

YORK WATER CO  
Form 10-Q  
May 08, 2013

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UNITED STATES  
SECURITIES AND EXCHANGE  
COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO  
SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

OR

TRANSITION REPORT PURSUANT TO  
SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from  
\_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-34245

THE YORK WATER COMPANY

(Exact name of registrant as specified in its  
charter)

PENNSYLVANIA

(State or other jurisdiction of  
incorporation or organization)

23-1242500

(I.R.S.  
Employer  
Identification  
No.)

130 EAST MARKET STREET,  
YORK, PENNSYLVANIA

(Address of principal executive  
offices)

17401

(Zip Code)

Registrant's telephone number, including area  
code (717) 845-3601

Indicate by check mark whether the registrant (1)  
has filed all reports required to be filed by  
Section 13 or 15(d) of the Securities Exchange  
Act of 1934 during the preceding 12 months (or  
for such shorter period that the registrant was  
required to file such reports), and (2) has been

subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer  Accelerated  
filer   
Small  
Non-accelerated filer  Reporting  
Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

|                            |              |
|----------------------------|--------------|
|                            | 12,932,111   |
|                            | Shares       |
| Common stock, No par value | outstanding  |
|                            | as of May 8, |
|                            | 2013         |

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## THE YORK WATER COMPANY

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## Balance Sheets (Unaudited)

(In thousands of dollars, except per share amounts)

|  | Mar. 31,<br>2013 | Dec. 31,<br>2012 |
|--|------------------|------------------|
| <b>ASSETS</b>  |                  |                  |
| UTILITY PLANT, at original cost  | \$294,656        | \$292,483        |
| Plant acquisition adjustments  | (2,891 )         | (2,904 )         |
| Accumulated depreciation   | (51,265 )        | (50,040 )        |
| Net utility plant  | 240,500          | 239,539          |
| <b>OTHER PHYSICAL PROPERTY:</b>  |                  |                  |
| Net of accumulated depreciation of \$226 in 2013<br>and \$219 in 2012      | 769              | 776              |
| <b>CURRENT ASSETS:</b>   |                  |                  |
| Cash and cash equivalents  | 4,554            | 4,012            |
| Accounts receivable, net of reserves of \$315 in 2013<br>and \$305 in 2012 | 3,437            | 4,038            |
| Unbilled revenues  | 2,214            | 2,322            |
| Materials and supplies inventories, at cost                                | 755              | 728              |
| Prepaid expenses   | 507              | 337              |
| Deferred income taxes  | 215              | 208              |
| Total current assets   | 11,682           | 11,645           |
| <b>OTHER LONG-TERM ASSETS:</b>   |                  |                  |
| Deferred debt expense  | 2,265            | 2,291            |
| Notes receivable   | 330              | 338              |
| Deferred regulatory assets   | 23,604           | 23,835           |
| Restricted cash-compensating balance                                       | 500              | 500              |
| Other assets   | 3,630            | 3,566            |
| Total other long-term assets   | 30,329           | 30,530           |
| <br>Total Assets   | <br>\$283,280    | <br>\$282,490    |

The accompanying notes are an integral part of these statements.

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## THE YORK WATER COMPANY

## Balance Sheets (Unaudited)

(In thousands of dollars, except per share amounts)

|  | Mar. 31,<br>2013 | Dec. 31,<br>2012 |
|--|------------------|------------------|
| <b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>  |                  |                  |
| <b>COMMON STOCKHOLDERS' EQUITY:</b>  |                  |                  |
| Common stock, no par value, authorized 46,500,000 shares,<br>issued and outstanding 12,950,755 shares in 2013<br>and 12,918,633 shares in 2012 | \$79,878         | \$79,299         |
| Retained earnings  | 20,875           | 20,526           |
| Total common stockholders' equity  | 100,753          | 99,825           |
| PREFERRED STOCK, authorized 500,000 shares, no shares issued   | -                | -                |
| LONG-TERM DEBT, excluding current portion  | 84,922           | 84,933           |
| COMMITMENTS  | -                | -                |
| <b>CURRENT LIABILITIES:</b>  |                  |                  |
| Current portion of long-term debt  | 42               | 42               |
| Accounts payable   | 865              | 1,121            |
| Dividends payable  | 1,551            | 1,548            |
| Accrued compensation and benefits  | 1,044            | 1,082            |
| Accrued income taxes   | 282              | 96               |
| Accrued interest   | 1,548            | 1,065            |
| Other accrued expenses   | 555              | 520              |
| Total current liabilities  | 5,887            | 5,474            |
| <b>DEFERRED CREDITS:</b>   |                  |                  |
| Customers' advances for construction   | 13,104           | 12,949           |
| Deferred income taxes  | 33,134           | 32,425           |
| Deferred employee benefits   | 14,014           | 15,198           |
| Other deferred credits   | 3,243            | 3,463            |
| Total deferred credits   | 63,495           | 64,035           |
| Contributions in aid of construction   | 28,223           | 28,223           |
| Total Stockholders' Equity and Liabilities   | \$283,280        | \$282,490        |

The accompanying notes are an integral part of these statements.

