5	Less: Present Rates At 12/31/2021		0		
6	Less: Present Rates At 12/31/2022			4,170,625	
7	Less: Present Rates At 12/31/2023				4,238,436
<hr/>					
8	Pro Forma Adjustment	\$0	\$4,170,625	\$67,811	\$7,006
<hr/>					
9	Interest On Wastewater Specific Long Term Debt Per Computation				
10	Shown On Following Page	\$0	\$373,068	\$338,541	\$339,100
11	Less: Interest On Wastewater Specific Long Term Debt As Per Book				
12	Computation On Following Page	0			
13	Less: Present Rates At 12/31/2021		0		
14	Less: Present Rates At 12/31/2022			373,068	
15	Less: Present Rates At 12/31/2023				338,541
<hr/>					
16	Pro Forma Adjustment	\$0	\$373,068	(\$34,527)	\$559

Witness: Ann E. Bulkey

Pennsylvania-American Water Company - York WW Operations

Notes to Statement Of Income

Application of Income Deductions

LINE NO.	DESCRIPTION	PRESENT RATES AT DECEMBER 31, 2021			PRESENT RATES AT DECEMBER 31, 2022			PRESENT RATES AT DECEMBER 31, 2023		
		AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure									
2	Long Term Debt	\$292,725,976	40.59%	4.35%	\$429,719,609	41.88%	4.32%	\$469,628,075	42.26%	4.31%
3	Long Term Debt - WW Specific	65,182,069	9.04%	2.56%	64,002,276	6.24%	2.59%	62,810,631	5.65%	2.57%
4	Total Debt	357,908,045	49.63%		493,721,885	48.12%		532,438,706	47.91%	
5	Preferred Stock	262,358	0.04%	8.87%	96,199	0.01%	9.70%	104,851	0.01%	9.70%
6	Common Equity	362,906,749	50.33%		532,171,228	51.87%		578,778,070	52.08%	
7	Totals	\$721,077,152	100.00%		\$1,025,989,312	100.00%		\$1,111,321,627	100.00%	
					PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT		
8	Application Of Long Term Debt Interest:									
9	Original Cost Rate Base				\$0	\$230,521,110	\$232,701,322	\$233,085,970		
10	Debt Percentage (From Above)				40.59%	41.88%	42.26%	42.26%		
11	Debt Portion Of Rate Base				0	96,542,241	98,339,579	98,502,131		
12	Interest Cost (From Above)				4.35%	4.32%	4.31%	4.31%		
13	Pro Forma Long Term Interest Deduction				\$0	\$4,170,625	\$4,238,436	\$4,245,442		
14	Application Of Wastewater Specific Long Term Debt Interest:									
15	Original Cost Rate Base				\$0	\$230,521,110	\$232,701,322	\$233,085,970		
16	Debt Percentage (From Above)				9.04%	6.24%	5.65%	5.65%		
17	Debt Portion Of Rate Base				0	14,384,517	13,147,625	13,169,357		
18	Interest Cost (From Above)				2.56%	2.59%	2.57%	2.57%		
19	Pro Forma Wastewater Specific Long Term Interest Deduction				\$0	\$373,068	\$338,541	\$339,100		

Witness: Ann E. Bulkley

Wastewater CSS Operations

Pennsylvania-American Water Company - Wastewater CSS Operations

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Pennsylvania-American Water Company - Wastewater CSS Operations

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Pennsylvania-American Water Company - Wastewater CSS Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2021

December 31, 2022, and 2023 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PER BOOKS	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT	RATE INCREASE	PROPOSED RATES AMOUNT	LINE NO.
1	Operating Revenue	\$43,339,675	\$106,341	\$43,446,016	\$7,585,998	\$51,032,014	(\$442,719)	\$50,589,295	\$40,829,288	\$91,418,583	1
2	Operating Revenue Deductions:										2
3	Operating Expenses	14,261,418	(252,405)	14,009,013	3,302,814	17,311,827	1,550,134	18,861,961	491,993	19,353,954	3
4	Depreciation	13,446,591	1,643,652	15,090,243	1,417,869	16,508,112	2,092,316	18,600,428	0	18,600,428	4
5	Amortizations	132,659	0	132,659	(112,284)	20,375	101,385	121,760	0	121,760	5
6	Taxes, Other Than Income:										6
7	Local Property And Miscellaneous	992,695	0	992,695	51,535	1,044,230	204,708	1,248,938	0	1,248,938	7
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	8
9	Public Utility Realty Taxes	0	0	0	0	0	0	0	0	0	9
10	Payroll Taxes	435,789	0	435,789	68,916	504,705	7,512	512,217	0	512,217	10
11	General Assessment	254,185	35,655	289,840	50,628	340,468	(2,954)	337,514	272,491	610,005	11
12	Other Taxes and Licenses	0	0	0	0	0	0	0	0	0	12
13	Total Taxes Other Than Income	1,682,669	35,655	1,718,324	171,079	1,889,403	209,266	2,098,669	272,491	2,371,160	13
14	Utility Operating Income Before Income Taxes	13,816,338	(1,320,561)	12,495,777	2,806,520	15,302,297	(4,395,820)	10,906,477	40,064,804	50,971,281	14
15	Income Taxes:										15
16	State Income Tax	1,348,834	(40,115)	1,308,719	135,677	1,444,396	(561,085)	883,311	4,001,156	4,884,467	16
17	Federal Income Tax	2,623,086	(76,124)	2,546,962	527,190	3,074,152	(947,798)	2,126,354	7,570,595	9,696,949	17
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	18
19	Total Income Taxes	3,971,920	(116,239)	3,855,681	662,867	4,518,548	(1,508,883)	3,009,665	11,571,751	14,581,416	19
20	Total Operating Revenue Deductions	33,495,257	1,310,663	34,805,920	5,442,345	40,248,265	2,444,218	42,692,483	12,336,235	55,028,718	20
21	Utility Operating Income	9,844,418	(1,204,322)	8,640,096	2,143,653	10,783,749	(2,886,937)	7,896,812	28,493,053	36,389,865	21
22	Income Deductions:										22
23	Interest On Long Term Debt	6,772,761	0	6,772,761	847,110	7,619,871	1,100,548	8,720,419	12,218	8,732,637	23
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	24
25	Interest On Notes Payable To Others	889,327	0	889,327	(207,720)	681,607	14,927	696,534	976	697,510	25
26	Total Income Deductions	7,662,088	0	7,662,088	639,390	8,301,478	1,115,475	9,416,953	13,194	9,430,147	26
27	Net Income	\$2,182,330	(\$1,204,322)	\$978,008	\$1,504,263	\$2,482,271	(\$4,002,412)	(\$1,520,141)	\$28,479,859	\$26,959,718	27
28	Preferred Dividends	13,609		13,609		4,085		4,644		4,651	28
29	Net Income To Common	\$2,168,721		\$964,399		\$2,478,186		(\$1,524,785)		\$26,955,067	29

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER CSS OPERATIONS

TOTAL REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021 AND DECEMBER 31, 2022

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2021	UNBILLED AND TCJA AMORTIZAION	ANNUALIZE 2021 RATE CHANGE	OTHER REVENUE AND CUSTOMER ADJUSTMENTS (*)	PRO FORMA PRESENT RATES 12/31/2021	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	DECLINING USAGE	ANNUALIZE 2022 RATE CHANGE	DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2022
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	522.1	RESIDENTIAL	\$25,235,515	(\$415,551)	\$692,369	(\$102,771)	\$25,409,562		(\$438,638)	\$3,789,557	\$1,184,932	\$29,945,413
4	522.2	COMMERCIAL	11,497,481	(130,105)	148,398	(45,038)	11,470,736		(119,921)	1,545,436	530,111	13,426,362
5	522.3	INDUSTRIAL	1,278,446	(4,406)	(1,756)	(3,286)	1,268,998			150,600	56,666	1,476,264
6	522.4	MUNICIPAL	645,247	7,360	(16,942)	(3,429)	632,237		(6,021)	84,490	29,281	739,986
7	522.4	BULK	4,481,038	(139,851)	36,660	(236)	4,377,612			530,247	202,193.49	5,110,052
8		TOTAL METERED SALES	\$43,137,727	(\$682,553)	\$858,731	(\$154,760)	\$43,159,145	\$0	(\$564,580)	\$6,100,330	\$2,003,183	\$50,698,077
9		UNMETERED SALES										
10	522.1	RESIDENTIAL					\$0					\$0
11	522.2	COMMERCIAL					0					0
12	522.3	INDUSTRIAL					0					0
13	522.4	MUNICIPAL					0					0
14	522.4	BULK					0					0
15		TOTAL UNMETERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16		TOTAL WASTEWATER SALES	\$43,137,727	(\$682,553)	\$858,731	(\$154,760)	\$43,159,145	\$0	(\$564,580)	\$6,100,330	\$2,003,183	\$50,698,077
17		OTHER OPERATING REVENUES										
18	530	GUARANTEED REVENUES	\$0				\$0					\$0
19	532	LATE PAYMENT FEES	184,519			84,923	269,443	47,066				316,508
20	536	MISC SERVICE REVENUES	17,429				17,429					17,429
21	534	RENTS FROM PROPERTIES					0					0
22	535	INTERCOMPANY RENTS					0					0
23	523	OTHER WW REVENUES	0			0						
24		TOTAL OTHER OPERATING REVENUES	\$201,948	\$0	\$0	\$84,923	\$286,871	\$47,066	\$0	\$0	\$0	\$333,937
25		TOTAL OPERATING REVENUES	\$43,339,675	(\$682,553)	\$858,731	(\$69,837)	\$43,446,016	\$47,066	(\$564,580)	\$6,100,330	\$2,003,183	\$51,032,014
26												

(*) The metered sales adjustments represent the removal of the TCJA, EADIT, DSIC and recoupment surcharges.

