

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

AQUA PENNSYLVANIA, INC.

:
:
:
:
:
:

Docket No. R-00051030

DIRECT TESTIMONY

OF

ANDREA C. CRANE

ON BEHALF OF

THE PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

FEBRUARY 28, 2006

TABLE OF CONTENTS

	Page
I. Statement of Qualifications	3
II. Purpose of Testimony	4
III. Summary of Conclusions	5
IV. Cost of Capital and Capital Structure	6
V. Rate Base Issues	7
A. Utility Plant in Service	7
B. Acquisition of Other Systems	12
C. Cash Working Capital	21
D. Summary of Rate Base Issues	25
VI. Operating Income Issues	26
A. Pro Forma Revenues	26
B. Salaries and Wages	26
C. Other Post Employment Benefits	30
D. Health Care Costs	32
E. Gasoline and Diesel Fuel Contract Expense	32
F. GPS Maintenance Costs	34
G. PA Management Audit Expense	34
H. Purchased Water Costs	37
I. Insurance Premiums	39
J. Charitable Contributions	40
K. Amortization of Acquisition Adjustments	40
L. Depreciation Expense	42
M. Consolidated Income Taxes	42
N. Interest Synchronization and Taxes	46
VII. Revenue Requirement Summary	47
VIII. Tariff Issues	48
Appendix A - List of Prior Testimonies	
Appendix B - Supporting Schedules	
Appendix C - Referenced Data Requests	

1 **I. STATEMENT OF QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Andrea C. Crane and my business address is PO Box 810, One North Main
4 Street, Georgetown, Connecticut 06829.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am Vice President of The Columbia Group, Inc., a financial consulting firm that specializes
8 in utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and
9 undertake various studies relating to utility rates and regulatory policy. I have held several
10 positions of increasing responsibility since I joined The Columbia Group, Inc. in January
11 1989.

12
13 **Q. Please summarize your professional experience in the utility industry.**

14 A. Prior to my association with The Columbia Group, Inc., I held the position of Economic
15 Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to
16 January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic
17 (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the Product
18 Management, Treasury, and Regulatory Departments.

19
20 **Q. Have you previously testified in regulatory proceedings?**

21 A. Yes, since joining The Columbia Group, Inc., I have testified in over 200 regulatory
22 proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas,

1 Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania, Rhode
2 Island, South Carolina, Vermont, West Virginia and the District of Columbia. These
3 proceedings involved water, wastewater, gas, electric, telephone, solid waste, cable
4 television, and navigation utilities. A list of dockets in which I have filed testimony is
5 included in Appendix A.
6

7 **Q. What is your educational background?**

8 A. I received a Masters degree in Business Administration, with a concentration in Finance,
9 from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A.
10 in Chemistry from Temple University.
11

12 **II. PURPOSE OF TESTIMONY**

13 **Q. What is the purpose of your testimony?**

14 A. On or about November 18, 2005, Aqua Pennsylvania, Inc. ("Aqua" or "Company") filed a
15 base rate increase request with the Commonwealth of Pennsylvania, Public Utility
16 Commission ("PUC" or "Commission") seeking a rate increase of \$38.8 million. The
17 request would result in an overall increase of approximately 14.4%. The Columbia Group,
18 Inc. was engaged by the Pennsylvania Office of Consumer Advocate ("OCA") to review the
19 Company's filing and to provide recommendations to the PUC regarding the Company's
20 accounting and revenue requirement claims. In developing my recommendations, I relied
21 upon the cost of capital recommendation of OCA witness Stephen Hill.

1

2 **Q. What are the most significant issues in this rate proceeding?**

3 A. The most significant issues driving Aqua's rate increase request are 1) the Company's
4 claimed future test year plant additions, 2) its claimed return on equity of 11.7%, 3) increased
5 payroll costs of over \$3.1 million in the historic and future test years, 4) increased purchased
6 water costs of \$1.4 million, 5) increased benefit costs, including pension and other post-
7 employment benefit ("OPEB") costs of approximately \$4.3 million, and 6) increased liability
8 insurance expense of over \$2.9 million. In addition, the Company is requesting the
9 establishment of a purchased water adjustment ("PWA") charge in this case.

10

11 **III. SUMMARY OF CONCLUSIONS**

12 **Q. What are your conclusions concerning the Company's revenue requirement and its
13 need for rate relief?**

14 A. Based on my analysis of the Company's filing and other documentation in this case, my
15 conclusions are as follows:

- 16 1. The twelve months ending June 30, 2006, is an acceptable future test year to use in
17 this case to evaluate the reasonableness of the Company's claim.
- 18 2. The Company has a required return on equity of 9.50% and an overall required rate
19 of return of 7.75%, as recommended by Mr. Hill (see Schedule ACC-2).
- 20 3. Aqua has future test year pro forma rate base of \$1,135,490,745 (see Schedule ACC-
21 3).

- 1 4. The Company has pro forma operating income at present rates of \$82,165,662 (see
2 Schedule ACC-8).
- 3 5. Aqua has a future test year, pro forma, revenue requirement deficiency of
4 \$10,137,306 (see Schedule ACC-1). This is in contrast to the Company's claimed
5 deficiency of \$38,800,000.
- 6 6. Aqua's request for establishment of a PWA charge constitutes single-issue
7 ratemaking, provides a disincentive for the Company to control purchased water
8 costs, and should be rejected.
- 9
- 10

11 **IV. COST OF CAPITAL AND CAPITAL STRUCTURE**

12 **Q. What is the cost of capital and capital structure that the Company is requesting in**
13 **this case?**

14 A. The Company has utilized the following capital structure and cost of capital:

	<u>Percent</u>	<u>Cost</u>	<u>Weighted Cost</u>
16 Long Term Debt	50.01%	6.01%	3.01%
17			
18 Common Equity	49.91%	11.70%	<u>4.74%</u>
19			
20 Total			<u>8.85%</u>

1 **Q. Is the OCA recommending any adjustments to this capital structure or cost of**
2 **capital?**

3 A. According to the testimony of Mr. Hill, the OCA is not recommending any changes to the
4 capital structure being claimed by Aqua. However, Mr. Hill is recommending a required
5 return on equity of 9.50%, instead of the 11.70% being requested by Aqua. This results
6 in an overall cost of capital recommendation of 7.75%, as shown in Schedule ACC-2. I
7 have reflected a required overall return of 7.75% in developing the revenue requirement
8 recommendations contained in my testimony.

9

10

11 **V. RATE BASE ISSUES**

12 **Q. What test years did the Company utilize to develop its rate base claim in this**
13 **proceeding?**

14 A. The Company selected the historic test year ending June 30, 2005 and the future test year
15 ending June 30, 2006.

16

17 **A. Utility Plant-in-Service**

18 **Q. How did the Company determine its utility plant-in-service claim in this case?**

19 A. Aqua began with its actual historic test year balances at June 30, 2005. To these balances,
20 the Company added projected plant additions through June 30, 2006, and eliminated
21 projected future test year retirements. The Company is projecting future test year net plant

1 additions of \$137.4 million, as shown on page 81 of Exhibit 1-A.

2
3 **Q. Do these projected additions include systems acquired by Aqua since its last base rate**
4 **case?**

5 A. No, the \$137.4 million does not include any plant acquired by Aqua or any related
6 acquisition adjustments. These amounts are separately shown in the Company's rate base
7 claim. However, the projected future test year plant additions do include improvements to
8 acquired systems that have been undertaken or will be undertaken by Aqua subsequent to
9 acquiring the systems.

10
11 **Q. Are you recommending any adjustment to the utility plant-in-service additions being**
12 **claimed by Aqua?**

13 A. Yes, I am. First, it should be noted that, by any measure, the Company's claim represents an
14 extraordinary amount of plant additions for a one-year period. The utility plant-in-service
15 additions included by Aqua in its rate base are unprecedented in terms of the magnitude of
16 plant additions in any one year. In OCA-I-3, we asked the Company to provide the actual
17 utility plant-in-service additions and actual retirement for each of the past five years. As
18 demonstrated below, the Company's claim in this case represents an increase of more than
19 16.5% over the actual net plant-in-service additions in any of the past five years.

1

	Net Utility Plant-In-Service Additions
2000	\$66,205,523
2001	\$60,209,196
2002	\$117,913,544
2003	\$76,347,181
2004	\$96,737,667

2

3 Thus, it is by no means certain that the Company will actually add over \$137.4 million of
4 utility plant during the future test year.

5 Moreover, in OCA-I-1, we asked the Company to provide information on each future
6 test year project included in the Company's claim, including the starting date for each
7 project, the estimated completion date, the amount spent to date, and the percent completed.
8 In response, the Company provided data for each of those projects budgeted at more than
9 \$250,000, which represented \$77.3 million in additions and \$1.1 million in retirements,
10 approximately 55% of the net plant additions being claimed in the future test year. Through
11 November 2005, the Company identified total expenditures of only \$36.0 million on these
12 projects, as shown in the response to OCA-I-1. Many of the projects, including one of the
13 significant construction projects associated with the Bryn Mawr office complex, had no
14 expenditures through November 30, 2005. This response indicated that other significant
15 projects were either delayed or canceled. While the Company generally argues that any

1 construction amounts not spent on budgeted projects will be rolled over and utilized on other
2 projects, this response does generate significant concerns relating to the Company's \$137.4
3 million claim for utility plant-in-service additions, particularly since it provided no
4 information on projects costing less than \$250,000.

5
6 **Q. Has the Company provided a further update of its actual utility plant-in-service
7 additions through January 2006?**

8 A. We asked the Company in OCA-XV-A1 to provide the most recent update for the utility
9 plant-in-service additions made since June 30, 2005, the end of the historic test year. The
10 Company responded that through December 31, 2005, \$70,065,563 has been closed to plant-
11 in-service. While this response suggests that Aqua is making significant process in meeting
12 its projection for utility plant-in-service additions, it should be noted that proportionately
13 more construction is generally completed during the summer months than during the winter.
14 Thus, the Company's actual experience for the first six months of the future test year may not
15 be replicated during the second half. Moreover, the Company did not forecast any additions
16 to either contributions in aid of construction or advances for construction during the future
17 test year. We do not know how much, if any, of the \$70 million closed to utility plant was
18 actually financed by contributions or advances in the future test year. To the extent that the
19 \$70 million included projects financed by contributions or advances, then the Company
20 could very well fall short of meeting its claim for utility plant-in-service additions.

1 **Q. What do you recommend?**

2 A. I am recommending that the PUC disallow 10%, or \$13.7 million, of the Company's utility
3 plant-in-service claim. This would result in pro forma utility plant-in-service additions of
4 approximately \$124 million, which is more in line with the Company's past experience. In
5 fact, this still represents a significant increase over the actual plant additions in any of the
6 past five years. If the Company provides further updates during the rebuttal stage of this
7 case, I will update my recommendation if necessary. My adjustment is shown in Schedule
8 ACC- 4.

9

10 **Q. If the Company revises its claim to include Construction Work in Progress ("CWIP")**
11 **in rate base, given the fact that it may not complete all of its test year projected plant**
12 **additions, what would you recommend?**

13 A. In that case, I would recommend that no CWIP be permitted in rate base. CWIP is not an
14 appropriate rate base element. Accordingly, I would not recommend the inclusion of any
15 CWIP in rate base.

16 CWIP does not represent facilities that are used or useful in the provision of utility
17 service. In addition, including this plant in rate base would violate the regulatory principle of
18 intergenerational equity by requiring current ratepayers to pay a return on plant that is not
19 providing them with utility service and which may never provide current ratepayers with
20 utility service.

1 One of the basic principles of utility ratemaking is that shareholders are entitled to a
2 return on, and to a return of, plant that is used and useful in the provision of safe and
3 adequate utility service. By its definition, CWIP does not meet these criteria. Including
4 CWIP in rate base forces today's ratepayers to pay for plant that may never provide them
5 with any benefit. In addition, including CWIP in rate base transfers the risk during project
6 construction from shareholders, where it properly belongs, to ratepayers. The shareholders
7 are fully compensated for their financing risks through an appropriate return on equity award
8 and they should not be doubly compensated by including CWIP in rate base. For all these
9 reasons, the Commission should reject any attempt by Aqua to include CWIP in rate base.

10
11 **B. Acquisition of Other Systems**

12 **Q. Please summarize the acquisitions made by the Company since its last base rate case.**

13 A. Since its last base rate case, the Company has made the following acquisitions: Cedar Lane,
14 Pine Beach, Pinecrest, Canal Acres, Applewood, Marienville, Meribah, Barrett, Hex Acres,
15 Tambur, Oneida, Eagle Rock, Fieldcrest, Thornhurst, Christian Springs, Pennsview, Links at
16 Gettysburg, Stanton, Wilbar, Meadowcrest, and Sunrise Estates.

17 In some cases, the Company paid more than net book value for the systems and in
18 some cases it paid less, as shown below:

1

System	Purchase Price	Net Book Value or Original Cost Value
Cedar Lane	\$32,000	\$87,614
Pine Beach	\$30,000	\$24,109
Pinecrest	\$510,000	\$825,009
Canal Acres	\$5,001	\$14,808
Applewood	\$6,750	\$22,171
Marienville	\$681,000	\$213,795
Meribah	\$50,000	\$36,613
Barrett, Hex Acres, And Tambur	\$200,000	\$42,884
Oneida	\$100,000	\$23,828
Eagle Rock	\$1,978,825	\$3,138,053
Fieldcrest	\$25,000	\$41,263
Thornhurst	\$175,000	\$292,245
Christian Springs	\$15,000	\$8,945
Pennsview	\$30,000	\$248,650
Links at Gettysburg	\$55,000	\$267,903
Stanton	\$92,000	\$50,097
Wilbar	\$1,600,000	\$1,601,917
Meadowcrest	\$350,000	\$248,844
Sunrise Estates	\$236,000	260,835

2

3

4

5

As shown above, Aqua has made a substantial number of acquisitions since its last base rate case. In fact, Aqua has substantially increased its acquisition activities since that time.

1 **Q. How is the Company proposing to reflect these purchases in rate base?**

2 A. With regard to the Marienville, Meribah, Barrett, Hex Acres, Tambur, Oneida, Christian
3 Springs, Stanton, and Meadowcrest acquisitions, the purchase price paid by Aqua for these
4 systems exceeded the net book value of the assets acquired. In these cases, Aqua is
5 proposing to include in rate base an acquisition adjustment for the difference between the
6 purchase price of the systems and the net book value of the assets acquired. With regard to
7 the remaining systems where the net book value of the systems acquired was greater than the
8 purchase price, the Company is proposing to include the net book value of the assets acquired
9 in rate base. I understand that this latter treatment is permitted when a Company acquires a
10 system at a price below book value. Thus, while Aqua will record a negative acquisition
11 adjustment for these systems, this negative acquisition adjustment will not be reflected as a
12 reduction to rate base. The Company is proposing that all acquisition adjustments, both
13 positive and negative, be amortized for ratemaking purposes over a period of 20 years.

14
15 **Q. What criteria are used by the PUC to determine if a water utility's claim for an
16 acquisition premium should be approved?**

17 A. The legislature has determined nine criteria must be met if a water utility is permitted by the
18 PUC to include an acquisition adjustment in rate base¹. These include:
19

¹ Section 1327(a) of the Code, 66 Pa. C.S. Section 1327(a).

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41

- (1) the property is used and useful in providing water or sewer service;
- (2) the public utility acquired the property from another public utility, a municipal corporation or a person which had 3,300 or fewer customer connections or which was nonviable in the absence of the acquisition;
- (3) the public utility, municipal corporation or person from which the property was acquired was not, at the time of acquisition, furnishing and maintaining adequate, efficient, safe and reasonable service and facilities, evidence of which shall include, but not be limited to, any one or more of the following:
 - (i) violation of statutory or regulatory requirements of the Department of Environmental Resources or the commission concerning the safety, adequacy, efficiency or reasonableness of service and facilities;
 - (ii) a finding by the commission of inadequate financial, managerial or technical ability of the small water or sewer utility;
 - (iii) a finding by the commission that there is a present deficiency concerning the availability of water, the palatability of water or the provision of water at adequate volume and pressure;
 - (iv) a finding by the commission that the small water or sewer utility, because of necessary improvements to its plant or distribution system, cannot reasonably be expected to furnish and maintain adequate service to its customers in the future at rates equal to or less than those of the acquiring public utility; or
 - (v) any other facts, as the commission may determine, that evidence the inability of the small water or sewer utility to furnish or maintain adequate, efficient, safe and reasonable service and facilities;

- 1 (4) reasonable and prudent investments will be made to assure
2 that the customers served by the property will receive
3 adequate, efficient, safe and reasonable service;
4
- 5 (5) the public utility, municipal corporation or person whose
6 property is being acquired is in agreement with the
7 acquisition and the negotiations which led to the acquisition
8 were conducted at arm's length;
9
- 10 (6) the actual purchase price is reasonable;
11
- 12 (7) neither the acquiring nor the selling public utility,
13 municipal corporation or person is an affiliated interest of
14 the other;
15
- 16 (8) the rates charged by the acquiring public utility to its
17 preacquisition customers will not increase unreasonably
18 because of the acquisition; and
19
- 20 (9) the excess of the acquisition cost over the depreciated
21 original cost will be added to the rate base to be amortized
22 as an addition to expense over a reasonable period of time
23 with corresponding reductions in the rate base.
24

25 These conditions are conjunctive, in that all of the conditions must
26 be met if an acquisition premium is to be included in rate base.
27

28 **Q. Has the Company generally met the criteria for inclusion of the acquisition premiums**
29 **in rate base?**

30 A. While Aqua has met most of the conditions for the majority of the acquisitions that were
31 made above book value, in most of these acquisitions the Company has not met criterion 6,
32 which requires that the actual purchase price be reasonable. In my opinion, only the purchase

1 of the Oneida and Stanton systems meet the criterion for reasonableness.

2
3 **Q. What factors should be considered when examining the reasonableness of the purchase**
4 **price?**

5 A. While the determination of whether a purchase price is reasonable is a somewhat subjective
6 exercise, there are several factors that should be considered. First, the purchase price should
7 not be viewed in a vacuum. As noted, one of the criteria in the legislation is whether the
8 purchase price was negotiated at arm's length. This is an important criteria because it is
9 generally assumed that in an arm's length transaction, both parties have an incentive to get
10 the best possible deal, i.e., the seller is attempting to maximize the price paid while the buyer
11 is attempting to minimize the purchase price. While this is generally true, it is not
12 necessarily true when the buyer knows that the purchase price is likely to be fully recoverable
13 from ratepayers. The purchaser will only have an incentive to obtain the lowest possible
14 price if he believes that shareholders are at risk for any amounts over and above net book
15 value. If the purchaser believes that any amount paid will be likely reflected in rates, then
16 he has no incentive to minimize the price paid. In fact, he has just the opposite incentive, to
17 maximize the purchase price in order to inflate rate base to the greatest extent possible.

18 Moreover, the purchase price does not tell the whole story. While one purchase price
19 may be reasonable if the system being acquired is in reasonably good shape, that same
20 purchase price may not be reasonable if the purchaser needs to make significant and

1 expensive upgrades to the system. A case in point is the Meribah system. The purchase
2 price for this system was \$50,000, and the net book value was \$36,613. This results in an
3 investment per customer of \$1,000 and in a price to book value ratio of 1.366. These
4 amounts on their surface appear somewhat reasonable. However, Aqua has stated that it has
5 made additional improvements of \$135,000 to the system, and that it will incur another
6 \$175,000 of expenditures in 2006. When these expenditures are considered, the actual price
7 paid for the system increases from a somewhat reasonable \$50,000 to \$308,316. Based on a
8 price of \$308,316, Meribah's investment per customer increases to \$7,200 and its price per
9 net book value increases from 1.366 to 9.833. Thus, it is important that the PUC consider the
10 condition of the system, and the capital improvements that Aqua is required to make, in
11 determining whether the purchase price was in fact reasonable.

12
13 **Q. What is the investment per customer and price per net book value ("NBV") of each of**
14 **these systems?**

15 **A.** Shown below are the investment per customer and the purchase price per net book value for
16 each system. I have shown these amounts two ways: one, using only the actual purchase
17 price and two, including both the actual purchase price as well as the subsequent capital
18 upgrades:

1

System	Investment Per Customer (Purchase Price Only)	Total Investment Per Customer ²	Purchase Price Per NBV	Total Investment Per NBV
Meadowcrest	\$919	\$8,447	1.407	12.934
Christian Springs	\$288	\$7,337	1.677	42.659
Meribah	\$1,000	\$7,200	1.366	9.833
Marienville	\$1,792	\$4,404	3.185	7.828
Barrett, Hex Acres, And Tambur	\$1,149	\$2,634	4.66	10.688
Stanton	\$648	\$736	1.836	2.087
Oneida	\$714	\$714	4.197	4.197

2

3

4

5

6

7

Q. Based on your evaluation, what do you recommend?

8

9

10

A. I recommend that Aqua's claimed acquisition premiums be denied except for the premiums included for the Oneida and Stanton systems. The investment per customer for each of these two systems ranges from \$714 to \$736, which appears very reasonable when one considers

² Based on the responses to OCA-IV-A8, A9, A11, A12, A13, A15, and A18.

1 Aqua's average investment of approximately \$3,116.³ However, the investment per
2 customer of the remaining systems is high when one considers the additional investment that
3 Aqua has been or will be required to make. In addition, when one considers necessary
4 capital expenditures along with the purchase price, the investment per net book value of these
5 systems ranges from 7.828 to 42.659. In my opinion, these ranges are not reasonable and
6 the requested acquisition premiums for these systems should be denied. My adjustment is
7 shown in Schedule ACC-5.

8
9 **Q. Did the Company also state in a data request response that it planned to adjust the**
10 **original cost basis of the acquisitions included in its filing?**

11 A. Yes, it did. Aqua included \$7,113,400 in its rate base claim associated with the original cost
12 of the systems acquired since its last case. In response to OCA-IX-7, Aqua indicated that it
13 had understated the original cost basis for the Pinecrest system. Essentially, in preparing its
14 filing, Aqua transposed the purchase price for this system with the original cost basis. The
15 Company indicated that it would be updating its rate base claim to include additional plant in
16 the amount of \$315,009 associated with Pinecrest. Accordingly, at Schedule ACC-6, I have
17 made an adjustment to increase rate base to reflect the correct original cost basis for the
18 Pinecrest system.

³ This amount was derived from pages 1 and 81 of Exhibit 1-A.

1 **C. Cash Working Capital**

2 **Q. What is cash working capital?**

3 A. Cash working capital is the amount of cash that is required by a utility in order to cover cash
4 outflows between the time that revenues are received from customers and the time that
5 expenses must be paid. For example, assume that a utility bills its customers monthly and
6 that it receives monthly revenues approximately 30 days after the billing date. Assuming the
7 Company pays its employees weekly, it will have a need for cash to meet its payroll costs
8 prior to receiving the monthly revenue stream. Alternatively, assuming the Company pays its
9 interest expense quarterly, it will receive the revenues from customers to pay these costs well
10 in advance of needing the funds to pay this interest expense.

11
12 **Q. Do companies always have a positive cash working capital requirement?**

13 A. No, they do not. The actual amount and timing of cash flows dictate whether or not a utility
14 requires a cash working capital allowance. Therefore, one should examine actual cash flows
15 through a lead/lag study in order to accurately measure a utility's need for cash working
16 capital.

17
18 **Q. Did the Company prepare a lead/lag study in this case?**

19 A. Yes, it did. More specifically, Aqua developed its lead/lag study to determine its cash
20 working capital requirement in four parts. First, the Company included a rate base addition
21 relating to a cash working capital requirement associated with its operating expenses.

1 Second, the Company included in rate base a cash working capital requirement associated
2 with various tax obligations. Third, the Company included in rate base a cash working
3 capital requirement associated with payroll taxes. Fourth, the Company included a rate base
4 offset relating to cash working capital provided by the accrual of interest expense.

5
6 **Q. Are you recommending any adjustments to the Company's cash working capital**
7 **claims?**

8 A. Yes, I am recommending several adjustments to the Company's cash working capital claims
9 associated with its operating expenses. First, I am recommending a change to the expense
10 lag days used by Aqua for purchased water expense. In its filing, Aqua included an expense
11 lag of 23.7 days. This lag is considerably shorter than the 33.1 days approved in the
12 Company's last base rate case. A review of the response to OCA-I-8, indicates that this
13 change is largely the result of payments made to the City of Philadelphia's Water
14 Department. In fact, in many cases, these payments are actually being made prior to the end
15 of the service period. The contract with the City of Philadelphia requires monthly billing,
16 with payment to be made within 30 days of the date of the bill. Moreover, this is the same
17 contract that was in place at the time of the Company's last base rate case. Accordingly, the
18 Company has not justified the significant decrease in expense lag days reflected in this year's
19 filing.

20
21 **Q. What do you recommend?**

1 A. I recommend that the Commission use 28.63 days as the expense lag for purchased water.
2 This is the average lag for purchased water payments, excluding the accelerated payments to
3 the City of Philadelphia. Moreover, this lag is not inconsistent with the contractual terms of
4 the purchased water contract with the City of Philadelphia. While this lag is still
5 significantly shorter than the 33.1 day lag approved in the Company's last case, it is much
6 more reasonable than the 23.7 days being requested by Aqua, especially when one considers
7 that Aqua's requested lag is being skewed by the short expense lag in payments to the City
8 of Philadelphia. At Schedule ACC-7, I have made an adjustment to reflect a purchased water
9 expense lag of 28.63 days in Aqua's lead/lag study.

10

11 **Q. What is your second cash working capital adjustment?**

12 A. The Company has included a vehicle lease expense lead of -44.9 days, in contrast to the
13 expense lead of -5.6 days reflected in the PUC's order in the last case. The impact of this
14 change is an increase in the Company's cash working capital claim. A review of the
15 Company's workpapers provided in response to OCA-I-8 indicates that this increased
16 expense lead is largely the result of using a negative lead of -371.0 days for one month of the
17 vehicle payment lease schedule. I believe that this workpaper is in error. Moreover, the
18 Company has not demonstrated why its payment practices should have caused such a
19 significant change in the vehicle lease payment lead. Accordingly, at Schedule ACC-7, I
20 have made an adjustment to reflect an expense lead of -5.6 days, the same expense lead
21 approved by the Commission in the Company's last case.

1

2 **Q. What is your third cash working capital adjustment?**

3 A. In its filing, the Company included a postage expense lead of -9.8 days. In response to
4 OCA-I-8, the Company provided workpapers supporting an expense lead of -6.80 days. In
5 that response, Aqua stated that it would update the postage expense lead in its rebuttal case.
6 Accordingly, at Schedule ACC-7, I have made an adjustment to include a postage expense
7 lead of -6.80 days.

8

9 **Q. Did the Company also indicate that it would update its expense lag associated with**
10 **group insurance expense?**

11 A. Yes, it did. In its filing, the Company included an employee group insurance expense lag of
12 23.6 days. This was the same lag approved by the Commission in the Company's last base
13 rate case. In response to OCA-I-8, the Company indicated that it would update that lag to a
14 group insurance expense lead of -0.6 days. According to the response to OTS-RE-70, in the
15 past Aqua paid its insurance vendors directly each month. However, starting in May 2005,
16 Aqua America pays the insurance vendors and bills the utility each month for group
17 insurance expense. Aqua stated that this change was responsible for the change in the
18 expense lag.

19

20 **Q. Have you accepted the revised lag days for group insurance expense identified by Aqua**
21 **in the data request response?**

1 A. No, I have not, for two reasons. First, Aqua should not be worse off than it would otherwise
2 be because of its use of the Service Company to obtain certain services, including payment of
3 its group insurance costs. There is no reason why ratepayers should be penalized with a
4 higher cash working capital requirement because Aqua has decided to utilize the Service
5 Company as a conduit to pay these bills. Second, given that Aqua is paying these expenses
6 through the Service Company, then one could argue that these costs should be treated like
7 any other Service Company cost and the Service Company expense lag of 39.4 days should
8 apply.

9
10 **Q. What expense lag do you recommend that the Commission adopt?**

11 A. I recommend that the Commission utilize an expense lag of no less than 23.6 days, the lag
12 adopted by the Commission in the Company's last base rate case. This is the expense lag
13 supported by Aqua when it was paying these costs directly and it is the expense lag originally
14 filed by the Company. I have reflected this expense lag of 23.6 days in Schedule ACC-7.
15 As an alternative, the Commission may want to consider adopting the actual Service
16 Company lag of 39.4 days.

17
18 **D. Summary of Rate Base Issues**

19 **Q. What is the impact of all of your rate base adjustments?**

20 A. My recommended adjustments reduce the Company's rate base claim from \$1,150,467,716,
21 as reflected in its filing, to \$1,135,490,745, as summarized on Schedule ACC-3.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

VI. OPERATING INCOME ISSUES

A. Pro Forma Revenues

Q. Are you recommending any adjustments to the Company's pro forma revenue claim?

A. Yes, I am recommending one adjustment to the Company's pro forma revenue claim. In response to OSBA-1-4, the Company indicated that there is an error in the public fire hydrant revenue for the Hawley Division reported in its filing. Specifically, the Company should have included pro forma revenue at present rates of \$7,479 (45 hydrants at \$13.85 per month per hydrant) instead of the \$2,493 shown in Exhibit 1-A. Therefore, at Schedule ACC-9, I have made an adjustment to increase the Company's pro forma revenue at present rates to reflect the correct amount for public fire hydrant revenue.

B. Salaries and Wages

Q. How did the Company develop its salary and wage claim in this case?

A. The Company calculated annualized historic test year salaries and wages by annualizing payroll increases of 4.0% for non-union employees and of 3.0% for union employees that occurred during the historic test year. In addition, the Company included costs associated with vacant and new positions.

Aqua then calculated its future test year salaries and wage claim for non-union employees by applying a 4% projected increase at April 1, 2006. In addition, Aqua included two union increases, a 3.0% increase effective December 1, 2005 and another 3.0% increase

1 effective December 1, 2006.

2
3 **Q. Are you recommending any adjustment to the Company's payroll expense claim?**

4 A. Yes, I am recommending three adjustments to the Company's claim. First, according to the
5 response to OTS-RE-58, the Company's historic test year claim includes \$741,230 for new
6 positions and \$615,796 for vacant positions, for a total adjustment of \$1,357,026. These
7 amounts were then inflated by future test year increases and, in the case of non-union
8 employees, by a post-future test year wage increase. I am recommending that amounts
9 associated with vacant and new positions be disallowed.

10
11 **Q. What is the basis for your adjustment?**

12 A. It is normal and customary for companies to have unfilled positions at any given time as a
13 result of terminations, transfers, and retirements. If utility rates are set based on a full
14 complement of employees, and if these employee positions remain vacant, then ratepayers
15 will have paid rates that are higher than necessary, to the benefit of shareholders. Therefore,
16 when setting rates, I recommend that the Commission consider the fact that, at any given
17 time, positions are likely to be vacant.

18
19 **Q. Has Aqua continuously had vacant positions?**

20 A. Yes, it has. According to the response to OTS-RE-60, Aqua has continuously had vacant
21 positions. Over the past three years, vacancies at June 30th have averaged 8.1%. Thus, if

1 the Commission grants the Company its request for pro forma salary and wage costs based on
2 a full complement of employees, the PUC will be approving a built-in windfall to
3 shareholders.

4 In addition, it is important for the Commission to note that the Company's claim is
5 based on budgeted or authorized employees. Thus, the Company's claim may include
6 positions that have never been filled and which will never be filled. We are all familiar with
7 the budgeting process and frequently budgets are based on optimistic forecasts that do not
8 materialize. The use of budgeted positions, including new and vacant positions, results in a
9 built-in bias that will result in water rates to Pennsylvania ratepayers that are higher than
10 necessary.

11
12 **Q. If the Company can demonstrate that specific vacancies and new positions included in**
13 **its claim have now been filled, would you revise your adjustment to include these costs?**

14 **A.** Yes, if the Company demonstrates that it has filled certain positions that were vacant during
15 the historic test year, or has filled new positions created during the historic test year, I would
16 revise my recommendation to include costs for those specific positions that have been filled.

17 In that case, I would also revise my recommendation, if necessary, to eliminate salary and
18 wage costs for any positions that were filled during the historic test year but which have
19 subsequently become vacant.

20
21 **Q. Please describe your second payroll adjustment.**

1 A. The Company's claim began with annualized historic test year costs. However, no
2 workpapers for these costs were initially provided by Aqua in its filing. Supporting detail
3 for the historic test year salary and wage claim was requested in OTS-RE-58. In response,
4 Aqua noted that it was unable to identify the source of \$204,562 of costs included in its
5 historic test year non-union claim and \$35,512 of costs included in its historic test year union
6 claim. Since Aqua is unable to support this portion of its annualized historic salary and
7 wage claim, \$204,562 of its claim for non-union costs and \$35,512 of its claim for union
8 costs should be eliminated from its revenue requirement.

9

10 **Q. What is the third payroll expense adjustment that you are recommending?**

11 A. As previously noted, the Company included a non-union payroll increase of 3.0%
12 effective December 1, 2005, and another non-union payroll increase of 3.0% effective
13 December 1, 2006. I recommend that the December 1, 2006 increase be disallowed. The
14 future test year in this case ends on June 1, 2006. The December 1, 2006 increase is well
15 beyond the end of the future test year in this case. In addition, inclusion of a post-future
16 test year increase represents a departure from the method used by the Company in its last
17 rate case to develop its pro forma salary and wage claim.

18

19 **Q. How did you quantify your three payroll adjustments?**

20 A. My adjustments are shown on Schedule ACC-10 and Schedule ACC-11 for non-union and
21 union payrolls respectively. I began with Aqua's actual historic test year payroll costs. I then

1 annualized these costs for union and non-union increases that occurred during the historic
2 test year. This included the 4% non-union increase effective April 1, 2005 and the 3.0%
3 union increase effective December 1, 2004. I then made another adjustment to increase these
4 annualized historic test year costs to annualize the salary and wage increases that occurred
5 during the future test year, including the 4% non-union increase effective April 1, 2006 and
6 the 3.0% union increase effective December 1, 2005. I then compared my pro forma salary
7 and wage costs with the Company's claims to determine a recommended adjustment.

8 The methodology that I used results in the elimination from rates of vacant and new
9 employee positions, of historic test year annualization adjustments that the Company was not
10 able to identify or support, and of the post-future test year union increase included in the
11 Company's claim.

12
13 **Q. What adjustment have you made to the Company's payroll tax expense claim?**

14 A. Since I am recommending a reduction to the Company's payroll costs, it is necessary to make
15 a corresponding adjustment to eliminate certain payroll taxes. At Schedule ACC-12, I have
16 eliminated payroll taxes associated with my recommended payroll adjustment, using the
17 statutory payroll tax rate of 7.65%.

18
19 **C. Other Post Employment Benefits ("OPEBs") Expense**

20 **Q. Please describe how the Company developed its claim for other post employment**
21 **benefits expense.**

1 A. The Company's claim includes three components. First, the Company has included its pro
2 forma prospective annualized expense for the future test year as determined by the
3 Company's actuaries pursuant to Statement of Financial Accounting Standard ("SFAS") 106.
4 Second, Aqua has included the annual amortization of its "stub period" costs, generated
5 when Aqua first adopted SFAS 106, amortized over 20 years. Third, the Company has
6 included a two-year amortization of the difference between its actual SFAS 106 costs over
7 the past two years and the amount collected in rates, which it refers to as the "funding
8 deficit".

9
10 **Q. Are you recommending any adjustment to the Company's claim?**

11 A. Yes, I am recommending an adjustment to the funding deficit. The Company provided the
12 supporting calculations for the funding deficit in response to OCA-I-38. In that response,
13 Aqua included a monthly 2006 SFAS 106 cost of \$283,333, or an annualized amount of \$3.4
14 million. However, according to the testimony of Mr. Griffin, the Company's actuaries have
15 determined a 2006 annualized cost of \$2,804,306, or \$233,692 per month. Therefore, the
16 funding deficit for the first seven months of 2006 has been overstated in the Company's
17 OPEB claim by \$49,641 per month, or a total of \$347,486. At Schedule ACC-13, I have
18 made an adjustment to reduce the Company's OPEB claim by the expense portion of this
19 amount, amortized over two years.

1 **D. Health Care Costs**

2 **Q. How did the Company develop its health care cost claim in this case?**

3 A. According to Mr. Griffin's testimony at page 9, the Company's claim was based on 2006
4 contract rates, which the Company claimed had already been received, applied to the
5 coverage levels in effect during the historic test year. This amount was then reduced by
6 employee contributions to the health care plans.

7
8 **Q. Did the Company subsequently revise its claim?**

9 A. Yes, it did. In response to OTS-RE-14-D, Aqua stated that the Company's claim "at filing
10 was based on the budgeted employer's share of 2006 contract unit prices. The actual 2006
11 unit prices have just been received." Accordingly, the Company revised its claim downward.

12 At Schedule ACC-14, I have made an adjustment to reflect the Company's revised health
13 care cost claim, based on its response to OTS-RE-14-D.

14
15 **E. Gasoline and Diesel Fuel Contract Expense**

16 **Q. Please describe the Company's claims associated with purchases of gasoline and diesel
17 fuel.**

18 A. As discussed on page 10 of Mr. Griffin's testimony, Aqua contracted with Sunoco for the
19 delivery of 87 octane unleaded gasoline. Pursuant to the 2006 contract, the rate was to be
20 determined based on the wholesale rack rate plus a mark-up. In its filing, the Company
21 reflected a cost of \$2.48 per gallon and applied this cost to test year usage of gasoline. The

1 net impact was a pro forma operating expense adjustment of \$111,900.

2 Similarly, Mr. Griffin also discusses the fact that the Company contracted with Citgo
3 for delivery of diesel fuel under a contract similar to the one for gasoline. The Company
4 used a pro forma cost of \$2.79 per gallon for diesel fuel in its filing, resulting in a pro forma
5 operating expense adjustment of \$20,500.

6
7 **Q. Are you recommending any adjustments to these claims for gasoline and diesel fuel**
8 **costs?**

9 **A.** Yes, I am. In response to OCA-I-54, the Company indicated that the fixed price for 2006
10 gasoline under the Sunoco contract is \$1.18 per gallon. Moreover, Aqua stated that \$1.18 per
11 gallon “is the price that the Company will pay to Sunoco for all gallons used during 2006.”
12 Therefore, at Schedule ACC-15, I have made an adjustment to reflect a price of \$1.81, plus
13 applicable taxes.

14 Similarly, in response to OCA-I-55, the Company indicated that the fixed price for
15 2006 diesel fuel is \$2.0064 per gallon. Again, Aqua stated that \$2.0064 per gallon “is the
16 price that the Company will pay for all diesel gallons used during 2006.” At Schedule ACC-
17 16, I have made an adjustment to reflect a price of \$2.0064, plus applicable taxes, for diesel
18 fuel purchased in 2006.