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## THE YORK WATER COMPANY

## Statements of Income (Unaudited)

(In thousands of dollars, except per share amounts)

|  | Three Months<br>Ended March 31 |          |
|--|--------------------------------|----------|
|  | 2013                           | 2012     |
| <b>OPERATING REVENUES:</b>                   |                                |          |
| Residential                                  | \$6,454                        | \$6,157  |
| Commercial and industrial                    | 2,820                          | 2,725    |
| Other  | 795                            | 787      |
|  | 10,069                         | 9,669    |
| <b>OPERATING EXPENSES:</b>                   |                                |          |
| Operation and maintenance                    | 1,705                          | 1,750    |
| Administrative and general                   | 1,928                          | 1,900    |
| Depreciation and amortization                | 1,364                          | 1,279    |
| Taxes other than income taxes                | 299                            | 313      |
|  | 5,296                          | 5,242    |
| Operating income                             | 4,773                          | 4,427    |
| <b>OTHER INCOME (EXPENSES):</b>              |                                |          |
| Interest on debt                             | (1,310 )                       | (1,310 ) |
| Allowance for funds used during construction | 31                             | 13       |
| Other income (expenses), net                 | (74 )                          | (59 )    |
|  | (1,353 )                       | (1,356 ) |
| Income before income taxes                   | 3,420                          | 3,071    |
| Income taxes                                 | 1,281                          | 1,130    |
| Net Income                                   | \$2,139                        | \$1,941  |
| Basic Earnings Per Share                     | \$0.17                         | \$0.15   |
| Cash Dividends Declared Per Share            | \$0.1383                       | \$0.1336 |

The accompanying notes are an integral part of these statements.

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## THE YORK WATER COMPANY

## Statements of Common Stockholders' Equity (Unaudited)

(In thousands of dollars, except per share amounts)

For the Periods Ended March 31, 2013 and 2012

|  | Common<br>Stock<br>Shares | Common<br>Stock<br>Amount | Retained<br>Earnings | Total      |
|--|---------------------------|---------------------------|----------------------|------------|
| Balance, December 31, 2012   | 12,918,633                | \$ 79,299                 | \$ 20,526            | \$ 99,825  |
| Net income   | -                         | -                         | 2,139                | 2,139      |
| Dividends  | -                         | -                         | (1,790 )             | (1,790 )   |
| Retirement of common stock   | (10,639 )                 | (197 )                    | -                    | (197 )     |
| Issuance of common stock under<br>dividend reinvestment, direct stock and<br>employee stock purchase plans | 42,761                    | 776                       | -                    | 776        |
| Balance, March 31, 2013  | 12,950,755                | \$ 79,878                 | \$ 20,875            | \$ 100,753 |

|  | Common<br>Stock<br>Shares | Common<br>Stock<br>Amount | Retained<br>Earnings | Total     |
|--|---------------------------|---------------------------|----------------------|-----------|
| Balance, December 31, 2011   | 12,791,671                | \$ 77,113                 | \$ 18,152            | \$ 95,265 |
| Net income   | -                         | -                         | 1,941                | 1,941     |
| Dividends  | -                         | -                         | (1,710 )             | (1,710 )  |
| Issuance of common stock under<br>dividend reinvestment, direct stock and<br>employee stock purchase plans | 32,718                    | 568                       | -                    | 568       |
| Balance, March 31, 2012  | 12,824,389                | \$ 77,681                 | \$ 18,383            | \$ 96,064 |

The accompanying notes are an integral part of these statements.

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## THE YORK WATER COMPANY

## Statements of Cash Flows (Unaudited)

(In thousands of dollars, except per share amounts)

|  | Three Months<br>Ended March 31<br>2013 | 2012     |
|--|--|----------|
| <b>CASH FLOWS<br/>FROM OPERATING<br/>ACTIVITIES:</b>   |  |          |
| Net income   | \$ 2,139                               | \$ 1,941 |
| Adjustments to<br>reconcile net income<br>to net cash provided<br>by operating activities:   |  |          |
| Depreciation and<br>amortization   | 1,364                                  | 1,279    |
| Increase in deferred<br>income taxes   | 657                                    | 515      |
| Other  | 52                                     | 58       |
| Changes in assets and<br>liabilities:  |  |          |
| Decrease in accounts<br>receivable and<br>unbilled revenues  | 633                                    | 349      |
| Decrease in<br>recoverable income<br>taxes   | -                                      | 197      |
| Increase in materials<br>and supplies, prepaid<br>expenses, regulatory<br>and other assets   | (393 )                                 | (304 )   |
| Decrease in accounts<br>payable, accrued<br>compensation and<br>benefits,<br>accrued expenses,<br>deferred employee<br>benefits, and other<br>deferred credits | (1,061 )                               | (875 )   |
| Increase in accrued<br>interest and taxes  | 669                                    | 162      |
| Net cash provided by<br>operating activities   | 4,060                                  | 3,322    |
| <b>CASH FLOWS<br/>FROM INVESTING<br/>ACTIVITIES:</b>   |  |          |
| Utility plant additions,<br>including debt portion   |  |          |



|   |          |          |
|---|----------|----------|
| of allowance for funds used during construction of \$17 in 2013 and \$7 in 2012 | (2,442 ) | (2,076 ) |
| Acquisitions of water and wastewater systems                                    | (27 )    | -        |
| Decrease in notes receivable  | 8        | 10       |
| Net cash used in investing activities   | (2,461 ) | (2,066 ) |

**CASH FLOWS FROM FINANCING ACTIVITIES:**

|   |          |          |
|---|----------|----------|
| Customers' advances for construction and contributions in aid of construction | 220      | 62       |
| Repayments of customer advances   | (58 )    | (82 )    |
| Repayments of long-term debt  | (11 )    | (11 )    |
| Repurchase of common stock  | (197 )   | -        |
| Issuance of common stock  | 776      | 568      |
| Dividends paid  | (1,787 ) | (1,709 ) |
| Net cash used in financing activities   | (1,057 ) | (1,172 ) |
| Net change in cash and cash equivalents                                       | 542      | 84       |
| Cash and cash equivalents at beginning of period                              | 4,012    | 4,006    |
| Cash and cash equivalents at end of period                                    | \$ 4,554 | \$ 4,090 |

**Supplemental disclosures of cash flow information:**

Cash paid during the period for:

|                                      |        |          |
|--------------------------------------|--------|----------|
| Interest, net of amounts capitalized | \$ 808 | \$ 1,146 |
| Income taxes                         | 7      | -        |

**Supplemental schedule of non-cash investing and financing activities:**

Accounts payable includes \$360 in 2013 and \$843 in 2012 for the construction of utility plant.