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER CSS OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO
AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2023

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2022	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2023	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$29,945,413			(\$338,097)		\$29,607,316	86.59%	\$25,635,626	\$55,242,941
4	522.2	COMMERCIAL	13,426,362			(96,263)		13,330,099	86.11%	11,477,930	24,808,029
5	522.3	INDUSTRIAL	1,476,264					1,476,264	68.19%	1,006,607	2,482,871
6	522.4	MUNICIPAL	739,986			(5,612)		734,375	86.11%	632,336	1,366,711
7	522.4	BULK	5,110,052					5,110,052	35.68%	1,823,473	6,933,525
8		TOTAL METERED SALES	\$50,698,077	\$0	\$0	(\$439,972)	\$0	\$50,258,105	80.74%	\$40,575,972	\$90,834,077
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	\$0					\$0	0.00%	0	\$0
11	522.2	COMMERCIAL	0					0	0.00%	0	0
12	522.3	INDUSTRIAL	0					0	0.00%	0	0
13	522.4	MUNICIPAL	0					0	0.00%	0	0
14	522.4	BULK	0					0	0.00%	0	0
15		TOTAL UNMETERED SALES	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	\$0
16		TOTAL WASTEWATER SALES	\$50,698,077	\$0	\$0	(\$439,972)	\$0	\$50,258,105	80.74%	\$40,575,972	\$90,834,077
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	\$0					\$0	0.00%	\$0	\$0
19	532	LATE PAYMENT FEES	316,508		(2,747)			313,761	80.74%	253,316	567,077
20	536	MISC SERVICE REVENUES	17,429					17,429	0.00%	0	17,429
21	534	RENTS FROM PROPERTIES	0					0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0					0	0.00%	0	0
23	523	OTHER WW REVENUES	0					0	0.00%	0	0
24		TOTAL OTHER OPERATING REVENUES	\$333,937	\$0	(\$2,747)	\$0	\$0	\$331,190	76.49%	\$253,316	\$584,506
25											
26		TOTAL OPERATING REVENUES	\$51,032,013	\$0	(\$2,747)	(\$439,972)	\$0	\$50,589,295	80.71%	\$40,829,288	\$91,418,583

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER CSS OPERATIONS

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/23 AMOUNT
1	Per Books		\$43,339,675				
2	Present Rates At 12/31/2022				\$43,446,016		
3	Present Rates At 12/31/2023						\$51,032,014
4							
5	TCJA, EADIT & Recoupment Adjustment	110,276					
6	Unbilled Adjustment	(682,553)					
7	DSIC Annualization	(265,036)		2,003,183			
8	Annualize 2021 Rate Change	858,731					
9	Declining Usage			(564,580)		(439,972)	
10	Annualize 2022 Rate Change			6,100,329			
11							
12							
13							
14							
15	Other Operating Revenues						
16							
17	470 - Penalties	84,923		47,066		(2,747)	
18							
19							
20	Pro Forma Adjustment		106,341		7,585,997		(442,718)
21	Pro Forma Present Rates At December 31, 2021		\$43,446,016				
22	Pro Forma Present Rates At December 31, 2022				\$51,032,013		
23	Pro Forma Present Rates At December 31, 2023						\$50,589,296

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Revenues

TCJA, EADIT & Recoupment Surcharge Adjustment

The following adjustment is being made to eliminate the tax credit, EADIT, and the recoupment surcharge revenues per books for the twelve months ended December 31, 2021.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT
1	Metered Sales	
2	Residential	\$69,980
3	Commercial	34,411
4	Industrial	4,639
5	Municipal	1,052
6	Miscellaneous (Bulk Customers)	195
7	Other WW Revenue	0
		<hr/>
8	Total Metered Sales	\$110,276
9	Unmetered Sales	
10	Residential	\$0
11	Commercial	0
12	Industrial	0
13	Municipal	0
14	Miscellaneous (Bulk Customers)	0
		<hr/>
15	Total Unmetered Sales	\$0
		<hr/>
16	Total Wastewater Surcharges	\$110,276
17	Other Operating Revenues	\$0
18	Pro Forma Adjustment	<hr/> <u>\$110,276</u> <hr/>

Witness: Charles Rea
Reference: FR II.2

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment & TCJA Stub

The following adjustment is being made to eliminate unbilled revenue accrued per books and the TCJA stub revenues per books for the twelve months ended December 31, 2021.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT
1	Metered Sales	
2	Residential	(\$415,551)
3	Commercial	(130,105)
4	Industrial	(4,406)
5	Municipal	7,360
6	Miscellaneous (Bulk Customers)	(139,851)
7	Total Metered Sales	(\$682,553)
8	Unmetered Sales	
9	Residential	\$0
10	Commercial	0
11	Industrial	0
12	Municipal	0
13	Miscellaneous (Bulk Customers)	0
14	Total Unmetered Sales	\$0
15	Total Unbilled / TCJA Stub Wastewater Sales	(\$682,553)
16	Other Operating Revenues	\$0
17	Pro Forma Adjustment	(\$682,553)

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Revenues

DSIC Annualization

The 2021 pro forma revenue adjustment is being made to eliminate the Distribution System Improvement Charge (DSIC) revenues per book for the 12 months ended December 31, 2021 in order to reset the DSIC to zero. The 2022 pro forma revenue adjustment is to annualize the DSIC revenues for 2022 based on the Company's pro forma level rate of 4.12%.

LINE NO.	DESCRIPTION	12/31/2021 PER BOOK DSIC REVENUE	12/31/2021 ANNUALIZED DSIC REVENUE	12/31/2022 ANNUALIZED DSIC REVENUE	12/31/2021 PRO FORMA ADJUSTMENT	12/31/2022 PRO FORMA ADJUSTMENT
1	Metered Sales					
2	Residential	\$172,751	\$0	\$1,184,932	(\$172,751)	\$1,184,932
3	Commercial	79,449	0	530,111	(79,449)	530,111
4	Industrial	7,925	0	56,666	(7,925)	56,666
5	Municipal	4,480	0	29,281	(4,480)	29,281
6	Sales For Resale	0	0	0	0	0
7	Miscellaneous (Bulk)	431	0	202,193	(431)	202,193
8	Total Metered Sales	\$265,036	\$0	\$2,003,183	(\$265,036)	\$2,003,183
9	Unmetered Sales					
10	Residential	\$0	\$0	\$0	\$0	\$0
11	Commercial	0	0	0	0	0
12	Industrial	0	0	0	0	0
13	Municipal	0	0	0	0	0
14	Miscellaneous (Bulk)	0	0	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0	0	\$0
16	Private Fire Protection	\$0	\$0	\$0	0	\$0
17	Public Fire Protection	0	0	0	0	0
18	Total DSIC Water Sales	\$265,036	\$0	\$2,003,183	(\$265,036)	\$2,003,183
19	Other Operating Revenues	\$0	\$0	\$0	\$0	\$0
20	Pro Forma Adjustment	\$265,036	\$0	\$2,003,183	(\$265,036)	\$2,003,183

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Revenues

Usage Trend Adjustment

This adjustment is being made to address the decline in usage that has been experienced for many years and is expected to continue to occur. Please refer to the testimony of Charles Rea (PAWC Statement No. 10).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Metered Sales		
2	Residential	(\$438,638)	(\$338,097)
3	Commercial	(119,921)	(96,263)
4	Industrial	0	0
5	Municipal	(6,021)	(5,612)
6	Sales For Resale	0	0
7	Miscellaneous (Bulk)	0	0
8	Total Metered Sales	(\$564,580)	(\$439,972)
9	Unmetered Sales		
10	Residential	\$0	\$0
11	Commercial	0	0
12	Industrial	0	0
13	Municipal	0	0
14	Miscellaneous (Bulk)	0	0
15	Total Unmetered Sales	\$0	\$0
16	Private Fire Protection	\$0	\$0
17	Public Fire Protection	0	0
18	Total Waterwater Sales	(\$564,580)	(\$439,972)
19	Other Operating Revenues	\$0	\$0
20	Pro Forma Adjustment	(\$564,580)	(\$439,972)

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Revenues

Rate Change Annualization

This revenue adjustment is being made to reflect the annualization of the base rates effective on January 28, 2021.

