

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²
MAR 12 2003

IN THE MATTER OF THE JOINT)
APPLICATION FOR APPROVAL OF)
THE ACQUISITION BY PHILADELPHIA)
SUBURBAN CORPORATION OF THE)
STOCK OF AQUASOURCE)
DEVELOPMENT COMPANY)

Missouri Public
Service Commission

CASE NO. WM-2003-0133

STIPULATION AND AGREEMENT

On October 4, 2002, Philadelphia Suburban Corporation ("PSC") and AquaSource Development Company ("ASD") (hereinafter collectively the "Joint Applicants"), filed an Application To Purchase Stock ("Application") with the Missouri Public Service Commission ("Commission"). In their Application, the Joint Applicants requested that the Commission authorize the acquisition of the stock of ASD by PSC.

ASD furnishes regulated wastewater service to approximately 13 customers in a portion of Morgan County, near Laurie, Missouri. PSC, duly organized and existing under the laws of the Commonwealth of Pennsylvania, is the largest publicly traded water utility holding company in the United States, serving approximately two million residents in six states. Pursuant to the Purchase Agreement dated July 29, 2002, which is attached as Exhibit B to the Application, PSC will acquire all of the issued and outstanding shares of common stock of ASD.

As a result of meetings and discussions between the Joint Applicants, the Office of the Public Counsel and the Commission Staff (hereinafter collectively the "Parties") concerning the above-described transactions, the Parties have reached the following agreements and make the following recommendations to the Commission.

1. Acquisition of the Stock of ASD by PSC

The Parties recommend that the Commission issue its order finding that the acquisition of the stock of ASD by PSC is not detrimental to the public interest and authorizing the acquisition of the common stock of ASD by PSC, in accordance with the terms of the Purchase Agreement attached to the Application as Exhibit B.

2. Conditions

As conditions of the authorizations recommended in paragraph 1 above, PSC and ASD agree to the following:

PSC agrees to maintain records supporting the allocations of corporate charges to AquaSource Development, AquaSource/RU, Inc. and AquaSource/CU, Inc. Further, PSC agrees that it will not request rate recovery of corporate charges above the per customer levels that had been allocated to AquaSource Development, AquaSource/RU, Inc. and/or AquaSource/CU, Inc. from their corporate parent prior to the proposed transaction.

The Joint Applicants shall not seek to recover the amount of any acquisition premium in rates in any Missouri proceeding involving AquaSource Development, AquaSource/RU, Inc. and AquaSource/CU, Inc.

The Joint Applicants agree that there will be no change in the deferred income taxes of AquaSource Development, AquaSource/RU, Inc. and AquaSource/CU, Inc. as a result of the proposed transaction.

3. Additional Terms


In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Signatories waive, with respect to the issues resolved herein, their respective rights to present testimony and to cross-examine witnesses pursuant to § 536.070(2) RSMo 2000,

and to present oral argument or written briefs pursuant to § 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to § 536.080.2 RSMo 2000; and their respective rights to judicial review pursuant to § 386.510 RSMo 2000.

The Commission Staff shall file suggestions or a memorandum in support of this Stipulation and Agreement and the other parties shall have the right to file responsive suggestions or memoranda. All responsive suggestions or memoranda shall be subject to the terms of any Protective Order that may be entered in this case.

The Commission Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is required from the Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

Respectfully submitted,

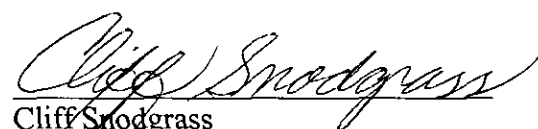


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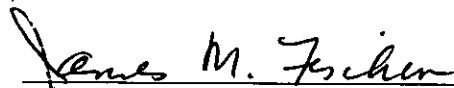


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Certificate of Service

I hereby certify that copies of the foregoing have been emailed, mailed or hand-delivered to all counsel of record on this 12th day of March, 2003.



James M. Fischer