The accompanying notes are an integral part of these statements.

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THE YORK WATER COMPANY

Notes to Interim Financial Statements

(In thousands of dollars, except per share amounts)

1. Basis of Presentation

The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of results for such periods. Because the financial statements cover an interim period, they do not include all disclosures and notes normally provided in annual financial statements, and therefore, should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Operating results for the three month period ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

2. Common Stock and Basic Earnings Per Share

Basic earnings per share for the three months ended March 31, 2013 and 2012 were based on weighted average shares outstanding of 12,937,549 and 12,801,706, respectively.

Since the Company has no common stock equivalents outstanding, there are no diluted earnings per share.

On March 11, 2013, the Board of Directors authorized a share repurchase program granting the Company authority to repurchase up to 1,200,000 shares of the Company's common stock from time to time. Under the stock repurchase program, the Company may repurchase shares in the open market or through privately negotiated transactions. The Company may suspend or discontinue the repurchase program at any time. During the three months ended March 31, 2013, the Company repurchased and retired 10,639 shares. As of March 31, 2013, 1,189,361 shares remain available for repurchase.

3. Commitments

In November 2011, during a routine tank cleaning, the Company discovered a small amount of mercury in the bottom of the tank. The tank was not in service at the time of the discovery and remains out of service. A number of tests were performed to confirm no mercury entered the water supply and no employees or contractors present during the discovery were impacted. The tank will remain out of service until it is approved for service by the Pennsylvania Department of Environmental Protection, or DEP. No disruption of service to any customers has occurred or is expected to occur. The Company incurred total costs of \$186 through March 31, 2013. Recent tests have shown the tank is in compliance with safe drinking water standards and the Company has requested permission to place the tank back into service from the DEP. If the DEP does not approve based on the testing completed, other options will be reviewed, including a project to reline and strengthen the interior of the tank or replace the tank through capital expenditures.

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4. Pensions

## Components of Net Periodic Pension Cost

|                                    | Three Months<br>Ended<br>March 31 |       |
|------------------------------------|-----------------------------------|-------|
|                                    | 2013                              | 2012  |
| Service cost                       | \$297                             | \$263 |
| Interest cost                      | 320                               | 322   |
| Expected return on plan assets     | (411)                             | (360) |
| Amortization of actuarial loss     | 174                               | 160   |
| Amortization of prior service cost | 3                                 | 4     |
| Rate-regulated adjustment          | 15                                | 9     |
| Net periodic pension expense       | \$398                             | \$398 |

## Employer Contributions

The Company previously disclosed in its financial statements for the year ended December 31, 2012 that it expected to contribute \$1,593 to its pension plans in 2013. As of March 31, 2013, contributions of \$1,593 had been made. At this time, the Company does not expect to contribute any additional amount during the remainder of 2013.

5. Interest Rate Swap Agreement

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. The Company utilizes an interest rate swap agreement to effectively convert the Company's \$12,000 variable-rate debt issue to a fixed rate. Interest rate swaps are contracts in which a series of interest rate cash flows are exchanged over a prescribed period. The notional amount on which the interest payments are based (\$12,000) is not exchanged. The interest rate swap provides that the Company pays the counterparty a fixed interest rate of 3.16% on the notional amount of \$12,000. In exchange, the counterparty pays the Company a variable interest rate based on 59% of LIBOR on the notional amount. The intent is for the variable rate received from the swap counterparty to approximate the variable rate the Company pays to bondholders on its variable rate debt issue, resulting in a fixed rate being paid to the swap counterparty and reducing the Company's interest rate risk. The Company's net payment rate on the swap was 3.00% during the three months ended March 31, 2013.

The interest rate swap agreement is classified as a financial derivative used for non-trading activities. The professional standards regarding accounting for derivatives and hedging activities require companies to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. In accordance with the standards, the interest rate swap is recorded on the balance sheet in other deferred credits at fair value (see Note 6).

The Company uses regulatory accounting treatment rather than hedge accounting to defer the unrealized gains and losses on its interest rate swap. Instead of the effective portion being recorded as other comprehensive income and the ineffective portion being recognized in earnings using the cash flow hedge accounting rules provided by the derivative accounting standards, the entire unrealized swap value is recorded as a regulatory asset. Based on current ratemaking treatment, the Company expects the unrealized gains and losses to be recognized in rates as a component of interest expense as the swap settlements occur. Swap settlements are recorded in the income statement with the hedged item as interest expense. During the three months ended March 31, 2013, \$90 was reclassified from regulatory assets to interest expense as a result of swap settlements. The overall swap result was a gain of \$128 for the three months ended March 31, 2013. The Company expects to reclassify \$354 from regulatory assets to interest expense as a result

of swap settlements over the next 12 months.

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The interest rate swap agreement contains provisions that require the Company to maintain a credit rating of at least BBB- with Standard & Poor's. If the Company's rating were to fall below this rating, it would be in violation of these provisions, and the counterparty to the derivative could request immediate payment if the derivative was in a liability position. On April 26, 2013, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's interest rate swap was in a liability position as of March 31, 2013. If a violation due to credit rating, or some other default provision, were triggered on March 31, 2013, the Company would have been required to pay the counterparty approximately \$2,759.

The interest rate swap will expire on October 1, 2029. Other than the interest rate swap, the Company has no other derivative instruments.

#### 6. Fair Value Measurements

The professional standards regarding fair value measurements establish a fair value hierarchy which indicates the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability.