LINE NO.	DESCRIPTION	12/31/2021 Per Books REVENUE	12/31/2021 ANNUALIZED REVENUE	12/31/2021 PRO FORMA ADJUSTMENT
1	Metered Sales			
2	Residential	\$24,717,193	\$25,409,562	\$692,369
3	Commercial	11,292,850	\$11,441,248	148,398
4	Industrial	1,226,535	\$1,224,779	(1,756)
5	Municipal	649,179	\$632,237	(16,942)
6	Sales For Resale	0	0	0
7	Miscellaneous (Bulk)	4,340,702	4,377,362	36,660
8	Total Metered Sales	\$42,226,457	\$43,085,188	\$858,731
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Miscellaneous (Bulk)	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Billed Wastewater Sales	\$42,226,457	\$43,085,188	\$858,731
19	Other Operating Revenues	\$0	\$0	\$0
20	Pro Forma Adjustment	\$42,226,457	\$43,085,188	\$858,731

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Revenues

Rate Change Annualization

This revenue adjustment is being made to reflect the annualization of the base rates effective on January 1, 2022.

LINE NO.	DESCRIPTION	12/31/2021 ANNUALIZED REVENUE	ADJUSTMENTS	12/31/2022 ANNUALIZED REVENUE	12/31/2022 PRO FORMA ADJUSTMENT
1	Metered Sales				
2	Residential	\$25,409,562	\$0	\$29,199,119	\$3,789,557
3	Commercial	11,441,248	0	12,986,684	1,545,436
4	Industrial	1,224,779	0	1,375,379	150,600
5	Municipal	632,237	0	716,727	84,490
6	Sales For Resale	0	0	0	0
7	Miscellaneous (Bulk)	4,377,362	0	4,907,609	530,247
8	Total Metered Sales	\$43,085,188	\$0	\$49,185,517	\$6,100,329
9	Unmetered Sales				
10	Residential	\$0	\$0	\$0	\$0
11	Commercial	0	0	0	0
12	Industrial	0	0	0	0
13	Municipal	0	0	0	0
14	Miscellaneous (Bulk)	0	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0	\$0
17	Public Fire Protection	0	0	0	0
18	Total Wastewater Sales	\$43,085,188	\$0	\$49,185,517	\$6,100,329
19	Other Operating Revenues	\$0	\$0	\$0	\$0
20	Pro Forma Adjustment	\$43,085,188	\$0	\$49,185,517	\$6,100,329

Witness: Charles Rea

Reference: FR II.2

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2020 and 2021, and the estimated number of customers to be served at December 31, 2022 through 2023. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2023 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2020	SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	TO BE SERVED AT 12/31/2023	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered							
2	601.1	Residential	38,482	38,393	38,393	38,393	11,508	26,885	0
3	601.2	Commercial	3,731	3,753	3,753	3,753	1,016	2,737	0
4	601.3	Industrial	32	32	32	32	2	30	0
5	606	Municipal	124	122	122	122	63	59	0
6	607	Resale	7	9	9	9	6	3	0
7	601.4	Miscellaneous	0	0	0	0	0	0	0
8		Metered	42,376	42,309	42,309	42,309	12,595	29,714	0
9		Unmetered							
10	602.1	Residential	39	39	39	39	28	11	0
11	602.2	Commercial	0	0	0	0	0	0	0
12	602.3	Industrial	0	0	0	0	0	0	0
13	606	Municipal	0	0	0	0	0	0	0
14	602.4	Miscellaneous	0	0	0	0	0	0	0
15		Unmetered	39	39	39	39	28	11	0
16	604	Private Fire							
17	605	Public Fire							
18		Total Customers	42,415	42,348	42,348	42,348	12,623	29,725	0

Witness: Charles Rea

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2021 and projected to be imposed during 2022 and 2023. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23	PROPOSED RATES 12/31/23
1	Total Billed Wastewater Sales	\$42,455,174	\$43,159,145	\$50,698,077	\$50,258,105	\$90,834,077
2	% Of Penalties To Total					
3	Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4	Penalties	184,519	269,443	316,508	313,761	567,077
5	Less: Per Books At 12/31/2021		184,519			
6	Less: Present Rates At 12/31/2021			269,443		
7	Less: Present Rates At 12/31/2022				316,508	
8	Less: Present Rates At 12/31/2023					313,761
9	Pro Forma Adjustments		\$84,924	\$47,065	(\$2,747)	\$253,316

Witness: Charles Rea

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED ORIGINAL COST 12/31/23	DEPRECIATED ORIGINAL COST PROPOSED
1	Non-Depreciable Plant	\$4,463,355	\$4,463,355	\$4,888,355	\$4,888,355
2	Depreciable Plant	691,731,050	744,979,180	818,174,082	818,174,082
3	Total Utility Plant In Service	696,194,405	749,442,535	823,062,437	823,062,437
4	Deduct:				
5	Contributions In Aid Of Construction	11,570,599	11,602,599	11,634,599	11,634,599
6	Customer Advances For Construction	0	0	0	0
7	Excluded Property	0	0	0	0
8	Sub-Total	11,570,599	11,602,599	11,634,599	11,634,599
9	Net Utility Plant In Service	684,623,806	737,839,936	811,427,838	811,427,838
10	Accumulated Depreciation	274,690,451	284,375,722	293,431,513	293,431,513
11	Depreciated Utility Plant In Service	409,933,355	453,464,214	517,996,325	517,996,325
12	Add:				
13	Materials And Supplies	176,374	176,374	176,374	176,374
14	Cash Working Capital - Expenses	1,273,876	1,837,992	2,010,131	2,010,131
15	Accrued And Prepaid Taxes	544,778	611,664	585,115	1,257,217
16	Acquisition Adjustments	4,173,131	4,052,205	3,905,729	3,905,729
17	Other Additions	0	0	0	0
18	Deduct:				
19	Cash Working Capital - Int And Div	731,419	792,703	899,249	900,504
20	Unamortized Itc (3%)	0	0	0	0
21	Extension Deposits In Suspense	0	0	0	0
22	Tax Cuts and Jobs Act -Stub Period	508,735	277,927	185,285	185,285
23	Other Deductions	0	0	0	0
24	Deferred Taxes	31,280,055	37,902,064	44,815,130	44,815,130
25	Total Rate Base Elements	\$383,581,305	\$421,169,755	\$478,774,010	\$479,444,857
26	Utility Operating Income				
27	Per Books	\$9,844,418	2.57%	2.34%	2.06%
28	Present Rates At 12/31/2021	8,640,096	2.25%	-	-
29	Present Rates At 12/31/2022	10,783,749	-	2.56%	-
30	Present Rates At 12/31/2023	7,896,812	-	-	1.65%
31	Proposed Rates At 12/31/2023	36,389,865	-	-	-

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2021	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2023
1	352.00	Franchises & Consents	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	353.00	Land & Land Rights	4,463,355	0	0	4,463,355	425,000	0	4,888,355
3		Total Intangible Plant	\$4,463,355	\$0	\$0	\$4,463,355	\$425,000	\$0	\$4,888,355
4	354.20	Structures And Improvements - Collection	\$4,775,859	\$847,838	\$11,964	\$5,611,733	\$2,426,122	\$99,408	\$7,938,447
5	354.30	Structures And Improvements - SPP	20,936,156	466,774	17,946	21,384,985	3,400,178	222,935	24,562,228
6	354.40	Structures And Improvements - TDP	126,506,458	7,329,469	486,923	133,349,004	28,464,504	2,084,732	159,728,777
7	354.70	Structures And Improvements - General	0	0	0	0	0	0	0
8	355.00	Power Generation Equipment	932,654	0	0	932,654	0	0	932,654
9	360.10	Collection Sewers - Force Mains	4,710,847	4,523,386	342,836	8,891,396	0	0	8,891,396
10	361.10	Collection Sewers - Gravity Mains	369,807,276	25,360,744	1,853,548	393,314,472	29,606,268	2,168,354	420,752,385
11	361.20	Manholes	42,198,027	2,027,445	139,536	44,085,935	1,803,630	118,187	45,771,379
12	362.00	Spec Collection Structures	0	0	0	0	0	0	0
13	363.00	Services	12,601,348	996,740	58,492	13,539,596	4,574,337	318,717	17,795,216
14	364.00	Flow Measuring Devices	2,023,604	0	0	2,023,604	0	0	2,023,604
15	365.00	Flow Measuring Installations	0	0	0	0	0	0	0
16	370.00	Receiving Wells	0	0	0	0	0	0	0
17	371.00	Pumping Equipment	14,212,221	2,769,381	221,551	16,760,052	3,791,663	277,700	20,274,015
18	380.00	Treatment Equipment	63,729,746	12,258,735	917,459	75,071,022	3,392,511	248,466	78,215,066
19	381.00	Plant Sewers	1,576,345	0	0	1,576,345	0	0	1,576,345
20	382.00	Outfall Sewer Lines	286,271	0	0	286,271	0	0	286,271
21	389.10	Other Plant And Miscellaneous Equipment - Intangibles	10,342,672	0	0	10,342,672	105,000	7,690	10,439,982
22	390.00	Office Furniture And Equipment	2,201,684	0	17,839	2,183,844	0	9,926	2,173,918
23	390.20	Computers & Peripheral	0	0	0	0	0	0	0
24	391.00	Transportation Equipment	6,350,292	164,500	12,468	6,502,324	179,257	13,129	6,668,453
25	392.00	Stores Equipment	106,844	0	0	106,844	0	0	106,844
26	393.00	Tools, Shop And Garage Equipment	1,873,273	0	27,925	1,845,348	0	4,230	1,841,118
27	394.00	Laboratory Equipment	271,347	0	14,725	256,622	0	0	256,622
28	395.00	Power Operated Equipment	1,788,631	70,500	5,343	1,853,787	76,825	5,627	1,924,985
29	396.00	Communication Equipment	2,075,183	139,567	7,104	2,207,646	227,335	0	2,434,981
30	397.00	Miscellaneous Equipment	2,424,314	433,982	5,273	2,853,023	726,372	0	3,579,394
31	398.00	Other Tangible Plant	0	0	0	0	0	0	0
32		Total Tangible Plant	\$691,731,050	\$57,389,062	\$4,140,932	\$744,979,180	\$78,774,003	\$5,579,101	\$818,174,082
33		Total Utility Plant In Service	\$696,194,405	\$57,389,062	\$4,140,932	\$749,442,535	\$79,199,003	\$5,579,101	\$823,062,437

