

THE YORK WATER COMPANY

Statement of Reasons For the 2010 Rate Increase Request

We asked the Public Utility Commission (“PUC”) for a rate increase of \$6,220,428. If granted immediately, the rate increase would be effective July 13, 2010. The PUC may delay the effective date, and after an investigation, grant all, some, or none of the request. As a result, the final effect on water bills may be different than the Company’s request.

If the PUC approves the total rate increase, the total water bill for a residential gravity customer using 5,038 gallons per month would increase from \$31.69 to \$36.61 per month. The total water bill for a residential repump customer using 4,131 gallons per month would increase from \$37.94 to \$44.70 per month.

Our main reasons for the increase are as follows:

- The costs of serving our customers have gone up. During the past year, we worked hard to control our operating costs. However, we have increased the total plant investment. This increase of over \$30 million in system improvements since the last rate request includes the following major items:
 1. Replacement or relining of aging water mains, replacement of customer services, meters and hydrants.
 2. System monitoring and computer system upgrades.
 3. Construction of standpipes and booster stations.
 4. Improvements to the facilities we use to purify our water.
 5. Costs required to upgrade our dams and reservoirs.

These and similar projects are important to our ability to give high quality service to our customers.

- The increase will also account for increases in power expenses, increases in personnel expenses, and increased annual depreciation. We have reduced or eliminated a number of expenses in an effort to offset these increases.
- The requested increase will allow us to insure we remain in sound financial health so that we can continue to provide high quality service with minimal disruptions.