1 **F. GPS Maintenance Costs**

2 **Q. Please describe the Company's claim for GPS maintenance costs.**

3 A. According to page 9 of Mr. Griffin's testimony, Aqua installed GPS devices in maintenance
4 and construction crew trucks in 2005. These devices are used by the Company to track
5 travel time to and from jobs and to identify the vehicles closest to a main break or other
6 emergency situation. While the cost of the GPS devices has been capitalized, the Company
7 is also expected to incur ongoing maintenance costs. In its filing, the Company estimated pro
8 forma GPS maintenance costs of \$20,000 per year.

9
10 **Q. Are you recommending any adjustment to the Company's claim?**

11 A. Yes, I am. In OTS-RE-11-D, the Company was asked to provide a copy of the annual
12 maintenance contract for the GPS devices. As explained in that response, the actual
13 contractual amount is \$14,208 per year. In addition, the Company incurs costs of
14 approximately \$4,092 from Cingular relating to the devices, for a total annual cost of
15 \$18,300. Therefore, at Schedule ACC-17, I have made an adjustment to reduce the
16 Company's claim for annual GPS maintenance costs from \$20,000 to \$18,300.

17
18 **G. PA Management Audit Expenses**

19 **Q. Please describe the Company's claim for PA Management Audit Costs.**

20 A. Aqua has included a cost of \$100,000 for service charges from its affiliate Aqua Services,
21 Inc. relating to an on-going management audit required by the Pennsylvania PUC. This

1 \$100,000 supposedly relates to employees “who answered discovery questions from the
2 auditors” and expenses related to field trips. The Company is proposing to amortize these
3 costs over a three-year period.
4

5 **Q. Do you have any concerns about the Company’s claim?**

6 A. Yes, I have two concerns. First, the Company’s overall claim in this case for charges from
7 the Service Company represents an increase of 122% over the Service Company charges for
8 the twelve months ending June 30, 2005. While I recognize that this increase is largely due
9 to the fact that the Service Company was first organized in January 2004, it is important for
10 the Commission to know the magnitude of the charges being passed through to Aqua from
11 the Service Company. There were no charges during the historic test year relating to the
12 audit. In its filing, the Company has not requested or identified any incremental personnel
13 that would be required to provide audit support. Thus, the full complement of employees
14 that were on board at the Service Company during the historic test year will continue to
15 provide services to Aqua, and necessary services, including audit support services, will be
16 provided presumably without additional personnel.

17 The fact is that each month, the mix of services received by Aqua from the Service
18 Company changes. The specific Service Company charges each month vary, depending upon
19 the level of services received. Therefore, while the Service Company did not specifically
20 provide support to Aqua relating to the management audit during the historic test year, it is
21 likely that it provided other services to Aqua that will not be provided in the future test year.

1 The point is that Aqua has not demonstrated that the \$100,000 relating to the audit is
2 incremental to the amounts billed by the Service Company during the historic test year.

3 Moreover, a review of the charges to Aqua from the Service Company since July
4 2005 relating to the audit is troubling. These charges were generally provided in the
5 response to OCA-I-44. Most of these charges are from Janet Arnold. In July 2005, Aqua
6 was billed \$9,602 for 109 hours of work from Ms. Arnold, resulting in an hourly rate of
7 \$88.09, or \$183,231 on an annualized basis. Ms. Arnold's hourly rate appears to have
8 dropped significantly in August 2005, to \$50.82, in the following month, but it was back to
9 \$72.83 in November 2005. In fact, there does not appear to be any consistent relationship
10 between the hours Ms. Arnold billed to Aqua and her total monthly charges.

11 Aqua has well qualified personnel that are capable of handling a wide range of
12 discovery requests as part of the rate case process. It is not reasonable for the Company to be
13 charging ratepayers up to \$88.00 per hour for assistance with the audit, particularly when
14 ratepayers are already being asked to pay almost \$8 million in annual Service Company
15 charges. Accordingly, I am recommending that the Company's claim for additional
16 Management Service Company costs associated with the audit be denied. My adjustment is
17 shown in Schedule ACC-18.

1 **H. Purchased Water Costs**

2 **Q. Please describe the Company's claim for purchased water costs in this case.**

3 A. Aqua has included three adjustments relating to purchased water costs in its filing. First, it
4 has included an adjustment of \$1,007,400 relating to costs from the City of Philadelphia.
5 This represents an increase of 42.5% from the actual test year costs. Second, the Company
6 has included an increase of \$45,600, or 6.3%, in costs from the Chester Water Authority.
7 Finally, the Company has included an increase of \$346,600 or 6.2% from the Bucks County
8 Water Authority.

9
10 **Q. What is driving the increase from the City of Philadelphia Water Department?**

11 A. The vast majority of the increase from the City of Philadelphia results from increases in fixed
12 rates. The City of Philadelphia increased its volumetric charges by 3.7% but it increased its
13 fixed charges by 44.4%, from \$163,326 per month to \$235,847 per month. According to a
14 letter from the City of Philadelphia attached to Mr. Adams' testimony, this new rate is
15 scheduled to take effect July 1, 2006.

16
17 **Q. Has Aqua provided any explanation for this significant increase?**

18 A. No, it has not. In reading Mr. Adams's testimony, one would never suspect that the
19 Company was claiming an increase of 42.5%. He treats this increase as routine, and provides
20 no discussion of the background resulting in this extraordinary increase. He does not discuss
21 in his testimony what actions the Company took to oppose this increase or whether in fact

1 they took any action at all. Nor does he discuss the Company's plans to seek alternative
2 sources of supply, so that it will not be captive to similar increases in the future.

3
4 **Q. Do you have any other concerns relating to the significant increase in purchased water
5 costs from the City of Philadelphia?**

6 A. Yes, I do. Article V, section A(c) of the contract states that:

7 For the period beginning with the commencement of water service through
8 the Cheltenham Interconnection, or December 31, 2002, whichever occurs
9 first, and continuing throughout the remaining term of the Agreement a fixed
10 charge of \$141,900 per month shall be assessed. (emphasis added)
11

12 Thus, this language suggests that the City of Philadelphia is prohibited from increasing its
13 fixed costs over the term of the Agreement. Moreover, there is also a provision in the
14 contract that Aqua can renegotiate its capacities and fixed charges if sales to Liberty Electric
15 completely cease or if "Liberty Electric's purchases are substantially reduced."⁴ Liberty
16 Electric's purchases have decreased by approximately 73%, according to the response to
17 OTS-RS-29-D. However, there is no mention in the Company's testimony of any efforts to
18 renegotiate the Agreement with the City of Philadelphia.

4 Response to OTS-RS-13, page 6.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

Q. What do you recommend?

A. I recommend that the PUC deny the Company's request for recovery of the increased fixed costs related to the City of Philadelphia contract. The Agreement specifies a fixed cost of \$141,900 per month throughout the term of the Agreement. The Company has provided no explanation for the significant increase being claimed effective July 1, 2006, nor has the Company demonstrated that it has attempted to renegotiate the contract as a result of reduced sales to Liberty Electric. For all these reasons, I recommend that the Company's adjustment relating to the fixed charge increase be denied. My adjustment is shown in Schedule ACC-19.

H. Insurance Premiums

Q. Are you recommending any adjustment to the Company's claim for insurance premiums?

A. Yes, I am. In its filing, Aqua stated that its claim for insurance premiums was based on the actual 2005 insurance premiums and estimated 2006 insurance premiums. In response to OCA-I-53, the Company provided a summary of each insurance policy, outlining the terms and showing the expiration date of each policy. Most of these policies expire October 1, 2006, after the end of the future test year. I recommend that the most recent policy costs be used to set rates in this proceeding. The use of budgeted or estimated data is speculative. Accordingly, at Schedule ACC-20, I have made an adjustment to reflect the actual current

1 insurance premiums based on the Company's response to OCA-I-53.

2

3 **I. Charitable Contributions**

4 **Q. Did the Company remove all charitable contributions from its claim?**

5 A. The Company indicated in its filing that it had eliminated all charitable contributions from its
6 claim. However, in response to OTS-RE-42-D, Aqua stated that \$75,517 in charitable
7 contributions were "included by mistake" in Account No. 6758, Miscellaneous
8 Administrative and General Expense. The Company further stated in this response that it
9 "will eliminate the charitable contributions from pro-forma operating expenses in its revised
10 accounting exhibit." Accordingly, at Schedule ACC-21, I have made an adjustment to
11 eliminate \$75,517 in charitable contributions from the Company's revenue requirement
12 claim.

13

14 **K. Amortization of Acquisition Adjustments**

15 **Q. Please explain your adjustments to the acquisition adjustments included by Aqua in its**
16 **filing.**

17 A. As noted previously, Aqua has included in rate base the excess of purchase price over the net
18 book value of assets acquired for those acquisition made since the last base rate case where
19 the purchase price exceeded net book value. The Company is proposing to amortize these
20 positive acquisition adjustments over 20 years. In addition, the Company is also proposing to
21 amortize over 20 years negative acquisition adjustments, i.e., the difference between

1 purchase price and book value for those acquisitions that were made at prices below net book
2 value.

3 As discussed in the Rate Base section of my testimony, I am recommending that the
4 PUC deny the Company's request to include in rate base the positive acquisition adjustments
5 for several of the acquisitions made since the Company's last base rate case. Therefore, at
6 Schedule ACC-22, I have made a corresponding adjustment to eliminate the annual
7 amortization expense associated with these acquisitions.
8

9 **Q. Are you also recommending an adjustment to the Company's amortization of negative**
10 **acquisition adjustments?**

11 **A.** Yes, I am. In its filing, the Company included a negative amortization expense of (\$92,676),
12 which reflected the amortization, over 20 years, of a total of \$1,853,513 in negative
13 acquisition adjustments. There are two acquisitions that were made by the Company below
14 net book value but which were not included in the Company's adjustment as originally filed:
15 Applewood and Pinecrest. In response to OCA-XV-A8, the Company acknowledged that it
16 had failed to include the negative amortization expense associated with these two
17 acquisitions in its filing and it provided an updated exhibit, showing a updated annual
18 negative amortization expense of (\$109,197). I have reflected this updated amortization
19 expense credit on Schedule ACC-23.
20
21

1 **L. Depreciation Expense**

2 **Q. Are you recommending any adjustment to the Company's depreciation expense claim?**

3 A. Yes, I am recommending an adjustment to revise the Company's depreciation expense claim
4 consistent with my recommended utility plant-in-service adjustments. Since I am
5 recommending certain adjustments to the Company's pro forma future test year claim for
6 utility plant-in-service, it is necessary to make a corresponding adjustment to eliminate the
7 annual depreciation expense on this plant. To quantify my adjustment, I used the composite
8 depreciation rate derived from Exhibit 6-A, Part II, page II-11 of the Company's filing. This
9 resulted in a composite rate of 2.44%. I applied this rate to my recommended utility plant-in-
10 service adjustment to determine my pro forma depreciation expense adjustment. My
11 adjustment is shown in Schedule ACC-24.

12
13 **M. Consolidated Income Taxes**

14 **Q. Did Aqua include a consolidated income tax adjustment in its filing?**

15 A. No, it did not. Aqua originally calculated its future test year income tax expense on a "stand-
16 alone" basis. The Company's filing ignored the fact that Aqua does not file its federal
17 income taxes on a stand-alone basis, but rather files as part of a consolidated income tax
18 group. By filing a consolidated return, Aqua can take advantage of tax losses experienced by
19 other member companies. The tax loss benefits generated by one group member can be
20 shared by the other consolidated group members, resulting in a reduction in the effective
21 federal income tax rate of the Company. These tax savings should be flowed through to the

1 benefit of Pennsylvania ratepayers.

2

3 **O. Why should these tax benefits be flowed through to the Company's ratepayers?**

4 A. These tax benefits should be flowed through to ratepayers because these benefits reflect the
5 actual taxes paid. Establishing a revenue requirement based on a stand-alone federal income
6 tax methodology would overstate the Company's expense, result in a windfall to the
7 Company, and result in rates that are higher than necessary.

8

9 **P. Has this issue been addressed previously by the Commission?**

10 A. Yes, this issue has been addressed previously, not only by the Commission but also by the
11 Pennsylvania courts. In spite of clear policy on this issue, the Company filed its income tax
12 claim on a stand-alone basis.

13

14 **Q. Has the Company subsequently acknowledged that a consolidated income tax
15 adjustment is appropriate?**

16 A. Yes, in response to OCA-I-72, the Company stated that it "inadvertently excluded the
17 consolidated tax savings (CTS) adjustment in its rate filing." In this response, the Company
18 indicated that an adjustment of (\$22,880) would be made in the Company's revised
19 accounting exhibits and provided a supporting calculation for this amount. It should be
20 noted that the Company also inadvertently failed to include a consolidated income tax
21 adjustment in its last base rate case filing in Docket No. R-00038805.

1

2 **Q. Do you agree with Aqua's pro forma consolidated income tax calculation as provided in**
3 **response to OCA-I-72?**

4 A. No, I do not. In its calculation, Aqua was allocated a portion of the three-year average of
5 consolidated tax losses generated by the non-regulated entities, based on a three-year average
6 of Aqua's positive taxable income to the taxable income generated by all members of the
7 consolidated group. In determining the three-year average, Aqua made three adjustments to
8 the actual tax losses of the non-regulated entities. Specifically, Aqua excluded merger costs,
9 discontinued operations, and the interest expense related to the AquaSource acquisition in its
10 calculation.

11 The purpose of using a three-year average is to develop a pro forma level of
12 prospective taxable losses. Therefore, it is appropriate to eliminate losses resulting from
13 such factors as merger costs, since these costs were deducted for tax purposes ratably over a
14 five-year period, which ended in 2004. Thus, these costs are not expected to reoccur in the
15 future. For the same reason, it is appropriate to eliminate costs associated with discontinued
16 operations. However, it is not appropriate to eliminate the interest deduction associated with
17 the acquisition of AquaSource.

18

19 **Q. Why do you believe that it is inappropriate to eliminate these interest deductions when**
20 **calculating the Company's consolidated income tax adjustment?**

21 A. It is unreasonable to eliminate these costs because they are ongoing and are likely to result in

1 pro forma tax savings, a portion of which should be shared with Pennsylvania ratepayers
2 through the consolidated income tax adjustment. In response to OCA-XIII-2, the Company
3 claimed that this interest expense should not be included, since “[t]he interest deduction on
4 the tax return of Aqua America, Inc. directly relates to the acquisition of the AquaSource
5 group of companies on July 31, 2003. None of the interest is related to Aqua Pennsylvania.
6 Any interest expense on the books of Aqua Pennsylvania relates to the debt of Aqua
7 Pennsylvania.”

8 The Company is missing the point of the consolidated tax adjustment. This
9 adjustment is intended to capture transactions that are not generated directly by Aqua
10 Pennsylvania – that is the entire objective of the consolidated income tax adjustment. The
11 adjustment recognizes that the tax liability of Aqua is impacted by events occurring at other
12 entities within the consolidated income tax group. The incurrence of large interest
13 deductions is one such event. The goal of the consolidated income tax adjustment is to
14 capture the pro forma level of tax savings that will be generated by the consolidated group,
15 regardless of the reasons why such tax savings were generated. Therefore, the only relevant
16 question is whether these tax savings are likely to reoccur. Since it is likely that interest
17 expense relating to the AquaSource acquisition will be incurred for many years into the
18 future, it is entirely appropriate to include this interest expense in the calculation of the
19 consolidated income tax adjustment. Accordingly at Schedule ACC-25, I have made an
20 adjustment to recalculate the consolidated income tax adjustment to reflect the tax losses
21 generated by the interest deduction associated with this parent company debt.

1 **N. Interest Synchronization and Taxes**

2 **Q. Have you adjusted the pro forma interest expense for income tax purposes?**

3 **A.** Yes, I have made this adjustment at Schedule ACC-26. It is consistent (synchronized) with
4 my recommended rate base and with Mr. Hill's capital structure and cost of capital
5 recommendations. OCA is recommending a lower rate base than the rate base included in
6 the Company's filing. OCA's recommendations result in a lower pro forma interest expense
7 for the Company. This lower interest expense, which is an income tax deduction for state
8 and federal tax purposes, will result in an increase to the Company's income tax liability
9 under OCA's recommendations. Therefore, OCA's recommendations result in an interest
10 synchronization adjustment that reflects a higher income tax burden for the Company, and a
11 decrease to pro forma income at present rates.

12
13 **Q. What income tax factors have you used to quantify your adjustments?**

14 **A.** As shown on Schedule ACC-27, I have used a composite income tax factor of 41.49%,
15 which includes a state income tax rate of 9.99% and a federal income tax rate of 35%. These
16 are the state and federal income tax rates contained in the Company's filing.

17
18 **Q. What revenue multiplier have you used to quantify your adjustments?**

19 **A.** As shown on Schedule ACC-28, I have used a revenue multiplier of 1.73054. This includes
20 a PUC assessment of 0.45%, an OCA assessment of 0.12%, an Office of Small Business
21 Advocate ("OSBA") assessment of 0.01%, and an uncollectible rate of 0.64%. In addition, it

1 reflects the state and federal tax rates noted above. These are the assessment and tax rates
2 contained in the Company's filing.

3
4 **VII. REVENUE REQUIREMENT SUMMARY**

5 **Q. What is the result of the recommendations contained in this testimony?**

6 A. My adjustments result in a revenue requirement deficiency at present rates of \$10,137,306, as
7 summarized on Schedule ACC-1. This recommendation reflects revenue requirement
8 adjustments of \$28,662,694 to the Company's requested revenue requirement increase of
9 \$38,800,000.

10
11 **Q. Have you quantified the revenue requirement impact of each of your
12 recommendations?**

13 A. Yes, at Schedule ACC-29, I have quantified the revenue requirement impact of the rate of
14 return, rate base, revenue and expense recommendations contained in this testimony.

15
16 **Q. Have you developed a pro forma income statement?**

17 A. Yes, Schedule ACC-30 contains a pro forma income statement, showing utility operating
18 income under several scenarios, including the Company's claimed operating income at
19 present rates, my recommended operating income at present rates, and operating income
20 under my proposed rate increase. My recommendations will result in an overall return on
21 rate base of 7.75%, as recommended by Mr. Hill.

1 **VIII. TARIFF ISSUES**

2 **Q. What tariff issues are you addressing in your testimony?**

3 A. I am addressing two issues. First, I am responding to the Company's request to implement a
4 Purchased Water Adjustment ("PWA") charge. Second, I address the ratemaking impact of
5 OCA's recommendation relating to quality of service problems in the Eagle Rock system.
6

7 **Q. Please discuss the Company's request for a PWA charge.**

8 A. As described on page 20 of Mr. Griffin's testimony, Aqua is proposing to implement a PWA
9 that would allow the Company to adjust customers' bills by adding a charge or credit to
10 reflect increases or decreases in the Company's baseline cost for purchased water. The
11 baseline cost would be the annual purchased water costs approved as an operating expense in
12 the Company's then most recently concluded base rate case.
13

14 **Q. Do you support the Company's proposal for a PWA?**

15 A. No, I do not. The Company's proposal constitutes single-issue ratemaking and violates
16 sound ratemaking principles. In addition, the PWA proposal provides a disincentive for the
17 Company to manage these costs. Finally, the PWA is unnecessary given Aqua's history with
18 regard to filing for rate relief.
19

20 **Q. Why do believe that the PWA constitutes single-issue ratemaking and violates sound**
21 **ratemaking principles?**

1 A. The Company's proposal would permit Aqua to implement a rate increase without
2 consideration of any other element of the regulatory triad. Thus, the PWA ignores other
3 factors that may serve to reduce the Company's revenue requirement between rate cases,
4 such as growth in customers, depreciation reserve additions, additions to the deferred tax
5 reserve, and others. The PWA would allow Aqua to be compensated through a true-up
6 mechanism for an under-recovery in one category, while ignoring all other components of the
7 utility's earnings. Thus, Aqua could apply a purchased water surcharge, even if the
8 Company was earning its authorized rate of return.

9 Another drawback of the PWA charge is that it removes any incentive for Aqua to
10 minimize its purchased water costs. If the Company knows that it will receive dollar-for-
11 dollar recovery for these costs, it is less likely to take steps to reduce these costs. Utility
12 rates are established on a prospective basis, based on a test year concept adjusted for known
13 and measurable changes. There are many changes that take place between rate filings, such
14 as changes in customer counts, consumption, operating expenses, numbers of employees,
15 capital costs, etc. Under the traditional ratemaking mechanism, utilities have an incentive to
16 maximize revenues and minimize costs between rate cases. However, the PWA eliminates
17 this incentive for purchased water costs by ensuring dollar-for-dollar recovery by Aqua of
18 this one revenue requirement component. In addition, Aqua would have less of an incentive
19 to participate in the rate setting processes of its purchased water suppliers if it knew that any
20 cost increases would simply be passed through to Pennsylvania ratepayers.

1 **Q. Does Aqua's history of rate case filings suggest that the PWA clause is necessary or**
2 **would be beneficial?**

3 A. No, it does not. Aqua has typically filed a base rate case approximately every two years.
4 Thus, the Company has a mechanism to seek recovery of increased purchased water costs,
5 i.e., the base rate case. There is no suggestion that Aqua would delay the filing of base rate
6 cases if the PWA is approved, or that the frequency of base rate case filings will diminish.
7 Thus, there does not appear to be any benefit to the regulatory process of permitting Aqua to
8 implement the PWA.

9 Moreover, I understand from counsel that other water utilities in Pennsylvania do not
10 have PWAs. Thus, the Company's request represents a significant departure from the
11 traditional regulatory practice in the Commonwealth.

12
13 **Q. What do you recommend?**

14 A. I recommend that the Commission reject the Company's request for a PWA. The PWA
15 constitutes single-issue ratemaking and is contrary to good regulatory policy. Moreover, it
16 provides a serious disincentive for the Company to minimize its purchased water costs.
17 Aqua is in the practice of filing rate cases every two years, and therefore there is already a
18 mechanism that will provide recovery for increased purchased water costs, if necessary. For
19 all these reasons, I recommend that the Company's request be denied.

20
21 **Q. Turning to the second issue, what is OCA's recommendation with regard to any rate**

1 **increase in the Eagle Rock system?**

2 A. As described in the Testimony of OCA witness Terry L. Fought, OCA has concerns
3 regarding the quality of service in the Eagle Rock system. Therefore, the OCA is opposing
4 any increase to the Eagle Rock customers unless and until the water and service quality
5 concerns are resolved. OCA is not recommending any increase for the Eagle Rock customers
6 in this case. To the extent that any rate increase would be otherwise allocated to the Eagle
7 Rock system, then shareholders should absorb this increase until Aqua resolves the quality of
8 service problems in that system.

9

10 **Q. Does this conclude your testimony?**

11 A. Yes, it does. However, I reserve the right to supplement this testimony, either in writing or
12 orally, if new information becomes available, such as supplemental data request responses or
13 other information.

14

15 87744

APPENDIX A

List of Prior Testimonies

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Delmarva Power and Light Company	G	Delaware	05-312F	2/06	Gas Cost Rates	Division of the Public Advocate
Delmarva Power and Light Company	E	Delaware	05-304	12/05	Revenue Requirements Cost of Capital	Division of the Public Advocate
Utility Systems, Inc.	WW	Delaware	335-05	9/05	Regulatory Policy	Division of the Ratepayer Advocate
Westar Energy, Inc.	E	Kansas	05-WSEE-981-RTS	9/05	Revenue Requirements	Citizens' Utility Ratepayer Board
Empire Electric District Company	E	Kansas	05-EPDE-980-RTS	8/05	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR05030186	8/05	Form 1205	Division of the Ratepayer Advocate
Pawtucket Water Supply Board	W	Rhode Island	3674	7/05	Revenue Requirements	Division of Public Utilities and Carriers
Delmarva Power and Light Company	E	Delaware	04-391	7/05	Standard Offer Service	Division of the Public Advocate
Patriot Media & Communications CNJ, LLC	C	New Jersey	CR04111453-455	6/05	Cable Rates	Division of the Ratepayer Advocate
Cablevision	C	New Jersey	CR04111379, et al.	6/05	Cable Rates	Division of the Ratepayer Advocate
Comcast of Mercer County, LLC	C	New Jersey	CR04111458	6/05	Cable Rates	Division of the Ratepayer Advocate
Comcast of South Jersey, LLC, et al.	C	New Jersey	CR04101356, et al.	5/05	Cable Rates	Division of the Ratepayer Advocate
Comcast of Central New Jersey LLC, et al.	C	New Jersey	CR04101077, et al.	4/05	Cable Rates	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	3660	4/05	Revenue Requirements	Division of Public Utilities and Carriers
Aquila, Inc.	G	Kansas	05-AQLG-367-RTS	3/05	Revenue Requirements Cost of Capital Tariff Issues	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	04-334-F	3/05	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	04-301F	3/05	Gas Cost Rates	Division of the Public Advocate
Delaware Electric Cooperative, Inc.	E	Delaware	04-288	12/04	Revenue Requirements Cost of Capital	Division of the Public Advocate
Public Service Company of New Mexico	E	New Mexico	04-00311-UT	11/04	Renewable Energy Plans	Office of the New Mexico Attorney General
Woonsocket Water Division	W	Rhode Island	3626	10/04	Revenue Requirements	Division of Public Utilities and Carriers
Aquila, Inc.	E	Kansas	04-AQLE-1065-RTS	10/04	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	04-121	8/04	Conservation Rates (Affidavit)	Division of the Public Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Atlantic City Electric Company	E	New Jersey	ER03020110 PUC 06061-2003S	8/04	Deferred Balance Phase II	Division of the Ratepayer Advocate
Kentucky American Water Company	W	Kentucky	2004-00103	8/04	Revenue Requirements	Office of Rate Intervention of the Attorney General
Shorelands Water Company	W	New Jersey	WR04040295	8/04	Revenue Requirements Cost of Capital	Division of the Ratepayer Advocate
Artesian Water Company	W	Delaware	04-42	8/04	Revenue Requirements Cost of Capital	Division of the Public Advocate
Long Neck Water Company	W	Delaware	04-31	7/04	Cost of Equity	Division of the Public Advocate
Tidewater Utilities, Inc.	W	Delaware	04-152	7/04	Cost of Capital	Division of the Public Advocate
Cablevision	C	New Jersey	CR03100850, et al.	6/04	Cable Rates	Division of the Ratepayer Advocate
Montague Water and Sewer Companies	W/WW	New Jersey	WR03121034 (W) WR03121035 (S)	5/04	Revenue Requirements	Division of the Ratepayer Advocate
Comcast of South Jersey, Inc.	C	New Jersey	CR03100876,77,79,80	5/04	Form 1240 Cable Rates	Division of the Ratepayer Advocate
Comcast of Central New Jersey, et al.	C	New Jersey	CR03100749-750 CR03100759-762	4/04	Cable Rates	Division of the Ratepayer Advocate
Time Warner	C	New Jersey	CR03100763-764	4/04	Cable Rates	Division of the Ratepayer Advocate
Interstate Navigation Company	N	Rhode Island	3573	3/04	Revenue Requirements	Division of Public Utilities and Carriers
Aqua Pennsylvania, Inc.	W	Pennsylvania	R-00038805	2/04	Revenue Requirements	Pennsylvania Office of Consumer Advocate
Comcast of Jersey City, et al.	C	New Jersey	CR03080598-601	2/04	Cable Rates	Division of the Ratepayer Advocate
Delmarva Power and Light Company	G	Delaware	03-378F	2/04	Fuel Clause	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	03-ATMG-1036-RTS	11/03	Revenue Requirements	Citizens' Utility Ratepayer Board
Aquila, Inc. (UCU)	G	Kansas	02-UTCG-701-GIG	10/03	Using utility assets as collateral	Citizens' Utility Ratepayer Board
CenturyTel of Northwest Arkansas, LLC	T	Arkansas	03-041-U	10/03	Affiliated Interests	The Arkansas Public Service Commission General Staff
Borough of Butler Electric Utility	E	New Jersey	CR03010049/63	9/03	Revenue Requirements	Division of the Ratepayer Advocate
Comcast Cablevision of Avalon Comcast Cable Communications	C	New Jersey	CR03020131-132	9/03	Cable Rates	Division of the Ratepayer Advocate
Delmarva Power and Light Company d/b/a Conectiv Power Delivery	E	Delaware	03-127	8/03	Revenue Requirements	Division of the Public Advocate
Kansas Gas Service	G	Kansas	03-KGSG-602-RTS	7/03	Revenue Requirements	Citizens' Utility Ratepayer Board

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Washington Gas Light Company	G	Maryland	8959	6/03	Cost of Capital Incentive Rate Plan	U.S. DOD/FEA
Pawtucket Water Supply Board	W	Rhode Island	3497	6/03	Revenue Requirements	Division of Public Utilities and Carriers
Atlantic City Electric Company	E	New Jersey	EO03020091	5/03	Stranded Costs	Division of the Ratepayer Advocate
Public Service Company of New Mexico	G	New Mexico	03-000-17 UT	5/03	Cost of Capital Cost Allocations	Office of the New Mexico Attorney General
Comcast - Hopewell, et al.	C	New Jersey	CR02110818 CR02110823-825	5/03	Cable Rates	Division of the Ratepayer Advocate
Cablevision Systems Corporation	C	New Jersey	CR02110838, 43-50	4/03	Cable Rates	Division of the Ratepayer Advocate
Comcast-Garden State / Northwest	C	New Jersey	CR02100715 CR02100719	4/03	Cable Rates	Division of the Ratepayer Advocate
Midwest Energy, Inc. and Westar Energy, Inc.	E	Kansas	03-MDWE-421-ACQ	4/03	Acquisition	Citizens' Utility Ratepayer Board
Time Warner Cable	C	New Jersey	CR02100722 CR02100723	4/03	Cable Rates	Division of the Ratepayer Advocate
Westar Energy, Inc.	E	Kansas	01-WSRE-949-GIE	3/03	Restructuring Plan	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	ER02080604 PUC 7983-02	1/03	Deferred Balance	Division of the Ratepayer Advocate
Atlantic City Electric Company d/b/a Conectiv Power Delivery	E	New Jersey	ER02080510 PUC 6917-02S	1/03	Deferred Balance	Division of the Ratepayer Advocate
Walkill Sewer Company	WW	New Jersey	WR02030193 WR02030194	12/02	Revenue Requirements Purchased Sewage Treatment Adj. (PSTAC)	Division of the Ratepayer Advocate
Midwest Energy, Inc.	E	Kansas	03-MDWE-001-RTS	12/02	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast-LBI Crestwood	C	New Jersey	CR02050272 CR02050270	11/02	Cable Rates	Division of the Ratepayer Advocate
Reliant Energy Arkla	G	Oklahoma	PUD200200166	10/02	Affiliated Interest Transactions	Oklahoma Corporation Commission, Public Utility Division Staff
Midwest Energy, Inc.	G	Kansas	02-MDWG-922-RTS	10/02	Gas Rates	Citizens' Utility Ratepayer Board
Comcast Cablevision of Avalon	C	New Jersey	CR02030134 CR02030137	7/02	Cable Rates	Division of the Ratepayer Advocate
RCN Telecom Services, Inc., and Home Link Communications	C	New Jersey	CR02010044, CR02010047	7/02	Cable Rates	Division of the Ratepayer Advocate
Washington Gas Light Company	G	Maryland	8920	7/02	Rate of Return Rate Design (Rebuttal)	General Services Administration (GSA)
Chesapeake Utilities Corporation	G	Delaware	01-307, Phase II	7/02	Rate Design Tariff Issues	Division of the Public Advocate
Washington Gas Light Company	G	Maryland	8920	6/02	Rate of Return Rate Design	General Services Administration (GSA)

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Tidewater Utilities, Inc.	W	Delaware	02-28	6/02	Revenue Requirements	Division of the Public Advocate
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	5/02	Financial Plan	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	02-EPDE-488-RTS	5/02	Revenue Requirements	Citizens' Utility Ratepayer Board
Southwestern Public Service Company	E	New Mexico	3709	4/02	Fuel Costs	Office of the New Mexico Attorney General
Cablevision Systems	C	New Jersey	CR01110706, et al	4/02	Cable Rates	Division of the Ratepayer Advocate
Potomac Electric Power Company	E	District of Columbia	945, Phase II	4/02	Divestiture Procedures	General Services Administration (GSA)
Vermont Yankee Nuclear Power Corp.	E	Vermont	6545	3/02	Sale of VY to Entergy Corp. (Supplemental)	Department of Public Service
Delmarva Power and Light Company	G	Delaware	01-348F	1/02	Gas Cost Adjustment	Division of the Public Advocate
Vermont Yankee Nuclear Power Corp.	E	Vermont	6545	1/02	Sale of VY to Entergy Corp.	Department of Public Service
Pawtucket Water Supply Company	W	Rhode Island	3378	12/01	Revenue Requirements	Division of Public Utilities and Carriers
Chesapeake Utilities Corporation	G	Delaware	01-307, Phase I	12/01	Revenue Requirements	Division of the Public Advocate
Potomac Electric Power Company	E	Maryland	8796	12/01	Divestiture Procedures	General Services Administration (GSA)
Kansas Electric Power Cooperative	E	Kansas	01-KEPE-1106-RTS	11/01	Depreciation Methodology (Cross Answering)	Citizens' Utility Ratepayer Board
Wellsboro Electric Company	E	Pennsylvania	R-00016356	11/01	Revenue Requirements	Office of Consumer Advocate
Kent County Water Authority	W	Rhode Island	3311	10/01	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Pepco and New RC, Inc.	E	District of Columbia	1002	10/01	Merger Issues and Performance Standards	General Services Administration (GSA)
Potomac Electric Power Co. & Delmarva Power	E	Delaware	01-194	10/01	Merger Issues and Performance Standards	Division of the Public Advocate
Yankee Gas Company	G	Connecticut	01-05-19PH01	9/01	Affiliated Transactions	Office of Consumer Counsel
Hope Gas, Inc., d/b/a Dominion Hope	G	West Virginia	01-0330-G-42T 01-0331-G-30C 01-1842-GT-T 01-0685-G-PC	9/01	Revenue Requirements (Rebuttal)	The Consumer Advocate Division of the PSC
Pennsylvania-American Water Company	W	Pennsylvania	R-00016339	9/01	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Potomac Electric Power Co. & Delmarva Power	E	Maryland	8890	9/01	Merger Issues and Performance Standards	General Services Administration (GSA)
Comcast Cablevision of Long Beach Island, et al	C	New Jersey	CR01030149-50 CR01050285	9/01	Cable Rates	Division of the Ratepayer Advocate

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Kent County Water Authority	W	Rhode Island	3311	8/01	Revenue Requirements	Division of Public Utilities and Carriers
Pennsylvania-American Water Company	W	Pennsylvania	R-00016339	8/01	Revenue Requirements	Office of Consumer Advocate
Roxiticus Water Company	W	New Jersey	WR01030194	8/01	Revenue Requirements Cost of Capital Rate Design	Division of the Ratepayer Advocate
Hope Gas, Inc., d/b/a Dominion Hope	G	West Virginia	01-0330-G-42T 01-0331-G-30C 01-1842-GT-T 01-0685-G-PC	8/01	Revenue Requirements	Consumer Advocate Division of the PSC
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	6/01	Restructuring Financial Integrity (Rebuttal)	Citizens' Utility Ratepayer Board
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	6/01	Restructuring Financial Integrity	Citizens' Utility Ratepayer Board
Cablevision of Allamuchy, et al	C	New Jersey	CR00100824, etc.	4/01	Cable Rates	Division of the Ratepayer Advocate
Public Service Company of New Mexico	E	New Mexico	3137, Holding Co.	4/01	Holding Company	Office of the Attorney General
Keauhou Community Services, Inc.	W	Hawaii	00-0094	4/01	Rate Design	Division of Consumer Advocacy
Western Resources, Inc.	E	Kansas	01-WSRE-436-RTS	4/01	Revenue Requirements Affiliated Interests (Motion for Suppl. Changes)	Citizens' Utility Ratepayer Board
Western Resources, Inc.	E	Kansas	01-WSRE-436-RTS	4/01	Revenue Requirements Affiliated Interests	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	3137, Part III	4/01	Standard Offer Service (Additional Direct)	Office of the Attorney General
Chem-Nuclear Systems, LLC	SW	South Carolina	2000-366-A	3/01	Allowable Costs	Department of Consumer Affairs
Southern Connecticut Gas Company	G	Connecticut	00-12-08	3/01	Affiliated Interest Transactions	Office of Consumer Counsel
Atlantic City Sewerage Corporation	WW	New Jersey	WR00080575	3/01	Revenue Requirements Cost of Capital Rate Design	Division of the Ratepayer Advocate
Delmarva Power and Light Company d/b/a Conectiv Power Delivery	G	Delaware	00-314	3/01	Margin Sharing	Division of the Public Advocate
Senate Bill 190 Re: Performance Based Ratemaking	G	Kansas	Senate Bill 190	2/01	Performance-Based Ratemaking Mechanisms	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	00-463-F	2/01	Gas Cost Rates	Division of the Public Advocate
Waitsfield Fayston Telephone Company	T	Vermont	6417	12/00	Revenue Requirements	Department of Public Service
Delaware Electric Cooperative	E	Delaware	00-365	11/00	Code of Conduct Cost Allocation Manual	Division of the Public Advocate
Commission Inquiry into Performance-Based Ratemaking	G	Kansas	00-GIMG-425-GIG	10/00	Performance-Based Ratemaking Mechanisms	Citizens' Utility Ratepayer Board

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Pawtucket Water Supply Board	W	Rhode Island	3164 Separation Plan	10/00	Revenue Requirements	Division of Public Utilities and Carriers
Comcast Cablevision of Philadelphia, L.P.	C	Pennsylvania	3756	10/00	Late Payment Fees (Affidavit)	Kaufman, Lankelis, et al.
Public Service Company of New Mexico	E	New Mexico	3137, Part III	9/00	Standard Offer Service	Office of the Attorney General
Laie Water Company	W	Hawaii	00-0017 Separation Plan	8/00	Rate Design	Division of Consumer Advocacy
El Paso Electric Company	E	New Mexico	3170, Part II, Ph. 1	7/00	Electric Restructuring	Office of the Attorney General
Public Service Company of New Mexico	E	New Mexico	3137 - Part II Separation Plan	7/00	Electric Restructuring	Office of the Attorney General
PG Energy	G	Pennsylvania	R-00005119	6/00	Revenue Requirements	Office of Consumer Advocate
Consolidated Edison, Inc. and Northeast Utilities	E/G	Connecticut	00-01-11	4/00	Merger Issues (Additional Supplemental)	Office of Consumer Counsel
Sussex Shores Water Company	W	Delaware	99-576	4/00	Revenue Requirements	Division of the Public Advocate
Utilicorp United, Inc.	G	Kansas	00-UTCG-336-RTS	4/00	Revenue Requirements	Citizens' Utility Ratepayer Board
TCI Cablevision	C	Missouri	9972-9146	4/00	Late Fees (Affidavit)	Honora Eppert, et al
Oklahoma Natural Gas Company	G	Oklahoma	PUD 990000166 PUD 980000683 PUD 990000570	3/00	Pro Forma Revenue Affiliated Transactions (Rebuttal)	Oklahoma Corporation Commission, Public Utility Division Staff
Tidewater Utilities, Inc. Public Water Supply Co.	W	Delaware	99-466	3/00	Revenue Requirements	Division of the Public Advocate
Delmarva Power and Light Company	G/E	Delaware	99-582	3/00	Cost Accounting Manual Code of Conduct	Division of the Public Advocate
Philadelphia Suburban Water Company	W	Pennsylvania	R-00994868 R-00994877 R-00994878 R-00994879	3/00	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Philadelphia Suburban Water Company	W	Pennsylvania	R-00994868 R-00994877 R-00994878 R-00994879	2/00	Revenue Requirements	Office of Consumer Advocate
Consolidated Edison, Inc. and Northeast Utilities	E/G	Connecticut	00-01-11	2/00	Merger Issues	Office of Consumer Counsel
Oklahoma Natural Gas Company	G	Oklahoma	PUD 990000166 PUD 980000683 PUD 990000570	1/00	Pro Forma Revenue Affiliated Transactions	Oklahoma Corporation Commission, Public Utility Division Staff
Connecticut Natural Gas Company	G	Connecticut	99-09-03	1/00	Affiliated Transactions	Office of Consumer Counsel
Time Warner Entertainment Company, L.P.	C	Indiana	48D06-9803-CP-423	1999	Late Fees (Affidavit)	Kelly J. Whiteman, et al
TCI Communications, Inc., et al	C	Indiana	55D01-9709-CP-00415	1999	Late Fees (Affidavit)	Franklin E. Littell, et al