Witness: Stacey D. Gress

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Contributions in Aid of Construction (CIAC)

The Company receives Contributions in Aid of Construction (CIAC) on an annual basis. The Commission's Order dated April 21, 1993, at Docket No. R-922428 approved the use of a three year average to calculate the future test year additions to CIAC. The following adjustment reflects the projected CIAC to be received during the twelve months ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Contributions In Aid Of Construction	\$11,570,599	\$11,602,599
2	Plus: Three Year Average Of Contributions	<u>32,000</u>	<u>32,000</u>
3	Contributions In Aid Of Construction	<u>(\$11,602,599)</u>	<u>(\$11,634,599)</u>

Witness: Stacey D. Gress
Reference: FR V.16

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Materials And Supplies

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

LINE NO.	MONTH	DETAIL	PRESENT RATES
			12/31/2022 and 12/31/2023 AMOUNT
1	December, 2020	\$153,549	
2	January, 2021	165,949	
3	February	144,401	
4	March	143,799	
5	April	153,151	
6	May	167,292	
7	June	147,699	
8	July	169,007	
9	August	209,421	
10	September	162,344	
11	October	219,009	
12	November	234,847	
13	December, 2021	222,396	
14	Total	<u>\$2,292,864</u>	
15	Average		\$176,374
16	Allowance For Materials And Supplies		
17	At 12/31/2022 and 12/31/2023		<u><u>\$176,374</u></u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for wastewater service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2021 and as annualized under present rates for the twelve months ending December 31, 2022 and December 31, 2023.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO.	DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT
1	Operating Revenue Billed During The Twelve Months Ended 12/31/2021				
2	Bi-Monthly Billings				
3	Lag Days				
4	Dollar Days				
5	Quarterly				
6	Lag Days				
7	Dollar Days				
8	Monthly Billings	\$42,657,122	\$43,446,016	\$51,032,014	\$50,589,295
9	Lag Days	56.9	56.9	56.9	56.9
10	Dollar Days	\$2,426,763,671	\$2,471,643,850	\$2,903,211,276	\$2,878,024,993
11	Total Billed Revenue	\$42,657,122	\$43,446,016	\$51,032,014	\$50,589,295
12	Total Dollar Days	\$2,426,763,671	\$2,471,643,850	\$2,903,211,276	\$2,878,024,993
13	Average Lag In Receipt Of Revenue (Line 12 / Line11)	56.9	56.9	56.9	56.9
14	Deduct: Average Lag In Payment Of				
15	Operating Expenses	23.8	23.5	17.9	17.8
16	Average Lag Between Payment Of Operating				
17	Expenses And Receipt Of Revenues	33.1	33.4	39.0	39.1
18	Working Capital Requirements				
19	Annual Operating Expenses (Including Payroll Expenses)		\$13,921,278	\$17,201,596	\$18,764,577
20	Operating Expenses Per Day (Line 20 / 365 Days)		38,140	47,128	51,410
21	Cash Working Capital Required				
22	(Line 17 * Line 20)		\$1,273,876	\$1,837,992	\$2,010,131

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO.	DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS	DOLLAR DAYS	PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		PRESENT RATES 12/31/2023	
			AMOUNT		AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS
1	Labor and Payroll Taxes	12.09	\$6,125,347	\$74,055,445	\$6,125,347	\$74,055,445	\$6,881,106	\$83,192,572	\$6,986,824	\$84,470,702
2	Group Insurance	10.42	1,046,306	10,902,509	1,046,306	10,902,509	1,227,252	12,787,966	1,301,414	13,560,734
3	OPEB's and VEBA	4.00	79,560	318,240	79,560	318,240	81,685	326,740	81,685	326,740
4	Pension	(3.31)	339,423	(1,123,490)	339,423	(1,123,490)	339,423	(1,123,490)	339,423	(1,123,490)
5	Purchased Power	29.97	1,339,805	40,153,956	1,339,805	40,153,956	1,712,198	51,314,574	1,691,733	50,701,238
6	Purchased Water	35.49	0	0	0	0	0	0	0	0
7	Chemicals	49.18	768,542	37,796,896	768,542	37,796,896	1,191,489	58,597,429	1,303,430	64,102,687
8	Miscellaneous	41.24	2,203,635	90,877,907	1,951,375	80,474,705	2,360,009	97,326,771	2,590,590	106,835,932
9	Transportation	57.82	517,495	29,921,561	517,495	29,921,561	468,179	27,070,110	486,943	28,155,044
10	Ins Other Than Group	(64.44)	128,632	(8,289,046)	128,632	(8,289,046)	1,316,462	(84,832,811)	1,351,638	(87,099,553)
11	Service Company	12.09	0	0	0	0	0	0	1,007,104	12,175,887
12	Waste Disposal	43.88	1,358,004	59,589,216	1,358,004	59,589,216	1,358,004	59,589,216	1,358,004	59,589,216
13	Telephone	(0.01)	136,603	(1,366)	136,603	(1,366)	136,603	(1,366)	136,603	(1,366)
14	Rents	(8.28)	38,790	(321,181)	38,790	(321,181)	37,790	(312,901)	37,790	(312,901)
15	Natural Gas	34.44	91,396	3,147,678	91,396	3,147,678	91,396	3,147,678	91,396	3,147,678
16	Totals		\$14,173,538	\$337,028,325	\$13,921,278	\$326,625,123	\$17,201,596	\$307,082,488	\$18,764,577	\$334,528,548
17	Average Lag			23.8		23.5		17.9		17.8
18	Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$14,697,207		\$14,444,802		\$17,816,532		\$19,374,178	
19	Uncollectibles		523,669		523,524		614,936		609,601	
20	Amortizations		0		0		0		0	
21	Sum Of Other Expenses		11,969,903		11,969,903		14,841,587		16,173,987	
22	Miscellaneous		\$2,203,635		\$1,951,375		\$2,360,009		\$2,590,590	

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		PRESENT RATES 12/31/2023		PROPOSED RATES 12/31/2023	
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	195.1	\$289,840	\$154,925	\$340,468	\$181,987	\$337,514	\$180,408	\$610,005	\$326,060
2	Public Utility Realty Tax	72.9	0	0	0	0	0	0	0	0
3	Local Property Tax	79.0	992,695	214,830	1,044,230	225,983	1,248,938	270,284	1,248,938	270,284
4	State Income Tax	20.4	1,308,719	73,145	1,444,396	80,728	883,311	49,369	4,884,467	272,995
5	Federal Income Tax	14.6	2,546,962	<u>101,878</u>	3,074,152	<u>122,966</u>	2,126,354	<u>85,054</u>	9,696,949	<u>387,878</u>
6	Totals			<u>\$544,778</u>		<u>\$611,664</u>		<u>\$585,115</u>		<u>\$1,257,217</u>

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Calculation of Lag Days for Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS					TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2021 TAX						
1	General Assessment	7/1/21	6/30/22	6/29/21	9/14/21					
2	Percent Of Payment			53.96%	46.04%					1.0
3	Lag Days			(99.0)	(49.0)				(138.22)	195.1
4	Public Utility Realty Tax	1/1/21	12/31/21	4/29/21						
5	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
6	Lag Days			(16.0)					(16.00)	72.9
7	Local Property Tax	1/1/21	12/31/21	Lag calculated using expense lag method						
8	Payment									
9	Lag Days								(22.09)	79.0
10	State Income Tax	1/1/21	12/31/21	4/15/21	6/15/21	9/15/21		12/15/21		
11	Percent Of Payment			25.00%	25.00%	25.00%		25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8		41.5	36.50	20.4
13	Federal Income Tax	1/1/21	12/31/21	4/23/21	6/15/21	9/24/21	12/21/21	12/22/21		
14	Percent Of Payment			25.00%	25.00%	25.00%	12.50%	12.50%		1.0
15	Lag Days			(17.5)	(4.3)	21.0	21.5	21.6	42.30	14.6