The Company has recorded its interest rate swap liability at fair value in accordance with the standards. The liability is recorded under the caption "Other deferred credits" on the balance sheet. The table below illustrates the fair value of the interest rate swap as of the end of the reporting period.

| <u>Description</u> | <u>March 31, 2013</u> | Fair Value Measurements<br>at Reporting Date Using<br><u>Significant Other Observable Inputs (Level 2)</u> |
|--------------------|-----------------------|--|
| Interest Rate Swap | \$2,621               | \$2,621  |

Fair values are measured as the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of the date of the valuation. These inputs to this calculation are deemed to be Level 2 inputs. The balance sheet carrying value reflects the Company's credit quality as of March 31, 2013. The rate used in discounting all prospective cash flows anticipated to be made under this swap reflects a representation of the yield to maturity for 30-year debt on utilities rated A- as of March 31, 2013. The use of the Company's credit rating resulted in a reduction in the fair value of the swap liability of \$138 as of March 31, 2013. The fair value of the swap reflecting the Company's credit quality as of December 31, 2012 is shown in the table below.

| <u>Description</u> | <u>December 31, 2012</u> | Fair Value Measurements<br>at Reporting Date Using<br><u>Significant Other Observable Inputs (Level 2)</u> |
|--------------------|--------------------------|--|
| Interest Rate Swap | \$2,836                  | \$2,836  |

The carrying amount of current assets and liabilities that are considered financial instruments approximates fair value as of the dates presented. The Company's long-term debt (including current maturities), with a carrying value of \$84,964 at March 31, 2013, and \$84,975 at December 31, 2012, had an estimated fair value of approximately \$104,000 and \$107,000, respectively. The estimated fair value of debt was calculated using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration and risk profile. These inputs to this calculation are deemed to be Level 2 inputs. The Company recognized its credit rating in determining the yield curve, and did not factor in third party credit enhancements including bond insurance on the 2004 PEDFA Series A and 2006 Industrial Development Authority issues, and the letter of credit on the 2008 PEDFA Series A issue.

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Customers' advances for construction and notes receivable have carrying values at March 31, 2013 of \$13,104 and \$330, respectively. At December 31, 2012, customers' advances for construction and notes receivable had carrying values of \$12,949 and \$338, respectively. The relative fair values of these amounts cannot be accurately estimated since the timing of future payment streams is dependent upon several factors, including new customer connections, customer consumption levels and future rate increases.

## 7. Debt

|   | As of<br>Mar. 31,<br>2013 | As of<br>Dec. 31,<br>2012 |
|---|---------------------------|---------------------------|
| 4.05% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Bonds, Series A, due 2016             | \$2,350                   | \$2,350                   |
| 5.00% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Bonds, Series A, due 2016             | 4,950                     | 4,950                     |
| 10.17% Senior Notes, Series A, due 2019   | 6,000                     | 6,000                     |
| 9.60% Senior Notes, Series B, due 2019  | 5,000                     | 5,000                     |
| 1.00% Pennvest Loan, due 2019   | 279                       | 290                       |
| 10.05% Senior Notes, Series C, due 2020   | 6,500                     | 6,500                     |
| 8.43% Senior Notes, Series D, due 2022  | 7,500                     | 7,500                     |
| Variable Rate Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Bonds, Series 2008A, due 2029 | 12,000                    | 12,000                    |
| 4.75% Industrial Development Authority Revenue Bonds, Series 2006, due 2036   | 10,500                    | 10,500                    |
| 6.00% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Bonds, Series 2008B, due 2038         | 14,885                    | 14,885                    |
| 5.00% Monthly Senior Notes, Series 2010A, due 2040  | 15,000                    | 15,000                    |
| Total long-term debt  | 84,964                    | 84,975                    |
| Less current maturities   | (42 )                     | (42 )                     |
| Long-term portion   | \$84,922                  | \$84,933                  |

As of March 31, 2013, the Company maintained unsecured lines of credit aggregating \$29,000 with three banks. The Company is required to maintain a demand deposit account with an average monthly balance of \$500 in order to retain one of its lines of credit. The use of the funds in the account in excess of the \$500 is not restricted in any way.

## 8. Acquisitions

On March 7, 2013, the Company completed the acquisition of the Windy Brae Mobile Home Park water assets of Barkas, Inc. in York County, Pennsylvania. The Company began operating the existing system through an interconnection with its current distribution system on March 11, 2013. The acquisition resulted in the addition of approximately 135 new water customers at a purchase price and acquisition costs to date of approximately \$27.

The results have been immaterial to total company results.

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9. Rate Matters

From time to time, the Company files applications for rate increases with the Pennsylvania Public Utility Commission, or PPUC, and is granted rate relief as a result of such requests. The most recent rate request was filed by the Company on May 14, 2010. Effective November 4, 2010, the PPUC authorized an average increase of 8.7% in rates designed to produce approximately \$3,400 in additional annual revenues. The Company plans to file a rate increase request in the second quarter of 2013.

The PPUC permits water utilities to collect a distribution system improvement charge (DSIC). The DSIC allows the Company to add a charge to customers' bills for qualified replacement costs of certain infrastructure without submitting a rate filing. This surcharge mechanism typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period. The DSIC is capped at 5% of base rates, and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. The DSIC provided revenues of \$328 for the three months ended March 31, 2013 and \$0 for the three months ended March 31, 2012.