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Southwestern Public Service Company	E	New Mexico	3116	12/99	Merger Approval	Office of the Attorney General
New England Electric System Eastern Utility Associates	E	Rhode Island	2930	11/99	Merger Policy	Department of Attorney General
Delaware Electric Cooperative	E	Delaware	99-457	11/99	Electric Restructuring	Division of the Public Advocate
Jones Intercable, Inc.	C	Maryland	CAL98-00283	10/99	Cable Rates (Affidavit)	Cynthia Maisonette and Ola Renee Chatman, et al
Texas-New Mexico Power Company	E	New Mexico	3103	10/99	Acquisition Issues	Office of Attorney General
Southern Connecticut Gas Company	G	Connecticut	99-04-18	9/99	Affiliated Interest	Office of Consumer Counsel
TCI Cable Company	C	New Jersey	CR99020079 et al	9/99	Cable Rates Forms 1240/1205	Division of the Ratepayer Advocate
All Regulated Companies	E/G/W	Delaware	Reg. No. 4	8/99	Filing Requirements (Position Statement)	Division of the Public Advocate
Mile High Cable Partners	C	Colorado	95-CV-5195	7/99	Cable Rates (Affidavit)	Brett Marshall, an individual, et al
Electric Restructuring Comments	E	Delaware	Reg. 49	7/99	Regulatory Policy (Supplemental)	Division of the Public Advocate
Long Neck Water Company	W	Delaware	99-31	6/99	Revenue Requirements	Division of the Public Advocate
Delmarva Power and Light Company	E	Delaware	99-163	6/99	Electric Restructuring	Division of the Public Advocate
Potomac Electric Power Company	E	District of Columbia	945	6/99	Divestiture of Generation Assets	U.S. GSA - Public Utilities
Comcast	C	Indiana	49C01-9802-CP-000386	6/99	Late Fees (Affidavit)	Ken Hecht, et al
Petitions of BA-NJ and NJPA re: Payphone Ops	T	New Jersey	TO97100792 PUCOT 11269-97N	6/99	Economic Subsidy Issues (Surrebuttal)	Division of the Ratepayer Advocate
Montague Water and Sewer Companies	W/WWW	New Jersey	WR98101161 WR98101162 PUCRS 11514-98N	5/99	Revenue Requirements Rate Design (Supplemental)	Division of the Ratepayer Advocate
Cablevision of Bergen, Bayonne, Newark	C	New Jersey	CR98111197-199 CR98111190	5/99	Cable Rates Forms 1240/1205	Division of the Ratepayer Advocate
Cablevision of Bergen, Hudson, Monmouth	C	New Jersey	CR97090624-626 CTV 1697-98N	5/99	Cable Rates - Form 1235 (Rebuttal)	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2860	4/99	Revenue Requirements	Division of Public Utilities & Carriers
Montague Water and Sewer Companies	W/WWW	New Jersey	WR98101161 WR98101162	4/99	Revenue Requirements Rate Design	Division of the Ratepayer Advocate
PEPCO	E	District of Columbia	945	4/99	Divestiture of Assets	U.S. GSA - Public Utilities
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	4/99	Merger Approval (Surrebuttal)	Citizens' Utility Ratepayer Board

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Delmarva Power and Light Company	E	Delaware	98-479F	3/99	Fuel Costs	Division of the Public Advocate
Lenfest Atlantic d/b/a Suburban Cable	C	New Jersey	CR97070479 et al	3/99	Cable Rates	Division of the Ratepayer Advocate
Electric Restructuring Comments	E	District of Columbia	945	3/99	Regulatory Policy	U.S. GSA - Public Utilities
Petitions of BA-NJ and NJPA re: Payphone Ops	T	New Jersey	TO97100792 PUCOT 11269-97N	3/99	Tariff Revision Payphone Subsidies FCC Services Test (Rebuttal)	Division of the Ratepayer Advocate
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	3/99	Merger Approval (Answering)	Citizens' Utility Ratepayer Board
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	2/99	Merger Approval	Citizens' Utility Ratepayer Board
Adelphia Cable Communications	C	Vermont	6117-6119	1/99	Late Fees (Additional Direct Supplemental)	Department of Public Service
Adelphia Cable Communications	C	Vermont	6117-6119	12/98	Cable Rates (Forms 1240, 1205, 1235) and Late Fees (Direct Supplemental)	Department of Public Service
Adelphia Cable Communications	C	Vermont	6117-6119	12/98	Cable Rates (Forms 1240, 1205, 1235) and Late Fees	Department of Public Service
Orange and Rockland/ Consolidated Edison	E	New Jersey	EM98070433	11/98	Merger Approval	Division of the Ratepayer Advocate
Cablevision	C	New Jersey	CR97090624 CR97090625 CR97090626	11/98	Cable Rates - Form 1235	Division of the Ratepayer Advocate
Petitions of BA-NJ and NJPA re: Payphone Ops.	T	New Jersey	TO97100792 PUCOT 11269-97N	10/98	Payphone Subsidies FCC New Services Test	Division of the Ratepayer Advocate
United Water Delaware	W	Delaware	Docket No. 98-98	8/98	Revenue Requirements	Division of the Public Advocate
Cablevision	C	New Jersey	CR97100719, 726 730, 732	8/98	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Potomac Electric Power Company	E	Maryland	Case No. 8791	8/98	Revenue Requirements Rate Design	U.S. GSA - Public Utilities
Investigation of BA-NJ IntraLATA Calling Plans	T	New Jersey	TO97100808 PUCOT 11326-97N	8/98	Anti-Competitive Practices (Rebuttal)	Division of the Ratepayer Advocate
Investigation of BA-NJ IntraLATA Calling Plans	T	New Jersey	TO97100808 PUCOT 11326-97N	7/98	Anti-Competitive Practices	Division of the Ratepayer Advocate
TCI Cable Company/ Cablevision	C	New Jersey	CTV 03264-03268 and CTV 05061	7/98	Cable Rates	Division of the Ratepayer Advocate
Mount Holly Water Company	W	New Jersey	WR98020058 PUC 03131-98N	7/98	Revenue Requirements	Division of the Ratepayer Advocate
Pawtucket Water Supply Board	W	Rhode Island	2674	5/98	Revenue Requirements (Surrebuttal)	Division of Public Utilities & Carriers
Pawtucket Water Supply Board	W	Rhode Island	2674	4/98	Revenue Requirements	Division of Public Utilities and Carriers

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Energy Master Plan Phase II Proceeding - Restructuring	E	New Jersey	EX94120585U, EO97070457,60,63,66	4/98	Electric Restructuring Issues (Supplemental Surrebuttal)	Division of the Ratepayer Advocate
Energy Master Plan Phase I Proceeding - Restructuring	E	New Jersey	EX94120585U, EO97070457,60,63,66	3/98	Electric Restructuring Issues	Division of the Ratepayer Advocate
Shorelands Water Company	W	New Jersey	WR97110835 PUC 11324-97	2/98	Revenue Requirements	Division of the Ratepayer Advocate
TCI Communications, Inc.	C	New Jersey	CR97030141 and others	11/97	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Citizens Telephone Co. of Kecksburg	T	Pennsylvania	R-00971229	11/97	Alternative Regulation Network Modernization	Office of Consumer Advocate
Consumers Pennsylvania Water Co. - Shenango Valley Division	W	Pennsylvania	R-00973972	10/97	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Universal Service Funding	T	New Jersey	TX95120631	10/97	Schools and Libraries Funding (Rebuttal)	Division of the Ratepayer Advocate
Universal Service Funding	T	New Jersey	TX95120631	9/97	Low Income Fund High Cost Fund	Division of the Ratepayer Advocate
Consumers Pennsylvania Water Co. - Shenango Valley Division	W	Pennsylvania	R-00973972	9/97	Revenue Requirements	Office of Consumer Advocate
Delmarva Power and Light Company	G/E	Delaware	97-65	9/97	Cost Accounting Manual Code of Conduct	Office of the Public Advocate
Western Resources, Oneok, and WAI	G	Kansas	WSRG-486-MER	9/97	Transfer of Gas Assets	Citizens' Utility Ratepayer Board
Universal Service Funding	T	New Jersey	TX95120631	9/97	Schools and Libraries Funding (Rebuttal)	Division of the Ratepayer Advocate
Universal Service Funding	T	New Jersey	TX95120631	8/97	Schools and Libraries Funding	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2555	8/97	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Ironton Telephone Company	T	Pennsylvania	R-00971182	8/97	Alternative Regulation Network Modernization (Surrebuttal)	Office of Consumer Advocate
Ironton Telephone Company	T	Pennsylvania	R-00971182	7/97	Alternative Regulation Network Modernization	Office of Consumer Advocate
Comcast Cablevision	C	New Jersey	Various	7/97	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Maxim Sewerage Corporation	WW	New Jersey	WR97010052 PUCRA 3154-97N	7/97	Revenue Requirements	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2555	6/97	Revenue Requirements	Division of Public Utilities and Carriers
Consumers Pennsylvania Water Co. - Roaring Creek	W	Pennsylvania	R-00973869	6/97	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Consumers Pennsylvania Water Co. - Roaring Creek	W	Pennsylvania	R-00973869	5/97	Revenue Requirements	Office of Consumer Advocate

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Delmarva Power and Light Company	E	Delaware	97-58	5/97	Merger Policy	Office of the Public Advocate
Middlesex Water Company	W	New Jersey	WR96110818 PUCRL 11663-96N	4/97	Revenue Requirements	Division of the Ratepayer Advocate
Maxim Sewerage Corporation	WW	New Jersey	WR96080628 PUCRA 09374-96N	3/97	Purchased Sewerage Adjustment	Division of the Ratepayer Advocate
Interstate Navigation Company	N	Rhode Island	2484	3/97	Revenue Requirements Cost of Capital (Surrebuttal)	Division of Public Utilities & Carriers
Interstate Navigation Company	N	Rhode Island	2484	2/97	Revenue Requirements Cost of Capital	Division of Public Utilities & Carriers
Electric Restructuring Comments	E	District of Columbia	945	1/97	Regulatory Policy	U.S. GSA - Public Utilities
United Water Delaware	W	Delaware	96-194	1/97	Revenue Requirements	Office of the Public Advocate
PEPCO/ BGE/ Merger Application	E/G	District of Columbia	951	10/96	Regulatory Policy Cost of Capital (Rebuttal)	GSA
Western Resources, Inc.	E	Kansas	193,306-U 193,307-U	10/96	Revenue Requirements Cost of Capital (Supplemental)	Citizens' Utility Ratepayer Board
PEPCO and BGE Merger Application	E/G	District of Columbia	951	9/96	Regulatory Policy, Cost of Capital	U.S. GSA - Public Utilities
Utilicorp United, Inc.	G	Kansas	193,787-U	8/96	Revenue Requirements	Citizens' Utility Ratepayer Board
TKR Cable Company of Gloucester	C	New Jersey	CTV07030-95N	7/96	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
TKR Cable Company of Warwick	C	New Jersey	CTV057537-95N	7/96	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Delmarva Power and Light Company	E	Delaware	95-196F	5/96	Fuel Cost Recovery	Office of the Public Advocate
Western Resources, Inc.	E	Kansas	193,306-U 193,307-U	5/96	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Princeville Utilities Company, Inc.	W/WW	Hawaii	95-0172 95-0168	1/96	Revenue Requirements Rate Design	Princeville at Hanalei Community Association
Western Resources, Inc.	G	Kansas	193,305-U	1/96	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Environmental Disposal Corporation	WW	New Jersey	WR94070319 (Remand Hearing)	11/95	Revenue Requirements Rate Design (Supplemental)	Division of the Ratepayer Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319 (Remand Hearing)	11/95	Revenue Requirements	Division of the Ratepayer Advocate
Lanai Water Company	W	Hawaii	94-0366	10/95	Revenue Requirements Rate Design	Division of Consumer Advocacy
Cablevision of New Jersey, Inc.	C	New Jersey	CTV01382-95N	8/95	Basic Service Rates (Oral Testimony)	Division of the Ratepayer Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Cablevision of New Jersey, Inc.	C	New Jersey	CTV01381-95N	8/95	Basic Service Rates (Oral Testimony)	Division of the Ratepayer Advocate
Chesapeake Utilities Corporation	G	Delaware	95-73	7/95	Revenue Requirements	Office of the Public Advocate
East Honolulu Community Services, Inc.	WW	Hawaii	7718	6/95	Revenue Requirements	Division of Consumer Advocacy
Wilmington Suburban Water Corporation	W	Delaware	94-149	3/95	Revenue Requirements	Office of the Public Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319	1/95	Revenue Requirements (Supplemental)	Division of the Ratepayer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00943177	1/95	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00943177	12/94	Revenue Requirements	Office of Consumer Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319	12/94	Revenue Requirements	Division of the Ratepayer Advocate
Delmarva Power and Light Company	E	Delaware	94-84	11/94	Revenue Requirements	Office of the Public Advocate
Delmarva Power and Light Company	G	Delaware	94-22	8/94	Revenue Requirements	Office of the Public Advocate
Empire District Electric Company	E	Kansas	190,360-U	8/94	Revenue Requirements	Citizens' Utility Ratepayer Board
Morris County Municipal Utility Authority	SW	New Jersey	MM10930027 ESW 1426-94	6/94	Revenue Requirements	Rate Counsel
US West Communications	T	Arizona	E-1051-93-183	5/94	Revenue Requirements (Surrebuttal)	Residential Utility Consumer Office
Pawtucket Water Supply Board	W	Rhode Island	2158	5/94	Revenue Requirements (Surrebuttal)	Division of Public Utilities & Carriers
US West Communications	T	Arizona	E-1051-93-183	3/94	Revenue Requirements	Residential Utility Consumer Office
Pawtucket Water Supply Board	W	Rhode Island	2158	3/94	Revenue Requirements	Division of Public Utilities & Carriers
Pollution Control Financing Authority of Camden County	SW	New Jersey	SR91111718J	2/94	Revenue Requirements (Supplemental)	Rate Counsel
Roaring Creek Water Company	W	Pennsylvania	R-00932665	9/93	Revenue Requirements (Supplemental)	Office of Consumer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00932665	9/93	Revenue Requirements	Office of Consumer Advocate
Kent County Water Authority	W	Rhode Island	2098	8/93	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Wilmington Suburban Water Company	W	Delaware	93-28	7/93	Revenue Requirements	Office of Public Advocate
Kent County Water Authority	W	Rhode Island	2098	7/93	Revenue Requirements	Division of Public Utilities & Carriers
Camden County Energy Recovery Associates, Inc.	SW	New Jersey	SR91111718J ESW1263-92	4/93	Revenue Requirements	Rate Counsel

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Pollution Control Financing Authority of Camden County	SW	New Jersey	SR91111718J ESW 1263-92	4/93	Revenue Requirements	Rate Counsel
Jamaica Water Supply Company	W	New York	92-W-0583	3/93	Revenue Requirements	County of Nassau Town of Hempstead
New Jersey-American Water Company	W/WW	New Jersey	WR92090908J PUC 7266-92S	2/93	Revenue Requirements	Rate Counsel
Passaic County Utilities Authority	SW	New Jersey	SR91121816J ESW0671-92N	9/92	Revenue Requirements	Rate Counsel
East Honolulu Community Services, Inc.	WW	Hawaii	7064	8/92	Revenue Requirements	Division of Consumer Advocacy
The Jersey Central Power and Light Company	E	New Jersey	PUC00661-92 ER91121820J	7/92	Revenue Requirements	Rate Counsel
Mercer County Improvement Authority	SW	New Jersey	EWS11261-91S SR91111682J	5/92	Revenue Requirements	Rate Counsel
Garden State Water Company	W	New Jersey	WR9109-1483 PUC 09118-91S	2/92	Revenue Requirements	Rate Counsel
Elizabethtown Water Company	W	New Jersey	WR9108-1293J PUC 08057-91N	1/92	Revenue Requirements	Rate Counsel
New Jersey American Water Company	W/WW	New Jersey	WR9108-1399J PUC 8246-91	12/91	Revenue Requirements	Rate Counsel
Pennsylvania-American Water Company	W	Pennsylvania	R-911909	10/91	Revenue Requirements	Office of Consumer Advocate
Mercer County Improvement Authority	SW	New Jersey	SR9004-0264J PUC 3389-90	10/90	Revenue Requirements	Rate Counsel
Kent County Water Authority	W	Rhode Island	1952	8/90	Revenue Requirements Regulatory Policy (Surrebuttal)	Division of Public Utilities & Carriers
New York Telephone	T	New York	90-C-0191	7/90	Revenue Requirements Affiliated Interests (Supplemental)	NY State Consumer Protection Board
New York Telephone	T	New York	90-C-0191	7/90	Revenue Requirements Affiliated Interests	NY State Consumer Protection Board
Kent County Water Authority	W	Rhode Island	1952	6/90	Revenue Requirements Regulatory Policy	Division of Public Utilities & Carriers
Ellesor Transfer Station	SW	New Jersey	SO8712-1407 PUC 1768-88	11/89	Regulatory Policy	Rate Counsel
Interstate Navigation Co.	N	Rhode Island	D-89-7	8/89	Revenue Requirements Regulatory Policy	Division of Public Utilities & Carriers
Automated Modular Systems, Inc.	SW	New Jersey	PUC1769-88	5/89	Revenue Requirements Schedules	Rate Counsel
SNET Cellular, Inc.	T	Connecticut	-	2/89	Regulatory Policy	First Selectman Town of Redding

APPENDIX B

Supporting Schedules

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****REVENUE REQUIREMENT SUMMARY**

	Company Claim	Recommended Adjustment	Recommended Position	
	(A)			
1. Pro Forma Rate Base	\$1,150,467,716	(\$14,976,971)	\$1,135,490,745	(B)
2. Required Cost of Capital	8.85%	-1.10%	7.75%	(C)
3. Required Return	\$101,832,024	(\$13,808,462)	\$88,023,562	
4. Operating Income @ Present Rates	79,411,224	2,754,438	82,165,662	(D)
5. Operating Income Deficiency	\$22,420,800	(\$16,562,900)	\$5,857,900	
6. Revenue Multiplier	1.7305	1.7305	1.7305	(E)
7. Revenue Requirement Increase	<u>\$38,800,000</u>	<u>(\$28,662,694)</u>	<u>\$10,137,306</u>	

Sources:

(A) Company Filing Exhibit 1-A, page 2 and page 81.

(B) Schedule ACC-3.

(C) Schedule ACC-2.

(D) Schedule ACC-8.

(E) Schedule ACC-28.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****REQUIRED COST OF CAPITAL**

	Amount	Capital Structure	Cost Rate	Weighted Cost
	(A)	(A)	(A)	
1. Common Equity	\$570,394,942	49.91%	9.50%	4.74%
2. Long Term Debt	<u>572,341,136</u>	50.09%	6.01%	<u>3.01%</u>
3. Total Cost of Capital	\$1,142,736,078			<u>7.75%</u>

Sources:

(A) Testimony of Mr. Hill.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

RATE BASE SUMMARY

	Company Claim	Recommended Adjustment		Recommended Position
	(A)			
1. Utility Plant in Service	\$1,618,793,270	(\$13,741,118)	(B)	\$1,605,052,152
2. Approved Rate Base Items	1,600,309	0		\$1,600,309
3. Meribah Acquisition Adj.	12,718	(12,718)	(C)	\$0
4. Marienville Acquisition Adj.	443,845	(443,845)	(C)	\$0
5. Oneida Acquisition Adj.	72,363	0		\$72,363
6. Barret, Hex Acres & Tambur	149,263	(149,263)	(C)	\$0
7. Stanton Acquisition Adj.	41,903	0		\$41,903
8. Christian Springs Acq. Adj.	6,055	(6,055)	(C)	\$0
9. Meadowcrest Acq. Adj.	101,156	(101,156)	(C)	\$0
10. Acquisition OC Since Last Order	7,113,400	(315,009)	(D)	\$6,798,391
11. Intangible Plant	5,745,618	0		\$5,745,618
12. Non Depreciable Plant	19,966,510	0		\$19,966,510
13. PennVest D.O.C.	233,595	0		\$233,595
14. Total Plant In Service	1,654,280,005	(14,769,164)		1,639,510,841
Less:				
15. Accumulated Depreciation	(309,648,634)	0		(309,648,634)
16. Net Utility Plant	\$1,344,631,371	(\$14,769,164)		\$1,329,862,207
Plus:				
17. Materials and Supplies	\$2,983,938	\$0		\$2,983,938
18. Working Capital - Expenses	4,275,000	(207,807)	(E)	4,067,193
19. Working Capital - Taxes	172,600	0		172,600
20. Working Capital - P/R Tax	286,400	0		286,400
21. Unamortized PECO CTC	5,159,268	0		5,159,268
Less:				
22. Hubbard Contract - Net	(\$670,450)	\$0		(\$670,450)
23. Contributions in Aid	(\$55,387,096)	0		(\$55,387,096)
24. Advances for Construction	(50,034,435)	0		(\$50,034,435)
25. Service Line and Cus. Deposits	(61,535)	0		(\$61,535)
26. Deferred Income Taxes	(97,084,045)	0		(\$97,084,045)
27. Accrued Interest	(3,803,300)	0		(\$3,803,300)
28. Total Rate Base	<u>\$1,150,467,716</u>	<u>(\$14,976,971)</u>		<u>\$1,135,490,745</u>

Sources:

- (A) Company Filing Exhibit 1-A, page 81.
- (B) Schedule ACC-4.
- (C) Schedule ACC-5.
- (D) Schedule ACC-6.
- (E) Schedule ACC-7.

Schedule ACC-4

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

UTILITY PLANT IN SERVICE

1. Claimed Utility Plant in Service Additions	\$137,411,179	(A)
2. Recommended Adjustment	<u>(13,741,118)</u>	(B)
3. Recommended Pro Forma Additions	<u>\$123,670,061</u>	

Sources:

(A) Company Exhibit 1-A, page 81.

(B) Reflects 10% of Line 1.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

ACQUISITION ADJUSTMENTS

1. Meribah	\$12,718
2. Marienville	443,845
3. Barret, Hex Acres, Tambur	149,263
4. Christian Springs	6,055
5. Meadowcrest	<u>101,156</u>
6. Total Recommended Adjustment	<u>\$713,037</u>

Sources:

(A) Company Filing Exhibit 1-A, page 81.

Schedule ACC-6

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

ACQUISITION ORIGINAL COST

1. Original Claim - Pinecrest	\$510,000	(A)
2. Revised Claim - Pinecrest	<u>825,009</u>	(B)
3. Recommended Adjustment	<u>\$315,009</u>	

Sources:

(A) Response to OCA-IX-7.

(B) Response to OCA-IX-7, Revised.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

CASH WORKING CAPITAL

	Expenses (A)	Lag (B)	Dollar Days
1. Hourly Labor	\$13,253,796	7.50	\$99,403,470
2. Non-Union Labor	13,775,333	11.00	151,528,663
3. Management Fee	7,986,194	39.40	314,656,044
4. Electric Power	10,419,067	39.70	413,636,960
5. Water Purchased	10,246,613	28.63 (C)	293,391,016
6. Employee Group Insurance	4,517,770	23.60 (D)	106,619,372
7. Liability Insurance	4,185,505	77.00	322,283,885
8. Vehicle Lease Expense	672,788	-5.60 (D)	(3,767,613)
9. SFI Postage	1,122,844	-6.80 (E)	(7,635,339)
10. Pension	6,184,440	131.60	813,872,304
11. SFAS 106	2,538,942	35.20	89,370,758
12. Other	21,118,597	32.20	680,018,823
13. Subtotal	\$96,021,889	34.09	\$3,273,378,343
14. Company Claim		<u>33.30</u>	
15. Difference		-0.79	
16. Expenses per day		<u>\$263,074</u>	(F)
17. CWC Adjustment		<u>(\$207,807)</u>	

Sources:

(A) Company Filing Exhibit 1-A, page 83-2.

(B) Company Filing Exhibit 1-A, page 83-2, except as noted.

(C) Reflects average lag of suppliers excluding Philadelphia Water Department.

(D) Reflects lag days from PUC Order in Docket No. R-00038805.

(E) Response to OCA-I-8.

(F) Company Filing Exhibit 1-A, page 83.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****OPERATING INCOME SUMMARY**

		Schedule No.
1. Company Claim	\$79,411,224	1
2. Pro Forma Revenues	2,881	9
3. Salaries and Wages - Non Union	624,941	10
4. Salaries and Wages - Union	354,925	11
5. Payroll Taxes	74,960	12
6. Other Post Employment Benefits	101,651	13
7. Health Care Costs	101,901	14
8. Gasoline Contract	20,742	15
9. Diesel Contract	10,412	16
10. GPS Maintenance Costs	995	17
11. PA Management Audit Costs	19,483	18
12. Purchased Water Costs	560,069	19
13. Insurance Premiums	20,951	20
14. Charitable Contributions	44,182	21
15. Amortization of Positive Acquisition Adjs.	21,791	22
16. Amortization of Negative Acq. Adjs.	9,666	23
17. Depreciation Expense	196,163	24
18. Consolidated Income Tax Adj.	775,742	25
19. Interest Synchronization	<u>(187,019)</u>	26
20. Net Operating Income	<u>\$82,165,662</u>	

Schedule ACC-9

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

PRO FORMA REVENUE

1. Hawley Public Fire Hydrant - Original		\$2,493	(A)
2. Hawley Public Fire Hydrant - Revised		<u>7,479</u>	(B)
3. Recommended Revenue Adjustment		\$4,986	
4. Revenue Assessments and Uncollectibles	1.23%	<u>61</u>	(C)
5. Net Revenue Adjustment		\$4,925	
6. Income Taxes @	41.49%	<u>2,043</u>	
7. Operating Income Impact		<u>\$2,881</u>	

Sources:

(A) Company Filing Exhibit 1-A, page 4-12.

(B) Response to OSBA-1-4.

(C) Based on rates per Schedule ACC-28.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****SALARIES AND WAGES - NON UNION**

1. Actual Historic Test Year	\$15,264,970	(A)
2. Annualization of HTY Increase	<u>3.00%</u>	(B)
3. Annualized HTY (\$)	\$15,722,919	
4. Future Test Year Increase	<u>4.00%</u>	(C)
5. Future Test Year Annualized	\$16,351,836	
6. Percentage Expensed	<u>77.71%</u>	(A)
7. Pro Forma Salary Costs	\$12,707,176	
8. Company Claim	<u>13,775,333</u>	
9. Recommended Adjustment	\$1,068,157	
10. Income Taxes @	41.49% <u>443,216</u>	
11. Operating Income Impact	<u>\$624,941</u>	

Sources:

(A) Company Filing Exhibit No. 1-A, page 21-1.

(B) Reflects an additional nine months of the increase of 4.0% granted April 1, 2005 per the responses to OCA-I-27 and OCA-I-17.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****SALARIES AND WAGES - UNION**

1. Actual Historic Test Year	\$18,217,165	(A)
2. Annualization of HTY Increase	<u>1.25%</u>	(B)
3. Annualized HTY (\$)	\$18,444,880	
4. Future Test Year Increase	<u>3.00%</u>	(C)
5. Future Test Year Annualized	\$18,998,226	
6. Percentage Expensed	<u>66.57%</u>	
7. Pro Forma Salary Costs	\$12,647,154	
8. Company Claim	<u>13,253,796</u>	
9. Recommended Adjustment	\$606,642	
10. Income Taxes @	41.49% <u>251,717</u>	
11. Operating Income Impact	<u>\$354,925</u>	

Sources:

(A) Company Exhibit No. 1-A, page 21-2.

(B) Reflects an additional five months of the increase of approximately 3.0% granted December 1, 2005 per the responses to OCA-I-27 and OCA-I-17.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****PAYROLL TAX EXPENSE**

1. Salary and Wage Adjustment - Non Union	\$1,068,157	(A)
2. Salary and Wage Adjustment - Union	<u>606,642</u>	(B)
3. Total Salary and Wage Adjustment	\$1,674,799	
4. Payroll Tax Rate	<u>7.65%</u>	(C)
5. Payroll Tax Adjustment	\$128,122	
6. Income Taxes @	41.49% <u>53,162</u>	
7. Operating Income	<u>\$74,960</u>	

Sources:

(A) Schedule ACC-10.

(B) Schedule ACC-11.

(C) Reflects statutory rates.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

OTHER POST EMPLOYMENT BENEFITS

1. 2006 Expense per Actuary	\$2,804,306	(A)
2. 2006 Expense through July 2006	1,635,845	(B)
3. Company Claim	<u>1,983,331</u>	(C)
4. Recommended Adjustment	\$347,486	(D)
5. Amortization Period (Yrs.)	<u>2</u>	(E)
6. Annual Adjustment	\$173,743	
5. Income Taxes @	41.49%	<u>72,092</u>
6. Operating Income Impact	<u>\$101,651</u>	

Sources:

(A) Testimony of Mr. Griffin, Appendix 1.

(B) Line 1 / 12 months X 7 months.

(C) Response to OCA-I-38.

(D) Line 3 - Line 2.

(E) Company Exhibit 1-A, page 45.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****GASOLINE CONTRACT**

1. Contract Rate		\$1.81	(A)
2. Applicable Taxes @	28.16%	<u>0.51</u>	(B)
3. Total Gasoline Rate		\$2.32	
4. Gallons		<u>340,233</u>	(C)
5. Total Pro Forma Costs		\$789,236	
6. Capitalized Costs @ 35%		<u>276,232</u>	(D)
7. Pro Forma Expense		\$513,003	
8. Company Claim		<u>548,456</u>	(C)
9. Recommended Adjustment		\$35,453	
8. Income Taxes @	41.49%	<u>14,711</u>	
9. Operating Income Impact		<u>\$20,742</u>	

Sources:

(A) Response to OCA-I-54.

(B) Based on tax ratio per the response to OTS-RE-18.

(C) Company Filing Exhibit 1-A, page 46.

(D) Capitalization ratio per Company Filing Exhibit 1-A, page 46.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****DIESEL CONTRACT**

1. Contract Rate		\$2.01	(A)
2. Applicable Taxes @	28.16%	<u>0.56</u>	(B)
3. Total Diesel Rate		\$2.57	
4. Gallons		<u>125,239</u>	(C)
5. Total Pro Forma Costs		\$322,040	
6. Capitalized Costs @ 35%		<u>112,714</u>	(D)
7. Pro Forma Expense		\$209,326	
8. Company Claim		<u>227,122</u>	(C)
9. Recommended Adjustment		\$17,796	
8. Income Taxes @	41.49%	<u>7,384</u>	
9. Operating Income Impact		<u>\$10,412</u>	

Sources:

(A) Response to OCA-I-55.

(B) Based on tax ratio per the response to OTS-RE-18.

(C) Company Filing Exhibit 1-A, page 47.

(D) Capitalization ratio per Company Filing Exhibit 1-A, page 47.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

MAINTENANCE OF GIS TRACKING DEVICES

1. Original Company Claim		\$20,000	(A)
2. Revised Company Claim		<u>18,300</u>	(B)
3. Recommended Adjustment		\$1,700	
4. Income Taxes @	41.49%	<u>705</u>	
5. Operating Income Impact		<u>\$995</u>	

Sources:

(A) Company Filing Exhibit 1-A, page 35.

(B) Response to OTS-RE-11-D.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

PA MANAGEMENT AUDIT

1. Service Company Claim		\$33,300	(A)
2. Income Taxes @	41.49%	<u>13,817</u>	
3. Operating Income Impact		<u>\$19,483</u>	

Sources:

(A) Company Exhibit 1-A, page 29.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****PURCHASED WATER COSTS**

1. Fixed Monthly Charge Annualized		\$1,959,912	(A)
2. Proposed 7/1/06 Fixed Monthly Rate Annualized		<u>2,830,164</u>	(A)
3. Proposed Rate Increase		\$870,252	
4. Management Fee @ 10%		<u>87,025</u>	(A)
5. Total Proposed Increase		\$957,277	
6. Income Taxes @	41.49%	<u>397,208</u>	
7. Operating Income Impact		<u>\$560,069</u>	

Sources:

(A) Company Filing Exhibit 1-A, page 26.

Schedule ACC-20

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

INSURANCE PREMIUMS

1. Current Insurance Premiums	\$4,279,144	(A)
2. Workers Compensation Capitalized	<u>129,449</u>	(B)
3. Net Insurance Premiums	\$4,149,695	
4. Company Claim	<u>4,185,505</u>	(C)
5. Recommended Adjustment	\$35,810	
6. Income Taxes @	41.49% <u>14,859</u>	
7. Operating Income Impact	<u>\$20,951</u>	

Sources:

(A) Premiums provided in response to OCA-I-53.

(B) Workers Compensation costs of \$526,645 and allocation derived from
Company Exhibit 1-A, page 42.

(C) Company Exhibit 1-A, page 42.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

CHARITABLE CONTRIBUTIONS

1. Pro Forma Expense Adjustment		\$75,517	(A)
2. Income Taxes @	41.49%	<u>31,335</u>	
3. Operating Income Impact		<u>\$44,182</u>	

Sources:

(A) Response to OTS-RE-42-D.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****AMORTIZATION OF POSITIVE ACQUISITION ADJUSTMENTS**

		(A)
1. Meribah		\$13,387
2. Marienville		467,205
3. Barret, Hex Acres, Tambur		157,119
4. Christian Springs		6,055
5. Meadowcrest		<u>101,156</u>
6. Total Recommended Adjustment		\$744,922
7. Amortization Period		<u>20</u>
8. Recommended Annual Adjustment		\$37,246
9. Income Taxes @	41.49%	<u>15,455</u>
10. Operating Income Impact		<u>\$21,791</u>

Sources:

(A) Company Filing Exhibit 1-A, page 33.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

AMORTIZATION OF NEGATIVE ACQUISITION ADJUSTMENTS

1. Pinecrest Acquisition Adjustment		\$315,009	(A)
2. Applewood Acquisition Adjustment		<u>15,421</u>	(A)
3. Subtotal		\$330,430	
4. Proposed Amortization Period		<u>20</u>	(A)
5. Annual Adjustment		\$16,522	
6. Income Taxes @	41.49%	<u>6,855</u>	
7. Operating Income Impact		<u>\$9,666</u>	

Sources:

(A) Response to OCA-I-10.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****DEPRECIATION EXPENSE**

1. Recommended Utility Plant in Service Adj.	\$13,741,118	(A)
2. Composite Depreciation Rate	<u>2.44%</u>	(B)
3. Recommended Depreciation Expense Adj.	\$335,283	
4. Income Taxes @	41.49% <u>139,121</u>	
5. Operating Income Impact	<u>\$196,163</u>	

Sources:

(A) Schedule ACC-4.

(B) Composite Depreciation Rate, derived from Company Filing Exhibit No. 6-A, Part II, page II-11.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****CONSOLIDATED INCOME TAX ADJUSTMENT**

Non-Regulated:	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(A)	(A)	(A)
1. Philadelphia Suburban Corp.	(\$576,850)	(\$3,813,878)	(\$6,690,484)
2. PSC Services	(6,929)	(6,873)	(6,885)
3. Consumers Water Company	(332,871)	(177,029)	0
	<hr/>		
4. Total Taxable Losses	(\$916,650)	(\$3,997,780)	(\$6,697,369)
 Adjustments:			
5. Merger Costs	275,927	796,716	699,017
6. Discontinued Operations	332,871	309,739	0
7. Interest for AquaSource	0	0	0
	<hr/>		
8. Pro Forma Taxable Losses	(\$307,852)	(\$2,891,325)	(\$5,998,352)
9. Three Year Average			(\$3,065,843)
10. Average PA Taxable Income (%)			<hr/> 60.98%
11. Tax Losses Allocable to PA			(\$1,869,551)
12. Tax Savings @	41.49%		<u>\$775,742</u>

Sources:

(A) Response to OCA-I-72.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

INTEREST SYNCHRONIZATION

1. Pro Forma Rate Base	\$1,135,490,745	(A)
2. Weighted Cost of Debt	<u>3.01%</u>	(B)
3. Pro Forma Interest Expense	\$34,179,609	
4. Company Claim	<u>34,630,327</u>	(C)
5. Decrease in Taxable Income	(\$450,718)	
6. Income Taxes @ 41.49%	<u>(\$187,019)</u>	

Sources:

(A) Schedule ACC-3.

(B) Schedule ACC-2.

(C) Company Filing Exhibit 1-A, page 71.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****INCOME TAX FACTOR**

1. Revenue	100.00%	
2. State Income Tax Rate	<u>9.99%</u>	(A)
3. Federal Taxable Income	90.01%	
4. Income Taxes @ 35%	<u>31.50%</u>	(A)
5. Operating Income	58.51%	
6. Total Tax Rate	<u>41.49%</u>	(B)

Sources:

(A) Reflects statutory rates per Company Filing Exhibit 1-A, page 66.

(B) Line 2 + Line 4.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****REVENUE MULTIPLIER**

1. Revenue		1.00000	
2. PUC Assessment @	0.45%	0.00455	(A)
3. OCA Assessment	0.12%	0.00124	(B)
4. SBA Assessment	0.01%	0.00014	(C)
5. Uncollectible Expense	0.64%	<u>0.00640</u>	(D)
6. State Taxable Income		0.98768	
7. State Income Taxes @	9.99%	<u>0.09867</u>	(E)
8. Federal Taxable Income		0.88901	
9. Federal Income Taxes @	35.00%	<u>0.31115</u>	(E)
10. Operating Income		0.57786	
11. Revenue/Income		<u>1.73054</u>	(F)

Sources:

(A) Company Exhibit 1-A, page 61.

(B) Company Exhibit 1-A, page 62.

(C) Company Exhibit 1-A, page 63.

(D) Company Exhibit 1-A, page 36.

(E) Statutory rates per Company Exhibit 1-A, page 66.