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

LINE

NO. DESCRIPTION

	LONG TERM INTEREST	SHORT TERM INTEREST	PREFERRED DIVIDEND		
1 Average Lag Calculation					
2 Future Revenue Lag Days	56.9	56.9	56.9		
3 Less: Interest Payments Lag Days	91.8	82.4	46.2		
4 Average Lag Between The Payment	(34.9)	(25.5)	10.7		
5 Of Interest And The Receipt					
6 Of Revenues					
	PRESENT RATES 12/31/21		PRESENT RATES 12/31/22	PRESENT RATES 12/31/23	PROPOSED AMOUNT 12/31/23
7 Long Term Debt					
8 Working Capital Requirements					
9 Pro Forma Annual Interest Expense	\$6,772,761		\$7,619,871	\$8,720,419	\$8,732,637
10 Interest Expense Per Day					
11 (Line 9 / 365 Days)	18,556		20,876	23,892	23,925
12 Cash Working Capital Required					
13 (Line 4 Col.1 X Line 11)		(646,862)	(727,737)	(832,875)	(834,026)
14 Long Term Debt - Wastewater Specific					
15 Working Capital Requirements					
16 Pro Forma Annual Interest Expense	889,327		681,607	696,534	697,510
17 Interest Expense Per Day					
18 (Line 16 / 365 Days)	2,437		1,867	1,908	1,911
19 Cash Working Capital Required					
20 (Line 4 Col.2 X Line 18)		(84,954)	(65,084)	(66,513)	(66,617)
21 Preferred Dividends					
22 Working Capital Requirements					
23 Pro Forma Annual Dividend Expense	13,609		4,085	4,644	4,651
24 Dividend Expense Per Day					
25 (Line 23 / 365 Days)	37		11	13	13
26 Cash Working Capital Required					
27 (Line 4 Col.3 X Line 25)		397	118	139	139
28 Total Cash Working Capital Required					
29 (Line 13 + Line 20 + Line 27)		(\$731,419)	(\$792,703)	(\$899,249)	(\$900,504)

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Acquisition Adjustments

The following adjustment reflects the recognition of the transaction costs associated with the acquisition of the various wastewater utility assets pursuant to the terms of the Commission-approved settlement of the Company's rate cases at Docket Nos. R-2017-2595853 and R-2020-3019369.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2021	2022	PRESENT RATES 12/31/2022	2023	PRESENT RATES 12/31/2023
			AMOUNT	Amortizations	AMOUNT	Amortizations	AMOUNT
1	Scranton Wastewater Transaction Costs	Approved Docket No. R-2017-2595853	\$2,679,701	\$74,436	\$2,605,265	\$74,436	\$2,530,829
2	McKeesport Transaction Costs	Approved Docket No. R-2020-3019369	1,126,398	28,820	1,097,578	28,820	1,068,758
3	Kane Transaction Costs	Approved Docket No. R-2020-3019369	367,032	17,670	349,362	43,220	306,142
4	Effect to Rate Base Element		<u>\$4,173,131</u>	<u>\$120,926</u>	<u>\$4,052,205</u>	<u>\$146,476</u>	<u>\$3,905,729</u>

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Tax Cuts and Jobs Act Stub Period

The following adjustment reflects the amortization of the federal income tax savings associated with the 2017 Tax Cuts and Jobs Act ("TCJA") for January 1, 2018 through June 30, 2018 (the "Stub Period"), as authorized in the settlement at Docket No. R-2020-3019369. The adjustment reflects a true-up to the accrual of interest at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41. P.S. §§ 101, et seq.), which was lower than the amount projected in 2020. The reconciliation amounts shown in the Company's 2021 and 2022 TCJA Surcharge Reconciliation filings are included as part of this adjustment, and include the over/(under) collection plus interest. The Company is also proposing to amortize the balance at 12/31/2022 over a three-year period.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Tax Cuts and Jobs Act Stub Period	\$693,301	\$508,735	\$277,927
2	2020 Interest Accrual Adjustment	(1,891)		
3	Adjusted Beginning Balance	691,410		
4	TCJA Surcharge Reconciliation	29,167	292	
5	Less: 2021 Amortization	(211,842)		
6	Less: 2022 Amortization		(231,100)	
7	Less: 2023 Amortization			(92,642)
8	Effect to Rate Base Element	<u>\$508,735</u>	<u>\$277,927</u>	<u>\$185,285</u>

Witness: Stacey D. Gress

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Deferred Income Tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, the effects of the Tax Cuts and Jobs Act, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Deferred Tax	(\$31,280,055)	(\$37,902,064)	(\$44,815,130)
2	Less: Prior Year		(31,280,055)	(37,902,064)
3	Effect to Rate Base Element	<u>(\$31,280,055)</u>	<u>(\$6,622,009)</u>	<u>(\$6,913,066)</u>

Witness: Melissa Ciullo
Reference: FR IV.4

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		Source Of Supply Expenses				
2		-Operations-				
3	601.1	Salary And Wages	\$0	\$0	\$0	\$0
4	601.2	Salary And Wages	0	0	0	0
5	610.1	Purchased Water	0	0	0	0
6	615.1	Purchased Power	0	0	0	0
7	616.1	Purchased Fuel	0	0	0	0
8	620.1	Materials And Supplies	0	0	0	0
9	631.1	Contract Services - Engineering	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0
11	636.1	Contract Services	0	0	0	0
12	641.1	Rental Of Building	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0
14	650.1	Transportation	0	0	0	0
15		-Maintenance-				
16	620.2	Materials And Supplies	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0
18	636.2	Contract Services	0	0	0	0
19		-Miscellaneous-				
20	675.1	Miscellaneous Operating Expense	0	0	0	0
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0
22		Total Source Of Supply Expenses	\$0	\$0	\$0	\$0
23		Water Treatment				
24		-Operation-				
25	601.3	Salary And Wages	\$1,976,173	\$1,976,173	\$2,214,736	\$2,248,846
26	601.4	Salary And Wages	772,105	772,105	865,313	878,640
27	604.3	Employee Pension And Benefits	0	0	0	0
28	615.3	Purchased Power	1,041,908	1,041,908	1,425,009	1,413,239
29	618.3	Chemicals	768,542	768,542	1,180,352	1,283,611
30	620.3	Materials And Supplies	115,206	115,206	115,206	115,206
31	631.3	Contract Services - Engineering	4,402	4,402	4,402	4,402
32	633.3	Contract Services - Legal	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0
34	635.3	Contract Services - Test	120,769	120,769	120,769	120,769
35	636.3	Contract Services	153,821	153,821	153,821	153,821
36	641.3	Rental Of Building	1,000	1,000	0	0
37	642.3	Rental Of Equipment	0	0	0	0
38	650.3	Transportation	142	142	142	142
39		-Maintenance-				
40	620.4	Materials And Supplies	73,003	73,003	73,003	73,003
41	631.4	Contract Services - Engineering	1,508	1,508	1,508	1,508
42	636.4	Contract Services	337,860	337,860	337,860	337,860
43	650.4	Transportation	19,405	19,405	19,405	19,405
44	675.4	Miscellaneous Maintenance Expense	43,705	43,705	43,705	43,705
45		-Miscellaneous-				
46	675.3	Miscellaneous Operating Expense	1,624,237	1,624,237	1,695,654	1,741,374
47						
48		Total Water Treatment Expense	\$7,053,786	\$7,053,786	\$8,250,885	\$8,435,531
49		Transmission And Distribution				
50		-Operation-				
51	601.5	Salary And Wages	\$625,287	\$625,287	\$700,772	\$711,565
52	601.6	Salary And Wages	1,214,370	1,214,370	1,360,969	1,381,930
53	604.5	Employee Pension And Benefits	0	0	0	0
54	615.5	Purchased Power	1,167	1,167	1,596	1,583
55	620.5	Materials And Supplies	40,827	40,827	40,827	40,827
56	631.5	Contract Services - Engineering	0	0	0	0
57	636.5	Contract Services	29,407	29,407	29,407	29,407
58	641.5	Rental Of Building	100	100	100	100
59	642.5	Rental Of Equipment	17,172	17,172	17,172	17,172
60	650.5	Transportation	990	990	990	990