Management's Discussion and Analysis of  
Item 2. Financial Condition and Results of Operations  
(In thousands of dollars, except per share amounts)

Forward-looking Statements

Certain statements contained in this report on Form 10-Q constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Words such as "may," "should," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. These forward-looking statements include certain information relating to the Company's business strategy; statements including, but not limited to:

- statements regarding the amount and timing of rate increases and other regulatory matters including the recovery of costs recorded as regulatory assets;
- expected profitability and results of operations;
- statements as to trends;
- goals, priorities and plans for, and cost of, growth and expansion;
- strategic initiatives;
- availability of water supply;
- water usage by customers; and
- ability to pay dividends on common stock and the rate of those dividends.

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The forward-looking statements in this report reflect what the Company currently anticipates will happen. What actually happens could differ materially from what it currently anticipates will happen. The Company does not intend to make any public announcement when forward-looking statements in this report are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason. Important matters that may affect what will actually happen include, but are not limited to:

- changes in weather, including drought conditions or extended periods of heavy rainfall;
- levels of rate relief granted;
- the level of commercial and industrial business activity within the Company's service territory;
- construction of new housing within the Company's service territory and increases in population;
- changes in government policies or regulations, including the tax code;
- the ability to obtain permits for expansion projects;
- material changes in demand from customers, including the impact of conservation efforts which may impact the demand of customers for water;
- changes in economic and business conditions, including interest rates, which are less favorable than expected;
- changes in, or unanticipated, capital requirements;
- changes in accounting pronouncements;
- changes in the Company's credit rating or the market price of its common stock;
- the ability to obtain financing; and
- other matters set forth in Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

#### General Information

The primary business of the Company is to impound, purify to meet or exceed safe drinking water standards and distribute water. The Company also operates a single wastewater collection and treatment system. The Company operates within its franchised territory, which covers 39 municipalities within York County, Pennsylvania and eight municipalities within Adams County, Pennsylvania. The Company is regulated by the Pennsylvania Public Utility Commission, or PPUC, in the areas of billing, payment procedures, dispute processing, terminations, service territory, debt and equity financing and rate setting. The Company must obtain PPUC approval before changing any practices associated with the aforementioned areas.

Water service is supplied through the Company's own distribution system. The Company obtains the bulk of its water supply from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of 73.0 million gallons. This combined watershed area is approximately 117 square miles. The Company has two reservoirs, Lake Williams and Lake Redman, which together hold up to approximately 2.2 billion gallons of water. The Company has a 15-mile pipeline from the Susquehanna River to Lake Redman which provides access to an additional supply of 12.0 million gallons of untreated water per day. The Company also owns two wells which are capable of providing a safe yield of approximately 100,000 gallons per day to supply water to its customers in Carroll Valley, Adams County. As of March 31, 2013, the Company's average daily availability was 35.0 million gallons, and average daily consumption was approximately 18.5 million gallons. The Company's service territory had an estimated population of 189,000 as of December 31, 2012. Industry within the Company's service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells and motorcycles.

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The Company's water business is somewhat dependent on weather conditions, particularly the amount of rainfall. Revenues are particularly vulnerable to weather conditions in the summer months. Prolonged periods of hot and dry weather generally cause increased water usage for watering lawns, washing cars, and keeping golf courses and sports fields irrigated. Conversely, prolonged periods of dry weather could lead to drought restrictions from governmental authorities. Despite the Company's adequate water supply, customers may be required to cut back water usage under such drought restrictions which would negatively impact revenues. The Company has addressed some of this vulnerability by instituting minimum customer charges which are intended to cover fixed costs of operations under all likely weather conditions.

The Company's business does not require large amounts of working capital and is not dependent on any single customer or a very few customers for a material portion of its business. Increases in revenues are generally dependent on the Company's ability to obtain rate increases from the PPUC in a timely manner and in adequate amounts and to increase volumes of water sold through increased consumption and increases in the number of customers served. The Company continuously looks for water and wastewater acquisition and expansion opportunities both within and outside its current service territory as well as additional opportunities to enter into bulk water contracts with municipalities and other entities to supply water.

The Company has agreements with several municipalities to provide sewer billing services. Starting in 2012, the Company piloted a service line protection program in order to further diversify its business. Under this optional program, customers pay a fixed monthly fee, and the Company will repair or replace damaged customer service lines, as needed, subject to an annual maximum dollar amount. The Company plans to expand its pilot program during the second half of 2013.

## Results of Operations

### Three Months Ended March 31, 2013 Compared With Three Months Ended March 31, 2012

Net income for the first quarter of 2013 was \$2,139, an increase of \$198, or 10.2%, from net income of \$1,941 for the same period of 2012. The primary contributing factor to the increase was higher operating revenues which were partially offset by higher income taxes and depreciation expense.

Operating revenues for the three months ended March 31, 2013 increased \$400, or 4.1%, from \$9,669 for the three months ended March 31, 2012 to \$10,069 for the corresponding 2013 period. The primary reasons for the increase were the distribution surcharge allowed by the PPUC and an increase in customers. The distribution surcharge allows the Company to add a charge to customers' water bills for qualified replacement costs of certain infrastructure without submitting a rate filing. The distribution surcharge added \$328 to revenues during the first quarter of 2013 as compared to same period of 2012. The average number of customers served in the first quarter of 2013 increased as compared to the same period of 2012 by 922 customers, from 62,888 to 63,810 customers, primarily due to acquisitions. The total per capita volume of water sold in the first quarter of 2013 was consistent with the corresponding 2012 period. Industrial per capita consumption increased, but commercial and residential per capita consumption decreased. For the remainder of the year, the Company expects revenues to increase moderately based on the continuation of the distribution surcharge, higher summer demand and a potential rate increase expected to go into effect during the fourth quarter of the year. Other regulatory actions and weather patterns could impact results.