(F) Line 1 / Line 10.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2006****REVENUE REQUIREMENT IMPACT OF ADJUSTMENTS**

1. Rate of Return	(\$21,886,855)
Rate Base Adjustments:	
2. Utility Plant in Service	(1,843,393)
3. Acquisition Adjustments	(95,655)
4. Original Cost of Acquisitions	(42,259)
5. Cash Working Capital	(27,878)
Operating Income Adjustments	
6. Pro Forma Revenues	(4,986)
7. Salaries and Wages - Non Union	(1,081,483)
8. Salaries and Wages - Union	(614,211)
9. Payroll Taxes	(129,721)
10. Other Post Employment Benefits	(175,911)
11. Health Care Costs	(176,344)
12. Gasoline Contract	(35,895)
13. Diesel Contract	(18,018)
14. GPS Maintenance Costs	(1,721)
15. PA Management Audit Costs	(33,715)
16. Purchased Water Costs	(969,220)
17. Insurance Premiums	(36,257)
18. Charitable Contributions	(76,459)
19. Amortization of Positive Acquisition Adjs.	(37,711)
20. Amortization of Negative Acq. Adjs.	(16,728)
21. Depreciation Expense	(339,466)
22. Consolidated Income Tax Adj.	(1,342,450)
23. Interest Synchronization	323,642
	<hr/>
24. Total Recommended Adjustments	(\$28,662,694)
	<hr/>
25. Company Claim	38,800,000
	<hr/>
26. Recommended Revenue Requirement Deficiency	<u>\$10,137,306</u>

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2006

PRO FORMA INCOME STATEMENT

	Per Company	Recommended Adjustments	Pro Forma Present Rates	Recommended Rate Adjustment	Pro Forma Proposed Rates
1. Operating Revenues	\$270,001,039	\$4,986	\$270,006,025	\$10,137,306	\$280,143,331
2. Operating Expenses	98,290,711	(3,233,302)	95,057,409	64,847	95,122,256
3. Depreciation and Amortization	46,111,959	(335,283)	45,776,676	0	45,776,676
4. Taxes Other Than Income	9,761,828	(128,093)	9,633,735	60,074	9,693,809
5. Taxable Income Before Interest Expenses	\$115,836,541	\$3,701,664	\$119,538,205	\$10,012,385	\$129,550,590
6. Interest Expense	34,630,327	(450,718)	34,179,609		34,179,609
7. Taxable Income	\$81,206,214	\$4,152,382	\$85,358,596	\$10,012,385	\$95,370,981
8. Income Taxes @ 41.49%	36,425,318	947,226	37,372,544	4,154,489	41,527,033
9. Operating Income	\$79,411,223	\$2,754,438	\$82,165,631	\$5,857,896	\$88,023,527
10. Rate Base	\$1,150,467,716		\$1,135,490,745		\$1,135,490,745
11. Rate of Return	<u>6.90%</u>		<u>7.24%</u>		<u>7.75%</u>

APPENDIX C

Referenced Data Requests

OCA-I-1
OCA-I-3
OCA-I-8
OCA-I-38
OCA-I-44
OCA-I-53
OCA-I-54
OCA-I-55
OCA-I-72

OCA-IV-8
OCA-IV-9
OCA-IV-11
OCA-IV-12
OCA-IV-13
OCA-IV-15
OCA-IV-18

OCA-IX-7 - Original
OCA-IX-7 - Revised

OCA-XIII-2

OCA-XV-1 - Partial
OCA-XV-8

OTS-RE-11-D
OTS-RE-14-D - Partial
OTS-RE-42-D
OTS-RE-58
OTS-RE-60
OTS-RE-70

OTS-RS-13-D
OTS-RS-29-D

OSBA-1-4

Witness: Robert M. Griffin
Date: January 12, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET I

DOCKET NO. R-00051030

- OCA-I-1. For each future test year plant addition shown in Appendix 2 to Mr. Griffin's testimony, please provide:
- a) the starting date for the project;
 - b) the estimated completion date;
 - c) the amount spent to date; and
 - d) the percent completed.

A. see attached workpaper.

Activity Number	Group	Start Date	End Date	Project Description	Additions	Retirements	Amount Spent Thru Nov. 2005	Percent Completed	Remarks
1000 0108-MAINS PARTIALLY FUNDED BY CIAC		12/31/2005	12/31/2005	Bidhouse Farm Approach Main	300,127	-	443,408	148%	Job complete, will trade-off funds to authorize higher amount
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	CARRIYOVER FROM 2005 - MAIN REPLACEMENTS	416,000	10,700	81,848	20%	Job is in progress, will be complete shortly, invoices will catch up to job
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	ELMIRA ST-NEW 12	1,246,200	37,400	155,347	43%	Job complete; invoices have not arrived yet; will process in December
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	CHURCH LA, YEADON BORO, PENN TO BAILEY	400,806	17,500	489,897	117%	0% 2006 job
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	OLD LANCASTER RD, TREDYFFRIN, CONESTOGA TO EJO HOWELLVILLE	480,028	17,500	480,028	62%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	EASTON RD, ABRINGTON TWP, EDGEHILL TO CROSS	563,443	49,300	1,094,044	65%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	FARMINU RD, NETHER PROVIDENCE, PROVIDENCE TO CRUM CREEK	1,643,304	48,500	1,136,767	70%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	HOLSTEIN RD, UPPER MERION, TRIMITY LA TO SWEDLAND RD	1,815,929	7,700	78,520	30%	Change in contractor resulted in cost savings traded off to other 2006 projects
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	LINCOLN HWY, TREDYFFRIN, MORELAND TO BEAR HILL	285,871	12,800	361,959	86%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	LUDLOW ST, UPPER DARBY, ASHBY TO 68TH ST	426,116	11,800	385,499	96%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	WELL AVE, JENKINTOWN BORO, WALNUT TO OLD YORK	1,111,995	33,400	1,018,971	92%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	MILL BLVD, UPPER MERION TWP, FR HYD 46-76-0 TO P DI EXT	338,636	10,200	351,211	104%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	2005 MERT Reserve	352,701	10,600		0%	traded off for other work
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	Hibside Avenue, Jenkintown	551,206	16,500	294,193	53%	Job complete; invoices have not arrived yet; will process in December
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	Bobbin Mill Road, Upper Providence	457,900	13,700	342,168	75%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	Lynn Boulevard, Upper Darby	861,594	19,800	847,634	128%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	Monroe Avenue, Abington	751,056	22,500	635,431	85%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	Shoemaker Avenue, Jenkintown	374,409	15,100	207,031	55%	Job complete; invoices have not arrived yet; will process in December
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	Pond Street, Bristol Boro	502,778	15,100	304,483	61%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	BONSALL AVE, YEADON, PENN ST TO BAILEY RD	415,840	12,500		0%	0% 2006 job
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	FELTON AVE, COLLINGDALE, N/O HIBBERO TO MAC DADE	869,897	26,100		0%	0% 2006 job
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	WALTON RD, FLYMOUTH TWP, FROM GERMANTOWN PK TO TOWNSHIP LINE	809,948	24,200		0%	0% 2006 job
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	HOLLY RD, YEADON, N/O PENN TP BAILEY	326,991	9,800		0%	0% 2006 job
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	KINGSWAY RD, WEST GOSHEN, WEST CHESTER PK TO QUEEN LA	548,014	18,400		0%	0% 2006 job
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	LEOPARD RD, EASTTOWN, LINCOLN TO SUGARTOWN	984,348	29,100		0%	0% 2006 job
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	GROVE PL, NARBERTH, WOODSIDE TO ROCKLAND	415,172	12,500		0%	0% 2006 job
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	Jenkintown Road, Abington	717,029	21,500	824,857	75%	
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	Charming St & Seneca St.	287,710	8,600	38,535	13%	Job complete; invoices have not arrived yet; will process in December
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	Mr. Erie, Plum to North	250,000	7,500		0%	0% 2006 job
1000 0110-MAIN REPLACEMENTS-OSIC/OIP/SSIC		7/1/2005	7/1/2005	MIDWAY MANOR COLLECTIVE	250,000	7,500		0%	0% Job delayed into 2006
1000 0113-MAIN REPLACEMENTS-NON-OSIC		7/1/2005	7/1/2005	MR. CARRYOVER - MAIN REPL, TAFTON PIKE CITY-OSG	620,885	24,900	179	0%	
1000 0113-MAIN REPLACEMENTS-NON-OSIC		7/1/2005	7/1/2005	MR. CARRYOVER - FACTORYVILLE MAIN REPLACEMENT N.U.I.	1,372,065	41,200		0%	
1000 0113-MAIN REPLACEMENTS-NON-OSIC		7/1/2005	7/1/2005	MAIN REPLACEMENTS - TANGLEWELL LAKES	16,900	16,900		100%	0% 2006 job
1000 0116-TIE-IN DEAD END MNS-DSC/OIP/SSIC		7/1/2005	7/1/2005	STONEHEDGE TIE IN FROM BLACKHORSE BOOSTER DISCH TO STONEHEDGE	6,100	6,100	505,310	84%	
1000 0120-MAIN CLEANING & LINING		7/1/2005	7/1/2005	Ken Rd., Upper Darby	312,884	9,400	312,884	100%	
1000 0120-MAIN CLEANING & LINING		7/1/2005	7/1/2005	Parview Rd., Upper Darby	1,380,880	41,400	1,380,207	99%	
1000 0120-MAIN CLEANING & LINING		7/1/2005	7/1/2005	Myrtle Ave., Haverford Twp.	742,214	22,300	845,978	114%	
1000 0120-MAIN CLEANING & LINING		7/1/2005	7/1/2005	Elmerwood Ave., Newwood Borough	428,066	12,800	360,754	89%	
1000 0120-MAIN CLEANING & LINING		7/1/2005	7/1/2005	Stanhmore Ave., Haverford Twp.	278,100	8,300	228,544	82%	
1000 0120-MAIN CLEANING & LINING		7/1/2005	7/1/2005	Yale Ave., Haverford Twp.	1,958,031	58,800	1,838,499	79%	
1000 0120-MAIN CLEANING & LINING		7/1/2005	7/1/2005	Wharton Rd., Abington Twp.	1,538,404	41,200	1,180,838	77%	Job completed for less than initially budgeted; funds traded off for other 2005 work
1000 0120-MAIN CLEANING & LINING		7/1/2005	7/1/2005	Harrison Street, Bristol Township	1,470,175	44,100	1,134,848	77%	
1000 0120-MAIN CLEANING & LINING		7/1/2005	7/1/2005	Forest Avenue, Abington	351,843	10,600	372,789	106%	
1000 0120-MAIN CLEANING & LINING		7/1/2005	7/1/2005	SR 308 30' RELOCATION	400,118	12,000	472,247	118%	
1000 0132-HIGHWAY RELOC-DSC/OIP/SSIC		7/1/2005	7/1/2005	RL 73-MCK; Greenwood to Hascock	389,438	11,700		0%	Job complete; invoices have not arrived yet; will process in December
1000 0145-TANK PAINTING		7/1/2005	7/1/2005	P REPAIRING OF INTERIOR AND EXTERIOR OF LUNN TANK	288,397	9,600	234,032	82%	0% PennDot coordination issue; job cancelled; funds traded off for other 2005 work
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	BUBBLING SPRINGS WELL TO 30 INCH	312,135			0%	0% Job delayed into 2006
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	PIPE EVALUATION MODEL CONSULTING	1,113,127		1,019,197	92%	
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	EAGLE POINT 16" RT 100 TO CHECK VALVE	637,319		813,474	53%	Job completed for less than initially budgeted; funds traded off for other 2005 work
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	WHITE ROCK TANK	743,189		59,383	8%	Job underway; will carry over into 2006
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	UPGRADE BOOSTER (POWER SAVING) CROYDON	1,258,029	15,000	485,588	65%	
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	UPGRADE BOOSTER (POWER SAVING) CROYDON	290,209	22,200	752,968	60%	
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	PUMP REPLACEMENT AT CRUM	444,725	0	0	0%	Job cancelled, budget money traded off on other capital projects
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	BASIN OUTLET TROUGH- RIDLEY CREEK	364,248	19,200	0	0%	Job cancelled, budget money traded off on other capital projects
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	INSTALL CLEARWELL, REHAB PS & ASSOCIATED PIPING - CRUM	5,428,482		0	0%	Job cancelled, budget money traded off on other capital projects
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	INSTALL CLEARWELL, REHAB PS & ASSOCIATED PIPING - CRUM	5,251,234		5,843,435	104%	
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	MOSECOO BPS	990,260		244,898	25%	Job underway; will carry over into 2006
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	LINKS @ GETTYSBURG TANK & MAINS	545,777		74,585	14%	Job underway; will carry over into 2006
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	TANGLEWELL LAKES WELLS/TANK/PPELINE/BPS	1,786,041		0	0%	0% 2006 job
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	IT-CARRYOVER - TEST PUMP WELL 3, EAGLE ROCK	318,361		419,828	131%	
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	ACCESS IMPROVEMENTS - CRUM	580,000	14,400	9,905	2%	0% 2006 job
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	ONEIDA TANK REPLACEMENT	268,880	0	0	0%	0% 2006 job
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	MIDWAY MANOR COLLECTIVE - TANK	622,605	0	0	0%	0% 2006 job
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	Earth Tank & Buses & Related Grid Improvements	427,584	0	0	0%	0% 2006 job
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	EMERGENCY GENERATOR - CRUM	1,042,888	0	0	0%	0% 2006 job
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	BOOSTER STATIONS (2) - TANGLEWELL LAKES	894,379	0	0	0%	0% 2006 job
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	UPGRADE EMERGENCY GENERATOR RIDLEY	363,476	18,200	228,858	62%	
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	PERKINSON INTAKE MODIFICATIONS & BLDG UPGRADE	487,328	23,400	271,391	59%	
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	EDGEWELL WELL FIELD UPGRADE	282,889	14,100	0	0%	Job cancelled, budget money traded off on other capital projects
1000 0199-OTHER MAIN & DIST SYS IMPROVE		7/1/2005	7/1/2005	UPGRADE PROCESS CONTROL - PICKERING COMPLEX	355,003		123,900	35%	Job complete; invoices have not arrived yet; will process in December

Acct. No.	Budget Group	Activity Number	Start Date	End Date	Project Description	Additions	Retirements	Amount Spent Thru Nov. 2005	Percent Completed	Remarks
3000	0520-EQUIPMENT (TPB)	15900054726	7/1/2005	12/31/2005	REPLACEMENT OF FLOCCULATORS AND BAFFELS AT RIDLEY	381,350	19,800	0	0%	job cancelled, budget money traded off on other capital projects
1000	0520-EQUIPMENT (TPB)	15900052295	7/1/2005	12/31/2005	EMERGENCY GENERATOR - PICKERING WEST	3,217,847	-	913,873	28%	Job complete; Invoices have not arrived yet; will process in December
000	0599-OTHER (TPB)	15900015946	7/1/2005	6/30/2006	DESIGN IMPROVEMENTS IRONWORKS DAM	425,939	-	278,648	65%	
1020	0720-IMPROVEMENTS	15900055578	7/1/2005	12/31/2005	FINISH 2ND FLOOR-WILLOW GROVE OPERATIONS	894,552	-	0	0%	2008 job
1810	0720-IMPROVEMENTS	15900057937	7/1/2005	12/31/2005	BRYN MAWR COMPLEX PROJECT - PHASE 3 -CONST NEW OFFICE BLDG	384,060	-	22,735	6%	2008 job
1810	0720-IMPROVEMENTS	159000536871	7/1/2005	12/31/2005	BRYN MAWR COMPLEX PROJECT - PHASE 3 -CONST NEW OFFICE BLDG	3,390,921	-	773,387	23%	
M15	0900-INFORMATION SYSTEM EXP	15900011603	7/1/2005	12/31/2005	AMFWGIS	643,465	-	933,884	145%	
M14	0900-INFORMATION SYSTEM EXP	15900021929	7/1/2005	12/31/2005	IS NETWORK BACKUP SYSTEM REPLACEMENT	528,832	-	483,521	91%	
M14	0900-INFORMATION SYSTEM EXP	15900010500	7/1/2005	12/31/2005	IS NETWORK WIRING	743,110	-	668,079	90%	
M15	0900-INFORMATION SYSTEM EXP	15900020623	7/1/2005	12/31/2005	HERITAGE - CALL CENTER	301,051	-	172,490	57%	
M15	0900-INFORMATION SYSTEM EXP	15900051986	7/1/2005	12/31/2005	Phase 2 Service Link Wireless Workforce MGMT	700,510	-	96,332	35%	
M15	0900-INFORMATION SYSTEM EXP	15900053630	7/1/2005	12/31/2005	Replace Telephone System	448,342	-	949,211	138%	
000	0911-SECURITY	15900053630	7/1/2005	12/31/2005	SECURITY RISK ENHANCEMENTS	381,114	19,100	311,892	70%	
						2,410,713	19,100	794,993	0%	job cancelled, budget money traded off on other capital projects
						77,263,369	1,117,600	35,954,832	33%	Job complete; Invoices have not arrived yet; will process in December

Witness: Robert M. Griffin
Date: January 6, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET I

DOCKET NO. R-00051030

OCA-I-3. For each of the past five years, please provide:
a) the plant-in-service additions; and
b) retirements made by the Company.

A. a) b) See attached.

PHILADELPHIA SUBURBAN WATER COMPANY
 TABLE 3. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2000

Account (1)	Balance at Beginning of Year (2)	Additions (3)	Acquisitions (4)	Retirements (5)	Adjustments (6)	Balance at End of Year (7)	Percent of Original Cost Retired (8)=(5)/(2)
UTILITY PLANT IN SERVICE							
301 Organization	2,421,485.36	45,887.76	596,783.77			3,064,156.91	0.0
302 Franchises and Consents	14,393.01		48,559.55			60,952.56	0.0
303 Miscellaneous Intangible Plant	724,440.49	21,438.51				745,879.00	0.0
303.11 Water Rights	749,519.50					1,811,054.28	0.0
303.12 Reservoir Land	2,864,587.50				(78,750.49)	2,847,989.09	0.0
303.13 Other Source of Supply Land	5,055,252.49	(80.00)			(75,787.26)	5,030,684.23	0.0
303.2 Power and Pumping Land	516,955.20				(6,447.25)	893,132.11	0.0
303.3 Purification Land	1,213,990.54				3,616.70	1,152,507.24	5.4
303.4 Transmission and Distribution Land and Rights of Way	590,852.60			(85,000.00)		1,052,922.97	0.0
303.5 Distribution Reservoirs and Standpipes Land	944,009.56	173,152.12	462,070.17			1,091,649.44	0.0
303.61 Office Land	3,107,351.50	1,334.27	22,045.56		(148,438.23)	3,129,397.06	0.0
303.62 Stores, Shop and Garage Land	979,247.85		23,707.02		(1,334.27)	1,002,954.67	0.0
303.63 Miscellaneous Land	856,400.91				1,334.27	857,735.18	0.0
304.2 Power and Pumping Structures	14,104,844.61	588,687.96	1,564,849.30	(257,710.00)		18,000,671.87	1.8
304.3 Purification Buildings	38,639,009.22	2,129,635.98	32,009,892.90	(923,850.00)	(1,885,223.22)	70,189,454.86	2.4
304.61 Office Buildings	12,751,964.10	439,811.73	1,120,712.03		(180,663.38)	14,151,824.50	0.0
304.62 Stores, Shop and Garage Buildings	6,446,802.94	(15,458.76)	582,618.71		38,781.61	7,032,744.50	0.0
304.63 Miscellaneous Structures and Improvements	2,866,058.45		100,333.34			2,966,391.79	0.0
305 Collecting and Impounding Reservoirs	12,630,668.64	6,351.87	4,952,124.34		1,433,884.20	19,023,027.05	0.0
306 Lake, River and Other Intakes	4,832,846.00	21,994.31	1,551,999.04		(2,901.95)	6,403,937.40	0.0
307 Wells and Springs	7,265,084.88	916,802.29	404,666.16		(6,205.90)	8,580,347.41	0.0
310.4 Other Power Production Equipment	868,596.88	7,617.89		(135,400.00)		740,814.77	15.6
310.7 Oil Engine Pumping Equipment	0.00		9,989.20			9,989.20	-
310.8 Hydraulic Pumping Equipment	6,802.78					6,802.78	0.0
311.01 Electric Pumping Equipment - Pumping Equipment	38,493,504.65	1,875,809.34	6,438,027.44	(1,285,883.00)		45,319,458.43	3.3
311.02 Electric Pumping Equipment - SCADA Equipment	2,618,082.96		921,656.17			3,539,739.13	0.0
320.1 Purification System - Structures	39,413,299.78	6,808,071.64	4,467,139.27	(495,838.00)		50,190,672.69	1.3
320.2 Purification System - Equipment	19,854,919.42	612,580.84	4,440,881.76	(687,650.00)		24,220,692.02	3.5
320.3 Purification System - Computers	75,298.72	41,613.13	2,467,091.38			2,584,003.23	0.0
320.4 Purification System - Painting	167,317.73		9,117.98			176,435.71	0.0
320.5 Purification System - Filter Media	1,945,724.84	322,788.75				2,268,513.59	0.0
330.01 Distribution Reservoirs and Standpipes - Tanks	23,721,011.21	1,469,768.61	4,821,467.93			29,812,247.75	0.0
330.02 Distribution Reservoirs and Standpipes - Tank Painting							
331.01 Mains and Accessories - C.I. - 4" & Under	3,808,614.38		874,883.42		142,919.74	4,826,417.52	0.0
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	3,026,215.45	78,639.42	1,358,454.22			4,463,309.09	0.0
331.03 Mains and Accessories - C.I. - 12" & Over	180,828,269.65	15,836,968.73	43,648,816.43		(2,712.20)	240,311,342.61	0.0
331.04 Mains and Accessories - Steel Mains	114,446,409.80	15,833,698.12	21,936,585.38			152,216,673.30	0.0
331.05 Mains and Accessories - Lock Joint Mains	6,341,531.01					6,341,531.01	0.0
331.06 Mains and Accessories - Valves	6,023,249.77					6,023,249.77	0.0
331.07 Mains and Accessories - Special Construction	12,852,595.60	657,509.94	3,013,354.48			16,523,460.22	0.0
331.08 Mains and Accessories - Cement Wrought Iron Mains	9,837,770.68	1,545,518.20	74,898.46			11,257,987.34	0.0
331.09 Mains and Accessories - Wrought Iron Mains	1,576,849.58					1,576,849.58	0.0
331.10 Mains and Accessories - Copper Mains	64,039.70		7,791.18			71,830.88	0.0
331.11 Mains and Accessories - Asbestos Cement Mains	198,369.74	61,006.12	195,431.55			452,807.41	0.0
331.12 Mains and Accessories - Galvanized Steel Mains	7,655,274.39	27,048.61	180,097.12			7,842,420.12	0.0
331.13 Mains and Accessories - Plastic Mains	27,316.97	8,065.53	79,767.90			115,150.40	0.0
331.99 Mains and Accessories - Main Cleaning & Lining	1,185,498.29	67,082.86	36,487.56			1,289,068.71	0.0
	25,308,861.77	6,041,528.65				31,346,190.42	0.0

PHILADELPHIA SUBURBAN WATER COMPANY
 TABLE 3. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2000

Account (1)	Balance at Beginning of Year (2)	Additions (3)	Acquisitions (4)	Retirements (5)	Adjustments (6)	Balance at End of Year (7)	Percent of Original Cost Retired (8)=(5)/(2)
333.01 Services - Other Than Galvanized	81,150,956.41	5,941,674.78	15,272,480.50			102,365,113.69	0.0
333.02 Services - Galvanized	112,701.51		68,552.67			181,254.18	0.0
334.01 Meters - Conventional	7,087,761.78	3,331,705.77	367,872.41			7,455,434.20	0.0
334.02 Meters - Remote	47,762,171.27	1,437,549.29	7,586,042.58			56,699,919.62	0.0
335 Fire Hydrants	19,800,145.85	1,885,089.41	3,233,389.93			24,271,095.07	0.0
340.1 Office Furniture and Equipment - Furniture	1,885,089.41	41,288.31	268,126.68		(168,782.38)	1,994,484.40	0.0
340.2 Office Furniture and Equipment - Equipment	1,394,973.00	220,376.23	182,963.64			1,808,530.49	0.0
340.3 Office Furniture and Equipment - Computers	10,722,784.98	4,922,790.15	1,317,263.44	(69,814.26)		17,131,820.95	0.0
341.1 Transportation Equipment - Vehicles	546,334.91	87,083.50	619,811.84			1,183,415.99	12.8
341.2 Transportation Equipment - Other	443,649.60	56,799.72	20,359.37			520,808.69	0.0
342 Stores Equipment	56,075.15	4,722.22	9,200.67			71,998.04	0.0
343.1 Shop Equipment	84,808.40	267,810.19	20,502.45			373,119.04	0.0
343.2 Tools and Work Equipment - General	4,478,693.68	231,626.94	564,336.89			5,274,659.51	0.0
344.1 Laboratory Equipment - Conventional	797,297.50	132,418.77	132,418.77			929,716.27	0.0
344.2 Laboratory Equipment - Electronic	1,630,771.34	129,394.89	285,508.23			2,045,874.46	0.0
345.1 Tools and Work Equipment - Construction	2,642,667.22	619,549.46	528,976.29			3,791,192.97	0.0
346 Communication Equipment	2,302,153.51	192,966.72	172,298.74			2,667,418.97	0.0
347 Miscellaneous Equipment	343,520.41	18,656.12	53,546.02			415,922.55	0.0
Total Utility Plant in Service	602,581,426.18	72,931,526.16	170,537,559.40	(3,921,145.26)	(527,937.61)	1,041,601,431.87	
CUSTOMERS' ADVANCES FOR CONSTRUCTION							
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	(32,225,153.78)	(253,828.51)	(1,994,763.33)		1,064,052.65	(33,409,712.97)	0.0
331.03 Mains and Accessories - C.I. - 12" & Over	0.00		(32,709.00)			(32,709.00)	-
333.01 Services - Other Than Galvanized	0.00		(2,236.88)			(2,236.88)	-
335 Fire Hydrants	0.00		(1,500.00)			(1,500.00)	-
Total Customers' Advances for Construction	(32,225,153.78)	(253,828.51)	(2,031,239.19)	0.00	1,064,052.65	(33,446,158.83)	0.0
CONTRIBUTIONS IN AID OF CONSTRUCTION							
303.2 Power and Pumping Land	(3,605.04)					(3,605.04)	0.0
303.4 Transmission and Distribution Land and Rights of Way	(4,505.75)					(4,505.75)	0.0
303.5 Distribution Reservoirs and Standpipes Land	(6,199.00)					(6,199.00)	0.0
304.2 Power and Pumping Structures	(357,319.57)					(357,319.57)	0.0
304.3 Purification Buildings	(77,762.76)					(77,762.76)	0.0
307 Wells and Springs	(30,849.98)					(30,849.98)	0.0
311.01 Electric Pumping Equipment - Pumping Equipment	(197,275.89)					(197,275.89)	0.0
320.2 Purification System - Equipment	(27,693.81)					(27,693.81)	0.0
330.01 Distribution Reservoirs and Standpipes - Tanks	(2,961.54)		(417,241.00)			(420,202.54)	0.0
331.01 Mains and Accessories - C.I. - 4" & Under	(19,668.00)		(4,467.16)			(24,335.16)	0.0
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	(19,668,227.25)	(2,477,281.53)	(4,449,866.21)		(1,064,052.65)	(27,659,427.64)	0.0
331.03 Mains and Accessories - C.I. - 12" & Over	(1,366,514.91)		(59,156.12)			(1,427,673.03)	0.0
331.06 Mains and Accessories - Valves	0.00		(993.93)			(993.93)	0.0
331.11 Mains and Accessories - Asbestos Cement Mains	(3,756,707.11)					(3,756,707.11)	0.0
333.01 Services - Other Than Galvanized	(901,376.89)	(17,729.29)	(198,301.24)	0.00	(1,064,052.65)	(3,756,707.11)	0.0
333.02 Services - Galvanized	(83,019.44)		(525.00)			(83,544.44)	0.0
334.01 Meters - Conventional	(68,988.28)					(68,988.28)	0.0
334.02 Meters - Remote	0.00		(5,485.67)			(5,485.67)	0.0
335 Fire Hydrants	(1,876,606.75)	(56,020.45)	(117,118.66)			(2,049,745.86)	0.0
Total Contributions In Aid of Construction	(28,483,481.99)	(2,551,031.27)	(5,251,156.99)	0.00	(1,064,052.65)	(37,319,722.86)	
TOTAL PLANT IN SERVICE	741,902,790.45	70,126,689.38	163,255,173.22	(3,921,145.26)	(527,937.61)	970,835,550.18	

PHILADELPHIA SUBURBAN WATER COMPANY
 TABLE 3. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2001

Account (1)	Balance at Beginning of Year (2)	Additions (3)	Acquisitions (4)	Retirements (5)	Adjustments (6)	Balance at End of Year (7)	Percent of Original Cost Retired (8)-(5)/(2)
UTILITY PLANT IN SERVICE							
301 Organization	3,084,156.91		18,230.69		2,712.20	3,085,099.80	0.00
302 Franchises and Consents	60,952.66		47,600.00			108,452.66	0.00
303 Miscellaneous Intangible Plant	745,879.00					745,879.00	0.00
303.11 Water Rights	1,811,054.28					1,811,054.28	0.00
303.12 Reservoir Land	2,847,989.09					2,847,989.09	0.00
303.13 Other Source of Supply Land	5,030,684.23					5,030,684.23	0.00
303.2 Power and Pumping Land	893,132.11					893,132.11	0.00
303.3 Purification Land	1,152,507.24		68,000.00			1,152,507.24	0.00
303.4 Transmission and Distribution Land and Rights of Way	1,052,922.97					1,052,922.97	0.00
303.5 Distribution Reservoirs and Standpipes Land	1,081,649.44	373.80			37,313.18	1,129,336.42	0.00
303.61 Office Land	3,129,397.06					3,129,397.06	0.00
303.62 Stores, Shop and Garage Land	1,002,954.87					1,002,954.87	0.00
303.63 Miscellaneous Land	857,735.18					857,735.18	0.00
304.2 Power and Pumping Structures	18,000,871.87	763,710.31	2,228.40	(12,135.75)		18,764,474.83	0.10
304.3 Purification Buildings	70,189,454.86	660,300.13		(65,000.00)	125,274.10	70,910,029.09	0.10
304.61 Office Buildings	14,151,824.50	267,591.68		(23,910.31)	(60,274.10)	14,335,231.77	0.20
304.82 Stores, Shop and Garage Buildings	7,032,744.50	1,287.90		(590.00)		7,033,452.40	0.00
304.83 Miscellaneous Structures and Improvements	2,986,391.79	131,111.69				3,097,503.38	0.00
305 Collecting and Impounding Reservoirs	19,023,027.05	435,078.65				19,458,105.70	0.00
306 Lake, River and Other Intakes	8,403,937.40	78,474.82				8,482,412.22	0.00
307 Wells and Springs	8,580,347.41	67,172.08	1,684.27	(568,649.59)		8,080,634.15	6.60
310.4 Other Power Production Equipment	740,814.77	(4,084.00)				736,720.77	0.00
310.7 Oil Engine Pumping Equipment	9,969.20					9,969.20	0.00
310.8 Hydraulic Pumping Equipment	8,802.78					8,802.78	0.00
311.01 Electric Pumping Equipment - Pumping Equipment	45,319,458.43	1,594,236.75	16,344.49	(385,416.03)		46,564,621.64	0.80
311.02 Electric Pumping Equipment - SCADA Equipment	3,539,739.13	16,721.70				3,558,460.83	0.00
320.1 Purification System - Structures	50,190,672.69	983,283.61			431.06	51,154,387.38	0.00
320.2 Purification System - Equipment	24,220,692.02	892,503.27	6,843.36	(114,278.78)	(431.06)	25,005,128.83	0.50
320.3 Purification System - Computers	2,584,003.23					2,584,003.23	0.00
320.4 Purification System - Painting	178,435.71					178,435.71	0.00
320.5 Purification System - Filter Media	2,288,513.59	289,251.81				2,537,765.40	0.00
330.01 Distribution Reservoirs and Standpipes - Tanks	29,812,247.75	5,662.25		(1,266,551.29)		28,551,358.71	4.20
330.02 - Tank Painting	4,626,417.52	995,133.85				5,577,889.33	5.10
331.01 Mains and Accessories - C.I. - 4" & Under	4,463,309.09	1,475,890.44	57,450.89	(246,862.04)		5,987,046.52	0.70
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	240,311,342.61	21,721,220.43	25,903.54	(29,603.90)		281,874,190.50	0.00
331.03 Mains and Accessories - C.I. - 12" & Over	152,218,673.30	16,669,652.17		7,493.65	(191,469.73)	168,917,274.93	0.00
331.04 Mains and Accessories - Steel Mains	6,341,531.01	8,153.30		30,949.48		6,349,604.95	0.00
331.05 Mains and Accessories - Lock Joint Mains	6,023,249.77			(78.38)		6,023,249.77	0.00
331.06 Mains and Accessories - Valves	16,523,460.22	696,906.11	10,120.06	(10,980.99)		17,219,505.40	0.10
331.07 Mains and Accessories - Special Construction	11,257,987.34	103,726.10	963.45	727.08	(2,712.20)	11,360,991.77	0.00
331.08 Mains and Accessories - Cement Wrought Iron Mains	1,576,849.56			(6,220.24)		1,570,629.32	0.40
331.09 Mains and Accessories - Wrought Iron Mains	71,830.86			(7.32)		71,823.56	0.00
331.10 Mains and Accessories - Copper Mains	452,807.41					452,807.41	0.00
331.11 Mains and Accessories - Asbestos Cement Mains	7,842,420.12	4,149.38	43,564.46	(213.66)		7,900,822.92	0.00
331.12 Mains and Accessories - Galvanized Steel Mains	115,150.40	16,918.70	14,740.99	(2,080.36)		132,376.03	0.80
331.13 Mains and Accessories - Plastic Mains	1,289,089.71	3,439.59		(955.95)		1,384,692.88	0.00
331.98 Mains and Accessories - Main Clearing & Lining	31,348,180.42	5,854,029.60	76,623.17			37,202,220.02	0.00
333.01 Services - Other Than Galvanized	102,365,113.89	9,248,235.82	59,899.84	(273,267.56)		111,399,971.79	0.30
333.02 Services - Galvanized	161,254.18					161,254.18	0.00

PHILADELPHIA SUBURBAN WATER COMPANY

TABLE 3. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2001

Account (1)	Balance at Beginning of Year (2)	Additions (3)	Acquisitions (4)	Retirements (5)	Adjustments (6)	Balance at End of Year (7)	Percent of Original Cost Retired (8)=(5)/(2)
334.01 Meters - Conventional	7,455,434.20	4,134.00	12,470.18	(1,357,436.98)	0.27	6,114,602.89	18.20
334.02 Meters - Remotes	66,699,919.62	5,703,320.58		(190,991.19)		84,212,249.01	0.30
335 Fire Hydrants	24,271,095.07	2,185,637.39	1,681.04	(31,084.53)		28,427,318.97	0.10
340.1 Office Furniture and Equipment - Furniture	1,984,484.40	132,842.87		(301,990.08)		1,825,338.99	15.10
340.2 Office Furniture and Equipment - Equipment	1,809,530.49	22,091.21		(894,879.76)		937,041.99	43.20
340.3 Office Furniture and Equipment - Computers	17,131,620.95	3,424,708.93		(2,529,891.69)	(278,408.00)	17,748,030.19	14.80
341.1 Transportation Equipment - Vehicles	1,183,415.99	128,415.72		(98,976.56)	(80,179.66)	1,152,875.49	8.40
341.2 Transportation Equipment - Other	520,808.69			(17,270.36)	1,598.48	605,136.81	3.30
342 Stores Equipment	71,998.04	(100.00)		(9,091.51)		82,808.53	12.60
343.1 Shop Equipment	373,119.04	11,480.03		(7,553.11)		377,025.96	2.00
343.2 Tools and Work Equipment - General	5,274,669.51	176,763.99		(201,630.94)	188,404.83	6,418,197.39	3.80
344.1 Laboratory Equipment - Conventional	929,718.27	2,840.92				932,557.19	0.00
344.2 Laboratory Equipment - Electronic	2,045,674.46	143,884.86		(56,621.46)	(109,823.65)	2,189,559.32	0.00
345.1 Tools and Work Equipment - Construction	3,791,192.97	587,061.34		(455,095.30)		4,211,899.20	1.50
346 Communication Equipment	2,667,418.97	28,196.25		(109,528.13)		2,240,519.92	17.10
347 Miscellaneous Equipment	415,922.55					308,394.42	26.30
Total Utility Plant in Service	1,041,601,431.87	75,488,347.59	482,718.95	(9,009,255.51)	(387,562.28)	1,108,183,680.52	
CUSTOMERS' ADVANCES FOR CONSTRUCTION							
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	(33,409,712.97)	(4,276,717.16)			1,818,504.98	(35,867,925.16)	0.00
331.03 Mains and Accessories - C.I. - 12" & Over	(32,709.00)					(32,709.00)	
333.01 Services - Other Than Galvanized	(2,238.86)					(2,238.86)	
335 Fire Hydrants	(1,500.00)					(1,500.00)	
Total Customers' Advances for Construction	(33,448,158.83)	(4,278,717.15)	0.00	0.00	1,818,504.98	(35,904,371.02)	
CONTRIBUTIONS IN AID OF CONSTRUCTION							
303.2 Power and Pumping Land	(3,805.04)					(3,805.04)	0.00
303.4 Transmission and Distribution Land and Rights of Way	(4,505.76)					(4,505.76)	0.00
303.5 Distribution Reservoirs and Standpipes Land	(6,199.00)					(6,199.00)	0.00
304.2 Power and Pumping Structures	(357,319.57)					(357,319.57)	0.00
304.3 Purification Buildings	(77,782.78)					(77,782.78)	0.00
307 Wells and Springs	(30,849.98)					(30,849.98)	0.00
311.01 Electric Pumping Equipment - Pumping Equipment	(197,275.89)					(197,275.89)	0.00
320.2 Purification System - Equipment	(27,693.81)					(27,693.81)	0.00
330.01 Distribution Reservoirs and Standpipes - Tanks	(420,202.54)					(420,202.54)	0.00
331.01 Mains and Accessories - C.I. - 4" & Under	(24,335.16)					(24,335.16)	0.00
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	(27,659,427.64)					(27,659,427.64)	0.00
331.03 Mains and Accessories - C.I. - 12" & Over	(1,427,673.03)	(1,998,319.23)			(1,813,812.13)	(31,471,559.00)	0.00
331.06 Mains and Accessories - Valves	(993.93)					(1,427,673.03)	0.00
331.11 Mains and Accessories - Asbestos Cement Mains	(3,756,707.11)					(993.93)	
333.01 Services - Other Than Galvanized	(1,115,407.42)					(3,756,707.11)	0.00
333.02 Services - Galvanized	(83,544.44)					(1,115,407.42)	0.00
334.01 Meters - Conventional	(66,986.28)					(83,544.44)	0.00
334.02 Meters - Remotes	(5,485.67)					(66,986.28)	0.00
335 Fire Hydrants	(2,049,745.86)					(5,485.67)	0.00
Total Contributions in Aid of Construction	(37,319,722.86)	(2,859.69)	0.00	0.00	(1,813,812.13)	(41,134,713.81)	
TOTAL PLANT IN SERVICE	970,835,550.18	69,216,451.92	482,718.85	(9,009,255.51)	(387,869.45)	1,031,144,995.99	