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/21	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22	PRESENT RATES 12/31/23
1		-Maintenance-				
2	620.6	Materials And Supplies	\$17,872	\$17,872	\$50,023	\$70,605
3	631.6	Contract Services - Engineering	0	0	0	0
4	636.6	Contract Services	30,731	30,731	30,731	30,731
5	650.6	Transportation	3,095	3,095	3,095	3,095
6	675.6	Miscellaneous Operating Expense	106,671	106,671	106,671	106,671
7		-Miscellaneous-				
8	675.5	Miscellaneous Operating Expense	147,006	147,006	147,006	147,006
9		Total Transmission And Distribution	\$2,234,695	\$2,234,695	\$2,489,359	\$2,541,682
10		Customer Accounting				
11		-Operation-				
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0
14	615.7	Purchased Power	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0
19	636.7	Contract Services	0	0	0	0
20	642.7	Rental Of Equipment	0	0	0	0
21	650.7	Transportation	0	0	0	0
22	657.7	Insurance	0	0	0	0
23	670.7	Bad Debt	523,669	523,524	614,936	728,766
24		-Miscellaneous-				
25	675.7	Miscellaneous Expense	18,722	32,832	116,408	116,657
26		Total Customer Accounting	\$542,391	\$556,356	\$731,344	\$845,423
27		Administrative And General				
28	601.8	Salary And Wages	\$1,101,625	\$1,107,501	\$1,240,489	\$1,259,504
29	603.8	Salary Of Officers	0	0	0	0
30	604.8	Employee Pension And Benefits	2,016,013	1,625,104	1,653,013	1,733,959
31	615.8	Purchased Power	296,730	296,730	296,730	296,730
32	620.8	Materials And Supplies	12,238	12,238	12,238	12,238
33	631.8	Contract Services	0	0	0	0
34	632.8	Contract Services - Accounting	0	0	0	0
35	633.8	Contract Services - Legal	24,018	24,018	24,018	24,018
36	634.8	Contract Services - Management	0	0	0	1,007,104
37	635.8	Contract Services - Test	0	0	0	0
38	636.8	Contract Services	90,177	90,177	112,401	135,838
39	641.8	Rental Of Building	15,116	15,116	15,116	15,116
40	642.8	Rental Of Equipment	5,402	5,402	5,402	5,402
41	650.8	Transportation	493,863	493,863	444,547	463,311
42	656.8	Insurance - Vehicles	0	0	24,863	25,499
43	657.8	Insurance	0	0	945,179	961,307
44	658.8	Workers Compensation	128,632	128,632	77,359	78,444
45	659.8	Insurance	0	0	269,061	286,388
46	660.8	Advertising	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	117,672	117,672
48	667.8	Regulatory Commission	0	0	0	0
49		-Miscellaneous-				
50	675.8	Miscellaneous Expense	246,732	365,395	602,150	616,794
51		Total Administrative And General	\$4,430,546	\$4,164,176	\$5,840,239	\$7,039,325
52		Total Operating Expenses	\$14,261,418	\$14,009,013	\$17,311,827	\$18,861,961

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO. DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES	
	12/31/21 DETAIL	12/31/21 AMOUNT	12/31/22 DETAIL	12/31/22 AMOUNT	12/31/23 DETAIL	12/31/23 AMOUNT
1 Per Books		\$14,261,418				
2 Present Rates At 12/31/2021				\$14,009,013		
3 Present Rates At 12/31/2022						\$17,311,827
4 Proposed Rates At 12/31/2023						
5 Compensation	\$0		\$686,843		\$98,206	
6 Group Insurance	0		180,946		74,162	
7 Other Post Employment Benefits & VEBA	0		2,125		-	
8 Pension	0		-		-	
9 Purchased Power	0		398,645		-	
10 Waste Disposal	0		-		-	
11 Chemicals	0		422,947		111,941	
12 Change In Consumption Expense	0		(26,252)		(20,465)	
13 Transportation Expense	0		(49,316)		18,764	
14 Insurance Other Than Group	0		1,187,830		35,176	
15 Regulatory Expense (Rate Case Expense)	0		117,672		-	
16 Service Company Expense	0		-		1,007,104	
17 Postage and Customer Accounting	0		-		-	
18 Inflation	0		148,666		95,174	
19 401K & Defined Contribution Plan	0		(155,162)		6,784	
20 Rent Expense	0		(1,000)		-	
21 Miscellaneous Adjustments	(252,260)		297,458		128,623	
22 Uncollectibles	(145)		91,412		(5,335)	
23 Pro Forma Adjustments		(252,405)		3,302,814		1,550,134
24 Present Rates At 12/31/2021		\$14,009,013				
25 Present Rates At 12/31/2022				\$17,311,827		
26 Present Rates At 12/31/2023						\$18,861,961

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Compensation

The following adjustment sets forth a summary of the Company's annualization of labor expense. The pro forma payroll for the future test years were developed by applying pay rates and associated performance pay that will become effective by December 31, 2022 and December 31, 2023 to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Salary and Wages	\$8,055,808	\$8,178,233
2	Annualized Performance Plan	305,590	311,943
3	Less: 23.74% Capitalized portion not charged to operating expense	<u>1,984,996</u>	<u>2,015,568</u>
4	Sub-Total	6,376,402	6,474,608
5	Less: Amount Charged To Operating Expense		
6	During the Twelve Months Ended 12/31/21	<u>5,689,559</u>	
7	Less: Amount Charged To Present Rates		
8	During the Twelve Months Ended 12/31/22		<u>6,376,402</u>
9	Pro Forma Adjustment	<u>\$686,843</u>	<u>\$98,206</u>
	601.3 Salary and Wages - Water Treatment	\$238,563	\$34,110
	601.4 Salary and Wages - Water Treatment	93,208	13,327
	601.5 Salary and Wages - Transmission & Distribution	75,485	10,793
	601.6 Salary and Wages - Transmission & Distribution	146,599	20,961
	601.7 Salary and Wages - Customer Accounting	0	0
	601.8 Salary and Wages - Administrative and General	132,988	19,015

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Group Insurance

The adjustment of the group insurance cost is based on the January 2022 premiums annualized for the future test year number of employees, less the annualized employee contribution, and adjusted for the portion not charged to operations. The fully projected future test year was developed by adjusting the annualized 2022 amount by a 3 year average of 6.04%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Group Insurance Cost	\$1,609,300	\$1,706,549
2	Less: 23.74% Not Charged To Operating Expense	382,048	405,135
3	Sub-Total	<u>1,227,252</u>	<u>1,301,414</u>
4	Less: Amount Charged To Operating Expense		
5	During the Twelve Months Ended 12/31/21	1,046,306	
6	Less: Amount Charged To Operating Expense		
7	During the Twelve Months Ended 12/31/22	<u></u>	<u>1,227,252</u>
8	Pro Forma Adjustment	<u>\$180,946</u>	<u>\$74,162</u>
	604.8 A&G Employees Pension And Benefits	\$180,946	\$74,162

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Other Post Employment Benefits (OPEB)

The following sets forth the Company's adjustment for post-retirement benefit costs under FAS 106 using the methodology approved by the Commission in the Company's base rate cases since 1992. In addition, the Company has included the expense associated with the Company's contributions to the Voluntary Employee Beneficiary Association (VEBA).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized OPEB Expense	\$0
2	Annualized Retiree VEBA Expense (\$600 x 66 employees)	39,600
3	Less: 23.74% Capitalized portion not charged to operating expense	9,401
4	Sub-Total	<u>30,199</u>
5	Less: Amount Charged To Operating Expenses	
6	For The Twelve Months Ended 12/31/21	28,074
7	Pro Forma Adjustment	<u><u>\$2,125</u></u>
	604.8 A&G Employees' Welfare Expenses	\$2,125

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

401K, Defined Contribution Plan (DCP) and Employee Stock Purchase Plan (ESPP) Expense

The following adjustment is being made to annualize 401K, DCP contributions and ESPP contributions based on the annualized compensation claim at December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized 401K - Company Match	\$128,491	\$131,310
2	Annualized DCP	355,744	361,564
3	Less: 23.74% Not Charged To Operating Expense	114,958	117,008
4	Sub-Total	<u>369,277</u>	<u>375,866</u>
5	Annualized ESPP	11,591	11,786
6	Less: Amount Charged To Operating Expense	536,030	380,868
7	Pro Forma Adjustment	<u><u>(\$155,162)</u></u>	<u><u>\$6,784</u></u>
	604.8 Employee Pension And Benefits AG	(\$155,162)	\$6,784

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Purchased Power

This adjustment reflects the application of rates for purchased power to be in effect as of December 2021 to anticipated billing units for the future and fully projected rate years. Accounts were adjusted for any known rate changes in either the future or fully projected rate years and were also adjusted to reflect 12 monthly bills.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Power Cost	\$1,441,720	\$1,441,720
2	Less: Amount Charged To Operating Expense	1,043,075	1,441,720
3	During the Preceding Calendar Year		
4	Pro Forma Adjustment	<u>\$398,645</u>	<u>\$0</u>
	615.3 Purchased Power - Water Treatment	\$398,199	\$0
	615.5 Purchased Power - Transmission and Distribution	446	0

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Rate Base Elements

Operating Expenses

Chemicals

The annualization of chemical costs was based on the application of quarterly contract prices in during 2022 to anticipated 2021 usage. Intra-2022 prices were inflated by 1.01% per quarter for those vendors who did agree to annual contracts. The unit price amount was then increased by 15.55% based on external research related to the current volatility in the market to project 2023 cost levels.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2023 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Chemical Costs	\$1,191,489	\$1,303,430
2	Less: Amount Charged To Operating Expense	768,542	1,191,489
3	During the Twelve Months Ended 12/31/23		
4	Pro Forma Adjustment	<u>\$422,947</u>	<u>\$111,941</u>
	618.3 Chemicals - Water Treatment	<u>\$422,947</u>	<u>\$111,941</u>

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Change in Consumption

During the future test year - 2022, and fully projected future test year - 2023, the Company will experience changes in consumption due to net addition or loss of customers and other factors affecting the usage of specific customers. The calculations shown below reflect estimates of the change in operating expenses that will be realized by these changes in consumption.