Operating expenses for the first quarter of 2013 increased \$54, or 1.0%, from \$5,242 for the first quarter of 2012 to \$5,296 for the corresponding 2013 period. The increase was primarily due to higher depreciation expense of approximately \$85 and increased customer accounts expense of approximately \$35 for supplies related to a bill processing equipment upgrade and higher credit card fees. Other expenses increased by a net of \$9. The increase was partially offset by reduced distribution system maintenance expense of approximately \$44 and the absence of \$31 in rate case expense. For the remainder of the year, depreciation expense is expected to continue to rise due to

investment in utility plant and other operating expenses are expected to increase at a moderate rate as a result of increased summer activity and as costs to maintain and extend the distribution system continue to rise.

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Interest expense on debt for both the first quarter of 2013 and the first quarter of 2012 was \$1,310, with no borrowings under the lines of credit. For the remainder of the year, interest expense is expected to remain consistent with 2012.

Allowance for funds used during construction increased \$18, from \$13 in the first quarter of 2012 to \$31 in the 2013 period, due to a higher volume of eligible construction. For the remainder of the year, allowance for funds used during construction is expected to show a modest increase based on a projected increase in the amount of construction expenditures.

Other income (expenses), net for the first quarter of 2013 reflects increased expenses of \$15 as compared to the same period of 2012. The net change was primarily due to lower income on life insurance policies of approximately \$20. The increase in the value of the life insurance policies held as retirement program assets in the first quarter of 2013 was not as significant as the same period last year. Other expenses aggregating approximately \$5 decreased as compared to the same period of 2012. For the remainder of the year, other income (expenses) will be largely determined by the change in market returns and discount rates for retirement programs and related assets.

Income taxes for the first quarter of 2013 increased \$151, or 13.4%, compared to the same period of 2012 due to higher taxable income. The Company's effective tax rate was 37.5% for the first quarter of 2013 and 36.8% for the first quarter of 2012.

#### Rate Matters

See Note 9 to the financial statements.

Effective April 1, 2013, the Company's tariff included a distribution surcharge on revenues of 3.39%.

#### Acquisitions

See Note 8 to the financial statements.

The Company is also pursuing other water and wastewater acquisitions in and around its service territory to help offset further declines in per capita water consumption.

#### Capital Expenditures

For the three months ended March 31, 2013, the Company invested \$2,442 in construction expenditures for routine items as well as various replacements of aging infrastructure. In addition, the Company invested \$27 in the acquisition of a water system. The Company was able to fund operating activities, construction expenditures and acquisitions using internally-generated funds, customer advances and proceeds from its stock purchase plans.

The Company anticipates construction expenditures for the remainder of 2013 of approximately \$11,700 exclusive of any potential acquisitions. In addition to routine transmission and distribution projects, a portion of the anticipated expenditures will be for additional main extensions, further upgrades to water treatment facilities, and various replacements of aging infrastructure. The Company intends to use primarily cash on hand and internally-generated funds for its anticipated construction and fund the remainder through line of credit borrowings, proceeds from its stock purchase plans, the DSIC and customer advances and contributions. Customer advances and contributions are expected to account for less than 5% of funding requirements in 2013. The Company believes it will have adequate availability under its lines of credit to meet its anticipated capital needs in 2013.

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## Liquidity and Capital Resources

### Cash

The Company manages its cash through a cash management account that is directly connected to a line of credit. Excess cash generated automatically pays down outstanding borrowings under the line of credit arrangement. If there are no outstanding borrowings, the cash is used as an earnings credit to reduce banking fees. Likewise, if additional funds are needed beyond what is generated internally for payroll, to pay suppliers, or to pay debt service, funds are automatically borrowed under the line of credit. The cash balance of \$4,554 as of March 31, 2013 represents the funds from operations generated internally primarily due to lower cash required for income taxes due to bonus depreciation. The Company expects the cash balance to decline in 2013 based on higher expected capital expenditures and the buyback of stock under the share repurchase program. After the cash balance is fully utilized, the cash management facility is expected to provide the necessary liquidity and funding for the Company's operations and buybacks of stock under the share repurchase program for the foreseeable future based on its past experience.

### Accounts Receivable

The accounts receivable balance tends to follow the change in revenues but is also affected by the timeliness of payments by customers and the level of the reserve for doubtful accounts. A reserve is maintained at a level considered adequate to provide for losses that can be reasonably anticipated based on inactive accounts with outstanding balances. Management periodically evaluates the adequacy of the reserve based on past experience, agings of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. If the status of these factors deteriorates, the Company may incur additional expenses for uncollectible accounts and experience a reduction in its internally-generated funds.

### Internally-generated Funds

The amount of internally-generated funds available for operations and construction depends on the Company's ability to obtain timely and adequate rate relief, changes in regulations, customers' water usage, weather conditions, customer growth and controlled expenses. In the first three months of 2013, the Company generated \$4,060 internally from operations as compared to \$3,322 in the first three months of 2012. The collection of receivables and a decrease in interest paid due to the timing of interest payments increased cash flow from operating activities.

### Credit Lines

Historically, the Company has borrowed \$15,000 to \$20,000 under its lines of credit before refinancing with long-term debt or equity capital. As of March 31, 2013, the Company maintained unsecured lines of credit aggregating \$29,000 with three banks at interest rates ranging from LIBOR plus 1.20% to LIBOR plus 1.50%. The Company had no outstanding borrowings under any of its lines of credit as of March 31, 2013. The Company plans to renew its \$5,000 line of credit that expires in June 2013 for an additional year, as well as extend the maturity of its \$13,000 and \$11,000 lines of credit into 2015, under similar terms and conditions.

The Company has taken steps to manage the risk of reduced credit availability by maintaining committed lines of credit that cannot be called on demand and obtaining a 2-year revolving maturity on its larger facilities. There is no guarantee that the Company will be able to obtain sufficient lines of credit with favorable terms in the future. In addition, if the Company is unable to refinance its line of credit borrowings with long-term debt or equity when necessary, it may have to eliminate or postpone capital expenditures. Management believes the Company will have adequate capacity under its current lines of credit to meet anticipated financing needs throughout 2013.