PHILADELPHIA SUBURBAN WATER COMPANY

TABLE 3. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2002

Account	Balance at Beginning of Year	Additions	Acquisitions	Retirements	Adjustments	Balance at End of Year	Percent of Original Cost Retired
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(5)/(2)
UTILITY PLANT IN SERVICE							
301 Organization	3,085,099.80	9,739.07	387,225.26			3,482,064.13	0.00
302 Franchises and Consents	108,452.56		181,059.89			289,512.45	0.00
303 Miscellaneous Intangible Plant	745,879.00		189,570.84			945,449.84	0.00
303.11 Water Rights	1,811,054.28					1,811,054.28	0.00
303.12 Reservoir Land	2,847,989.09					2,847,989.09	0.00
303.13 Other Source of Supply Land	5,030,884.23	3,167.50	48,061.87		374,447.68	5,456,341.28	0.00
303.2 Power and Pumping Land	961,132.11				(2,750.00)	958,382.11	0.00
303.3 Purification Land	1,152,507.24					1,152,507.24	0.00
303.4 Transmission and Distribution Land and Rights of Way	1,052,922.97		1,877.58			1,058,161.28	0.00
303.5 Distribution Reservoirs and Standpipes Land	1,129,336.42	241,477.86	50,341.38		3,380.75	1,420,240.91	0.00
303.61 Office Land	3,129,397.08		74,288.65		(914.73)	3,203,866.71	0.00
303.62 Stores, Shop and Garage Land	1,002,954.67		5,100.00			1,008,054.67	0.00
303.63 Miscellaneous Land	657,735.18	4,933.92			(8,638.82)	654,030.28	0.00
304.2 Power and Pumping Structures	18,754,474.83	3,068,042.39	872,208.21			20,692,725.43	0.00
304.3 Purification Buildings	70,910,029.09	26,870,709.33	211,835.94			98,633,708.47	0.00
304.61 Office Buildings	14,335,231.77	1,952,549.63	135,651.02		(1,158,867.89)	16,423,432.42	0.00
304.62 Stores, Shop and Garage Buildings	7,033,452.40	83,492.89	115,931.07			7,232,876.36	0.00
304.63 Miscellaneous Structures and Improvements	3,097,503.38	38.67	93,825.31			3,191,367.36	0.00
305 Collecting and Impounding Reservoirs	19,458,105.70	1,861,717.86	6,988.11			21,126,811.67	0.00
306 Lake, River and Other Intakes	6,482,412.22	128,896.65				6,608,308.87	0.00
307 Wells and Springs	8,080,634.16	7,378,223.00	1,359,654.94	(80,000.00)	(54,040.78)	16,762,371.31	0.00
310.4 Other Power Production Equipment	736,720.77					846,720.77	12.20
310.7 Oil Engine Pumping Equipment	9,989.20					9,989.20	0.00
310.8 Hydraulic Pumping Equipment	6,802.78					6,802.78	0.00
311.01 Electric Pumping Equipment - Pumping Equipment	46,564,621.84	1,131,039.85	645,184.32			48,240,845.81	0.00
311.02 Electric Pumping Equipment - SCADA Equipment	3,558,480.83	205,375.73				3,763,856.56	0.00
320.1 Purification System - Structures	61,154,387.36	678,568.26	43,028.00			51,875,983.62	0.00
320.2 Purification System - Equipment	26,005,128.85	1,528,028.51	108,935.00			28,641,090.34	0.00
320.3 Purification System - Computers	2,584,003.23					2,584,003.23	0.00
320.4 Purification System - Painting	178,435.71					178,435.71	0.00
320.5 Purification System - Filter Media	2,537,765.40	51.19				2,537,816.59	0.00
330.01 Distribution Reservoirs and Standpipes - Tanks	28,551,358.71	134,228.91	3,445,851.33		1,271,165.21	33,402,604.16	0.00
330.02 - Tank Painting							
331.01 Mains and Accessories - C.I. - 4" & Under	5,577,889.33	973,311.09	89,271.41			6,840,271.83	0.00
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	5,967,048.52	994,750.01	569,287.45	(222.15)		7,530,861.83	0.00
331.03 Mains and Accessories - C.I. - 12" & Over	281,874,190.80	23,344,939.47	10,005,974.59	(24,186.78)	(1,285,084.30)	293,916,851.48	0.00
331.04 Mains and Accessories - Steel Mains	188,917,274.93	10,634,010.95	988,407.23	(42,544.46)		189,495,148.65	0.00
331.05 Mains and Accessories - Lock Joint Mains	6,349,604.95					6,349,604.95	0.00
331.06 Mains and Accessories - Valves	6,023,249.77					6,023,249.77	0.00
331.07 Mains and Accessories - Special Construction	17,219,505.40	1,284,077.66	199,483.70	(3,234.33)		18,699,832.33	0.00
331.08 Mains and Accessories - Cement Wrought Iron Mains	11,380,691.77	7,757,914.99	32,718.12			19,151,325.88	0.00
331.09 Mains and Accessories - Wrought Iron Mains	1,570,629.32					1,570,629.32	0.00
331.10 Mains and Accessories - Copper Mains	71,823.56					71,823.56	0.00
331.11 Mains and Accessories - Asbestos Cement Mains	466,743.11		17,480.52			474,203.63	0.00
331.12 Mains and Accessories - Galvanized Steel Mains	7,900,822.92	1,691.14	1,553,328.52			9,455,842.58	0.00
331.13 Mains and Accessories - Plastic Mains	132,375.03	832.04	4,274.85			137,481.92	0.00
331.99 Mains and Accessories - Main Cleaning & Lining	1,364,692.88	388,248.18	932,518.90			2,683,457.98	0.00
333.01 Services - Other Than Galvanized	37,202,220.02	8,442,021.48		(11,794.31)	1,619.70	45,644,241.50	0.00
333.02 Services - Galvanized	111,399,971.79	8,647,972.08	2,518,404.09			122,556,173.36	0.00
	181,254.18					181,254.18	0.00

PHILADELPHIA SUBURBAN WATER COMPANY

TABLE 3. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2002

Account (1)	Balance at Beginning of Year (2)	Additions (3)	Acquisitions (4)	Retirements (5)	Adjustments (6)	Balance at End of Year (7)	Percent of Original Cost Retired (8)=(5)/(2)
334.01 Meters - Conventional	6,114,602.69	680,734.81	28,564.12	320.18	292,614.18	7,284,635.96	0.00
334.02 Meters - Remote	64,212,249.01	9,863,876.35	611,836.38		(143,200.90)	74,364,761.82	0.00
335 Fire Hydrants	26,427,318.97	2,135,453.10	463,211.31	(3,162.12)		29,022,821.26	0.00
340.1 Office Furniture and Equipment - Furniture	1,825,336.89	353,637.24	17,475.34			2,196,449.47	0.00
340.2 Office Furniture and Equipment - Equipment	937,041.95	82,436.78	23,086.26	(114,664.33)		907,892.66	12.20
340.3 Office Furniture and Equipment - Computers	17,748,030.19	6,884,181.45	155,228.77	(125,467.40)		24,666,973.01	0.70
341.1 Transportation Equipment - Vehicles	1,152,873.49	328,363.41	146,795.26	(214,483.32)	(113,639.28)	1,299,711.58	18.60
341.2 Transportation Equipment - Other	505,138.81	87,880.17	5,525.77		58,142.29	656,485.04	0.00
342 Stores Equipment	62,806.53	10,003.38	1,258.44			74,068.33	0.00
343.1 Shop Equipment	377,026.98	89,519.49	1,778.53			468,323.98	0.00
343.2 Tools and Work Equipment - General	5,418,197.39	1,052,394.51	281,178.82	(800.00)	(85,763.77)	6,875,406.95	0.00
344.1 Laboratory Equipment - Conventional	932,557.19	29,425.11				961,982.30	0.00
344.2 Laboratory Equipment - Electronic	2,189,559.32	241,836.67		(204,216.77)		2,227,179.22	9.30
345.1 Tools and Work Equipment - Construction	4,211,999.20	778,013.57	157,982.45	(40,663.83)	141,260.74	5,249,472.13	1.00
346 Communication Equipment	2,240,519.92	123,365.49	89,889.24			2,433,774.65	0.00
347 Miscellaneous Equipment	308,394.42		12,542.81			318,937.23	0.00
Total Utility Plant in Service	1,108,183,880.82	130,933,980.73	28,777,833.54	(677,911.64)	(710,269.90)	1,283,407,293.25	
CUSTOMERS' ADVANCES FOR CONSTRUCTION							
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	(35,867,925.16)	(8,835,261.22)				(44,333,986.01)	0.00
331.03 Mains and Accessories - C.I. - 12" & Over	(32,709.00)					(32,709.00)	0.00
333.01 Services - Other Than Galvanized	(2,236.86)					(2,236.86)	0.00
335 Fire Hydrants	(1,600.00)					(1,500.00)	0.00
Total Customers' Advances for Construction	(35,904,371.02)	(8,835,261.22)	0.00	0.00		(44,370,431.87)	
CONTRIBUTIONS IN AID OF CONSTRUCTION							
303.2 Power and Pumping Land	(3,605.04)					(3,605.04)	0.00
303.4 Transmission and Distribution Land and Rights of Way	(4,605.75)					(4,605.75)	0.00
303.5 Distribution Reservoirs and Standpipes Land	(8,199.00)					(8,199.00)	0.00
304.2 Power and Pumping Structures	(357,319.57)					(357,319.57)	0.00
304.3 Purification Buildings	(77,762.76)					(77,762.76)	0.00
307 Wells and Springs	(30,849.96)		(488,708.92)			(519,558.88)	0.00
311.01 Electric Pumping Equipment - Pumping Equipment	(197,275.88)					(197,275.88)	0.00
320.2 Purification System - Equipment	(27,893.81)					(27,893.81)	0.00
330.01 Distribution Reservoirs and Standpipes - Tanks	(420,202.54)		(298,424.22)			(718,626.76)	0.00
331.01 Mains and Accessories - C.I. - 4" & Under	(24,335.16)		(1,502.45)			(25,837.61)	0.00
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	(31,471,559.00)	(2,407,243.40)	(285,486.58)		(389,200.37)	(34,513,471.36)	0.00
331.03 Mains and Accessories - C.I. - 12" & Over	(1,427,873.03)					(1,427,873.03)	0.00
331.06 Mains and Accessories - Valves	(893.93)					(893.93)	0.00
331.11 Mains and Accessories - Asbestos Cement Mains	(3,756,707.11)					(3,756,707.11)	0.00
333.01 Services - Other Than Galvanized	(1,115,407.42)		(2,505.60)			(1,117,913.02)	0.00
333.02 Services - Galvanized	(83,544.44)					(83,544.44)	0.00
334.01 Meters - Conventional	(66,968.26)					(66,968.26)	0.00
334.02 Meters - Remote	(5,485.87)					(5,485.87)	0.00
335 Fire Hydrants	(2,052,605.55)					(2,052,605.55)	0.00
Total Contributions in Aid of Construction	(41,134,713.91)	(2,407,243.40)	(1,056,607.78)	0.00	(389,200.37)	(44,987,765.46)	
TOTAL PLANT IN SERVICE	1,031,144,595.59	118,791,456.11	25,721,225.76	(877,911.64)	(710,269.90)	1,174,069,095.92	

AQUA PENNSYLVANIA, INC.
 TABLE 3. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2003

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(5)/(2)
	Account	Balance at Beginning of Year	Additions	Acquisitions	Retirements	Adjustments	Balance at End of Year	Percent of Original Cost Retired
UTILITY PLANT IN SERVICE:								
301	Organization	3,482,084.13	577.50	604,647.24			4,087,288.87	0.00
302	Franchises and Consents	289,512.45					289,512.45	0.00
303	Miscellaneous Intangible Plant	945,449.84		27,272.00			972,721.84	0.00
303.11	Water Rights	1,811,054.28					1,811,054.28	0.00
303.12	Reservoir Land	2,847,989.09					2,837,989.09	0.00
303.13	Other Source of Supply Land	5,456,341.28	(10,000.00)	428,030.00	(1,500.00)	(13,839.44)	5,898,081.84	0.00
303.2	Power and Pumping Land	958,382.11	31,050.00	5,780.00		2,250.00	968,412.11	0.00
303.3	Purification Land	1,152,507.24				(51,526.81)	1,100,980.43	0.00
303.4	Transmission and Distribution Land and Rights of Way	1,056,161.28					1,084,403.28	0.00
303.5	Distribution Reservoirs and Standpipes Land	1,420,240.91		6,242.00		(230,941.76)	1,214,654.15	0.00
303.61	Office Land	3,203,666.71	49,262.13	25,355.00			3,252,928.84	0.00
303.62	Stores, Shop and Garage Land	1,008,054.67					1,008,054.67	0.00
303.63	Miscellaneous Land	854,030.28					854,030.28	0.00
304.2	Power and Pumping Structures	20,892,725.43	523,932.88	208,054.15		12,773.59	21,437,485.85	0.00
304.3	Purification Buildings	98,633,708.47	293,271.50	2,505.00			98,699,482.97	0.00
304.61	Office Buildings	18,423,432.42	324,807.78				18,748,240.20	0.00
304.62	Stores, Shop and Garage Buildings	7,232,878.36	30,271.89				7,263,148.25	0.00
304.63	Miscellaneous Structures and Improvements	3,191,187.38	138,857.39				3,330,044.75	0.00
305	Collecting and Impounding Reservoirs	21,128,811.67	2,868,015.39			(23,013.97)	24,091,813.09	0.00
308	Lake, River and Other Intakes	6,609,308.87	309,293.11			180.00	6,918,781.98	0.00
307	Wells and Springs	16,782,371.31	1,688,222.58	632,280.71	(36,344.50)		19,046,530.10	0.20
310.4	Other Power Production Equipment	846,720.77	41,443.45				888,164.22	0.00
310.7	Oil Engine Pumping Equipment	9,969.20					9,969.20	0.00
310.8	Hydraulic Pumping Equipment	6,802.78					6,802.78	0.00
311.01	Electric Pumping Equipment - Pumping Equipment	48,240,845.81	1,593,904.72	452,355.97	(62,797.83)	8,849.84	50,243,158.61	0.10
311.02	Electric Pumping Equipment - SCADA Equipment	3,763,836.58	57,227.24				3,821,063.80	0.00
320.1	Purification System - Structures	51,875,983.82	2,058,092.50				53,934,076.12	0.00
320.2	Purification System - Equipment	26,641,090.34	832,683.23	27,998.38	(25,243.97)		27,478,527.96	0.10
320.3	Purification System - Computers	2,584,003.23	16,758.82				2,600,762.05	0.00
320.4	Purification System - Painting	178,435.71					178,435.71	0.00
320.5	Purification System - Filter Media	2,537,816.59					2,537,816.59	0.00
330.01	Distribution Reservoirs and Standpipes - Tanks	33,402,804.18	875,334.21	994,248.80			35,272,185.27	0.00
330.02	Distribution Reservoirs and Standpipes - Tank Painting	6,640,271.83	1,039,227.70			230,941.78	7,910,441.29	0.00
331.01	Mains and Accessories - C.I. - 4" & Under	7,530,861.83	2,038,808.15	633,647.00			10,203,116.98	0.00
331.02	Mains and Accessories - C.I. - 6, 8 & 10"	283,915,951.48	38,403,926.92	1,685,824.83		(890,041.00)	331,215,562.23	0.00
331.03	Mains and Accessories - C.I. - 12" & Over	180,495,148.85	9,901,498.89				190,396,647.54	0.00
331.04	Mains and Accessories - Steel Mains	6,349,604.95	1,118.30				6,350,723.25	0.00
331.05	Mains and Accessories - Lock Joint Mains	6,023,249.77					6,023,249.77	0.00
331.06	Mains and Accessories - Valves	18,699,832.33	257,405.95	17,228.78			18,974,465.08	0.00
331.07	Mains and Accessories - Special Construction	19,151,325.88	1,172,115.20	2,833.50			20,328,074.58	0.00
331.08	Mains and Accessories - Cement Wrought Iron Mains	1,570,629.32	455.40				1,571,084.72	0.00
331.09	Mains and Accessories - Wrought Iron Mains	71,823.58					71,823.58	0.00
331.10	Mains and Accessories - Copper Mains	474,203.63	897.03				475,100.68	0.00
331.11	Mains and Accessories - Asbestos Cement Mains	9,455,842.58	158,179.58	226,204.73			9,839,226.89	0.00
331.12	Mains and Accessories - Galvanized Steel Mains	137,481.92	221,986.54	132,057.50			491,527.96	0.00
331.13	Mains and Accessories - Plastic Mains	2,863,457.96	8,282.26	439,144.35			3,110,864.57	0.00
331.99	Mains and Accessories - Main Cleaning & Lining	45,844,241.50	271,060.44				46,115,301.94	0.00
333.01	Services - Other Than Galvanized	122,558,173.39	9,328,917.08	776,548.62			132,661,639.06	0.00
333.02	Services - Galvanized	181,254.18					181,254.18	0.00

TABLE 3. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2003
AQUA PENNSYLVANIA, INC.

Account (1)	Balance at Beginning of Year (2)	Additions (3)	Acquisitions (4)	Retirements (5)	Adjustments (6)	Balance at End of Year (7)	Percent of Original Cost Retired (8)=(6)/(2)
334.01 Meters - Conventional	7,284,835.98	8,227,216.68	148,272.57	(6,670,083.84)	4,485,972.20	5,048,996.79	94.30
334.02 Meters - Remote	74,364,761.82	5,440,540.03	32,968.70	(767,187.40)	(11,385,658.94)	70,472,120.87	1.00
334.03 Meters - ERT	0.00	1,734,851.82	8,455.00	(137,046.73)	6,999,886.74	12,340,226.77	0.00
335 Fire Hydrants	29,022,821.26	71,140.34	5,041.00	(282,208.17)	(3,925.74)	30,762,002.34	0.00
340.1 Office Furniture and Equipment - Furniture	2,196,449.47	(8,495.79)	5,041.00	(2,603,605.42)		2,130,543.08	6.20
340.2 Office Furniture and Equipment - Equipment	907,892.86	3,161,246.37	21,000.00	(58,615.00)	(157,476.18)	642,229.70	28.90
340.3 Office Furniture and Equipment - Computers	24,658,973.01	51,484.87		(5,502.87)		25,218,613.98	10.60
341.1 Transportation Equipment - Vehicles	1,299,711.58	42,925.04		(6,701.50)		1,166,105.07	4.50
341.2 Transportation Equipment - Other	656,485.04	450.15		(498.50)		693,907.21	0.80
342 Stores Equipment	74,068.33	152,228.49		(498.50)		67,816.98	9.00
343.1 Shop Equipment	468,323.98	200,785.58		(81,523.68)		620,053.97	0.10
343.2 Tools and Work Equipment - General	6,675,406.95	60,131.44				6,794,668.82	1.20
344.1 Laboratory Equipment - Conventional	981,982.30	81,776.35				1,022,113.74	0.00
344.2 Laboratory Equipment - Electronic	2,227,179.22	680,878.43		(142,252.33)	157,476.18	2,288,955.57	0.00
345.1 Tools and Work Equipment - Construction	5,248,472.13	72,351.91		(145,982.02)		5,964,372.41	2.70
346 Communication Equipment	2,433,774.65	7,850.07		(17,318.48)		2,380,144.54	6.00
347 Miscellaneous Equipment	318,937.23					308,268.82	5.40
Total Utility Plant in Service	<u>1,283,407,293.25</u>	<u>92,579,427.13</u>	<u>7,743,791.91</u>	<u>(11,214,392.35)</u>	<u>(1,058,293.43)</u>	<u>1,351,457,826.51</u>	
CUSTOMERS' ADVANCES FOR CONSTRUCTION							
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	(44,333,988.01)	(5,594,485.28)		2,134,232.38	1,998,897.14	(45,797,341.77)	4.80
331.03 Mains and Accessories - C.I. - 12" & Over	(32,709.00)					(32,709.00)	0.00
333.01 Services - Other Than Galvanized	(2,238.88)					(2,238.88)	0.00
335 Fire Hydrants	(1,500.00)					(1,500.00)	0.00
Total Customers' Advances for Construction	<u>(44,370,431.87)</u>	<u>(5,594,485.28)</u>	<u>0.00</u>	<u>2,134,232.38</u>	<u>1,998,897.14</u>	<u>(45,833,787.83)</u>	
CONTRIBUTIONS IN AID OF CONSTRUCTION							
303.2 Power and Pumping Land	(3,605.04)					(3,605.04)	0.00
303.4 Transmission and Distribution Land and Rights of Way	(4,505.75)					(4,505.75)	0.00
303.5 Distribution Reservoirs and Standpipes Land	(6,199.00)					(6,199.00)	0.00
304.2 Power and Pumping Structures	(357,318.57)					(357,318.57)	0.00
304.3 Purification Buildings	(77,762.76)					(77,762.76)	0.00
307 Wells and Springs	(519,556.86)					(519,556.86)	0.00
311.01 Electric Pumping Equipment - Pumping Equipment	(27,693.81)					(27,693.81)	0.00
320.2 Purification System - Equipment	(718,626.78)					(718,626.78)	0.00
330.01 Distribution Reservoirs and Standpipes - Tanks	(25,837.61)					(25,837.61)	0.00
331.01 Mains and Accessories - C.I. - 4" & Under	(34,513,471.36)	(1,373,318.06)			(2,527,425.61)	(38,414,215.03)	0.00
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	(1,427,873.03)	(106,194.00)				(1,532,867.03)	0.00
331.06 Mains and Accessories - Valves	(983.93)					(983.93)	0.00
331.11 Mains and Accessories - Asbestos Cement Mains	(3,756,707.11)	(36,888.56)				(3,756,707.11)	0.00
333.01 Services - Other Than Galvanized	(1,117,913.02)					(1,154,781.56)	0.00
333.02 Services - Galvanized	(83,544.44)					(83,544.44)	0.00
334.01 Meters - Conventional	(68,888.26)					(68,888.26)	0.00
334.02 Meters - Remote	(5,485.67)				(5,485.67)	(5,485.67)	0.00
335 Fire Hydrants	(2,092,605.55)	(42,220.00)			5,485.67	(74,473.95)	0.00
Total Contributions in Aid of Construction	<u>(44,987,766.46)</u>	<u>(1,567,800.62)</u>	<u>0.00</u>	<u>0.00</u>	<u>(2,527,425.61)</u>	<u>(49,052,791.69)</u>	
TOTAL PLANT IN SERVICE	<u>1,174,069,095.92</u>	<u>85,427,341.26</u>	<u>7,743,791.91</u>	<u>(9,080,159.99)</u>	<u>(1,588,821.90)</u>	<u>1,256,571,247.19</u>	

AQUA PENNSYLVANIA, INC.
TABLE 3. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2004

Account	Balance at Beginning of Year	Additions	Acquisitions	Retirements	Adjustments	Balance at End of Year	Percent of Original Cost Retired
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(5)/(2)
UTILITY PLANT IN SERVICE							
301 Organization	4,087,288.87					4,496,549.82	0.00
302 Franchises and Consents	289,512.45					289,512.45	0.00
303 Miscellaneous Intangible Plant	972,721.84				194,075.80	973,758.84	0.00
303.11 Water Rights	1,811,054.28	1,035.00	215,185.15			1,811,054.28	0.00
303.12 Reservoir Land	2,837,989.09					2,837,989.09	0.00
303.13 Other Source of Supply Land	5,898,081.84					5,898,081.84	0.00
303.2 Power and Pumping Land	968,412.11	(2,813.71)				968,412.11	0.00
303.3 Purification Land	1,100,980.43					1,100,980.43	0.00
303.4 Transmission and Distribution Land and Rights of Way	1,084,403.28					1,084,403.28	0.00
303.5 Distribution Reservoirs and Standpipes Land	1,214,654.15					1,214,654.15	0.00
303.81 Office Land	3,252,928.84	1,640.83				3,254,569.67	0.00
303.82 Stores, Shop and Garage Land	1,008,054.67	14,026.77				1,022,081.44	0.00
303.83 Miscellaneous Land	854,030.28	35,515.34				889,545.62	0.00
304.2 Power and Pumping Structures	21,437,485.85	73,484.86				21,510,970.71	0.00
304.3 Purification Buildings	98,899,462.97	315,935.28				99,215,398.25	0.00
304.81 Office Buildings	7,263,148.25	1,528,149.15			(508.04)	8,791,189.36	0.00
304.82 Stores, Shop and Garage Buildings	3,530,024.75	95,966.99				3,625,991.74	0.00
304.83 Miscellaneous Structures and Improvements	24,091,813.09	29,400.81			509.04	24,121,723.94	0.00
305 Collecting and Impounding Reservoirs	6,918,781.98	238,962.68				7,157,744.66	0.00
306 Lake, River and Other Intakes	19,046,530.10	65,953.89				19,112,484.00	0.00
307 Wells and Springs	888,164.22	8,480,904.51	97,569.12			9,376,637.85	0.00
310.4 Other Power Production Equipment	9,969.20	5,284.34				15,253.54	0.00
310.7 Oil Engine Pumping Equipment	8,802.78					8,802.78	0.00
310.8 Hydraulic Pumping Equipment	50,243,158.61	822,542.80				51,065,701.41	0.00
311.01 Electric Pumping Equipment - Pumping Equipment	3,821,083.80	16,882.89				3,837,966.69	0.00
311.02 Electric Pumping Equipment - SCADA Equipment	53,934,076.12	10,438,522.07				64,372,598.19	0.00
320.1 Purification System - Structures	27,476,527.86	1,123,148.29				28,599,676.25	0.00
320.2 Purification System - Equipment	2,600,762.05	82,753.18				2,683,515.23	0.00
320.3 Purification System - Computers	176,435.71					176,435.71	0.00
320.4 Purification System - Filtration	2,537,816.59	45,611.23				2,583,427.82	0.00
320.5 Purification System - Filter Media	35,272,185.27	394,574.83				35,666,760.10	0.00
330.01 Distribution Reservoirs and Standpipes - Tanks	7,910,441.29	(29,088.42)				7,881,352.87	0.00
330.02 Distribution Reservoirs and Standpipes - Tank Painting	10,203,116.88	1,063,310.41				11,266,467.29	0.00
331.01 Mains and Accessories - C.I. - 4" & Under	331,215,582.23	33,162,167.23	792,124.49	(380.63)		365,182,249.92	0.00
331.02 Mains and Accessories - C.I. - 6 & 10"	190,396,847.54	12,845,933.17		(7,604.03)		203,241,572.15	0.00
331.03 Mains and Accessories - Steel Mains	6,350,723.25	325,884.74		(1,008.56)		6,676,600.34	0.00
331.04 Mains and Accessories - Lock Joint Mains	6,023,249.77			(7.65)		6,023,242.12	0.00
331.05 Mains and Accessories - Valves	16,974,465.08	1,018,880.02	198,031.12			18,191,376.22	0.00
331.06 Mains and Accessories - Special Construction	20,328,074.58	1,110,941.22				21,439,015.80	0.00
331.07 Mains and Accessories - Cast Iron Mains	1,571,084.72	11,810.21				1,582,894.93	0.00
331.08 Mains and Accessories - Cement Wrought Iron Mains	71,823.56			(1,881.05)		69,942.51	0.10
331.09 Mains and Accessories - Copper Mains	475,100.86			(65.69)		475,035.17	0.10
331.10 Mains and Accessories - Abbestos Cement Mains	9,838,228.89	85.77		(4,057.46)		9,834,256.20	0.00
331.11 Mains and Accessories - Galvanized Steel Mains	491,527.96	59,521.46				551,049.44	0.00
331.12 Mains and Accessories - Galvanized Steel Mains	3,110,864.57			(165.66)		3,110,698.91	0.00
331.13 Mains and Accessories - Plastic Mains	45,815,301.84					45,815,301.84	0.00
331.99 Mains and Accessories - Main Cleaning & Lining	132,661,839.08	10,982,906.64				143,644,745.72	0.00
333.01 Services - Other Than Galvanized	181,254.16		53,117.59			234,371.75	0.00
333.02 Services - Galvanized						181,254.16	0.00

TABLE 3. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2004
AQUA PENNSYLVANIA, INC.

Account	Balance at Beginning of Year (2)	Additions (3)	Acquisitions (4)	Retirements (5)	Adjustments (6)	Balance at End of Year (7)	Percent of Original Cost Retired (8)=(5)/(2)
334.01 Meters - Conventional	5,048,998.79	13,288,298.17	1,997.65	(1,298,892.69)		3,754,301.85	25.70
334.02 Meters - Remote	70,472,120.87	7,685,393.58	7,950.60	(12,069,601.14)		71,698,798.50	17.10
334.03 Meters - ERT	12,340,228.77	2,085,520.00	2,986.79			20,025,620.35	0.00
335 Fire Hydrants	30,782,002.34	(183,835.37)				32,850,509.13	0.00
340.1 Office Furniture and Equipment - Furniture	2,130,543.08	21,877.33				1,986,707.71	0.00
340.2 Office Furniture and Equipment - Equipment	642,229.70	7,832,174.05				683,907.03	0.00
340.3 Office Furniture and Equipment - Computers	25,216,613.98	405,444.09				32,848,788.01	0.00
341.1 Transportation Equipment - Vehicles	1,156,105.07	32,850.87				1,561,549.18	0.00
341.2 Transportation Equipment - Other	693,907.21	87,816.98				726,557.86	0.00
342 Stores Equipment	67,816.98	38,843.51				108,660.49	0.00
343.1 Shop Equipment	620,053.97	18,470.61				638,524.58	0.00
343.2 Tools and Work Equipment - General	6,794,868.82	133,149.41				6,927,618.23	0.00
344.1 Laboratory Equipment - Conventional	1,022,113.74	13,956.93				1,036,070.67	0.00
344.2 Laboratory Equipment - Electronic	2,286,955.67	237,243.55				2,526,199.12	0.00
345.1 Tools and Work Equipment - Construction	5,954,372.41	1,128,053.28				7,082,425.69	0.00
346 Communication Equipment	2,380,144.54	20,216.18				2,380,362.72	0.00
347 Miscellaneous Equipment	309,288.82	427,374.47				736,643.29	0.00
348 Other Tangible Equipment	0.00	6,224.40				6,224.40	0.00
Total Utility Plant In Service	1,351,457,828.61	117,388,404.34	1,382,788.08	(13,381,464.46)	194,076.60	1,457,021,607.07	
CUSTOMERS' ADVANCES FOR CONSTRUCTION							
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	(45,797,341.77)	(4,887,884.78)			2,078,859.98	(48,608,366.57)	0.00
331.03 Mains and Accessories - C.I. - 12" & Over	(32,709.00)					(32,709.00)	0.00
333.01 Services - Other Than Galvanized	(2,238.86)					(2,238.86)	0.00
335 Fire Hydrants	(1,500.00)	(56,861.88)			(839.22)	(61,200.90)	0.00
Total Customers' Advances for Construction	(45,933,787.63)	(4,948,746.46)	0.00	0.00	2,076,020.76	(48,704,613.33)	
CONTRIBUTIONS IN AID OF CONSTRUCTION							
303.2 Power and Pumping Land	(3,605.04)					(3,605.04)	0.00
303.4 Transmission and Distribution Land and Rights of Way	(4,505.75)					(4,505.75)	0.00
303.5 Distribution Reservoirs and Standpipes Land	(6,199.00)					(6,199.00)	0.00
304.2 Power and Pumping Structures	(357,319.57)					(357,319.57)	0.00
304.3 Purification Buildings	(77,782.78)					(77,782.78)	0.00
307 Wells and Springs	(519,558.68)					(519,558.68)	0.00
311.01 Electric Pumping Equipment - Pumping Equipment	(197,275.89)					(197,275.89)	0.00
320.2 Purification System - Equipment	(27,683.81)					(27,683.81)	0.00
330.01 Distribution Reservoirs and Standpipes - Tanks	(718,628.78)					(718,628.78)	0.00
331.01 Mains and Accessories - C.I. - 4" & Under	(25,637.61)					(25,637.61)	0.00
331.02 Mains and Accessories - C.I. - 6, 8 & 10"	(38,414,215.03)					(38,414,215.03)	0.00
331.03 Mains and Accessories - C.I. - 12" & Over	(1,532,867.03)					(1,532,867.03)	0.00
331.08 Mains and Accessories - Valves	(993.93)					(993.93)	0.00
331.11 Mains and Accessories - Asbestos Cement Mains	(3,756,707.11)					(3,756,707.11)	0.00
333.01 Services - Other Than Galvanized	(1,154,781.58)					(1,154,781.58)	0.00
333.02 Services - Galvanized	(83,544.44)					(83,544.44)	0.00
334.01 Meters - Conventional	(74,473.95)					(74,473.95)	0.00
334.02 Meters - Remote	0.00					0.00	0.00
335 Fire Hydrants	(2,084,825.55)					(2,084,825.55)	0.00
Total Contributions In Aid of Construction	(49,052,791.89)	(2,302,523.69)	0.00	0.00	(96,281.74)	(49,350,617.32)	
TOTAL PLANT IN SERVICE	1,266,871,247.19	110,119,131.19	1,382,788.08	(13,381,464.46)	2,173,814.62	1,356,866,496.62	

Witness: Robert M. Griffin
Date: January 6, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET I

DOCKET NO. R-00051030

OCA-I-8. Please provide all workpapers supporting the revenue and expense lags used in the Company's lead/lag study.

A. The revenue lag was developed on pages 83 and 83-1 of Exhibit 1-A.

The expense lags are as follows:

Hourly Labor service lag (7 days / 2) + payment lag 4 days = 7.5 days

Non-Union Labor service lag (14 days / 2) + payment lag 4 days + 11.0 days

Management Fee 39.4 days see attached workpaper

Electric Power 39.7 days see attached workpapers

Water Purchased 23.7 days see attached workpapers

Group Insurance 23.6 days (will be corrected to (0.6) days in rebuttal case) see attached workpapers supporting the corrected lag

Liability Insurance 77.0 days the liability insurance policy year for the test year starts on October 1, 2004 and ended September 30, 2005. The mid-point of service is April 1, 2005. Payments were made on January 31, 2005, April 30, 2005, July 31, 2005 and October 31, 2005. Each payment is for approximately for the same amount. The mid-point of the payments is June 16, 2005. The lag represents the number of days from April 1, 2005 to June 16, 2005, or 77.0 days.

Vehicle Lease (44.9) days see attached workpaper

Postage (9.8) days (will be corrected to (6.8) days in rebuttal case) see attached workpaper supporting the corrected lag

Pension 131.6 days see attached workpaper

SFAS106 35.2 days service lag (365 days / 24) + payment lag 20 days = 35.2 days

Other 32.2 days same as number approved in the Company's last rate filing at Docket No. R-00038805

AQUA PENNSYLVANIA
2005 RATE CASE
Pennsylvania Suburban Water Company
2003 Rate Case
Response to Interrogatory OTS-RE-73

Management Fee Lag Days

Vendor	Bill Date	Invoice Date	Payment Date	Service Midpoint	Amount	Lag Days	Dollar Days
PSC	December 2002	1/13/03	1/24/03	12/15.5/02	441,173.02	39.5	17,426,334
PSC	January 2003	2/18/03	3/6/03	1/15.5/03	345,786.64	49.5	17,116,439
PSC	February 2003	3/19/03	4/2/03	2/14/03	184,592.39	47.0	8,675,842
PSC	March 2003	4/15/03	4/24/03	3/15.5/03	276,341.70	39.5	10,915,497
PSC	April 2003	5/22/03	5/30/03	4/15/03	243,924.20	45.0	10,976,589
PSC	May 2003	6/2/03	7/2/03	5/15.5/03	340,370.91	47.5	16,167,618
PSC	June 2003	7/18/03	7/30/03	6/15/03	377,877.60	45.0	17,004,492
PSC	July 2003	8/11/03	8/15/03	7/15.5/03	417,196.84	30.5	12,724,504
PSC	August 2003	9/15/03	9/18/03	8/15.5/03	282,523.89	33.5	9,464,550
PSC	September 2003	10/8/03	10/17/03	9/15/03	285,746.84	32.0	9,143,899
PSC	October 2003	10/31/03	11/11/03	10/15.5/03	282,603.56	26.5	7,488,994
PSC	November 2003	12/11/03	12/18/03	11/15/03	233,369.93	33.0	7,701,208
CWC	December 2002	1/13/03	1/24/03	12/15.5/02	24,322.07	39.5	960,722
CWC	January 2003	2/18/03	3/6/03	1/15.5/03	27,973.82	49.5	1,384,704
CWC	February 2003	3/19/03	4/2/03	2/14/03	38,606.16	47.0	1,814,490
CWC	March 2003	5/22/03	5/30/03	3/15.5/03	43,757.39	75.5	3,303,683
CWC	April 2003	5/28/03	5/30/03	4/15/03	36,035.91	45.0	1,621,616
CWC	May 2003	6/19/03	7/2/03	5/15.5/03	41,035.38	47.5	1,949,181
CWC	June 2003	7/18/03	7/24/03	6/15/03	34,591.27	39.0	1,349,060
CWC	July 2003	8/11/03	8/15/03	7/15.5/03	38,976.60	30.5	1,188,786
CWC	August 2003	9/15/03	9/18/03	8/15.5/03	27,187.72	33.5	910,789
CWC	September 2003	10/8/03	10/17/03	9/15/03	23,063.91	32.0	738,045
CWC	October 2003	11/5/03	11/11/03	10/15.5/03	3,287.24	26.5	87,112
CWC	November 2003	11/6/03	12/2/03	11/15/03	26,655.61	17.0	453,145
					4,077,000.60		160,567,298
						39.4	

Used same lag day derivation as previous rate filing at Docket No. R-00038805

Aqua Pennsylvania, Inc.