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Consumption (00 Gallons)	32,829,597	32,829,597	32,353,842	31,982,973
2	Change In Consumption		0	(475,754)	(370,870)
3	Power Costs Per Book	\$1,043,075			
4	Chemical Costs Per Book	768,542			
5	Total	<u>\$1,811,617</u>			
6	Rate Of Production Costs (00 Gallons) (Line 5/Line 1)		<u>\$0.05518</u>	<u>\$0.05518</u>	<u>\$0.05518</u>
7	Pro Forma Adjustment		<u>\$0</u>	<u>(\$26,252)</u>	<u>(\$20,465)</u>
	615.1 Source of Supply - Purchased Power		\$0	\$0	\$0
	615.3 Water Treatment - Purchased Power		0	(15,098)	(11,770)
	615.5 Transmission & Distribution - Purchased Power		0	(17)	(13)
	618.3 Water Treatment - Chemicals		0	(11,137)	(8,682)

Witness: Thomas Markward

Reference: FR II.09

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Leased Vehicles Expense	\$613,942	\$638,548
2	Less: 23.74% Not Charged To Operating Expense	145,763	151,605
3	Sub-Total	<u>468,179</u>	<u>486,943</u>
4	Less: Amount Charged To Operating Expense		
5	During the Twelve Months Ended 12/31/21	517,495	
6	Less: Present Rates During the Twelve Months Ended 12/31/22	<u> </u>	<u>468,179</u>
7	Pro Forma Adjustment	<u><u>(\$49,316)</u></u>	<u><u>\$18,764</u></u>
	650.8 A & G - Miscellaneous General Expense	(\$49,316)	\$18,764

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Insurance Other Than Group

The annualizations of Insurance Other Than Group (IOTG) costs were based on the actual and projected IOTG premiums for the twelve months ending December 31, 2021, adjusted for the 5 year average of retroactive adjustments. The present rates 12/31/2022 amounts are based on renewal data. Amounts for present rates 12/31/2023 were increased by a 5 year average of 6.44% except for claims amounts which were held at 2022 levels. Present rates for water at 2022 and 2023 have been allocated to other cost of service areas based on depreciated utility plant in service as of 12/31/21.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Workers Compensation Premium	\$126,441	\$128,219
2	Less: 38.82% Not Charged To Operating Expense	<u>(49,082)</u>	<u>(49,775)</u>
3	Sub-Total	77,359	78,444
4	Add: Annualized Vehicle, General Liability,		
5	Property And Other Insurance	<u>1,239,103</u>	<u>1,273,194</u>
6	Sub-Total	1,316,462	1,351,638
7	Less: Per Books and Present Rates	<u>128,632</u>	<u>1,316,462</u>
8	Pro Forma Adjustment	<u>\$1,187,830</u>	<u>\$35,176</u>
	656.8 Vehicle Insurance	24,863	636
	657.8 General Liability Insurance	945,179	16,128
	658.8 Workers Compensation	(48,286)	1,778
	658.8 Insurance WC Capitalized Credits	(2,987)	(693)
	659.8 Other Insurance	269,061	17,327

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a two-year period. Additionally, there is an adjustment for a 10 year amortization of the Customer Class Demand Study and a 3 year amortization of the Stormwater Fee Feasibility Study.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT
1	Rate Case Expense Allocation	\$197,895
2	Normalized Over 2 Years	98,948
3	Plus Allocation of Amortization of Demand Study	1,458
4	Plus Allocation of Amortization of Stormwater Fee	17,266
5	Feasibility Study	
6	Less: Amount Charged To Operating Expense	
7	During The Twelve Months Ended 12/31/21	0
8	Pro Forma Adjustment	<u>\$117,672</u>
	666.8 Regulatory Commission Expense	\$117,672
	Witness: Stacey D. Gress	
	Reference: Exhibit No. 3-B	

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Service Company

This adjustment reflects the cost of services provided by American Water Works Service Company (AWWSC), for the twelve months ended December 31, 2023. An allocation factor based on customer counts was applied to each cost of service area to allocate a portion of the total projected Service Company costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Service Company Cost	\$1,007,104
2	Less: Present Rates 12/31/22	<u>0</u>
3	Pro Forma Adjustment	<u><u>\$1,007,104</u></u>
	634.8 AG - Contract Services - Management	\$1,007,104

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Inflation

The Company has proposed various pro forma adjustments for specific expense items. The remaining expense items are anticipated to continue to rise due to inflationary increases. The following adjustment captures the estimated increases due to inflation.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Total O & M Expenses Per Books	\$14,261,418	\$14,261,418
2	Less: Adjusted Expenses	<u>10,572,430</u>	<u>10,572,430</u>
3	2022 Expenses Subject To Inflation	3,688,988	3,688,988
4	2022 Inflation		<u>148,666</u>
5	2023 Expenses Subject To Inflation		3,837,654
6	Inflation Factor	<u>4.03%</u>	<u>2.48%</u>
7	Pro Forma Adjustment	<u>\$148,666</u>	<u>\$95,174</u>
	636.8 Contracted Services	\$22,224	\$14,228
	620.6 Materials And Supplies	32,151	20,582
	675.3 Waste Disposal	71,417	45,720
	675.8 Miscellaneous Expense	22,874	14,644

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Rent Expense

This adjustment reflects the ending of a rental contract.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT
1	Annualized Rent Expense	\$0	\$0
2	Less: Per Books Amount and Present Rates	1,000	0
3	Pro Forma Adjustment	(\$1,000)	\$0
	641.3 - Rents-Real Property - Water Treatment	(\$1,000)	\$0

Witness: Thomas Markward

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment is being made to add Wastewater CSS expenses to pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNTS
1	<u>Additions:</u>			
2	PA HQ - Corporate Campus		213,882	
3	Nutrient Credits 5 Year Average	132,513		
4	Credit Card/E-check Transaction Fees	14,110	83,576	249
5	Severance Pay 3 Year Average	5,876		
6	Arrearage Management Plan and Low Income Program			128,374
7	<u>Deductions:</u>			
8	Fines	(\$12,600)		
9	Donations	(1,250)		
10	Pension	(339,423)		
11	OPEB	(51,486)		
12	Pro Forma Adjustment	<u>(\$252,260)</u>	<u>\$297,458</u>	<u>\$128,623</u>
	601.8 Salary & Wages - Admin & General	\$5,876	\$0	
	604.8 A&G Employee Pension And Benefits	(390,909)	-	
	636.8 Contract Service - Admin & General		-	9,209
	670.7 Uncollectible Accounts Exp - CA			119,165
	675.7 Misc Exp Customer Accounting	14,110	83,576	249
	675.8 Misc Expense Admin & General	\$118,663	213,882	-

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Total Sales	\$42,657,122	\$43,446,016	\$51,032,014	\$50,589,295	\$91,418,583
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$523,524	\$614,936	\$609,601	\$1,101,594
4	Less: Amount Charged To Operating Expense					
5	During The Twelve Months Ended 12/31/2021		523,669			
6	Less: Present Rates 12/31/2021			523,524		
7	Less: Present Rates 12/31/2022				614,936	
8	Less: Present Rates 12/31/2023					609,601
9	Pro Forma Adjustment		(\$145)	\$91,412	(\$5,335)	\$491,993
670.7	Customer Accounting And Collecting - Bad Debt		(\$145)	\$91,412	(\$5,335)	\$491,993

Witness: Cas Swiz

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Depreciation	\$15,090,243	\$16,508,112	\$18,600,428
2	Book Depreciation	<u>13,446,591</u>	<u>15,090,243</u>	<u>16,508,112</u>
3	Pro Forma Adjustment	<u><u>\$1,643,652</u></u>	<u><u>\$1,417,869</u></u>	<u><u>\$2,092,316</u></u>
	503 Depreciation	\$1,643,652	\$1,417,869	\$2,092,316

Witness: Stacey D. Gress, John Spanos

Reference: Exhibits No. 11

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Scranton Sewer Auth - Acquisition Costs	Approved Docket No. R-2020-3019369	\$74,436	\$74,436
2	McKeesport Acquisition Costs	Approved Docket No. R-2020-3019369	28,820	28,820
3	Kane Acquisition Costs	Approved Docket No. R-2020-3019369	17,670	43,220
4	McKeesport Deferred Depreciation	Approved Docket No. R-2020-3019369	130,549	17,610
5	Tax Cuts and Jobs Act Stub Period and Reconciliation	Approved Docket No. R-2020-3019369	(231,100)	(92,642)
6	COVID-19 Emergency Response	Seeking Approval		50,316
7	Proforma Expense		20,375	121,760
8	Less: Per Books		132,659	20,375
9	Pro Forma Adjustment		(\$112,284)	\$101,385

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Taxes, Other than Income

Pennsylvania Property Tax

The following adjustment reflects the projected property tax expense for the twelve months ended
December 31, 2022 and December 31, 2023.