### Long-term Debt

The Company's loan agreements contain various covenants and restrictions. As of March 31, 2013, management believes it was in compliance with all of these restrictions. See Note 4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012 for additional information regarding these restrictions.

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The Company's debt (long-term debt plus current portion of long-term debt) as a percentage of the total capitalization, defined as total common stockholders' equity plus long-term debt (including current portion of long-term debt), was 45.7% as of March 31, 2013, compared with 46.0% as of December 31, 2012. The Company will likely allow the debt percentage to trend upward until it approaches fifty percent before matching increasing debt with additional equity. A debt to total capitalization ratio near fifty percent has historically been acceptable to the PPUC in rate filings. Due to its recent ability to generate more cash internally, the Company has been able to keep its ratio below fifty percent.

#### Deferred Income Taxes and Uncertain Tax Positions

The Company has seen an increase in its deferred income tax liability amounts over the last several years. This is primarily a result of the accelerated and bonus depreciation deduction available for federal tax purposes which creates differences between book and tax depreciation expense. The Company expects this trend to continue as it makes significant investments in capital expenditures and as the tax code continues to extend bonus depreciation. Bonus depreciation is currently expected to expire on January 1, 2014.

The Company has a substantial deferred income tax asset primarily due to the differences between the book and tax balances of the pension and deferred compensation plans from lower discount rates. The Company does not believe a valuation allowance is required due to the expected generation of future taxable income during the periods in which those temporary differences become deductible. The Company has determined there are no uncertain tax positions that require recognition as of March 31, 2013.

#### Common Stock

Common stockholders' equity as a percent of the total capitalization was 54.3% as of March 31, 2013, compared with 54.0% as of December 31, 2012. The volume of share repurchases could reduce this percentage. It is the Company's intent to target a ratio near fifty percent.

#### Credit Rating

On April 24, 2013, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's ability to maintain its credit rating depends, among other things, on adequate and timely rate relief, which it has been successful in obtaining, its ability to fund capital expenditures in a balanced manner using both debt and equity and its ability to generate cash flow. For the remainder of 2013, the Company's objectives will be to continue to maximize its funds provided by operations and maintain a strong capital structure.

#### Environmental Matters

In November 2011, during a routine tank cleaning, the Company discovered a small amount of mercury in the bottom of the tank. The tank was not in service at the time of the discovery and remains out of service. A number of tests were performed to confirm no mercury entered the water supply and no employees or contractors present during the discovery were impacted. The tank will remain out of service until it is approved for service by the Pennsylvania Department of Environmental Protection, or DEP. No disruption of service to any customers has occurred or is expected to occur. The Company incurred total costs of \$186 through March 31, 2013. Recent tests have shown the tank is in compliance with safe drinking water standards and the Company has requested permission to place the tank back into service from the DEP. If the DEP does not approve based on the testing completed, other options will be reviewed, including a project to reline and strengthen the interior of the tank or replace the tank through capital expenditures.

#### Labor Relations

The current union contract expired on April 30, 2013. Management and the union leadership have agreed to honor the expired contract and continue to work under its terms. Both sides are negotiating in good faith and the Company expects to reach an operationally and fiscally responsible agreement with no interruption of service.



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### Critical Accounting Estimates

The methods, estimates and judgments the Company used in applying its accounting policies have a significant impact on the results reported in its financial statements. The Company's accounting policies require management to make subjective judgments because of the need to make estimates of matters that are inherently uncertain. The Company's most critical accounting estimates include regulatory assets and liabilities, revenue recognition and accounting for its pension plans. There has been no significant change in accounting estimates or the method of estimation during the quarter ended March 31, 2013.

### Off-Balance Sheet Arrangements

The Company does not use off-balance sheet transactions, arrangements or obligations that may have a material current or future effect on financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses. The Company does not use securitization of receivables or unconsolidated entities. The Company uses a derivative financial instrument, an interest rate swap agreement discussed in Note 5 to the financial statements included herein, for risk management purposes. The Company does not engage in trading or other risk management activities, does not use other derivative financial instruments for any purpose, has no lease obligations, no guarantees and does not have material transactions involving related parties.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's operations are exposed to market risks primarily as a result of changes in interest rates under its lines of credit. The Company has unsecured lines of credit with three banks having a combined maximum availability of \$29,000. The first line of credit, in the amount of \$13,000, is a committed line of credit with a revolving 2-year maturity (currently May 2014), and carries an interest rate of LIBOR plus 1.20%. The second line of credit, in the amount of \$11,000, is a committed line of credit, which matures in May 2014 and carries an interest rate of LIBOR plus 1.25%. This line of credit has a compensating balance requirement of \$500 (see Note 7 to the financial statements included herein). The third line of credit, in the amount of \$5,000, is a committed line of credit, which matures in June 2013 and carries an interest rate of LIBOR plus 1.50%. The Company had no outstanding borrowings under any of its lines of credit as of March 31, 2013. Other than lines of credit, the Company has long-term fixed rate debt obligations as discussed in Note 7 to the financial statements included herein and a variable rate Pennsylvania Economic Development Financing Authority (PEDFA) loan agreement described below.