LEAD - LAG STUDY 2005 RATE CASE

SERVICE PERIOD		Route	Service Midpoint	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
From 6/14/04	To 7/14/04	07/04	6/29/04	8/6/04	198189	39,617	38.0	1,505,446
7/14/04	8/12/04	08/04	7/28/04	9/13/04	199840	38,837	46.5	1,805,921
8/12/04	9/14/04	09/04	8/28/04	10/8/04	201088	40,250	40.5	1,630,125
9/14/04	10/14/04	10/04	9/29/04	11/5/04	202443	37,843	37.0	1,400,191
10/14/04	11/11/04	11/04	10/28/04	12/10/04	204018	37,308	43.0	1,604,244
11/11/04	12/13/04	12/04	11/27/04	1/7/05	205407	43,053	41.0	1,765,173
12/13/04	1/13/05	01/05	12/28/04	2/9/05	206639	43,429	42.5	1,845,733
1/13/05	2/11/05	02/05	1/27/05	3/11/05	208114	47,376	42.5	2,013,480
2/11/05	3/14/05	03/05	2/26/05	4/8/05	209887	47,347	40.5	1,917,554
3/14/05	4/13/05	04/05	3/29/05	5/9/05	211760	45,017	41.0	1,845,697
4/13/05	5/13/05	05/05	4/28/05	6/10/05	213157	38,878	43.0	1,671,754
5/13/05	6/14/05	06/05	5/29/05	7/6/05	214605	41,506	38.0	1,577,228
						500,461		20,582,545
							41.1	

LOC 147 POWER PURCHASED - NESHAMINY

SERVICE PERIOD		Route	Service Midpoint	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
From 6/14/04	To 7/14/04	07/04	6/29/04	8/6/04	198189	49,990	38.0	1,899,616
7/14/04	8/12/04	08/04	7/28/04	9/13/04	199840	64,557	46.5	3,001,900
8/12/04	9/14/04	09/04	8/28/04	10/8/04	201088	54,136	40.5	2,192,511
9/14/04	10/14/04	10/04	9/29/04	11/5/04	202443	35,766	37.0	1,323,336
10/14/04	11/11/04	11/04	10/28/04	12/10/04	204018	37,741	43.0	1,622,872
11/11/04	12/13/04	12/04	11/27/04	1/7/05	205407	39,460	41.0	1,617,870
12/13/04	1/13/05	01/05	12/28/04	2/9/05	206639	40,750	42.5	1,731,881
1/13/05	2/11/05	02/05	1/27/05	3/11/05	208114	40,714	42.5	1,730,330
2/11/05	3/14/05	03/05	2/26/05	4/8/05	209887	41,057	40.5	1,662,805
3/14/05	4/13/05	04/05	3/29/05	5/9/05	211760	37,318	41.0	1,530,041
4/13/05	5/13/05	05/05	4/28/05	6/10/05	213157	39,572	43.0	1,701,611
5/13/05	6/14/05	06/05	5/29/05	7/6/05	214605	52,410	38.0	1,991,573
						533,471		22,006,346
							41.3	

LOC 113 POWER PURCHASED - UPPER MERION

SERVICE PERIOD		Route	Service Midpoint	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
From 6/14/04	To 7/14/04	07/04	6/29/04	8/8/04	198189	29,226	40.0	1,169,023
7/14/04	8/12/04	08/04	7/28/04	9/13/04	199840	17,061	46.5	793,343
8/12/04	9/14/04	09/04	8/28/04	10/8/04	201088	30,993	40.5	1,255,212
9/14/04	10/14/04	10/04	9/29/04	11/5/04	202443	30,462	37.0	1,127,103
10/14/04	11/11/04	11/04	10/28/04	12/10/04	204018	29,190	43.0	1,255,190
11/11/04	12/13/04	12/04	11/27/04	1/7/05	205407	30,817	41.0	1,263,497
12/13/04	1/13/05	01/05	12/28/04	2/9/05	206639	31,402	42.5	1,334,590

Aque Pennsylvania, Inc.

OCA-I-8

LEAD - LAG STUDY 2005 RATE CASE

From	To	LOC	Service	Midpoint	Route	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
1/13/05	2/11/05	02/05	127/05	131		3/11/05	208114	32,198	42.5	1,368,404
2/11/05	3/14/05	03/05	2/26/05			4/8/05	209887	33,027	40.5	1,337,594
3/14/05	4/13/05	04/05	3/29/05			5/9/05	211760	31,805	41.0	1,304,012
4/13/05	5/13/05	05/05	4/28/05			6/10/05	213157	31,564	43.0	1,357,261
5/13/05	6/14/05	06/05	5/29/05			7/6/05	214605	29,546	38.0	1,122,754
								357,292		14,687,984
									41.1	

POWER PURCHASED - PERKIOMEN SERVICE PERIOD

From	To	LOC	Service	Midpoint	Route	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
6/21/04	7/21/04	07/04	7/6/04	131		8/8/04	198189	16,459	33.0	543,147
7/21/04	8/20/04	08/04	8/5/04			9/13/04	199840	11,375	39.0	443,625
8/20/04	9/21/04	09/04	9/5/04			10/8/04	201088	14,754	33.0	486,882
9/21/04	10/21/04	10/04	10/6/04			11/5/04	202443	15,489	30.0	464,670
10/21/04	11/18/04	11/04	11/4/04			12/10/04	204018	13,820	36.0	497,520
11/18/04	12/20/04	12/04	12/4/04			1/7/05	205407	15,167	34.0	515,678
12/20/04	1/21/05	01/05	1/5/05			2/9/05	206639	12,432	35.0	435,120
1/21/05	2/18/05	02/05	2/4/05			3/11/05	208114	12,426	35.0	434,910
2/18/05	3/22/05	03/05	3/6/05			4/8/05	209887	12,677	33.0	418,341
3/22/05	4/21/05	04/05	4/6/05			5/9/05	211760	13,566	33.0	447,678
4/21/05	5/20/05	05/05	5/5/05			6/10/05	213157	14,755	35.5	523,803
5/20/05	6/21/05	06/05	6/5/05			7/6/05	214605	17,135	31.0	531,185
								170,055		5,742,559
									33.8	

POWER PURCHASED - BRYN MAWR SERVICE PERIOD

From	To	LOC	Service	Midpoint	Route	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
6/10/04	7/12/04	07/04	6/26/04	138		8/8/04	198189	15,179	43.0	652,691
7/12/04	8/10/04	08/04	7/26/04			9/13/04	199840	15,091	48.5	731,894
8/10/04	9/10/04	09/04	8/25/04			10/8/04	201088	14,950	43.5	650,308
9/10/04	10/12/04	10/04	9/26/04			11/5/04	202443	13,910	40.0	556,392
10/12/04	11/9/04	11/04	10/26/04			12/10/04	204018	12,143	45.0	546,451
11/9/04	12/9/04	12/04	11/24/04			1/7/05	205407	12,343	44.0	543,087
12/9/04	1/11/05	01/05	12/25/04			2/9/05	206639	13,375	45.5	608,565
1/11/05	2/9/05	02/05	1/25/05			3/11/05	208114	12,581	44.5	559,874
2/9/05	3/10/05	03/05	2/23/05			4/8/05	209887	12,474	43.5	542,622
3/10/05	4/11/05	04/05	3/26/05			5/9/05	211760	13,396	44.0	589,439
4/11/05	5/11/05	05/05	4/26/05			6/10/05	213157	14,536	45.0	654,118
5/11/05	6/10/05	06/05	5/26/05			7/6/05	214605	15,682	41.0	642,947
								165,660		7,278,387
									43.9	

POWER PURCHASED - RIDLEY CREEK LOC 251

Aqua Pennsylvania, Inc.

LEAD - LAG STUDY 2005 RATE CASE

OCA-11-8

SERVICE PERIOD		Route	Service Midpoint	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
From	To							
6/3/04	7/6/04	07/04	6/19/04	8/8/04	198189	12,390	49.5	613,305
7/6/04	8/4/04	08/04	7/20/04	9/13/04	199840	11,825	54.5	644,463
8/4/04	9/3/04	09/04	8/19/04	10/8/04	201088	11,825	50.0	591,250
9/3/04	10/5/04	10/04	9/19/04	11/5/04	202443	11,833	47.0	556,151
10/5/04	11/3/04	11/04	10/19/04	12/10/04	204018	10,901	51.5	561,402
11/3/04	12/3/04	12/04	11/18/04	1/7/05	205407	11,117	50.0	555,850
12/3/04	1/5/05	01/05	12/19/04	2/9/05	206639	11,154	51.5	574,431
1/5/05	2/3/05	02/05	1/19/05	3/11/05	208114	11,293	50.5	570,297
2/3/05	3/4/05	03/05	2/17/05	4/8/05	209887	10,662	49.5	527,769
3/4/05	4/5/05	04/05	3/20/05	5/9/05	211760	10,878	50.0	543,900
4/5/05	5/4/05	05/05	4/19/05	6/10/05	213157	10,898	51.5	561,247
5/4/05	6/3/05	06/05	5/19/05	7/6/05	214605	12,222	48.0	586,656
						136,998		6,886,720
							50.3	

SERVICE PERIOD		Route	Service Midpoint	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
From	To							
6/28/04	7/28/04	07/04	7/13/04	8/8/04	198189	5,835	26.0	151,710
7/28/04	8/27/04	08/04	8/12/04	9/13/04	199840	5,419	32.0	173,408
8/27/04	9/28/04	09/04	9/12/04	10/8/04	201088	6,184	26.0	160,784
9/28/04	10/28/04	10/04	10/13/04	11/5/04	202443	4,673	23.0	107,479
10/28/04	11/29/04	11/04	11/13/04	12/10/04	204018	4,095	27.0	110,565
11/29/04	12/29/04	12/04	12/14/04	1/7/05	205407	3,666	24.0	87,984
12/29/04	1/28/05	01/05	1/13/05	2/9/05	206639	4,596	27.0	124,092
1/28/05	2/25/05	02/05	2/11/05	3/11/05	208114	4,165	28.0	116,620
2/25/05	3/30/05	03/05	3/13/05	4/8/05	209887	4,911	25.5	125,231
3/30/05	4/28/05	04/05	4/13/05	5/9/05	211760	4,761	25.5	121,406
4/28/05	5/27/05	05/05	5/12/05	6/10/05	213157	6,208	28.5	176,928
5/27/05	6/29/05	06/05	6/12/05	7/6/05	214605	7,411	23.5	174,159
						61,924		1,630,365
							26.3	

SERVICE PERIOD		Route	Service Midpoint	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
From	To							
6/3/04	7/6/04	07/04	6/19/04	8/8/04	198189	11,424	49.5	565,488
7/6/04	8/4/04	08/04	7/20/04	9/13/04	199840	10,604	54.5	577,918
8/4/04	9/3/04	09/04	8/19/04	10/8/04	201088	10,166	50.0	508,300
9/3/04	10/5/04	10/04	9/19/04	11/5/04	202443	10,728	47.0	504,216
10/5/04	11/3/04	11/04	10/19/04	12/10/04	204018	9,690	51.5	499,035
11/3/04	12/3/04	12/04	11/18/04	1/7/05	205407	11,486	50.0	574,300
12/3/04	1/5/05	01/05	12/19/04	2/9/05	206639	14,133	51.5	727,850

Aqua Pennsylvania, Inc.

LEAD - LAG STUDY 2005 RATE CASE

From	To	Service	Midpoint	Route	LOC	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
1/5/05	2/3/05	350	7/14/04		350	8/8/04	198189	20,199	25.0	504,975
2/3/05	3/4/05		8/14/04			9/13/04	199840	19,267	30.0	578,010
3/4/05	4/5/05		9/14/04			10/8/04	201088	19,301	24.0	463,224
4/5/05	5/4/05		10/14/04			11/5/04	202443	17,191	22.0	378,202
5/4/05	6/3/05		11/14/04			12/10/04	204018	17,533	26.0	455,858
			12/15/04			1/7/05	205407	18,739	23.0	430,997
			1/15/05			2/9/05	206639	21,377	25.0	534,425
			2/14/05			3/11/05	208114	20,485	25.0	512,125
			3/15/05			4/8/05	209887	20,778	23.5	488,283
			4/14/05			5/9/05	211760	19,300	24.5	472,850
			5/15/05			6/10/05	213157	21,197	26.0	551,122
			6/15/05			7/6/05	214605	19,501	21.0	409,521
								234,868		5,779,592
										50.3

POWER PURCHASED - INGRAMS MILL

11

From	To	Service	Midpoint	Route	LOC	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
6/29/04	7/29/04	350	7/14/04		350	8/8/04	198189	20,199	25.0	504,975
7/29/04	8/30/04		8/14/04			9/13/04	199840	19,267	30.0	578,010
8/30/04	9/29/04		9/14/04			10/8/04	201088	19,301	24.0	463,224
9/29/04	10/29/04		10/14/04			11/5/04	202443	17,191	22.0	378,202
10/29/04	11/30/04		11/14/04			12/10/04	204018	17,533	26.0	455,858
11/30/04	12/30/04		12/15/04			1/7/05	205407	18,739	23.0	430,997
12/30/04	1/31/05		1/15/05			2/9/05	206639	21,377	25.0	534,425
1/31/05	2/28/05		2/14/05			3/11/05	208114	20,485	25.0	512,125
2/28/05	3/31/05		3/15/05			4/8/05	209887	20,778	23.5	488,283
3/31/05	4/29/05		4/14/05			5/9/05	211760	19,300	24.5	472,850
4/29/05	5/31/05		5/15/05			6/10/05	213157	21,197	26.0	551,122
5/31/05	6/30/05		6/15/05			7/6/05	214605	19,501	21.0	409,521
								234,868		5,779,592
										24.6

POWER PURCHASED - FERN HILL

12

From	To	Service	Midpoint	Route	LOC	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
06/07/04	07/08/04	358	6/22/04		358	8/8/04	198189	1,146	46.5	53,289
07/08/04	08/06/04		7/22/04			9/13/04	199840	1,287	52.5	67,568
08/06/04	09/08/04		8/22/04			10/8/04	201088	1,877	46.5	87,281
09/08/04	10/07/04		9/22/04			11/5/04	202443	2,746	43.5	119,451
10/07/04	11/05/04		10/21/04			12/10/04	204018	4,810	49.5	238,095
11/05/04	12/07/04		11/21/04			1/7/05	205407	5,850	47.0	274,950
12/07/04	01/07/05		12/22/04			2/9/05	206639	5,671	48.5	275,044
01/07/05	02/07/05		1/22/05			3/11/05	208114	5,479	47.5	260,253
02/07/05	03/08/05		2/21/05			4/8/05	209887	5,890	45.5	267,995
03/08/05	04/07/05		3/23/05			5/9/05	211760	4,587	47.0	215,589
04/07/05	05/06/05		4/21/05			6/10/05	213157	1,034	49.5	51,183
05/06/05	06/07/05		5/22/05			7/6/05	214605	1,240	45.0	55,800
								41,617		1,966,496
										47.3

POWER PURCHASED - ALL OTHER LOCATIONS

Service

Aqua Pennsylvania, Inc.

**LEAD - LAG STUDY
2005 RATE CASE**

From	To	Midpoint	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
6/15/04	7/15/04	6/30/04	8/8/04	198189	452,963	39.0	17,665,566
7/15/04	8/15/04	7/30/04	9/13/04	199840	443,724	44.5	19,745,731
8/15/04	9/15/04	8/30/04	10/8/04	201088	449,435	38.5	17,303,261
9/15/04	10/15/04	9/30/04	11/5/04	202443	444,568	36.0	16,004,443
10/15/04	11/15/04	10/30/04	12/10/04	204018	425,768	40.5	17,243,602
11/15/04	12/15/04	11/30/04	1/7/05	205407	454,849	38.0	17,284,262
12/15/04	1/15/05	12/30/04	2/9/05	206639	501,933	40.5	20,328,305
1/15/05	2/15/05	1/30/05	3/11/05	208114	492,400	39.5	19,449,803
2/15/05	3/15/05	3/1/05	4/8/05	209887	503,611	38.0	19,137,214
3/15/05	4/15/05	3/30/05	5/9/05	211760	470,893	39.5	18,600,272
4/15/05	5/15/05	4/30/05	6/10/05	213157	524,606	41.0	21,508,835
5/15/05	6/15/05	5/30/05	7/6/05	214605	475,997	36.5	17,373,907
					5,640,748		221,645,200
						39.3	

Consolidated Power Lag Days

9,400,025

39.7

373,408,853

OCA-I-8

Aqua Pennsylvania, Inc.

OCA-I-8

LEAD - LAG STUDY 2005 RATE CASE

WATER PURCHASED - BUCKS COUNTY WATER AUTHORITY

BILL DATES			Service Midpoint	DATE PAID	Payment / CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
6/14/04	07/01/04	07/04	6/22/04	07/20/04	197300/197299	374,987.91	27.5	10,312,168
7/14/04	08/01/04	08/04	7/23/04	08/20/04	198679/198678	444,868.09	28.0	12,456,307
8/14/04	09/01/04	09/04	8/23/04	09/27/04	200390/200388	444,161.48	35.0	15,545,652
9/14/04	10/01/04	10/04	9/22/04	10/19/04	201511/201510	429,776.39	26.5	11,389,074
10/13/04	11/01/04	11/04	10/22/04	11/12/04	202827/202826	443,733.98	20.5	9,096,547
11/14/04	12/01/04	12/04	11/22/04	01/03/05	205398/205397	428,776.23	41.5	17,794,214
12/14/04	01/01/05	01/05	12/23/04	01/26/05	206182/206181	443,211.67	34.0	15,069,197
1/15/05	02/01/05	02/05	1/23/05	02/18/05	207135/207134	503,904.56	25.5	12,849,566
2/14/05	03/01/05	03/05	2/21/05	03/11/05	208113/208112	453,356.53	17.5	7,933,739
3/14/05	04/01/05	04/05	3/23/05	04/22/05	210592/210591	497,370.26	30.0	14,921,108
4/16/05	05/01/05	05/05	4/23/05	05/20/05	212069/212051	466,667.39	26.5	12,366,686
5/14/05	06/01/05	06/05	5/23/05	06/22/05	214019/214018	520,381.06	30.0	15,611,432
						5,451,195.55		155,345,688

WATER PURCHASED - CHESTER WATER AUTHORITY

BILL DATES			Service Midpoint	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
6/14/04	7/14/04	07/04	6/29/04	7/30/04	wire	101,213.97	31.0	3,137,633
7/14/04	8/14/04	08/04	7/29/04	8/30/04	wire	98,500.69	31.5	3,102,772
8/14/04	9/14/04	09/04	8/29/04	9/29/04	wire	96,393.10	30.5	2,939,990
9/14/04	10/13/04	10/04	9/28/04	10/29/04	wire	69,299.96	30.5	2,113,649
10/13/04	11/14/04	11/04	10/29/04	11/29/04	wire	51,169.52	31.0	1,586,255
11/14/04	12/14/04	12/04	11/29/04	12/28/04	wire	34,526.69	29.0	1,001,274
12/14/04	1/15/05	01/05	12/30/04	1/31/05	wire	37,876.57	32.0	1,212,050
1/15/05	2/14/05	02/05	1/30/05	2/28/05	wire	41,857.28	29.0	1,213,861
2/14/05	3/14/05	03/05	2/28/05	3/30/05	wire	30,154.54	30.0	904,636
3/14/05	4/16/05	04/05	3/30/05	4/29/05	wire	39,710.32	29.5	1,171,454
4/16/05	5/14/05	05/05	4/30/05	5/24/05	wire	48,824.98	24.0	1,171,800
5/14/05	6/14/05	06/05	5/29/05	6/24/05	wire	81,162.97	25.5	2,069,656
						730,690.59		21,625,030

WATER PURCHASED - PA. AMERICAN

BILL DATES			Service Midpoint	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
6/14/04	7/14/04	07/04	6/29/04	7/20/04	197345	1,558.21	21.0	32,722
7/14/04	8/14/04	08/04	7/29/04	9/2/04	199288	1,537.01	34.5	53,027
8/14/04	9/14/04	09/04	8/29/04	10/19/04	201569	5,497.30	50.5	277,614
9/14/04	10/13/04	10/04	9/28/04	11/5/04	202501	1,537.01	37.5	57,638
10/13/04	11/14/04	11/04	10/29/04	12/3/04	203622	1,543.90	35.0	54,037
11/14/04	12/14/04	12/04	11/29/04	1/7/05	205440	2,089.85	39.0	81,504
12/14/04	1/15/05	01/05	12/30/04				0.0	0
1/15/05	2/14/05	02/05	1/30/05	3/18/05	208559	1,550.34	47.0	72,866
2/14/05	3/14/05	03/05	2/28/05	3/18/05	208559	1,550.34	18.0	27,906
3/14/05	4/16/05	04/05	3/30/05	4/15/05	210301	9,226.84	15.5	143,016
4/16/05	5/14/05	05/05	4/30/05	5/25/05	212646	1,556.31	25.0	38,908
5/14/05	6/14/05	06/05	5/29/05	6/28/05	214180	1,558.97	29.5	45,990
						29,206		885,227

WATER PURCHASED - PHOENIXVILLE WATER

BILL DATES			Service Midpoint	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
------------	--	--	---------------------	-----------	-----------	--------	----------	-------------

Aqua Pennsylvania, Inc.

OCA-I-8

LEAD - LAG STUDY 2005 RATE CASE

6/14/04	7/14/04	07/04	6/29/04	7/20/04	197349	537.60	21.0	11,290
7/14/04	8/14/04	08/04	7/29/04				0.0	0
8/14/04	9/14/04	09/04	8/29/04				0.0	0
9/14/04	10/13/04	10/04	9/28/04	10/19/04	201524	468.00	20.5	9,594
10/13/04	11/14/04	11/04	10/29/04				0.0	0
11/14/04	12/14/04	12/04	11/29/04				0.0	0
12/14/04	1/15/05	01/05	12/30/04				0.0	0
1/15/05	2/14/05	02/05	1/30/05				0.0	0
2/14/05	3/14/05	03/05	2/28/05				0.0	0
3/14/05	4/16/05	04/05	3/30/05	4/22/05	210666	978.82	22.5	22,023
4/16/05	5/14/05	05/05	4/30/05				0.0	0
5/14/05	6/14/05	06/05	5/29/05				0.0	0
						1,984		42,907

WATER PURCHASED - PHILDELPHIA WATER DEPARTMENT

BILL DATES			Service Midpoint	DATE PAID	CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
6/14/04	7/14/04	07/04	6/29/04	7/12/04	8/196935/196933/1	190,437.60	13.0	2,475,689
7/14/04	8/14/04	08/04	7/29/04	8/6/04	4/198299/198297/1	217,155.13	7.5	1,628,663
8/14/04	9/14/04	09/04	8/29/04	9/13/04	5/199949/199947/1	218,696.90	14.5	3,171,105
9/14/04	10/13/04	10/04	9/28/04	10/8/04	6/201165/201163/2	224,415.14	9.5	2,131,944
10/13/04	11/14/04	11/04	10/29/04	11/5/04	0/202555/202553/2	213,597.30	7.0	1,495,181
11/14/04	12/14/04	12/04	11/29/04	12/10/04	3/204100/204098/2	122,621.21	11.0	1,348,833
12/14/04	1/15/05	01/05	12/30/04	1/7/05	5/205460/205458/2	200,266.67	8.0	1,602,133
1/15/05	2/14/05	02/05	1/30/05	2/9/05	6633/206761/2067	195,574.15	10.0	1,955,742
2/14/05	3/14/05	03/05	2/28/05	3/11/05	8111/208216/2082	199,005.36	11.0	2,189,059
3/14/05	4/16/05	04/05	3/30/05	4/15/05	0/210340/210138/2	197,164.28	15.5	3,056,046
4/16/05	5/14/05	05/05	4/30/05	5/6/05	211517/211565	193,450.71	6.0	1,160,704
5/14/05	6/14/05	06/05	5/29/05	6/17/05	2/213994/213260/2	196,512.20	18.5	3,635,476
						2,368,896.65		25,850,576

8,581,973

203,749,427

Water Purchased Lag

23.7

6/21/3074

177,889,000

Aqua Pennsylvania, Inc.

OCA-I-8

LEAD - LAG STUDY 2005 RATE CASE

EMPLOYEE GROUP INSURANCE - BLUE CROSS (ACTIVE EMPLOYEES) 1920-604811

BILL DATES	Service	DATE PAID	Payment /	(LEAD)		DOLLAR DAYS
	Midpoint		CK Number	AMOUNT	LAG DAYS	
07/01/04	07/15/04	07/02/04	wire	59,932.04	(13.0)	(779,117)
08/01/04	08/15/04	08/04/04	wire	31,492.93	(11.0)	(346,422)
09/01/04	09/15/04	09/01/04	wire	59,513.72	(14.0)	(833,192)
10/01/04	10/15/04	10/05/04	wire	62,115.35	(10.0)	(621,154)
11/01/04	11/15/04	11/01/04	wire	62,115.35	(14.0)	(869,615)
12/01/04	12/15/04	12/08/04	wire	61,123.13	(7.0)	(427,862)
01/01/05	01/15/05	01/03/05	wire	61,157.30	(12.0)	(733,888)
02/01/05	02/14/05	02/03/05	wire	61,938.68	(11.0)	(681,325)
03/01/05	03/15/05	03/10/05	wire	60,996.98	(5.0)	(304,985)
04/01/05	04/15/05	04/12/05	wire	60,996.98	(3.0)	(182,991)
05/01/05	05/15/05	06/15/05	wire	61,919.46	31.0	1,919,503
06/01/05	06/15/05	06/16/05	wire	62,239.52	1.0	62,240
				705,541.44		(3,798,807)
						(5.4)

EMPLOYEE GROUP INSURANCE - KEYSTONE HEALTHCARE - HMO (ACTIVE EMPLOYEES) 1920-604820

BILL DATES	Service	DATE PAID	Payment /	(LEAD)		DOLLAR DAYS
	Midpoint		CK Number	AMOUNT	LAG DAYS	
07/01/04	7/15/04	07/02/04	wire	178,174.60	(13.0)	(2,316,270)
08/01/04	8/15/04	08/04/04	wire	179,777.90	(11.0)	(1,977,557)
09/01/04	9/15/04	09/01/04	wire	180,116.20	(14.0)	(2,521,627)
10/01/04	10/15/04	10/05/04	wire	180,921.30	(10.0)	(1,809,213)
11/01/04	11/15/04	11/01/04	wire	180,589.40	(14.0)	(2,528,252)
12/01/04	12/15/04	12/07/04	wire	179,485.40	(8.0)	(1,435,883)
01/01/05	1/15/05	01/03/05	wire	191,656.73	(12.0)	(2,299,881)
02/01/05	2/14/05	02/03/05	wire	193,719.69	(11.0)	(2,130,917)
03/01/05	3/15/05	03/10/05	wire	194,665.32	(5.0)	(973,327)
04/01/05	4/15/05	04/07/05	wire	195,615.88	(8.0)	(1,564,927)
05/01/05	5/15/05	06/15/05	wire	112,231.51	31.0	3,479,177
06/01/05	6/15/05	06/16/05	wire	396,503.57	1.0	396,504
				2,363,457.50		(15,682,172)
						(6.6)

EMPLOYEE GROUP INSURANCE - KEYSTONE HEALTHCARE POS HMO (ACTIVE EMPLOYEES) 1920-604819

BILL DATES	Service	DATE PAID	Payment /	(LEAD)		DOLLAR DAYS
	Midpoint		CK Number	AMOUNT	LAG DAYS	
07/01/04	7/15/04	07/02/04	wire	193,946.30	(13.0)	(2,521,302)
08/01/04	8/15/04	08/04/04	wire	190,238.80	(11.0)	(2,092,627)
09/01/04	9/15/04	09/01/04	wire	188,796.70	(14.0)	(2,643,154)
10/01/04	10/15/04	10/05/04	wire	189,335.90	(10.0)	(1,893,359)
11/01/04	11/15/04	11/01/04	wire	189,446.50	(14.0)	(2,652,251)
12/01/04	12/15/04	12/07/04	wire	190,504.50	(8.0)	(1,524,036)
01/01/05	1/15/05	01/03/05	wire	206,196.14	(12.0)	(2,474,354)
02/01/05	2/14/05	02/03/05	wire	204,266.20	(11.0)	(2,246,928)
03/01/05	3/15/05	03/10/05	wire	204,266.20	(5.0)	(1,021,331)
04/01/05	4/15/05	04/07/05	wire	203,390.39	(8.0)	(1,627,123)
05/01/05	5/15/05	06/15/05	wire	139,231.70	31.0	4,316,183
06/01/05	6/15/05	06/16/05	wire	138,105.90	1.0	138,106
				2,237,725.23		(16,242,176)
						(7.3)

EMPLOYEE GROUP INSURANCE - LT DISABILITY (ACTIVE EMPLOYEES) JEFFERSON PILOT 604842

BILL DATES	Service	DATE PAID	Payment /	(LEAD)		DOLLAR DAYS
	Midpoint		CK Number	AMOUNT	LAG DAYS	
07/01/04	7/15/04	07/07/04	wire	9,634.78	(8.0)	(77,078)

Aqua Pennsylvania, Inc.

OCA-I-8

LEAD - LAG STUDY 2005 RATE CASE

08/01/04	8/15/04	08/04/04	wire	9,577.42	(11.0)	(105,352)
09/01/04	9/15/04	09/01/04	wire	10,231.84	(14.0)	(143,246)
10/01/04	10/15/04	10/05/04	wire	10,338.41	(10.0)	(103,384)
11/01/04	11/15/04	11/02/04	wire	10,374.95	(13.0)	(134,874)
12/01/04	12/15/04	12/07/04	wire	10,282.72	(8.0)	(82,262)
01/01/05	1/15/05	01/04/05	wire	10,435.83	(11.0)	(114,794)
02/01/05	2/14/05	02/03/05	wire	10,415.37	(11.0)	(114,569)
03/01/05	3/15/05	03/10/05	wire	10,403.89	(5.0)	(52,019)
04/01/05	4/15/05	04/07/05	wire	10,591.78	(8.0)	(84,734)
05/01/05	5/15/05	06/15/05	wire	10,585.81	31.0	328,160
06/01/05	6/15/05	06/16/05	wire	10,610.02	1.0	10,610
				123,482.82		(673,543)

(5.5)

EMPLOYEE GROUP INSURANCE - DELTA DENTAL (ACTIVE EMPLOYEES) 1920-604813

BILL DATES	Service Midpoint	DATE PAID	Payment / CK Number	AMOUNT	(LEAD) LAG DAYS	DOLLAR DAYS
07/01/04	7/15/04	07/02/04	wire	39,702.05	(13.0)	(516,127)
08/01/04	8/15/04	08/04/04	wire	39,111.15	(11.0)	(430,223)
09/01/04	9/15/04	09/01/04	wire	39,241.20	(14.0)	(549,377)
10/01/04	10/15/04	10/05/04	wire	39,182.95	(10.0)	(391,830)
11/01/04	11/15/04	11/01/04	wire	39,186.30	(14.0)	(548,608)
12/01/04	12/15/04	12/07/04	wire	39,128.60	(8.0)	(313,029)
01/01/05	1/15/05	01/03/05	wire	42,661.25	(12.0)	(511,935)
02/01/05	2/14/05	02/03/05	wire	41,889.30	(11.0)	(460,782)
03/01/05	3/15/05	03/10/05	wire	40,128.26	(5.0)	(200,641)
04/01/05	4/15/05	04/07/05	wire	40,306.61	(8.0)	(322,453)
05/01/05	5/15/05	06/15/05	wire	40,191.96	31.0	1,245,951
06/01/05	6/15/05	06/16/05	wire	39,764.51	1.0	39,765
				480,494.14		(2,959,289)

(6.2)

EMPLOYEE GROUP INSURANCE - LIFE (ACTIVE EMPLOYEES) - JEFFERSON PILOT 1920-604840

BILL DATES	Service Midpoint	DATE PAID	Payment / CK Number	AMOUNT	(LEAD) LAG DAYS	DOLLAR DAYS
07/01/04	7/15/04	07/07/04	wire	14,741.20	(8.0)	(117,930)
08/01/04	8/15/04	08/04/04	wire	14,753.44	(11.0)	(162,288)
09/01/04	9/15/04	09/01/04	wire	15,030.77	(14.0)	(210,431)
10/01/04	10/15/04	10/05/04	wire	100,630.35	(10.0)	(1,006,304)
11/01/04	11/15/04	11/02/04	wire	15,154.98	(13.0)	(197,015)
12/01/04	12/15/04	12/07/04	wire	14,999.70	(8.0)	(119,998)
01/01/05	1/15/05	01/04/05	wire	15,175.26	(11.0)	(166,928)
02/01/05	2/14/05	02/03/05	wire	15,094.22	(11.0)	(166,036)
03/01/05	3/15/05	03/10/05	wire	15,064.72	(5.0)	(75,324)
04/01/05	4/15/05	04/07/05	wire	15,401.51	(8.0)	(123,212)
05/01/05	5/15/05	06/15/05	wire	15,456.56	31.0	479,153
06/01/05	6/15/05	06/16/05	wire	15,358.52	1.0	15,359
				266,861.23		(1,850,952)

(6.9)

6,177,562

(41,206,939)

(6.7)

Aqua Pennsylvania, Inc.

LEAD - LAG STUDY
2005 RATE CASE

VEHICLE LEASE EXPENSE
GE Capital

BILL DATES	Service			(LEAD)		DOLLAR DAYS
	Midpoint	DATE PAID		AMOUNT	LAG DAYS	
JULY	7/15/05	7/9/04	Wire	69,095	(371.0)	(25,634,252)
AUGUST	8/15/05	8/10/04	Wire	60,466	(7.5)	(453,493)
SEPTEMBER	9/15	9/10/04	Wire	58,807	(2.0)	(117,614)
OCTOBER	10/15/05	10/8/04	Wire	57,401	(11.5)	(660,114)
NOVEMBER	11/15	11/10/04	Wire	55,534	(4.0)	(222,137)
DECEMBER	12/15/05	12/10/04	Wire	56,333	(13.5)	(760,493)
JANUARY	1/15/05	1/10/05	Wire	56,364	(2.5)	(140,909)
FEBRUARY	02/14	3/14/05	Wire	17,808	0.0	0
MARCH	3/15/05	3/14/05	Wire	59,575	(9.5)	(565,966)
APRIL	04/15	4/18/05	Wire	59,869	(4.0)	(239,477)
MAY	5/15/05	5/11/05	Wire	59,299	(7.5)	(444,744)
JUNE	06/15	6/14/05	Wire	62,237	(16.0)	(995,786)
				672,788		(30,234,986)

Vehicle Lease Lag / (Lead) (44.9)

Aqua Pennsylvania, Inc.
LEAD - LAG STUDY
2005 RATE CASE

AmeriComm

SERVICE PERIOD			Service Midpoint	DATE PAID	Payment / CK Number	AMOUNT	LAG DAYS	DOLLAR DAYS
From	To							
7/1/04	7/30/04	07/04	7/15/04	7/7/04	Wire	72,403	(8.5)	(615,428)
8/2/04	8/31/04	08/04	8/16/04	08/04/04	Wire	78,628	(12.5)	(982,846)
9/1/04	9/30/04	09/04	9/15/04	09/10/04	Wire	82,390	(5.5)	(453,142)
10/1/04	11/1/04	10/04	10/16/04	10/08/04	Wire	94,354	(8.5)	(802,011)
11/2/04	12/2/04	11/04	11/17/04	11/09/04	Wire	81,301	(8.0)	(650,407)
12/3/04	12/31/04	12/04	12/17/04	12/09/04	Wire	86,982	(8.0)	(695,853)
1/4/05	2/1/05	01/05	1/18/05	01/07/05	Wire	95,200	(11.0)	(1,047,200)
2/2/05	3/1/05	02/05	2/15/05	02/04/05	Wire	105,025	(11.5)	(1,207,787)
3/1/05	4/1/05	03/05	3/16/05	03/14/05	Wire	107,291	(2.5)	(268,227)
4/4/05	5/2/05	04/05	4/18/05	04/11/05	Wire	108,418	(7.0)	(758,923)
5/3/05	6/1/05	05/05	5/17/05	05/18/05	Wire	106,679	0.5	53,339
6/2/05	7/1/05	06/05	6/16/05	06/15/05	Wire	104,175	(1.5)	(156,262)
						1,122,844		(7,584,748)
							(6.8)	

Note: Includes CWC PA postage expense.

Aqua Pennsylvania, Inc.

LEAD - LAG STUDY 2005 RATE CASE

PENSION

Payment Schedule	Service Mid-Point		Lag Days	Dollar Days
April 15, 2006	July 1, 2006	1,300,000	(77.0)	(100,100,000)
July 15, 2006	July 1, 2006	1,300,000	14.0	18,200,000
October 15, 2006	July 1, 2006	1,300,000	106.0	137,800,000
January 15, 2007	July 1, 2006	1,300,000	198.0	257,400,000
September 15, 2007	July 1, 2006	1,200,000	441.0	529,200,000
		6,400,000		842,500,000
			131.6	

Witness: Robert M. Griffin
Date: January 10, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET I

DOCKET NO. R-00051030

- OCA-I-38. Regarding page 45 of Exhibit 1-A, please provide all supporting calculations and workpapers for the "Funding Deficit" amounts for the historic and future test years.
- A. See attached workpaper.

Aqua Pennsylvania, Inc.
Fas106 Regulatory Asset
August 5, 2004 to July 31, 2006

		FAS106 Expense Per Actuary Report	FAS106 Expense Per 2004 Rate Order	Balance- Regulatory Asset	
August	2004	161,362	167,742	(6,380)	
September		192,393	200,000	(7,607)	
October		192,393	200,000	(7,607)	
November		192,393	200,000	(7,607)	
December		192,393	200,000	(7,607)	
January	2005	199,386	200,000	(614)	
February		199,386	200,000	(614)	
March		199,386	200,000	(614)	
April		199,386	200,000	(614)	
May		199,386	200,000	(614)	
June		199,386	200,000	(614)	398,773
July		199,386	200,000	(614)	
August		199,386	200,000	(614)	
September		199,386	200,000	(614)	
October		199,386	200,000	(614)	
November		199,386	200,000	(614)	
December		199,386	200,000	(614)	
January	2006	283,333	200,000	83,333	
February		283,333	200,000	83,333	
March		283,333	200,000	83,333	
April		283,333	200,000	83,333	
May		283,333	200,000	83,333	
June		283,333	200,000	83,333	
July		283,333	200,000	83,333	
		5,306,905	4,767,742	539,163	

Witness: Robert M. Griffin
Date: January 17, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET I

DOCKET NO. R-00051030

OCA-I-44. Please provide supporting documentation, calculations, and workpapers for all amounts included in Amortization of PA Management Audit Expense adjustment, on page 29 of Exhibit 1-A.

A. Costs through December 31, 2005 are as follows:

July 2005	Aqua Services employee distribution	\$9,602
Aug. 2005	“ “ “ “	10,373
Sept. 2005	“ “ “ “	10,566
Oct. 2005	“ “ “ “	9,863
Nov. 2005	“ “ “ “	7,244
Dec. 2005	“ “ “ “	3,977
July-Dec. 2005	Out of pocket costs	983

Copies of the Aqua Services invoices are attached.