LINE NO.	DESCRIPTION	12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Property Subject to Tax	\$156,681,828	\$164,809,077	\$197,117,807
2	Property Tax UPIS	\$992,695		
3	Total	\$992,695		
4	Rate (Line 3 / Line 1)	\$0.006336	\$0.006336	\$0.006336
5	Projected property tax expense (Line 1 x Line 4)		\$1,044,230	\$1,248,938
6	Less: Amount Charged To Operating Expense			1,044,230
7	During The 12 Months Ended 12/31/21		992,694	
8	Pro Forma Adjustment		\$51,536	\$204,708
	408.2 Taxes, Other Than Income - Property		\$51,536	\$204,708

Witness: Stacey D. Gress
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Wastewater CSS Operations

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 at December 31, 2022 through December 31, 2023.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2022 AMOUNT	PRESENT RATES 12/31/2023 AMOUNT
1	Annualized Payroll Taxes	\$661,821	\$671,672
2	Less: 23.74% Not Charged To Operating Expense	157,116	159,455
3	Sub-Total	504,705	512,217
4	Less: Amount Charged To Operating Expense	435,789	504,705
5	Pro Forma Adjustment	\$68,916	\$7,512
	408.12 - Taxes - Payroll	\$68,916	\$7,512

Witness: Lori O'Malley
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

**Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees**

LINE NO. DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1 Total Wastewater Sales	\$43,159,145	\$50,698,077	\$50,258,105	\$90,834,077
2 Estimated General Assessment Fee				
3 Public Utility Commission At 0.004732071817	204,232	239,907	237,825	429,833
4 Consumer Advocate Fee At 0.001576414354	68,037	79,921	79,228	143,192
5 Small Business Advocate Fee At 0.000324126811	13,989	16,433	16,290	29,442
6 Damage Prevention Comittee Fee At 0.000082988139	3,582	4,207	4,171	7,538
7 Subtotal	289,840	340,468	337,514	610,005
8 Less: Amount Charged To Operating Expenses During				
9 The Twelve Months Ended 12/31/2021	254,185			
10 Less: Pro Forma Under Present Rates At 12/31/2021		289,840		
11 Less: Pro Forma Under Present Rates At 12/31/2022			340,468	
12 Less: Pro Forma Under Present Rates At 12/31/2023				337,514
13 Pro Forma Adjustment	\$35,655	\$50,628	(\$2,954)	\$272,491
507.1 Taxes Other Than Income				\$355,820
Witness: Stacey D. Gress				

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED 12/31/23 AMOUNT
1	State Income Tax Per Computation				
2	Shown On Following Page	\$1,308,719	\$1,444,396	\$883,311	\$4,884,467
3	Less: State Income Tax Per Book				
4	Computation Shown On Following Page	1,348,834			
5	Less: Present Rates 12/31/2021		1,308,719		
6	Less: Present Rates 12/31/2022			1,444,396	
7	Less: Present Rates 12/31/2023				883,311
<hr/>					
8	Pro Forma Adjustment	(\$40,115)	\$135,677	(\$561,085)	\$4,001,156
<hr/>					
9	Federal Income Tax Per Computation				
10	Shown On Following Page	\$2,546,962	\$3,074,152	\$2,126,354	\$9,696,949
11	Less: Federal Income Tax Per Book				
12	Computation Shown On Following Page	2,623,086			
13	Less: Present Rates 12/31/2021		2,546,962		
14	Less: Present Rates 12/31/2022			3,074,152	
15	Less: Present Rates 12/31/2023				2,126,354
<hr/>					
16	Pro Forma Adjustment	(\$76,124)	\$527,190	(\$947,798)	\$7,570,595

Witness: Melissa Ciullo

Pennsylvania-American Water Company - Wastewater CSS Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT
1	Utility Operating Income Before Taxes	\$13,816,338	\$12,495,777	\$15,302,297	\$10,906,477	\$50,971,281
2	Less: Interest Expense	7,662,088	7,662,088	8,301,478	9,416,953	9,430,147
3	Taxable Operating Income	6,154,250	4,833,689	7,000,819	1,489,524	41,541,134
4	Add: Premature Property Losses / Amortizations	132,659	132,659	20,375	121,760	121,760
5	Depr - Straight Line-Remaining Life (Including COR)	13,446,591	15,090,243	16,508,112	18,600,428	18,600,428
6	Taxable Meals & Entertainment	3,691	3,691	3,691	3,691	3,691
7	Total	13,582,941	15,226,593	16,532,178	18,725,879	18,725,879
8	Deduct:					
9	Tax Depreciation:					
10	State Tax Depreciation Adjustments	6,235,353	6,959,996	9,074,574	11,373,452	11,373,452
11	Total	6,235,353	6,959,996	9,074,574	11,373,452	11,373,452
12	State Taxable Income	13,501,838	13,100,286	14,458,423	8,841,951	48,893,561
13	State Income Tax At:					
14	Historic, Future And Fully Projected At 9.99%	1,348,834	1,308,719	1,444,396	883,311	4,884,467
15	Taxable Income After State Income Tax	12,153,004	11,791,567	13,014,027	7,958,640	44,009,094
16	Add:					
17	Federal Tax Depreciation Adjustments	961,374	960,312	2,184,927	2,712,339	2,712,339
18	Income Subject To Federal Income Tax	13,114,378	12,751,879	15,198,954	10,670,979	46,721,433
19	Federal Income Tax @ 21%	2,754,019	2,677,895	3,191,780	2,240,906	9,811,501
20	Excess ADIT	130,933	130,933	117,628	114,552	114,552
21	Federal Tax Liability	\$2,623,086	\$2,546,962	\$3,074,152	\$2,126,354	\$9,696,949

Witness: Melissa Ciullo

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES	PROPOSED
		12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/23 AMOUNT	12/31/23 AMOUNT
1	Interest On Long Term Debt Per Computation				
2	Shown On Following Page	\$6,772,761	\$7,619,871	\$8,720,419	\$8,732,637
3	Less: Interest On Long Term Debt As Per Book				
4	Computation On Following Page	6,772,761			
5	Less: Present Rates At 12/31/2021		6,772,761		
6	Less: Present Rates At 12/31/2022			7,619,871	
7	Less: Present Rates At 12/31/2023				8,720,419
<hr/>					
8	Pro Forma Adjustment	\$0	\$847,110	\$1,100,548	\$12,218
<hr/>					
9	Interest On Wastewater Specific Long Term Debt Per Computation				
10	Shown On Following Page	\$889,327	\$681,607	\$696,534	\$697,510
11	Less: Interest On Wastewater Specific Long Term Debt As Per Book				
12	Computation On Following Page	889,327			
13	Less: Present Rates At 12/31/2021		889,327		
14	Less: Present Rates At 12/31/2022			681,607	
15	Less: Present Rates At 12/31/2023				696,534
<hr/>					
16	Pro Forma Adjustment	\$0	(\$207,720)	\$14,927	\$976

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - Wastewater CSS Operations

Notes to Statement Of Income

Application of Income Deductions

PRESENT RATES AT DECEMBER 31, 2021				PRESENT RATES AT DECEMBER 31, 2022			PRESENT RATES AT DECEMBER 31, 2023			
LINE NO.	DESCRIPTION	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure									
2	Long Term Debt	\$292,725,976	40.59%	4.35%	\$429,719,609	41.88%	4.32%	\$469,628,075	42.26%	4.31%
3	Long Term Debt - WW Specific	65,182,069	9.04%	2.56%	64,002,276	6.24%	2.59%	62,810,631	5.65%	2.57%
4	Total Debt	357,908,045	49.63%		493,721,885	48.12%		532,438,706	47.91%	
5	Preferred Stock	262,358	0.04%	8.87%	96,199	0.01%	9.70%	104,851	0.01%	9.70%
6	Common Equity	362,906,749	50.33%		532,171,228	51.87%		578,778,070	52.08%	
7	Totals	\$721,077,152	100.00%		\$1,025,989,312	100.00%		\$1,111,321,627	100.00%	
					PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PRESENT RATES 12/31/23 AMOUNT	PROPOSED RATES 12/31/23 AMOUNT		
8	Application Of Long Term Debt Interest:									
9	Original Cost Rate Base				\$383,581,305	\$421,169,755	\$478,774,010	\$479,444,857		
10	Debt Percentage (From Above)				40.59%	41.88%	42.26%	42.26%		
11	Debt Portion Of Rate Base				155,695,652	176,385,893	202,329,897	202,613,397		
12	Interest Cost (From Above)				4.35%	4.32%	4.31%	4.31%		
13	Pro Forma Long Term Interest Deduction				\$6,772,761	\$7,619,871	\$8,720,419	\$8,732,637		
14	Application Of Wastewater Specific Long Term Debt Interest:									
15	Original Cost Rate Base				\$383,581,305	\$421,169,755	\$478,774,010	\$479,444,857		
16	Debt Percentage (From Above)				9.04%	6.24%	5.65%	5.65%		
17	Debt Portion Of Rate Base				34,675,750	26,280,993	27,050,732	27,088,634		
18	Interest Cost (From Above)				2.56%	2.59%	2.57%	2.57%		
19	Pro Forma Wastewater Specific Long Term Interest Deduction				\$889,327	\$681,607	\$696,534	\$697,510		
Witness: Ann E. Bulkley										