In May 2008, the PEDFA issued \$12,000 aggregate principal amount of PEDFA Exempt Facilities Revenue Bonds, Series A (the "Bonds"). The proceeds of this bond issue were used to refund the \$12,000 PEDFA Exempt Facilities Revenue Bonds, Series B of 2004 which were refunded due to bond insurer downgrading issues. The PEDFA then loaned the proceeds to the Company pursuant to a variable interest rate loan agreement with a maturity date of October 1, 2029. The interest rate under this loan agreement averaged 0.13% during the three months ended March 31, 2013. In connection with the loan agreement, the Company retained its interest rate swap agreement whereby the Company effectively exchanged its floating rate obligation for a fixed rate obligation. The purpose of the interest rate swap is to manage the Company's exposure to fluctuations in the interest rate. If the interest rate swap agreement works as intended, the receive rate on the swap should approximate the variable rate the Company pays on the PEDFA Series A Bond Issue, thereby minimizing its risk. See Note 5 to the financial statements included herein for additional information regarding the interest rate swap.

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In addition to the interest rate swap agreement, the Company entered into a Reimbursement, Credit and Security Agreement with PNC Bank, National Association ("the Bank"), dated as of May 1, 2008, in order to enhance the marketability of and to minimize the interest rate on the Bonds. This agreement provides for a direct pay letter of credit issued by the Bank to the trustee for the Bonds. The current expiration date of the letter of credit is May 6, 2015. It is reviewed annually for a potential extension of the expiration date. The Company's responsibility under this agreement is to reimburse the Bank on a timely basis for interest payments made to the bondholders and for any tendered Bonds that could not be remarketed. The Company has fourteen months from the time Bonds are tendered to reimburse the Bank. If the direct pay letter of credit is not renewed, the Company would be required to pay the Bank immediately for any tendered Bonds and reclassify a portion of the Bonds as current liabilities. In addition, the interest rate swap agreement would terminate causing a potential payment by the Company to the counterparty. Both the letter of credit and the swap agreement can potentially be transferred upon this type of event.

#### Item 4. Controls and Procedures

##### Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the Company's President and Chief Executive Officer along with the Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are effective such that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## Part II – OTHER INFORMATION

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the Company's purchases of its common stock for the quarter ended March 31, 2013.

| <u>Period</u>          | <u>Total Number of Shares Purchased</u> | <u>Average Price Paid per Share</u> | <u>Total Number of Shares Purchased as a Part of Publicly Announced Plans or Programs</u> | <u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u> |
|------------------------|---|-------------------------------------|---|---|
| Jan. 1 – Jan. 31, 2013 | -                                       | \$-                                 | -   | -   |
| Feb. 1 – Feb. 28, 2013 | -                                       | \$-                                 | -   | -   |

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|                        |        |         |        |           |
|------------------------|--------|---------|--------|-----------|
| Mar. 1 – Mar. 31, 2013 | 10,639 | \$18.56 | 10,639 | 1,189,361 |
| Total                  | 10,639 | \$18.56 | 10,639 | 1,189,361 |

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On March 11, 2013, the Board of Directors authorized a share repurchase program granting the Company authority to repurchase up to 1,200,000 shares of the Company's common stock from time to time. Under the stock repurchase program, the Company may repurchase shares in the open market or through privately negotiated transactions. The Company may suspend or discontinue the repurchase program at any time. The Company did not repurchase any shares that were not part of the publicly announced plan during the quarter ended March 31, 2013.

The Company's loan agreements contain various covenants and restrictions regarding dividends and share repurchases. As of March 31, 2013, management believes it was in compliance with all of these restrictions. See Note 4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012 for additional information regarding these restrictions.

The Company will fund repurchases under the share repurchase program with internally generated funds and borrowings under its credit facilities if necessary.

Item 6. Exhibits

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 3                  | Amended and Restated Articles of Incorporation. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2010. |
| 3.1                | Amended and Restated By-Laws. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2012.              |
| <u>31.1</u>        | <u>Certification of Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a)</u>   |

under the Securities  
Exchange Act of  
1934.

31.2      Certification of  
Chief Financial  
Officer, pursuant to  
Rule  
13a-14(a)/15d-14(a)  
under the Securities  
Exchange Act of  
1934.

32.1      Certification of  
Chief Executive  
Officer, pursuant to  
18 U.S.C. Section  
1350, as adopted  
pursuant to Section  
906 of the  
Sarbanes-Oxley Act  
of 2002.

32.2      Certification of  
Chief Financial  
Officer, pursuant to  
18 U.S.C. Section  
1350, as adopted  
pursuant to Section  
906 of the  
Sarbanes-Oxley Act  
of 2002.

101.INS      XBRL Instance  
Document

101.SCH      XBRL Taxonomy  
Extension Schema

101.CAL      XBRL Taxonomy  
Extension  
Calculation  
Linkbase

101.DEF      XBRL Taxonomy  
Extension Definition  
Linkbase

101.LAB      XBRL Taxonomy  
Extension Label  
Linkbase

101.PRE XBRL Taxonomy  
Extension  
Presentation  
Linkbase

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE YORK WATER COMPANY

/s/Jeffrey R. Hines

Date: May 8, 2013 Jeffrey R. Hines  
Principal Executive Officer

/s/Kathleen M. Miller

Date: May 8, 2013 Kathleen M. Miller  
Principal Financial and Accounting Officer

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EXHIBIT INDEX

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| <u>31.1</u>                  | <u>Certification of Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.</u>  |
| <u>31.2</u>                  | <u>Certification of Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.</u>  |
| <u>32.1</u>                  | <u>Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>  |
| <u>32.2</u>                  | <u>Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>  |
| 101.INS                      | XBRL Instance Document  |
| 101.SCH                      | XBRL Taxonomy Extension Schema  |
| 101.CAL                      | XBRL Taxonomy Extension Calculation Linkbase  |
| 101.DEF                      | XBRL Taxonomy Extension Definition Linkbase   |
| 101.LAB                      | XBRL Taxonomy Extension Label Linkbase  |
| 101.PRE                      | XBRL Taxonomy Extension Presentation Linkbase   |

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