Service Billing
For Billing Period: Jul 2005

Philadelphia Suburban Corporation

Charge To: Philadelphia Suburban Water

Service: PA Management Audit M91400

Employee Name	Hour	Total
ARNOLD, JANET	109	\$9,601.81
	109	\$9,601.81

Service Billing
For Billing Period: Aug 2005

Philadelphia Suburban Corporation

Charge To: Philadelphia Suburban Water

Service: PA Management Audit M91400

Employee Name	Hour	Total
FINNICUM, LARRY	64	\$1,632.00
ARNOLD, JANET	172	\$8,741.04
	236	\$10,373.04

Service Billing
For Billing Period: Sep 2005

Philadelphia Suburban Corporation

Charge To: Philadelphia Suburban Water

Service: PA Management Audit M91400

Employee Name	Hour	Total
FINNICUM, LARRY	44	\$1,363.56
ARNOLD, JANET	149	\$9,202.24
	193	\$10,565.80

Service Billing
For Billing Period: Oct 2005

Philadelphia Suburban Corporation

Charge To: Philadelphia Suburban Water

Service: PA Management Audit M91400

Employee Name	Hour	Total
FINNICUM, LARRY	28	\$975.52
ARNOLD, JANET	128	\$8,887.04
	156	\$9,862.56

Service Billing
For Billing Period: Nov 2005

Philadelphia Suburban Corporation

Charge To: Philadelphia Suburban Water

Service: PA Management Audit M91400

Employee Name	Hour	Total
FINNICUM, LARRY	11	\$402.05
ARNOLD, JANET	83	\$6,045.72
PAPE, KATHY	4	\$796.48
	98	\$7,244.25

Service Billing
For Billing Period: Dec 2005

Philadelphia Suburban Corporation

Charge To: Philadelphia Suburban Water

Service: PA Management Audit M91400

Employee Name	Hour	Total
FINNICUM, LARRY	12	\$469.44
ARNOLD, JANET	45	\$3,507.75
	57	\$3,977.19

Witness: Robert M. Griffin
Date: January 17, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET I

DOCKET NO. R-00051030

OCA-I-53. Please describe each policy included on page 42 of Exhibit 1-A. For each policy, please provide details of the coverage including the deductible and other relevant provisions.

A. See attached details.

AQUA

America.

Policy Summary

(See actual policies for sublimits)

Coverage	Carrier	Policy #/ Expiration Date	Deductible	Limits	Premium
General Liability	ACE USA	HDO G21724804 10/1/2006	\$250,000 per occurrence	\$1,000,000 occ. \$5,000,000 agg.	\$492,465
Workers' Compensation & Employer's Liability	ACE USA	WLR C44335177 10/1/2006	\$250,000 each accident	Statutory/ \$1,000,000 each accident \$1,000,000 disease	\$526,645
Automobile Liability	ACE USA	ISA HO8007986 10/1/2006	\$100,000 per occurrence	\$1,000,000 each accident, UM/UIM rejected where allowed	\$225,610
Umbrella Liability	National Union Fire Ins. Co. of Pittsburgh, PA	2979940 10/1/2006	\$25,000	\$25,000,000 each occurrence \$25,000,000 aggregate xs of primary	\$825,000
Excess Liability	Allied World Assurance Company	C000941 10/1/2006	N/A	\$25,000,000 each occurrence \$25,000,000 aggregate xs of \$25,000,000	\$270,000
Consultants Environmental Liability	Greenwich Insurance Company	PEC000431506 10/1/2006	\$75,000	\$2,000,000 Per occurrence \$4,000,000 aggregate	\$118,965
Pollution and Remediation Legal Liability	Greenwich Insurance Company	PEC000431606 10/01/2006	\$50,000	\$2,000,000 Per occurrence \$4,000,000 aggregate	\$199,125
Travel Accident	LINA	ABL 651454 7/1/03 - 7/1/06	N/A	Five times base annual salary to maximum of \$1,000,000	\$9,447.30 (Three Year Pre-Paid)

AQUA

America.

Coverage	Carrier	Policy #/ Expiration Date	Deductible	Limits	Premium
Employment Practices Liability	Zurich American Insurance Co.	EOC 3553328-06 3/15/06	\$100,000 per loss (including defense)	\$5,000,000 aggregate (including defense)	\$71,053
Directors & Officers Liability	Federal Insurance Company	8103-5694 10/1/06	\$1,000,000 each loss (including defense); however no retention applies to non-indemnifiable loss	\$15,000,000 aggregate (including defense)	\$270,000
Excess Directors & Officers Liability	St. Paul Travelers	529CM0451 10/1/06	N/A	\$10,000,000 aggregate (including defense) excess \$15,000,000	\$125,000
Excess Directors & Officers Side A Only DIC	XL Insurance	ELU090152-05 10/1/06	N/A	\$5,000,000 aggregate (including defense) excess \$25,000,000	\$50,000
Outside Directorship Liability	Federal Insurance Company	8103-5694 10/1/06	\$100,000 each loss (including defense); however no retention applies to non-indemnifiable loss	\$5,000,000 aggregate (including defense)	Included in D&O premium
Fiduciary Liability	Federal Insurance Company	8153-1373 10/1/06	\$50,000 each loss (including defense); however no retention applies to non-indemnifiable loss	\$7,500,000 aggregate (including defense)	\$37,750
Crime Insurance	Federal Insurance Company	8153-1360 10/1/06	\$100,000 each loss	\$5,000,000 each loss	\$28,500
Special Crime Insurance	Federal Insurance	8153-1374 10/1/06	None	\$5,000,000 each loss	\$5,000

AQUA America.

Coverage	Carrier	Policy #/ Expiration Date	Deductible	Limits	Premium
	Company				
Primary Property (including Boiler & Machinery and Dams)	Lexington Insurance Company	1374266 07/01/06	\$100,000	Loss Limit \$25,000,000 with various sublimits	\$830,000
Excess Property (including Boiler & Machinery but Excluding Dams)	Axis Reinsurance Company	RNB708043-05 7/1/06	Follows above Primary Policy	\$75,000,000 Excess of Primary \$25,000,000. Sublimited to Values Reported plus 110% Margin Clause	\$150,000
Excess Property - Dams Only	ACE Fire Underwriters Ins. Co.	IMCI20597409003 7/1/06	Follows above Primary Policy	\$50,000,000 Excess of Primary \$25,000,000	\$44,584

Witness: Robert M. Griffin
Date: January 20, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET I

DOCKET NO. R-00051030

OCA-I-54. Regarding page 46 of Exhibit 1-A, please provide the current “wholesale rack rate” for gasoline and state how the wholesale rack rate is determined.

- A. The fixed price for 87 octane gasoline is determined daily by the New York Mercantile Exchange (www.nymex.com). On the day that the Sunoco contract was signed, the fixed price was \$1.81 per gallon. That is the price that the Company will pay to Sunoco for all gallons used during 2006. Today, the fixed price is approximately \$0.40 per gallon higher than Aqua’s contract price.

Witness: Robert M. Griffin
Date: January 20, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET I

DOCKET NO. R-00051030

OCA-I-55. Regarding page 47 of Exhibit 1-A, please provide the current “wholesale rack rate” for diesel and state how the wholesale rack rate is determined.

- A. The fixed price for diesel is determined daily by the New York Mercantile Exchange (www.nymex.com). On the day that the diesel contract was signed, the fixed price was \$2.0064 per gallon. That is the price that the Company will pay for all diesel gallons used during 2006. Today, the fixed price is approximately \$0.45 per gallon higher than Aqua’s contract price.

Witness: William J. Jerdon
Date: January 18, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET I

DOCKET NO. R-00051030

OCA-I-72. Is it correct that the Company did not include a consolidated income tax adjustment in its filing? If this is correct, please state why no such adjustment was made.

- A. Yes, the Company inadvertently excluded the consolidated tax savings (CTS) adjustment in its rate filing. See attached workpaper. A CTS adjustment of (\$22,880) will be made in the Company's revised accounting exhibits.

**Aqua Pennsylvania Water Company
Consolidated Tax Savings
Loss Companies
2002-2004**

<u>Company</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Non-Regulated</u>			
Philadelphia Suburban Corporation	(576,850)	(3,813,878)	(6,690,484)
PSC Services	(6,929)	(6,873)	(6,885)
Consumers Water Company	(332,871)	(177,029)	0
Total Loss	<u>(916,650)</u>	<u>(3,997,780)</u>	<u>(6,697,369)</u>
<u>Adjustments</u>			
Merger Costs	275,927	796,716	699,017
Discontinued Operation	332,871	309,739	
Interest for Aquasource		3,583,069	6,887,156
Net Income	<u>(307,852)</u>	<u>691,744</u>	<u>888,804</u>
Loss Allocation	(307,852)	(6,873)	(6,885)
Three Year Average		(107,203)	
Three Year Average of Taxable Income of PA Utilities		60.98%	
Adjustment		(65,373)	
Federal Income Taxes @ 35%		(22,880)	
Consolidated Tax Savings		<u>22,880</u>	

Witness: David P. Smeltzer
Date: January 25, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET IV

DOCKET NO. R-00051030

OCA-IV-8.

Please provide the amount spent to date on upgrades to the Marienville Water Supply Company system.

A.

\$932,502 was spent to-date on the Marienville water main project, the installation of two additional wells, filter backwash improvements, and interconnection piping. Late 2005 and 2006 additional capital projects includes the installation of 330 RF meters for approximately \$60,000.

Witness: David P. Smeltzer
Date: January 25, 2006

AQUA PENNSYLVANIA, INC.
2005 RATE CASE
OFFICE OF CONSUMER ADVOCATE
INTERROGATORIES – SET IV
DOCKET NO. R-00051030

OCA-IV-9. Please provide the amount spent to date on upgrades to the Meribah Water Company system.

A. Two well pumps \$60,000
Emergency generator & electrical equip. 75,000

The Company is planning on installing a tank for approximately \$175,000 in 2006.

Witness: Thomas J. Roberts
Date: January 31, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET IV

DOCKET NO. R-00051030

OCA-IV-11. Please provide the amount spent to date on upgrades to the Eagle Rock system.

A.

Eagle Rock:
Hydraulic modeling \$107,974
Replace pump at well #3 432,067
Install 4 filters at well #2 176,824

Oneida (formerly known as Eagle Rock Utility Corp.):
Emergency well remediation \$30,500
Drill new well 41,600
2006 project-replace tank 288,900

Witness: Thomas J. Roberts
Date: January 26, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET IV

DOCKET NO. R-00051030

OCA-IV-12. Please provide the amount spent to date on upgrades to the Hex Acres Water Company and Tambur's Water Works systems.

A.	Main replacement-Tambur & Hex Acres	\$239,918
	Replace electric feed controls	11,892
	Replace pump-Hex Acres	6,506

Witness: Thomas J. Roberts
Date: January 26, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET IV

DOCKET NO. R-00051030

OCA-IV-13. Please provide the amount spent to date on upgrades to the Stanton system.

A. Electrical upgrades to 3 wells \$12,531

Witness: Thomas J. Roberts
Date: January 26, 2006

AQUA PENNSYLVANIA, INC.
2005 RATE CASE
OFFICE OF CONSUMER ADVOCATE
INTERROGATORIES – SET IV
DOCKET NO. R-00051030

OCA-IV-15. Please provide the amount spent to date on upgrades to the Christian Springs Water Company.

A.	Electric improvements-well house	\$23,440
	Install 2" valve	6,362
	Replace 2 well pumps	10,933
	Replace well	67,492

Witness: Thomas J. Roberts
Date: January 26, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET IV

DOCKET NO. R-00051030

OCA-IV-18.

Please provide the amount spent to date on upgrades to the Meadowcrest system.

A.

Rehabilitate well \$90,452

In addition, the following are upgrades to the Meadowcrest system planned for 2006:

Main replacement	\$371,800
Pressure control	19,200
Storage tank	622,600
Transmission main/interceptor	1,159,000
Service line replacement	238,900

Witness: Robert M. Griffin
Date: February 6, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET IX

DOCKET NO. R-00051030

OCA-IX-7

Regarding Exhibit 1-A, page 81, please provide all workpapers showing how the future test year amount was determined for “Acquisition O.C. Since Last Rate Order”, in the amount of \$7,113,400.

A.

See attached listing. All workpapers for the Fieldcrest, Thornhurst, Christian Springs, Pennsview, Links at Gettysburg, Stanton, Wilbar, and Meadowcrest acquisition O.C. are located in Exhibit 3-A. The acquisition O.C. from prior to the test year can be examined at the Company’s office in Bryn Mawr.

Aqua Pennsylvania, Inc.
Response to Interrogatory OCA-IX-7

Acquisition	Type of System	Acq. O.C. since last Rate Order
Sunrise Estates	Reg	260,835
Cedar Lane	Non-Reg	87,614
Pine Beach	Non-Reg	24,109
Pinecrest	Non-Reg	510,000
Canal Acres	Non-Reg	14,808
Marienville	Reg	213,795
Meribah	Reg	36,613
Barrett, Hex & Tambur	Reg	42,881
Oneida	Reg	23,828
Eagle Rock	Non-Reg	3,138,053
Fieldcrest	Non-Reg	41,263
Thornhurst	Non-Reg	292,245
Christian Springs	Reg	8,945
Pennsview	Reg	249,650
Links at Gettysburg	Non-Reg	267,903
Stanton	Reg	50,097
Wilbar	Reg	1,601,917
Meadowcrest	Reg	248,844
		7,113,400

Witness: Robert M. Griffin
Date: February 6, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET IX

DOCKET NO. R-00051030

OCA-IX-7

Regarding Exhibit 1-A, page 81, please provide all workpapers showing how the future test year amount was determined for "Acquisition O.C. Since Last Rate Order", in the amount of \$7,113,400.

A.

See attached listing. All workpapers for the Fieldcrest, Thornhurst, Christian Springs, Pennsview, Links at Gettysburg, Stanton, Wilbar, and Meadowcrest acquisition O.C. are located in Exhibit 3-A. The acquisition O.C. from prior to the test year can be examined at the Company's office in Bryn Mawr.

Revised
Response
2/16/06

See revised listing, attached. The revised total of \$7,428,409 will replace the \$7,113,400 in the Company's revised rate base claim.

Aqua Pennsylvania, Inc.
 Response to Interrogatory OCA-IX-7

Acquisition	Type of System	Acq. O.C. since last Rate Order	
Sunrise Estates	Reg	260,835	
Cedar Lane	Non-Reg	87,614	
Pine Beach	Non-Reg	24,109	
Pinecrest	Non-Reg	825,009	Corrected
Canal Acres	Non-Reg	14,808	
Marienville	Reg	213,795	
Meribah	Reg	36,613	
Barrett, Hex & Tambur	Reg	42,881	
Oneida	Reg	23,828	
Eagle Rock	Non-Reg	3,138,053	
Fieldcrest	Non-Reg	41,263	
Thornhurst	Non-Reg	292,245	
Christian Springs	Reg	8,945	
Pennsview	Reg	249,650	
Links at Gettysburg	Non-Reg	267,903	
Stanton	Reg	50,097	
Wilbar	Reg	1,601,917	
Meadowcrest	Reg	248,844	
		7,428,409	

Witness: William J. Jerdon
Date: February 9, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET XIII

DOCKET NO. R-00051030

OCA-XIII-2

Regarding the response to OCA-I-72, please explain why the Company believes that each of the Adjustments (merger costs, discontinued operations, and interest for Aquasource) is appropriate when determining the consolidated income tax adjustment.

A.

The merger costs relate to the acquisition of the Consumers Water Company in 1999. These costs were deducted ratably over a five year period for tax purposes. The deductions for these costs were completed in 2004.

The discontinued operations are companies which no longer exist after December 31, 2003.

The interest deduction on the tax return of Aqua America, Inc. directly relates to the acquisition of the AquaSource group of companies on July 31, 2003. None of the interest is related to Aqua Pennsylvania. Any interest expense on the books of Aqua Pennsylvania relates to the debt of Aqua Pennsylvania.

Witness: Robert M. Griffin
Date: February 16, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET XV

DOCKET NO. R-00051030

OCA-Set XV-A1. Please provide the actual

- a) utility plant in service additions, and
- b) retirements for each month from June 30, 2005 through the latest date available.

A.

- a) See attached schedule of utility plant additions by work order by month. Note that the credit balances on the monthly reports are credits to CWIP and debits to Utility Plant. Total CWIP closed to plant from July 1, 2005 through December 31, 2005 is \$70,065,563.
- b) None.

Note: attachments are being sent via fedex and are not included in .pdf file.

Witness: Robert M. Griffin
Date: February 14, 2006

AQUA PENNSYLVANIA, INC.

2005 RATE CASE

OFFICE OF CONSUMER ADVOCATE

INTERROGATORIES – SET XV

DOCKET NO. R-00051030

OCA-XV-8

Why aren't the Pinecrest and Applewood negative acquisition adjustments included in the adjustment shown on page 34 of Exhibit 1-A?

A.

The Pinecrest and Applewood acquisition adjustments were inadvertently left off of the negative utility plant acquisition adjustments shown on page 34 of Exhibit 1-A. The Company has revised page 34 to pick up the amortization of the Pinecrest and Applewood acquisition adjustments (see attached).

AQUA PENNSYLVANIA, INC.AMORTIZATION OF NEW NEGATIVE ACQUISITION ADJUSTMENTS

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

	Historic Test Year <u>6/30/2005</u>	Future Test Year <u>6/30/2006</u>
<u>Amort. Of New Negative Acquisition Adjustments</u>		
Thornhurst Acquisition Adjustment		\$ (117,245)
Fieldcrest Acquisition Adjustment		(16,263)
Canal Acres Acquisition Adjustment		(9,807)
Cedar Lane Acquisition Adjustment		(55,614)
The Links at Gettysburg Acquisition Adjustment		(212,903)
Sunrise/Windsor Acquisition Adjustment		(24,835)
Eagle Rock Acquisition Adjustment		(1,195,279)
Wilbar Acquisition Adjustment		(1,917)
Pinecrest Acquisition Adjustment		(315,009)
Applewood acquisition Adjustment		(15,421)
Pennsview Acquisition Adjustment		<u>(219,650)</u>
		\$ (2,183,943)
Amortization Period		20 Years
Annual Amortization		\$ (109,197)
Less: Amount Expended For Twelve Months Ended June 30, 2005 Increase/(Decrease)		<u>\$ (109,197)</u>
Use		<u>\$ (109,200)</u>

Witness: Robert M. Griffin
Date: January 18, 2006

AQUA PENNSYLVANIA, INC.

OFFICE OF TRIAL STAFF

REVENUE AND EXPENSES DATA REQUESTS

DOCKET NO. R-00051030

OTS-RE-11-D

Reference the Company's Exhibit 1-A, Page 35, Maintenance of GPS Devices. Please provide a copy of the contract with @Road, Inc. for the annual maintenance of the GPS devices.

A.

The maintenance contract is attached. The latest monthly maintenance invoice is also attached. The Company's claim will be revised during the rebuttal phase of the case to reflect the annual maintenance cost of \$14,208 plus the additional Cingular annual billing of \$4092 for a total of \$18,300.

Witness: Robert M. Griffin

Date: January 20, 2006

AQUA PENNSYLVANIA, INC.

OFFICE OF TRIAL STAFF

REVENUE AND EXPENSES DATA REQUESTS

DOCKET NO. R-00051030

OTS-RE-14-D

Reference the Company's response to OE23. Please provide the rates for the Blue Cross PPO coverage. Please provide a copy of a letter or invoice documenting the current and future insurance premiums and the respective effective dates for all plans offered by the Company. Please provide the number of employees covered, the employee contribution amount and the calculations for the FTY expense claims.

A.

The Company's healthcare claim at filing was based on the budgeted employer's share of 2006 contract unit prices. The actual 2006 unit prices have just been received. Attached is the Company's revised healthcare claim and all supporting paperwork, including the Blue Cross documentation.

Witness: Robert M. Griffin

AQUA PENNSYLVANIA, INC.ACTIVE EMPLOYEE HEALTHCARE EXPENSE

The Company provides healthcare coverage to all full time employees. This adjustment utilizes the coverage level in effect during the test year times the 2005 actual and 2006 actual contract prices less the employee co-pay.

	Historic Test Year 6/30/2005	Future Test Year 6/30/2006
Keystone HMO	2,563,286	2,414,865
Keystone Point of Service	2,302,688	2,373,563
Blue Cross PPO	794,898	970,786
	<u>5,660,872</u>	<u>5,759,213</u>
Capitalized Portion Expense Claim	<u>(1,391,442)</u> 4,269,430	<u>(1,415,615)</u> 4,343,599
Less: Amount expensed for the 12 months ended June 30, 2005	<u>3,343,311</u>	<u>3,343,311</u>
Increase/(Decrease)	<u>926,119</u>	<u>1,000,288</u>
Use	<u>926,100</u>	<u>1,000,300</u>

Witness: Robert M. Griffin
Date: February 3, 2006

AQUA PENNSYLVANIA, INC.

OFFICE OF TRIAL STAFF

REVENUE AND EXPENSES DATA REQUESTS

DOCKET NO. R-00051030

OTS-RE-42-D

Reference the Company's response to SI1, Page 4, Account No. 6758, A&G Miscellaneous. Please provide a detailed breakdown for the TME June 30, 2004 and 2005 of this account which totals \$3,052,455 by contractor, service provided and amount. Provide copies of current contracts. Please provide an explanation for the increase of \$175,107 in 2005 over 2004.

A.

A breakdown of the year ended June 30, 2005 contracts and dollars is attached. The Company will provide the breakdown of the year ended June 30, 2004 in a supplemental response. The reason for the \$175,107 or 6.08% increase in the account in 2005 over 2004 is because there was \$75,517 of charitable contributions included by mistake in this account during the test year. In all other accounting periods, charitable contributions are distributed to a below-the-line account. The Company will eliminate the charitable contributions from pro-forma operating expenses in its revised accounting exhibit.

Supplemental
Response
Dated
2/17/06

See attached breakdown of account for year ended June 30, 2004.

Aqua Pennsylvania, Inc.
Account 6758 'A&G Miscellaneous'
12 Months Ended 6/30/2004

<u>Vendor</u>	<u>Service</u>	<u>Amount</u>
COALITION OF COMMERCIAL BUSINESS DUES Total	Assocaition Dues	10,057.07
DELAWARE COUNTY CHAMBER MEMBERSHIP Total	Assocaition Dues	15,128.37
DELAWARE CTY TRANSP MGMT ASSN DUES Total	Assocaition Dues	2,514.27
LOWER BERKS COUNTY CHAMBER OF COMMERCE MEMBERSHIP Total	Assocaition Dues	2,011.41
LOWER BUCKS COUNTY CHAMBER MEMBERSHIP Total	Assocaition Dues	3,897.11
MAIN LINE CHAMBER OF COMMERCE MEMBERSHIP Total	Assocaition Dues	10,308.50
PA CHAMBER/BUSINESS & INDUSTRY MEMEBERSHIP Total	Assocaition Dues	27,656.94
PENNSYLVANIA BUSINESS DUES Total	Assocaition Dues	20,114.14
PENNSYLVANIA RURAL WATER ASSOC DUES Total	Assocaition Dues	2,639.98
PENNSYLVANIA SECTION AWWA SPONSORSHIP Total	Assocaition Dues	6,285.67
PHILADELPHIA MUSEUM OF ART MEMEBERSHIP Total	Assocaition Dues	7,542.80
US CHAMBER OF COMMERCE Total	Assocaition Dues	15,085.61
WATER RESOURCES ASSOCIATION MEMBERSHIP Total	Assocaition Dues	7,542.80
COMMONWEALTH OF PENNSYLVANIA Total	Commonwealth of Pennsylvania	45,382.53
AT&T Total	Communications	106,849.79
ATX TELECOMMUNICATION SVC Total	Communications	19,471.07
AVAYA Total	Communications	799.54
BUSINESS WIRE INC Total	Communications	15,203.24
CELLULAR ONE Total	Communications	1,905.26
CINGULAR WIRELESS Total	Communications	53,943.39
NEXTEL Total	Communications	22,693.98
QWEST Total	Communications	901.94
RADIO COMMUNICATION SERV.,INC. Total	Communications	58,880.91
SPRINT Total	Communications	34,092.26
VERIZON Total	Communications	259,538.36
DELAWARE COUNTY HISTORICAL SOC CONTRIBUTIONS Total	Contributions	15,364.69
ECONOMICS PA 2004 CONTRIBUTION Total	Contributions	125,713.38
FUND FOR WEST CHESTER UNIV Total	Contributions	12,571.34
JUNIOR ACHIEVEMENT OF DEL VLY 2004 CONTRIBUTION Total	Contributions	125,713.38
PEG EDUCATION COMMITTEE CONTRIBUTION Total	Contributions	17,172.45
XEROX Total	Copying Services	9,001.38
FEDERAL EXPRESS CORP. Total	Courier	13,803.81
UNITED PARCEL SERVICE Total	Courier	119,555.95
EMPLOYEE EXPENSE REPORT Total	Employee Expenses	516,344.37
MILLER'S GAS & OIL CO. Total	Energy	30,924.66
NATIONAL FUEL GAS Total	Energy	73,083.78
PECO ENERGY Total	Energy	9,905.54
CINTAS CORPORATION Total	Facilities	20,084.67
KEYSTONE RESTORATION INC Total	Facilities	53,479.28
SERVPRO Total	Facilities	19,837.02
PITNEY BOWES CREDIT CORP. Total	Financial	30,203.10
STANDARD & POOR'S CORP. Total	Financial	116,856.38
GRAPHIC ENTERPRISES Total	Graphic Art Services	18,966.91
INTERNATIONAL GRAPHICS, INC. Total	Graphic Art Services	22,964.44
CDW COMPANY Total	Information Technology	873.88
NEPTUNE TECHNOLOGY GROUP Total	Information Technology	7,337.71
DAVIS POLK & WARDWELL LLP Total	Legal	144,682.78
BUREAU OF NATIONAL AFFAIRS INC Total	Legal Publications	5,378.22
ITRON Total	Metering Services	22,557.61
TREASURER,TWP OF LOWER MERION Total	Municipal	9,056.07
OTHER Total	Other	46,528.71
US POSTAL SERVICE Total	Postage	160,913.13
QUILL CORPORATION Total	Printer Services	4,473.26
ACCONTEMPS Total	Staffing	20,980.53
CAREERS EXPRESS Total	Staffing	17,404.21
WORKFLOW Total	Staffing	169,121.44
STAPLES Total	Supplies	165,228.52
NORFOLK SOUTHERN CORPORATION Total	Transportation	818.42
Grand Total		2,877,348.00

Witness: David P. Smeltzer
Date: February 17, 2006

AQUA PENNSYLVANIA, INC.

OFFICE OF TRIAL STAFF

REVENUE AND EXPENSES DATA REQUESTS

DOCKET NO. R-00051030

OTS-RE-58 Reference the Company's Exhibit 1-A, pages 21-1 and 21-2. Please provide the breakdown by department and employee position of the row on each page titled "Less: Actual Payroll" for the twelve months ending (TME) 6/30/2005 (Historic Test Year). The amount of actual payroll for non-union employees is \$15,264,970 and the amount of actual payroll for union payroll is \$18,217,165.

A. The Company does not have the test year payroll distribution by employee. The reconciliation of the \$1,817,800 and \$465,000 non-union and union payroll differences between the Company's historic test year claim and the test year distribution is as follows. The list of new positions and vacancies, the number of days vacant in test year, and quantification of vacancy dollar amounts are attached.

Non-Union

Annualized April 1, 2005 increases	\$458,000
New positions	741,230
Vacant positions	414,008
Variance	<u>204,562</u>
	\$1,817,800

Union

Annualized December 1, 2005 increases	\$227,700
New positions	0
Vacant positions	201,788
Variance	<u>35,512</u>
	\$465,000

Company	Accounting Unit	Row	Employee Type	Annualized Total Payroll For Historic Test Year	Test Year Vacancy Days	Test Year Vacancy Dollars
<u>Non-Union New Positions</u>						
APN	1510	40	RFT	73,600.00	365	73,600.00
APN	1510	43	RFT	53,300.00	365	53,300.00
APN	1630	73	RFT	43,200.00	365	43,200.00
APN	1650	89	RFT	30,100.00	365	30,100.00
APN	1650	91	RFT	42,700.00	365	42,700.00
APN	1650	92	RFT	43,200.00	365	43,200.00
APN	1650	93	RFT	43,200.00	365	43,200.00
APN	2040	114	RFT	30,100.00	365	30,100.00
APN	2040	115	RFT	36,700.00	365	36,700.00
APN	2040	116	RFT	36,700.00	365	36,700.00
APN	2040	117	RFT	42,700.00	365	42,700.00
APN	7430	342	RFT	24,960.00	365	24,960.00
APN	15	359	RFT	25,200.00	365	25,200.00
APN	15	360	RFT	66,350.00	365	66,350.00
APN	15	361	RFT	105,020.00	365	105,020.00
APN	15	362	RFT	44,200.00	365	44,200.00
						741,230.00

Non-Union Vacancies

APN	1120	12	RFT	62,000.00	74	12,569.86
APN	1440	35	RFT	25,000.00	50	3,424.66
APN	1510	41	RFT	36,700.00	39	3,921.37
APN	1510	42	RFT	36,700.00	7	703.84
APN	1520	46	RFT	36,700.00	33	3,318.08
APN	1520	47	RFT	42,700.00	67	7,838.08
APN	1620	49	RFT	55,236.92	102	15,436.07
APN	1630	54	RPT	20,280.00	108	6,000.66
APN	1630	56	RFT	32,001.34	115	10,082.61
APN	1630	59	RFT	30,651.20	48	4,030.84
APN	1630	61	RFT	39,604.37	108	11,718.55
APN	1630	63	RFT	20,124.00	112	6,175.04
APN	1630	65	RFT	20,280.00	110	6,111.78
APN	1630	66	RPT	20,280.00	122	6,778.52
APN	2040	69	RFT	36,043.23	36	3,554.95
APN	1630	70	RFT	30,100.00	50	4,123.29
APN	1630	71	RFT	30,100.00	18	1,484.38
APN	1630	72	RFT	43,200.00	49	5,799.45
APN	1650	73	RFT	27,000.00	113	8,358.90
APN	1650	81	RFT	45,050.00	2	246.85

Company	Accounting Unit	Row	Employee Type	Annualized Total Payroll For Historic Test Year	Test Year Vacancy Days	Test Year Vacancy Dollars
APN	1650	87	RFT	30,100.00	25	2,061.64
APN	1650	88	RFT	30,100.00	117	9,648.49
APN	1650	90	RPT	30,100.00	76	6,267.40
APN	2030	95	RFT	33,000.00	109	9,854.79
APN	2030	96	RFT	36,400.00	109	10,870.14
APN	2040	101	RFT	30,965.54	108	9,162.41
APN	2040	112	RFT	31,304.00	36	3,087.52
APN	2040	113	RFT	31,304.00	200	17,152.88
APN	2615	152	RFT	52,600.00	257	37,036.16
APN	2910	163	RFT	50,777.00	184	25,597.17
APN	4420	235	RFT	37,800.00	243	25,165.48
APN	4720	253	RFT	42,000.00	184	21,172.60
APN	5120	265	TPT	26,970.69	11	812.82
APN	6163	293	RFT	69,472.00	96	18,272.09
APN	7130	313	RFT	35,360.00	304	29,450.52
APN	7310	321	RFT	70,000.00	243	46,602.74
APN	7430	340	RFT	22,880.00	243	15,232.44
APN	7430	343	RFT	26,208.00	68	4,882.59
						414,007.66

Union New Positions

None

Union Vacancies

APU	1270	374	UFT	42,400.00	146	16,960.00
APU	4143	434	UFT	68,108.77	17	3,172.19
APU	4143	449	UFT	61,334.19	22	3,696.86
APU	4143	455	UFT	64,834.19	23	4,085.44
APU	4442	480	UFT	60,379.19	33	5,458.94
APU	4442	482	UFT	76,096.28	53	11,049.60
APU	4442	483	UFT	51,653.00	37	5,236.06
APU	4445	485	UFT	62,484.28	73	12,496.86
APU	4445	486	UFT	58,188.19	63	10,043.44
APU	4445	495	UFT	67,804.77	39	7,244.89
APU	4742	514	UFT	59,598.19	41	6,694.59
APU	4745	520	UFT	61,917.19	98	16,624.34
APU	4745	523	UFT	68,545.77	45	8,450.85
APU	4745	539	UFT	65,512.77	61	10,948.71

Company	Accounting Unit	Row	Employee Type	Annualized Total Payroll For Historic Test Year	Test Year Vacancy Days	Test Year Vacancy Dollars
APU	4745	540	UFT	51,607.19	34	4,807.25
APU	4745	547	UFT	48,512.00	19	2,525.28
APU	6163	607	UFT	56,302.52	21	3,239.32
APU	6164	641	UFT	45,332.00	97	12,047.13
APU	7130	646	UFT	42,889.60	66	7,755.38
APU	15	688	UFT	42,700.00	66	7,721.10
APU	15	689	UFT	42,700.00	69	8,072.05
APU	15	690	UFT	42,700.00	60	7,019.18
APU	15	691	UFT	42,700.00	134	15,676.16
APU	15	692	UFT	42,700.00	45	5,264.38
APU	15	693	UFT	42,700.00	20	2,339.73
APU	15	694	UFT	42,700.00	27	3,158.63
						201,788.36

Witness: David P. Smeltzer
Date: February 17, 2006

AQUA PENNSYLVANIA, INC.

OFFICE OF TRIAL STAFF

REVENUE AND EXPENSES DATA REQUESTS

DOCKET NO. R-00051030

OTS-RE-60 Please provide the Company's employee turnover rate for the TME 6/30/2003, 6/30/2004 and 6/30/2005. Include all supporting calculations and work papers.

Answer:	<u>TME</u>	<u>Calculation</u>	<u>Rate</u>
	6/30/03	52 Open Positions/734 Employees	7.08%
	6/30/04	39 Open Positions/679 Employees	5.74%
	6/30/05	80 Open Positions/694 Employees	11.50%

Witness: Robert M. Griffin
Date: February 17, 2006

AQUA PENNSYLVANIA, INC.

OFFICE OF TRIAL STAFF

REVENUE AND EXPENSES DATA REQUESTS

DOCKET NO. R-00051030

OTS-RE-70

Reference the Company's response to OCA-1-8, the attachment calculating Employee Group Insurance lead lag days.

- A. Explain why for the months of May and June the payments result in a lag of 31 days and 1 day respectively when the other months July through April result in lead days.
- B. Has there been a change in payment terms that resulted in a lag in place of a lead calculation? Will this continue in the future?
- C. Provide an explanation and any supporting calculations for Group Insurance lead days of (0.6) as referred to in page 1 of the Company's response to OCA-1-8.

A.

A.B.C. Prior to May 2005, Aqua Pennsylvania paid the insurance vendors directly each month. Starting May 2005, Aqua America pays the insurance vendors directly and bills each regulated subsidiary for their portion of the bill. As a result, the payment schedule for group insurance has changed. See revised lag day schedule for Group Insurance, attached. The Company will revise its cash working capital claim in its revised accounting exhibit.

Aqua Pennsylvania, Inc.

OTS-RE-70

Revised
2/17/2006

LEAD - LAG STUDY 2005 RATE CASE

EMPLOYEE GROUP INSURANCE - BLUE CROSS (ACTIVE EMPLOYEES) 1920-604811

BILL DATES	Service Midpoint	DATE PAID	Payment / CK Number	(LEAD)		DOLLAR DAYS
				AMOUNT	LAG DAYS	
06/01/05	06/15/05	06/16/05	wire	62,239.52	1.0	62,240
07/01/05	07/15/05	06/30/05	wire	61,227.46	(15.0)	(918,412)
08/01/05	08/15/05	08/02/05	wire	60,527.57	(13.0)	(786,858)
09/01/05	09/15/05	09/08/05	wire	103,051.96	(7.0)	(721,364)
10/01/05	10/15/05	10/05/05	wire	104,693.55	(10.0)	(1,046,936)
11/01/05	11/15/05	11/01/05	wire	105,960.81	(14.0)	(1,483,451)
12/01/05	12/15/05	12/05/05	wire	106,986.59	(10.0)	(1,069,866)
				604,687.46	(9.9)	(5,964,647)

EMPLOYEE GROUP INSURANCE - KEYSTONE HEALTHCARE - HMO (ACTIVE EMPLOYEES) 1920-604820

BILL DATES	Service Midpoint	DATE PAID	Payment / CK Number	(LEAD)		DOLLAR DAYS
				AMOUNT	LAG DAYS	
06/01/05	6/15/05	06/16/05	wire	396,503.57	1.0	396,504
07/01/05	7/15/05	06/30/05	wire	198,104.49	(15.0)	(2,971,567)
08/01/05	8/15/05	08/02/05	wire	192,506.34	(13.0)	(2,502,582)
09/01/05	9/15/05	09/08/05	wire	193,874.69	(7.0)	(1,357,123)
10/01/05	10/15/05	10/05/05	wire	194,688.35	(10.0)	(1,946,884)
11/01/05	11/15/05	11/01/05	wire	196,501.20	(14.0)	(2,751,017)
12/01/05	12/15/05	12/05/05	wire	196,461.54	(10.0)	(1,964,615)
				1,568,640.18	(8.3)	(13,097,285)

EMPLOYEE GROUP INSURANCE - KEYSTONE HEALTHCARE POS HMO (ACTIVE EMPLOYEES) 1920-604819

BILL DATES	Service Midpoint	DATE PAID	Payment / CK Number	(LEAD)		DOLLAR DAYS
				AMOUNT	LAG DAYS	
06/01/05	6/15/05	06/16/05	wire	138,105.90	1.0	138,106
07/01/05	7/15/05	06/30/05	wire	190,979.12	(15.0)	(2,864,687)
08/01/05	8/15/05	08/02/05	wire	198,342.94	(13.0)	(2,578,458)
09/01/05	9/15/05	09/08/05	wire	198,183.74	(7.0)	(1,387,286)
10/01/05	10/15/05	10/05/05	wire	197,663.97	(10.0)	(1,976,640)
11/01/05	11/15/05	11/01/05	wire	199,218.01	(14.0)	(2,789,052)
12/01/05	12/15/05	12/05/05	wire	198,653.56	(10.0)	(1,986,536)
				1,321,147.24	(10.2)	(13,444,553)

EMPLOYEE GROUP INSURANCE - LT DISABILITY (ACTIVE EMPLOYEES) JEFFERSON PILOT 1920-604842

BILL DATES	Service Midpoint	DATE PAID	Payment / CK Number	(LEAD)		DOLLAR DAYS
				AMOUNT	LAG DAYS	
06/01/05	6/15/05	06/16/05	wire	10,610.02	1.0	10,610
07/01/05	7/15/05	06/30/05	wire	10,501.73	(15.0)	(157,526)
08/01/05	8/15/05	08/02/05	wire	10,460.39	(13.0)	(135,985)
09/01/05	9/15/05	09/08/05	wire	10,460.39	(7.0)	(73,223)
10/01/05	10/15/05	10/05/05	wire	10,564.31	(10.0)	(105,643)
11/01/05	11/15/05	11/01/05	wire	10,593.78	(14.0)	(148,313)
12/01/05	12/15/05	12/05/05	wire	10,758.27	(10.0)	(107,583)
				73,948.89	(9.7)	(717,662)

Aqua Pennsylvania, Inc.

