

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, 2003

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 1-6659

PHILADELPHIA SUBURBAN CORPORATION

-----  
(Exact name of registrant as specified in its charter)

Pennsylvania

23-1702594

-----  
(State or other jurisdiction of  
incorporation or organization)

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

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania

19010 -3489

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Registrant's telephone number, including area code:

(610)-527-8000  
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(Former Name, former address and former fiscal year,  
if changed since last report.)

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 is an accelerated filer (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 April 29, 2003.

68,097,741.  
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Part I - Financial Information  
Item 1. Financial Statements

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In thousands of dollars, except per share amounts)

	March 31, 2003	December 31, 2002
	-----	-----
Assets	(Unaudited)	
Property, plant and equipment, at cost	\$1,859,062	\$1,836,892
Less accumulated depreciation	354,733	346,051
	-----	-----
Net property, plant and equipment	1,504,329	1,490,841
	-----	-----
Current assets:		
Cash and cash equivalents	8,736	5,915
Accounts receivable and unbilled revenues, net	56,714	57,680
Inventory, materials and supplies	5,138	4,555
Prepayments and other current assets	2,234	2,758
	-----	-----
Total current assets	72,822	70,908
	-----	-----
Regulatory assets	87,783	88,175
Deferred charges and other assets, net	25,781	23,391
Funds restricted for construction activity	40,979	43,754
	-----	-----
	\$1,731,694	\$1,717,069
	=====	=====
Liabilities and Stockholders' Equity		
Stockholders' equity:		
Common stock at \$.50 par value, authorized 100,000,000 shares, issued 70,235,460 and 70,067,784 in 2003 and 2002	\$ 35,118	\$ 35,034
Capital in excess of par value	320,521	317,871
Retained earnings	183,859	180,047
Minority interest	503	503
Treasury stock, 2,149,625 and 2,151,350 shares in 2003 and 2002	(40,388)	(40,421)
Accumulated other comprehensive income	110	63
	-----	-----
Total stockholders' equity	499,723	493,097
	-----	-----
6.05% Series B cumulative preferred stock	172	172
Long-term debt, excluding current portion	580,841	582,910
Commitments	-	-
Current liabilities:		
Current portion of long-term debt	23,889	34,265
Loans payable	137,230	115,113
Accounts payable	17,682	31,058
Accrued interest	9,588	9,269
Accrued taxes	18,840	14,500
Other accrued liabilities	20,691	22,326
	-----	-----
Total current liabilities	227,920	226,531
	-----	-----
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	189,189	187,300
Customers' advances for construction	69,593	69,790
Other	15,426	13,330
	-----	-----
Total deferred credits and other liabilities	274,208	270,420
	-----	-----
Contributions in aid of construction	148,830	143,939
	-----	-----
	\$1,731,694	\$1,717,069
	=====	=====

See notes to consolidated financial statements on page 5 of this report.

	Three Months Ended March 31,	
	----- 2003 -----	----- 2002 -----
Operating revenues	\$80,489	\$71,669
Costs and expenses:		
Operations and maintenance	30,664	27,285
Depreciation	11,347	9,893
Amortization	712	540
Taxes other than income taxes	5,320	5,314
	-----	-----
	48,043	43,032
	-----	-----
Operating income	32,446	28,637
Other expense (income):		
Interest expense, net	10,612	9,780
Allowance for funds used during construction	(376)	(386)
Gain on sale of other assets	(55)	(349)
	-----	-----
Income before income taxes	22,265	19,592
Provision for income taxes	8,938	7,702
	-----	-----
Net income	13,327	11,890
Dividends on preferred stock	3	15
	-----	-----
Net income available to common stock	\$13,324	\$11,875
	=====	=====
Net income	\$13,327	\$11,890
Other comprehensive income (loss), net of tax:		
Unrealized gain on securities	47	128
Reclassification adjustment for gains reported in net income	-	(227)
	-----	-----
Comprehensive income	\$13,374	\$11,791
	=====	=====
Net income per common share:		
Basic	\$ 0.20	\$ 0.17
	=====	=====
Diluted	\$ 0.19	\$ 0.17
	=====	=====
Average common shares outstanding during the period:		
Basic	67,977	68,451
	=====	=====
Diluted	68,586	69,300
	=====	=====

See notes to consolidated financial statements on page 5 of this report.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CAPITALIZATION  
(In thousands of dollars, except per share amounts)