OTS-RE-70

Revised
2/17/2006

LEAD - LAG STUDY 2005 RATE CASE

EMPLOYEE GROUP INSURANCE - DELTA DENTAL (ACTIVE EMPLOYEES) 1920-604813

BILL DATES	Service Midpoint	DATE PAID	Payment / CK Number	(LEAD)		DOLLAR DAYS
				AMOUNT	LAG DAYS	
06/01/05	6/15/05	06/16/05	wire	39,764.51	1.0	39,765
07/01/05	7/15/05	06/30/05	wire	39,288.96	(15.0)	(589,334)
08/01/05	8/15/05	08/02/05	wire	39,016.91	(13.0)	(507,220)
09/01/05	9/15/05	09/08/05	wire	39,533.71	(7.0)	(276,736)
10/01/05	10/15/05	10/05/05	wire	39,506.11	(10.0)	(395,061)
11/01/05	11/15/05	11/01/05	wire	39,612.21	(14.0)	(554,571)
12/01/05	12/15/05	12/05/05	wire	39,586.21	(10.0)	(395,862)
				276,308.62		(2,679,020)
					(9.7)	

EMPLOYEE GROUP INSURANCE - LIFE (ACTIVE EMPLOYEES) - JEFFERSON PILOT 1920-604840

BILL DATES	Service Midpoint	DATE PAID	Payment / CK Number	(LEAD)		DOLLAR DAYS
				AMOUNT	LAG DAYS	
06/01/05	6/15/05	06/16/05	wire	15,358.52	1.0	15,359
07/01/05	7/15/05	06/30/05	wire	15,118.99	(15.0)	(226,785)
08/01/05	8/15/05	08/02/05	wire	15,033.28	(13.0)	(195,433)
09/01/05	9/15/05	09/08/05	wire	15,033.28	(7.0)	(105,233)
10/01/05	10/15/05	10/05/05	wire	15,100.65	(10.0)	(151,007)
11/01/05	11/15/05	11/01/05	wire	15,162.80	(14.0)	(212,279)
12/01/05	12/15/05	12/05/05	wire	15,361.27	(10.0)	(153,613)
				106,168.79		(1,028,990)
					(9.7)	
				3,950,901		(36,932,157)
					(9.3)	

Witness: Daniel J. Adams
Date: December 21, 2005

AQUA PENNSYLVANIA, INC.

OFFICE OF TRIAL STAFF

RATE STRUCTURE DATA REQUESTS

DOCKET NO. R-00051030

OTS-RS-13-D

In reference to the 1,419,800,000 gallons of water purchased from the City of Philadelphia and described on page 26 of Aqua-PA Exhibit No 1 A:

- A. Provide a copy of the contract.
 - B. Explain why the Contract allows Philadelphia Water Department to increase rates as high as 40% in one year?
-
- A. A. Please see attached copy of the purchased water agreement between the Company and the Philadelphia Water Department (PWD)
 - B. Refer to Article III C of the attached agreement, which sets forth the City's right to make periodic rate adjustments.

AGREEMENT

This agreement (hereinafter called the "Agreement"), made this 29th day of June, 2000, (Hereinafter "Effective Date") by and between the City of Philadelphia, Pennsylvania (hereinafter called the "City"), and the Philadelphia Suburban Water Company, located at 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010, (hereinafter called "Wholesale Purchaser") (Collectively the "Parties").

WHEREAS, by Ordinance (Bill No.1129, certified on May 20, 1987) the Water Commissioner of the City has been authorized to enter into agreements for the sale of drinking water in accordance with the standards set forth in the Ordinance; and

WHEREAS, the City owns and operates a drinking water treatment and conveyance system (hereinafter called "City Facilities") within the City limits and can supply safe drinking water to Wholesale Purchaser in addition to meeting the present and anticipated future needs of its existing drinking water customers; and

WHEREAS, the Wholesale Purchaser has requested that the City supply it with sufficient drinking water to meet the demands of a new facility to be constructed, known as the Liberty Electric Power facility in Eddystone Borough, Delaware County, as well as to furnish drinking water for other entities and purposes; and

WHEREAS, Wholesale Purchaser has agreed to pay Water Charges in accordance with Article V of this Agreement in consideration of the City's commitment to reserve and allocate drinking water and conveyance capacity on a long term basis; and

WHEREAS, the City is desirous of fully utilizing its drinking water treatment and conveyance capacity and receiving full and fair compensation for its capital and operating costs; and

WHEREAS, Wholesale Purchaser has agreed to install all water lines, pipes and connected fixtures contemplated by this Agreement in accordance with City specifications;

NOW, THEREFORE, intending to be legally bound and in consideration of the mutual covenants contained herein, the parties agree that the City shall supply drinking water to

Wholesale Purchaser, and Wholesale Purchaser shall receive and pay for this drinking water supplied to it according to the following terms and conditions:

Article I - Wholesale Purchaser Facilities.

Wholesale Purchaser shall provide at its sole cost and expense all necessary equipment, pipes and facilities to connect to, receive, maintain, control, meter and distribute drinking water from the City's distribution system (Hereinafter "Wholesale Purchaser Facilities"). Wholesale Purchaser shall be solely responsible for the design, construction, operation, maintenance, repair and replacement of all Wholesale Purchaser Facilities with one exception. That exception is the Water Metering System(s), defined and discussed in Article IV, which sets forth the respective rights and obligations of the Parties regarding the Water Metering System(s).

Wholesale Purchaser shall provide the City with its design plans and specifications for interconnection and metering facilities at the Tinicum Interconnection and the Cheltenham Interconnection. Construction of these facilities shall not begin until the City has reviewed and approved the design plans and specifications, and City agrees that such approval will not be unreasonably delayed or denied. Wholesale Purchaser must meet all applicable City design and construction standards. The current metering system at the Bensalem Interconnection will remain in service and not be modified, as long as it serves as an emergency interconnection only.

The interconnection and metering facilities shall be designed and built so that a shut off valve prior to the metering chamber can be operated by the City. Wholesale Purchaser conveys all necessary access and rights of way to the City so that the City can access and operate the valve. Any bypass piping around the meter shall be alarmed so that an alarm signal is sent to the City when flow is bypassing the meter.

Article II - City Facilities.

The City shall only be responsible for operating, maintaining, repairing and replacing City owned mains and City owned related fixtures that are necessary to convey safe drinking water to the Interconnection Points set forth in Article III (Hereinafter "City Facilities"). In addition, the City shall have Water Metering System obligations as set forth in Article IV and the

water supply obligations as set forth in article VIII. The obligation of the City to provide safe drinking water means, from a water quality standpoint, that the quality of the water delivered to Wholesale Purchaser at the point of interconnection as set forth in Article III shall comply with all federal and state safe drinking water requirements. Wholesale Purchaser will have the opportunity to review City water quality information and to conduct its own sampling program at the point of interconnection upon reasonable notice to City. Such sampling shall be conducted in accordance with sampling and analytical protocols approved by the City.

Wholesale Purchaser has the sole responsibility for maintaining water quality at all points after the Interconnection Points set forth in Article III. The City shall not have any responsibility or liability for water quality beyond the point at which it delivers water to the Wholesale Purchaser as set forth in Article III.

Article III - Interconnection Points.

Wholesale Purchaser shall connect its Wholesale Purchaser Facilities to the City's distribution system only at the following three approved interconnection points:

- (1) Industrial Highway (Route 291) in the vicinity of Septa's R-1 Airport Rail Line (Hereinafter the "Tinicum Interconnection")
- (2) Vernon Road and Cheltenham Avenue (Hereinafter the "Cheltenham Interconnection")
- (3) Knights Road north of Mechanicsville Road (Hereinafter the "Bensalem Interconnection").

These connection points may be modified or supplemented, upon mutual written agreement of the parties.

Article IV - Metering.

Wholesale Purchaser shall at its sole cost and expense, construct, with the City's prior review and approval, a Water Metering System at the Tinicum and Cheltenham Interconnection

Points to accurately measure Wholesale Purchaser's water usage. These Water Metering System(s) shall consist of a water meter and telemetry equipment to bring the water usage information to the City's Load Control Center. (The "Water Metering System(s)")

Once constructed, Wholesale Purchaser hereby transfers sole and exclusive ownership of the Water Metering Systems to the City. . The City shall have the sole and exclusive right and obligation to maintain, repair, replace, inspect and calibrate the Water Metering Systems. Wholesale Purchaser hereby conveys all necessary access, egress and rights of way to the City, its agents and/or contractors, so that the City may operate, maintain, repair, replace, inspect and calibrate the Water Metering Systems.

Wholesale Purchaser may also install telemetry equipment to bring the water usage information to its load control center. Other than the Water Metering Systems, all other Wholesale Purchaser Facilities shall remain owned, operated and maintained by the Wholesale Purchaser.

The City shall calibrate the meters quarterly and provide calibration reports to the Wholesale Purchaser. Wholesale Purchaser has the right to be present at all meter calibrations and to request all calibration information in the possession of the City and/or its contractor performing the calibration work.

Article V – Water Charge, Management Fee and Change to Water Charge

A. Water Charge

The Water Charge shall be paid by the Wholesale Purchaser to the City for supplying it with drinking water. The Water Charge shall consist of a fixed charge and a usage charge.

(1) The Fixed Charge

The fixed charge shall be assessed as one charge covering service to both the Tinicum and Cheltenham Interconnections. The fixed charge shall be as follows:

- (a) For the period beginning at the commencement of water supply to the Tincum Interconnection until two (2) years from the Effective Date of the agreement, a fixed charge of \$54,300 per month shall be assessed. This time period reflects the starting of the Liberty Electric Facility in Eddystone and the two (2) year waiting period before City water can be used to supplant water purchased by the Wholesale Purchaser under another supply contract.
- (b) For the period beginning two (2) years from the effective date of this agreement until the commencement of service through the Cheltenham Interconnection, or December 31, 2002, whichever occurs first, a fixed charge of \$98,000 per month shall be assessed. This time period reflects full service at the Tincum Interconnection.
- (c) For the period beginning with the commencement of water service through the Cheltenham Interconnection, or December 31, 2002, whichever occurs first, and continuing throughout the remaining term of the Agreement a fixed charge of \$141,900 per month shall be assessed.
- (d) [Reserved for possible Bensalem connection – See Article IX]
- (e) In the event Liberty Electric's water purchases from Wholesale Purchaser completely cease and are not replaced by other water purchases, Wholesale Purchaser can request the City to revise Wholesale Purchaser's capacities at the Tincum connection, as shown in Article VIII A. City shall revise the capacities and fixed charges as follows:
- (i) If Liberty Electric's purchases completely cease during the period covered in Article VA (1) (a), the average day demand, maximum day demand limits and maximum half hour demand limits shall be zero and there shall be no fixed charge assessed to Wholesale Purchaser.
 - (ii) If Liberty Electric's purchases completely cease during the period covered by Article VA (1)(b), the average day demand shall be reduced to 2.0

MGD; and the maximum day demand limit shall be reduced to 3.4 MGD. The maximum ½ hour demand limit shall be 5.0 MGD for Tunicum. The fixed charge shall accordingly be reduced to \$44,000 per month.

- (iii) If Liberty Electric's purchase completely cease during the period covered by Article VA (1)(c), the average day demand shall be reduced to 4.0 MGD (2.0 MGD for Tunicum and 2.0 MGD for Cheltenham) and the maximum day demand limits shall be reduced to 3.4 MGD for Tunicum and 2.5 MGD for Cheltenham. The maximum ½ hour demand limits shall be 5.0 MGD for Tunicum and 3.0 for Cheltenham. The fixed charge shall accordingly be reduced to \$87,700 per month.
- (iv) If Liberty Electric's purchases are substantially reduced, City and Wholesale Purchaser agree to negotiate an equitable adjustment to the fixed charges as well as appropriate adjustments to the flow rates shown in Article VIII A.
- (f) Should Wholesale Purchaser be unable to utilize the Tunicum Interconnection due to a force majeure event the fixed charge for the Cheltenham Interconnection shall be \$32,400 per month.

(2) The Usage Charge

In addition to the monthly fixed charge all water usage shall be billed at \$0.103 per 1000 gallons.

B. Management Fee

In addition to the Water Charge described in Article V (A), Wholesale Purchaser shall pay to the City a Management Fee equal to ten percent (10%) of the Water Charge. The City shall add this 10% Management Fee to Wholesale Purchaser's monthly billings.

C. Periodic Rate Adjustments to Water Charge

As a matter of law the City is required to recover from Wholesale Purchaser its costs incurred in providing Wholesale Purchaser with safe drinking water and the applicable management fee. As the costs of providing safe drinking water to Wholesale Purchaser increases, the City may increase the Water Charge to Wholesale Customer accordingly. (Hereinafter "Periodic Rate Adjustments"). These Periodic Rate Adjustments shall be calculated in accordance with a cost of service study which shall be provided at least sixty (60) days in advance of the effective date of any new Water Charge. These Periodic Rate Adjustments shall occur from time to time throughout this Agreement when the City adjusts its general water rates for its City customers. Should the City raise its water rates prior to July 1, 2002, the City agrees not to bill Wholesale Purchaser based on the increased rates until July 1, 2002.

Wholesale Purchaser shall review the Periodic Rate Adjustment and the cost of service study within 60 days of their receipt. If the Wholesale Purchaser believes that the Periodic Rate Adjustment/cost of the service study is incorrect then Wholesale Purchaser shall, within the 60 day period, deliver to the City a letter formally objecting to the Periodic Rate Adjustment/cost of service study. This letter shall specify all Wholesale Purchaser objections to the Periodic Rate Adjustment/cost of service study in as precise detail as possible. Receipt of the objection letter by the City shall immediately trigger the Arbitration provision of this Agreement contained in Article XV.

While the Periodic Rate Adjustment dispute is being resolved, the City shall bill, and Wholesale Purchaser shall pay, at the new rate reflected in the Periodic Rate Adjustment/cost of service study. However, until the Periodic Rate Adjustment dispute is settled by the parties or the Board of Arbitrators, Wholesale Purchaser may pay the disputed portion of the bill into the Escrow Account as set forth in Article VI(C). All undisputed amounts shall be paid directly to the City.

D. Use of Water for Testing and Disinfecting Wholesale Purchaser's Facilities

Wholesale Purchaser shall have the right to use water for the purposes of testing its facilities and disinfecting its main prior to startup of the Tincum Interconnection. For this period only no fixed charge shall apply. Wholesale Purchaser agrees to pay \$0.90 per one thousand gallons of usage, inclusive of the management fee.

Article VI – Billing and Payment

A. Billing

The City shall bill Wholesale Purchaser for its Water Charge and Management Fees, and any other costs or charges owed to the City, on a monthly basis.

B. Payment

- (1) Wholesale Purchaser shall make payment in full within thirty (30) days from the date of the bill.
- (2) If Wholesale Purchaser objects to any bill, in whole or in part, it shall notify the City in writing prior to the bill's due date. (This writing shall be referred to hereinafter as the "Bill Objection Letter".) The Bill Objection Letter shall state in precise detail, based on the information available to the Wholesale Purchaser the exact nature of the objections and shall include any facts or documentation supporting the objections. Sixty (60) days after the City's receipt of the Bill Objection Letter both parties shall proceed to arbitration pursuant to Article XV of the Agreement in order to resolve the specific objections raised in the Bill Objection Letter. During this 60-day period prior to Arbitration both parties shall attempt to negotiate a settlement of their differences. Upon the mutual agreement of the City and Wholesale Purchaser, the arbitration may be delayed for a specified period of time in order to allow the parties additional time for a negotiated settlement. The

delay in proceeding to arbitration shall last only as long as is mutually agreed by both parties.

C. Escrow

All billings, including all billings subject to a Bill Objection Letter, shall be paid in full and on time. There are no exceptions to this rule. However, if a Bill Objection Letter is received prior to the bill's due date, the Wholesale Purchaser may elect to pay the disputed portion of the bill into a special escrow account held by the City. Payment into this escrow account shall occur on or before the bill's due date. The undisputed portion of the bill shall be paid directly to the City. The funds shall remain in the special escrow account until the matter is settled by the parties or is resolved by arbitrator(s). If a Bill Objection Letter is not received prior to the bill's due date, then the Wholesale Purchaser shall pay the billing in full and on time directly to the City and not into the escrow account. The City shall be entitled to the interest earned on the portion of the escrowed funds which by agreement or through arbitration is deemed payable to the City. Similarly, Wholesale Purchaser shall be entitled to the interest earned on that portion of the escrowed funds which by agreement or through arbitration is deemed payable to Wholesale Purchaser. The interest payable to the Wholesale Purchaser shall be applied as a credit to the Wholesale Purchaser's next billing.

D. Late Fees.

Late Fees at the rate of one and one-quarter percent (1¼%) per month simple interest shall be added to any balance unpaid thirty (30) days after billing. Under two special conditions, funds paid into the escrow account shall also be subject to a late charge of one and one quarter percent (1¼%) per month. These two special conditions are:

- (1) The arbitrator(s) determine that the Wholesale Purchaser's payment into the escrow account was made in bad faith; or
- (2) The Wholesale Purchaser made payments into the escrow account without submitting its Objection Letter to the City prior to the bill's due date.

Article VII – Billings.

Billings shall be based on the telemetry information received from the City's Water Metering Systems.

In the event that the City's telemetry reading shall malfunction or become inoperative for any period of time the City shall estimate the quantity of water delivered to Wholesale Purchaser during the period of malfunction or non-operation based upon one of the following methods set forth in their order of preference:

- (1) In cases where Wholesale Purchaser has installed its own telemetry measuring total flow, such telemetry readings will be used; or
- (2) An actual reading of the meter at the metering chamber; or
- (3) In all other cases, estimates will be based upon prior metered usage.

The water meter will be calibrated quarterly. If the calibrations reveal that during the past quarter the meter was recording the flow within a plus or minus 2.00% margin of error then the recorded flow and all bills based on such recorded flow shall be acceptable to both parties. Should the quarterly calibration reveal that the meter's error was greater than plus or minus 2.00%, both parties agree that the previous quarter's bills shall be adjusted to reflect the full error rate determined by the quarterly calibration.

Article VIII – Average, Maximum and Instantaneous Flow.

A. At the Tincum Interconnection, the City will provide to Wholesale Purchaser a rate flow sufficient to satisfy:

- (i) An annual average daily demand of 4.5 million gallons per day ("MGD")
- (ii) a maximum daily demand limit of 8.5 MGD and
- (iii) an instantaneous (½ hour) maximum demand limit of 10 MGD.
- (iv) During the interim periods of this agreement, as described in Articles VA1(a) and VA1(b), the demand limits shall be as follows:

Article VA1(a):	
Maximum Day	5.6 MGD

Maximum ½ hr. 6.1 MGD

Article VA1(b):

Maximum Day 8.5 MGD

Maximum ½ hr. 10 MGD

B. At the Cheltenham Interconnection the City will provide to Wholesale Purchaser a rate of flow sufficient to satisfy:

- (i) An annual average daily demand of 2.0 MGD
- (ii) a maximum daily demand limit of 2.5 MGD
- (iii) an instantaneous (½ hour) maximum demand limit of 3.0 MGD

[Reserved for possible Bensalem connection – See Article IX]

Article IX – Emergency Service through the Bensalem Interconnection

The parties agree that they will work together to develop a service connection at the Bensalem Interconnection. If the parties are successful and an agreement can be reached for service at the Bensalem Interconnection, the City shall consider Wholesale Purchaser's existing water usage through the Tinicum and Cheltenham Interconnections in calculating the Water Charge for service at the Bensalem Interconnection.

Article X – Excess Demand Charges

In the event Wholesale Purchaser exceeds the Maximum Day or Maximum ½ Hour demand limits, or both, as stated in Article VIII; or as revised in accordance with the terms of Article VA(1)(e), the City shall assess Wholesale Purchaser an excess demand charge as follows:

A. Exceedance of Maximum Daily Demand Limit(s)

1. For exceedance of the maximum daily demand limit at any interconnection, the excess demand charge shall be calculated by determining the percentage exceedance, as measured by the City, relative to the contract limit and multiplying that percentage by the current monthly fixed charge. For any

exceedance of the maximum daily limit greater than 15% the excess demand charge above shall be multiplied by three (3).

2. If an exceedance of the maximum daily demand limit occurs in three (3) consecutive months; the excess demand charges shall be calculated by multiplying the monthly fixed charge by two (2) for the third month in which the exceedance(s) occurs, and any subsequent months in which an exceedance(s) occurs in the same calendar year. If calculation of the excess demand charge under A1 above is greater than under A2, the higher charge shall be billed to Wholesale Purchaser. This paragraph, XA(2), shall not become effective until two years after the Effective Date of this Agreement.
3. In the event of exceedance(s) greater than 15%, or as specified in Article XA2 above, Wholesale Purchaser shall have the right to contract for higher maximum daily limits to cover its exceedance(s), provided City, in its judgement, has such capacity to make available to Wholesale Purchaser. If such higher limits are contracted for City agrees to waive the excess demand charge retroactive to the first such charge levied in the current calendar year, and City shall rebill Wholesale Purchaser using the new higher fixed monthly charge retroactive to the earliest month in which the excess demand charge was waived.

B. Exceedances of Maximum ½ Hour Demand Limit(s)

For exceedances of the Maximum ½ hour demand limit, the excess demand charge shall be equal to the monthly fixed charge for each month in which such exceedance(s) occur. If exceedance(s) of the limit occur in three or more consecutive months the excess demand charge shall be calculated by multiplying the monthly fixed charge by two (2) for the third and subsequent months in a calendar year in which exceedance(s) occur.

- C. For purposes of calculating excess demand charges the fixed charges between the Tunicum and Cheltenham interconnections shall be allocated as follows:

- (1) For the period from the beginning of this Agreement to the start of the Cheltenham interconnection or to January 1, 2003, whichever comes first, Tincum is allocated 100%.
 - (2) For the period starting when the Cheltenham interconnection starts or January 1, 2003, whichever comes first, through to the end of this Agreement, Tincum is allocated 77% and Cheltenham is allocated 23%.
 - (3) In the event the Liberty Electric Plant ceases operation permanently Tincum is allocated 58% and Cheltenham is allocated 42%.
 - (4) Should Wholesale Purchaser be unable to utilize the Tincum Interconnection due to a force majeure event the Cheltenham Interconnection is then allocated 100%.
- D. When multiple exceedances occur in a given month, the exceedance used for billing excess demand charges shall be that which yields the higher (est) charge.
- E. Nothing in Article X shall require the City to make improvements to its water system in order to make additional capacity available to Wholesale Purchaser.
- F. All Excess Demand charges shall be in addition to the regular Water Charges as described in Article V, and shall be subject to the terms of Article VI.
- G. For the purposes of determining whether an exceedance has occurred the City acknowledges that meters are accurate within plus or minus 2.00%. Therefore, an exceedance will only be deemed to occur if the maximum daily demand limits or the maximum ½ hour demand limits are exceeded by more than 2.00% over the demand limits set forth in Article VIII. Should an exceedance occur, the calculation of Excess Demand Charges pursuant to this Article shall be based on the actual demand limits set forth in Article VIII.

Article XI - No Liability for Interruption in Service.

Wholesale Purchaser acknowledges that service can be interrupted by, among other things, main breaks, equipment failures, weather conditions, etc. Therefore, the City cannot guarantee that there will be no interruptions in service. Further, the City can not guarantee any specific pressures or that fluctuations in pressure will not occur. Wholesale Purchaser agrees that the City shall not be liable or responsible for any losses or damages, consequential or otherwise, as a result of an interruption in service or failure or fluctuation in pressures. However, the City is obligated to use its best efforts to restore service and/or pressures. The City agrees not to make any changes to its City Facilities that would substantially diminish the pressures of water historically available at the Interconnection Points. Wholesale Purchaser acknowledges and accepts that the City may be required to engage in maintenance, repair or improvement activities to its City Facilities which may temporarily influence pressures available at the Interconnection Points.

Article XII - Sole Ownership and Responsibility.

The City retains sole ownership with respect to any and all City Facilities. No provisions of the Agreement shall be construed to create any type of joint ownership of property, any partnership or joint venture, or any other rights or liabilities except as expressly set forth in the Agreement.

Article XIII - Sole Right to Management and Control of City Facilities.

The City retains exclusive, full and final control with respect to all City Facilities, and further retains the sole and exclusive right to make all managerial and other decisions as to City Facilities, including but not limited to decisions regarding operation, maintenance, repair, expansion or replacement of all or a portion of City Facilities.

Article XIV - Inspection and Audit.

The parties agree that each shall keep complete records and accounts concerning their responsibilities under this Agreement. Each party shall at all times have the right to examine and inspect said records and accounts upon thirty (30) days prior written notice. If required by any

law or regulation, the City and Wholesale Purchaser shall make said records and accounts immediately available to federal, state, and local authorities.

Article XV - Arbitration of Disputes.

If any dispute shall arise between the parties hereto, concerning the terms, conditions and covenants of this Agreement or alleged violations thereof, such disputes shall be submitted to arbitration as follows:

- A. To the American Arbitration Association (AAA) for appointment of the arbitrator(s) and resolution under the Commercial Arbitration Rules and, if applicable, under the Supplemental Procedures for Large Complex Disputes or the then current rules.
- B. In the event that the AAA is no longer available for such arbitrations the parties shall follow the following procedures:
 - (1) A Board of Arbitration shall be established, composed of three (3) arbitrators, one (1) appointed by City, one (1) by Wholesale Purchaser, and the third to be agreed upon jointly by the arbitrators selected by City and Wholesale Purchaser. The third arbitrator shall be the chair.
 - (2) The arbitrators representing Wholesale Purchaser and City shall be named within five (5) days from the request for the appointment of such Board. If after a period of ten (10) days from the date of the appointments, the two (2) arbitrators appointed by City and Wholesale Purchaser cannot agree on the third arbitrator, then either appointed arbitrator may request an independent arbitration organization to furnish a list of three (3) arbitrators from which the third arbitrator shall be selected.
 - (3) The arbitrator appointed by Wholesale Purchaser shall then eliminate one (1) name from the list furnished by the independent arbitration organization within five (5) days after its publication, following which the arbitrator appointed by City shall eliminate one (1) name from the list within five (5) days thereafter. The individual whose name remains on the list shall be the third arbitrator and shall act as the Chairman of the Board of Arbitrators.
 - (4) Each party shall bear the costs of its own arbitrator and the parties shall equally divide the costs of the third arbitrator and all other common costs.

- (5) The Board of Arbitrators, thus established, shall commence the arbitration proceedings within ten (10) days after the third arbitrator is selected and shall make its determination within thirty (30) days after the appointment of the third arbitrator.
- C. All petitions to compel or stay arbitration and appeals of the arbitration decision (in cases where fraud is alleged) shall be filed in Philadelphia County Court of Common Pleas and Wholesale Purchaser accepts venue therein.
- D. The decision of the arbitrator(s) shall be final and binding upon the parties, except in the case of fraud.

Article XVI - Claims, Insurance and Related Matters.

- A. Wholesale Purchaser agrees to defend, indemnify and hold harmless the City from and against all claims, actions, causes, suits, demands, losses, interest, penalties and liabilities arising from Wholesale Purchaser's performance of the terms and conditions of this Agreement (Hereinafter "Causes of Action"). Such Causes of Action would include, but are not limited to, actions which arise as the result of:

- (1) injury (including death) to persons and damages to property arising from this Agreement due to the fault or negligence of the Wholesale Purchaser or their employees, servants or agents or the inherent nature of their operations;
- (2) United States Environmental Protection Agency (Hereinafter "EPA") or Pennsylvania Department of Environmental Protection (Hereinafter "DEP") actions of any kind whatsoever, whether direct or indirect, disapproving, rejecting or disallowing any work undertaken by Wholesale Purchaser, its contractors or consultants pursuant to this Agreement.

Wholesale Purchaser agrees to defend, indemnify and hold harmless the City from and against all claims, actions, causes, suits, demands, losses, interest, penalties and liabilities arising from the City's inability, due to causes beyond its control, to perform any of the provisions of this Agreement.

- B. Nothing set forth in this Agreement shall limit or prevent the parties from resorting to any appropriate remedy in law or equity, or any combination of remedies for non-compliance with this Article.
- C. Nothing contained in this Agreement shall be deemed to confer upon any third person any right against City or Wholesale Purchaser or to vest in said third person any cause of action against City or Wholesale Purchaser or to authorize any such person to institute any suit or suits against City or Wholesale Purchaser.

ARTICLE XVII—FORCE MAJEURE

Neither Party shall be responsible to the other for the inability, due to causes beyond its control, to perform any provisions of this Agreement. Nothing in this Article shall be construed to in any manner limit, restrict, impair, diminish or in any manner affect Article XVI of this Agreement that provides that Wholesale Purchaser shall indemnify and hold the City harmless.

Article XVIII - No Transfer of Rights Without Express Prior Written Consent.

- A. Transfer. Wholesale Purchaser shall not confer, transfer, convey, assign or license to any third party any rights obtained under this Agreement including but not limited to assignment of water supply without the express prior written consent of the City. Such consent shall not be unreasonably withheld. Any transfer by either party shall not impede the rights of either City or Wholesale Purchaser. Notwithstanding the above, Wholesale Purchaser is authorized to use the water to serve its customers in its service territory. Notwithstanding the above, the consent of the City shall not be required and the rights under the Agreement may be freely transferred to any successor or assign of Wholesale Purchaser if the Wholesale Purchaser requests and obtains approval from the Pennsylvania Public Utility Commission for such transfer.

- B. Successors and Assigns. All the covenants contained in this Agreement shall extend to and bind the respective successors and assigns of the parties hereto with the same effect as if the words "successors and assigns" had, in each case, been specifically mentioned.

Article XIX - Term.

- A. This Agreement shall remain in effect until March 1, 2026, and thereafter shall terminate unless terminated earlier in accordance with the provisions in Paragraph B immediately below.
- B. Either party shall have the right to terminate this Agreement for cause at any time, but only upon one (1) year of written notice. For cause shall mean:
- (1) Failure of the Wholesale Purchaser to meet its financial obligations under this Agreement for a period of two (2) consecutive billing periods;
 - (2) Failure of Wholesale Purchaser to make an escrow payment in accordance with Article VI C;
 - (3) Failure of the City to materially meet its obligations to supply drinking water.
 - (4) Failure of either party to comply with a decision or determination of an arbitrator, arbitration panel or court of competent jurisdiction rendered under this agreement within ninety (90) days of the date of the decision or determination.

- C. Right of Termination until September 1, 2000

Wholesale Purchaser shall have the right to terminate this Agreement on or before September 1, 2000. Thereafter, Wholesale Purchaser's right of termination is null and void and the Agreement shall remain in full force and effect.

Article XX - Drought Provision

In the event that the City is required to limit service to its in City customers as the result of drought restrictions, the City shall impose the same drought restriction on Wholesale

Purchaser. In implementing such restrictions, the City will give due consideration to any exemptions Wholesale Purchaser or its customers are entitled to through actions of the Pennsylvania Department of Environmental Protection or the Delaware River Basin Commission, or their successor agencies.

Article XXI- Severability

In the event any provision hereof is held illegal or invalid, no other provision of this Agreement shall be affected; and this Agreement shall then continue in full force as if such illegal or invalid provision had not been contained herein.

Article XXII - Waiver.

The failure of a party hereto to insist upon strict performance of this Agreement or of any of the terms or conditions hereof shall not be construed as a waiver of any of its rights herein granted.

Article XXIII - Notices.

All notices, payments and communications required to be given in writing under this Agreement shall be sent by United States mail, postage prepaid, or delivered by hand delivery with receipt obtained, to the addresses below or at such other addresses as City or Wholesale Purchaser may designate in writing from time to time:

If Intended for City:

Attn: Water Commissioner
Philadelphia Water Department
ARAMARK Tower
1101 Market Street, 5th Floor
Philadelphia, PA 19107

If Intended for Wholesale Purchaser: Attn: President

Philadelphia Suburban Water Company
762 Lancaster Avenue

Bryn Mawr, PA 19010
With a copy to General Counsel

All notices shall be deemed received five (5) calendar days after mailing or upon actual receipt, whichever is earlier.

Article XXIV - Captions.

The captions in this Agreement are for convenience only and are not part of the Agreement.

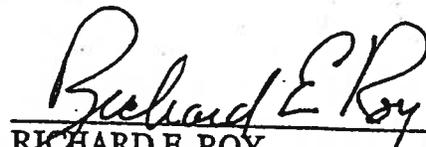
IN WITNESS WHEREOF, The Water Commissioner of the City of Philadelphia has caused this Agreement to be executed on behalf of the City and the appropriate officers of Wholesale Purchaser have executed this Agreement on behalf of Wholesale Purchaser.

THE CITY OF PHILADELPHIA

Approved as to Form:


DAVID A. KATZ
Divisional Deputy City Solicitor

By


RICHARD E. ROY
Acting Water Commissioner

PHILADELPHIA SUBURBAN
WATER COMPANY

By


RICHARD R. RIEGLER
Senior Vice President
Engineering and Environmental
Affairs

Witness: Daniel J. Adams
Date: February 1, 2006

AQUA PENNSYLVANIA, INC.

OFFICE OF TRIAL STAFF

RATE STRUCTURE DATA REQUESTS

DOCKET NO. R-00051030

OTS-RS-29-D

In reference to the contract to purchase water from the City of Philadelphia contained in the response to OTS-RS-13, explain why the Company has not negotiated a lower fixed charge in accordance with Article V, A-1-e-iv of the agreement which allows the City and the Company to negotiate a lower fixed charge if Liberty Power reduces its water consumption (Liberty Power has decreased its consumption from 2,550,000 GPD in 2001 to 682,000 GPD in 2005, or about 73%).

Answer:

Although Liberty's usage has decreased, it has not completely ceased. A reduction in the fixed charge from PWD would require a reduction in reserved capacity as well, and we could not assume that risk without Liberty accepting a reduction in its contract maximum as well. Liberty has an allowable contract maximum of 4,120 gallons per minute. Due to business conditions Liberty has not had the need over the last few years to use this capacity. By terms of the Liberty contract, Liberty is entitled to this capacity should business conditions change in the future, and prior discussions with Liberty indicated they were unwilling to reduce capacity. However, Aqua PA, to the benefit of its customers, can utilize the capacity of the PWD contract to supply all its customers during periods of increased demand. The PWD contract also allowed Aqua Pa to renegotiate its contract with Chester Water Authority to reduce the minimums at Ridley from 550 million gallons per year to 138 million gallons per year.

Aqua PA has used the provisions in the PWD contract, to effectively manage its business, comply with contractual agreements and minimize overall purchased water costs.

AQUA PENNSYLVANIA, INC.

RECONCILIATION OF PROPOSED REVENUES FOUND IN EXHIBIT NOS. 1-A AND 50-B

Classification	Exhibit No. 1-A	Exhibit No. 50-B	Difference	Explanation
Residential	\$ 204,373,020	\$ 204,371,828	\$ 1,192	\$1,142 of the difference is attributable to Availability charges included in 1-A, but not 50-B.
Private Fire:				
Metered	8,022,528	8,029,284	(6,756)	The unmetered amount in 1-A is the same as present rates. 50-B correctly reflects increases to certain rates as well as eliminating the 5% DSIC. (See 50-A, page 8)
Unmetered	874,640	849,066	25,574	
	<u>8,897,168</u>	<u>8,878,350</u>	<u>18,818</u>	
Public Fire	5,023,196	5,067,916	(44,720)	The metered revenue in both exhibits is incorrect. Refer to the attached schedule for an application of proposed rates to the pro forma number of fire lines by size for metered revenue of \$8,052,675.
				The amount in 1-A is the same as present rates. 50-B correctly reflects increases to certain hydrant rates. (See 50-A, page 8 and 9).

AQUA PENNSYLVANIA, INC.
APPLICATION OF PROPOSED RATES TO METERED PRIVATE FIRE CUSTOMERS

<u>Division</u>	<u>1-inch</u>	<u>1 1/2-inch</u>	<u>2-inch</u>	<u>3-inch</u>	<u>4-inch</u>	<u>6-inch</u>	<u>8-inch</u>	<u>10-inch</u>	<u>Flat Rate</u>	<u>Usage 100 Gals.</u>	<u>Total</u>
Number of Units											
Main	31.8	119.2	108.4	-	1,038.0	1,379.8	536.1	21.3	161.0	763,585	
Bristol	2.0	16.0	3.0	-	-	22.0	14.0	2.0	57.0	9,149	
Bensalem (Main)					1.0	1.0					
Bensalem	4.0	20.0	3.0	-	1.0	100.0	44.0	3.0	9.0	33,152	
Flying Hills					1.0	1.0	3.0			16	
Chalfont						3.0					
Shenango			5.0		31.0	46.0	26.0				
Susquehanna		1.0			10.0	5.0	4.0	2.0			
Roaring Creek				1.0	18.0	18.0	22.0				
Monroe Manor							1.0				
Rolling Green							2.0				
Waymart					1.0	1.0					
Hawley					3.0	1.0					
Woodloch Pines						1.0					
Total	37.8	156.2	120.4	1.0	1,103.0	1,578.8	652.1	28.3	227.0	805,902	

Proposed Rates

Main Rates	\$ 5.00	\$ 11.70	\$ 28.90	\$ 46.80	\$ 79.50	\$ 175.00	\$ 305.00	\$ 465.00	\$ 305.00	\$ 0.7300
Bensalem Rates	\$ 5.00	\$ 11.70	\$ 26.00	\$ 26.00	\$ 26.00	\$ 40.00	\$ 60.00	\$ 80.00	\$ 60.00	\$ 0.3800
Bristol Usage										\$ 0.5900

Proposed Revenue

Main	\$ 1,908	\$ 16,736	\$ 37,593	\$ -	\$ 990,252	\$ 2,897,580	\$ 1,962,126	\$ 118,854	\$ 589,260	\$ 557,417	\$ 7,171,726
Bristol	120	2,246	1,040	-	-	46,200	51,240	11,160	208,620	5,398	326,024
Bensalem (Main)					954	2,100	-	-	-	-	3,054
Bensalem	240	2,808	936	-	312	48,000	31,680	2,880	6,480	12,598	105,934
Flying Hills					-	2,100	10,980	-	-	12	13,092
Chalfont					-	6,300	-	-	-	-	6,300
Shenango			1,734	-	29,574	96,600	95,160	-	-	-	223,068
Susquehanna		140	-	-	9,540	10,500	14,640	11,160	-	-	45,980
Roaring Creek				562	17,172	37,800	80,520	-	-	-	136,054
Monroe Manor					-	-	3,660	-	-	-	3,660
Rolling Green					-	-	7,320	-	-	-	7,320
Waymart			347	-	954	2,100	-	-	-	-	3,401
Hawley					2,862	2,100	-	-	-	-	4,962
Woodloch Pines					-	2,100	-	-	-	-	2,100
Total	\$ 2,268	\$ 21,930	\$ 41,650	\$ 562	\$ 1,051,620	\$ 3,153,480	\$ 2,257,326	\$ 144,054	\$ 804,360	\$ 575,425	\$ 8,052,675

Responses to Interrogatories of the
Office of Small Business Advocate to
Aqua Pennsylvania, Inc.
Docket No. R-00051030

Set One

Witness: Paul R. Herbert

4. Please reconcile the total operating revenue at present and proposed rates shown on page 3 of Exhibit 1-A, with the corresponding figures shown on Schedule A of Exhibit No. 50-B.

RESPONSE

Under present rates, most of the \$5,488 difference is attributable to an error in public fire revenue for the Hawley Division (see pages 4-12 and 17-3 of Exhibit No. 1-A). The revenue amount of \$2,493 should be \$7,479 based on 45 hydrants at \$13.85 per month. The rest of the difference is due to rounding.

For the difference under proposed rates, please refer to the attached schedule.