	March 31, 2003 -----	December 31, 2002 -----
	(Unaudited)	
Stockholders' equity:		
Common stock, \$.50 par value	\$ 35,118	\$ 35,034
Capital in excess of par value	320,521	317,871

Retained earnings	183,859	180,047
Minority interest	503	503
Treasury stock	(40,388)	(40,421)
Accumulated other comprehensive income	110	63
Total stockholders' equity	499,723	493,097
6.05% Series B cumulative preferred stock	172	172
Long-term debt:		
First Mortgage Bonds secured by utility plant:		
Interest Rate Range		
0.00% to 2.49%	16,428	18,009
2.50% to 2.99%	14,918	14,052
3.00% to 3.49%	3,713	4,733
3.50% to 3.99%	3,200	3,200
4.00% to 4.99%	8,135	8,135
5.00% to 5.49%	90,930	90,955
5.50% to 5.99%	76,260	86,260
6.00% to 6.49%	126,360	126,360
6.50% to 6.99%	52,000	52,000
7.00% to 7.49%	58,000	58,000
7.50% to 7.99%	23,000	23,000
8.00% to 8.49%	17,497	17,497
8.50% to 8.99%	9,000	9,000
9.00% to 9.49%	53,054	53,054
9.50% to 9.99%	44,142	44,637
10.00% to 10.50%	6,000	6,000
Total First Mortgage Bonds	602,637	614,892
Notes payable, 6.05%, due 2006	788	978
Installment note payable, 9%, due in equal annual payments through 2013	1,305	1,305
Current portion of long-term debt	604,730	617,175
Long-term debt, excluding current portion	23,889	34,265
Total capitalization	\$1,080,736	\$1,076,179

See notes to consolidated financial statements on page 5 of this report.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands of dollars)

(UNAUDITED)

	Three Months Ended	
	March 31,	
	2003	2002
Cash flows from operating activities:		
Net income	\$ 13,327	\$ 11,890
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	12,059	10,433
Deferred income taxes	1,865	1,440
Gain on sale of other assets	(55)	(349)
Net decrease in receivables, inventory and prepayments	744	5,364
Net decrease in payables, accrued interest, accrued taxes and other accrued liabilities	(6,883)	(9,410)
Other	(1,511)	120
Net cash flows from operating activities	19,546	19,488
Cash flows from investing activities:		
Property, plant and equipment additions, including allowance for funds used during construction of \$376 and \$386	(24,001)	(24,955)
Acquisitions of water and wastewater systems	(11)	(2,739)
Proceeds from the sale of other assets	60	1,659
Net decrease in funds restricted for construction activity	2,775	7,232
Other	(130)	(126)

Net cash flows used in investing activities	----- (21,307) -----	----- (18,929) -----
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	1,361	3,840
Repayments of customers' advances	(742)	(1,509)
Net proceeds (repayments) of short-term debt	22,117	10,112
Proceeds from long-term debt	24	1,014
Repayments of long-term debt	(11,050)	(2,741)
Redemption of preferred stock	(1)	(300)
Proceeds from issuing common stock	2,665	3,142
Repurchase of common stock	(105)	(428)
Dividends paid on preferred stock	(3)	(15)
Dividends paid on common stock	(9,512)	(9,064)
Other	(172)	(1,034)
Net cash flows from financing activities	----- 4,582 -----	----- 3,017 -----
Net increase in cash and cash equivalents	2,821	3,576
Cash and cash equivalents at beginning of period	5,915	1,010
Cash and cash equivalents at end of period	----- \$ 8,736 =====	----- \$ 4,586 =====

See notes to consolidated financial statements on page 5 of this report.

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts)  
(UNAUDITED)

Note 1 Basis of Presentation  
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The accompanying consolidated balance sheet and statement of capitalization of Philadelphia Suburban Corporation ("PSC") at March 31, 2003, the consolidated statements of income and comprehensive income and cash flow for the three months ended March 31, 2003 and 2002, are unaudited, but reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the consolidated results of operations, and the consolidated cash flow for the periods presented. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the PSC Annual Report on Form 10-K for the year ended December 31, 2002. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year.

Note 2 Water Rates  
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During the first three months of 2003, operating subsidiaries located in Pennsylvania, Illinois, Ohio and Maine were granted rate increases, representing seven rate adjustments, intended to increase total revenues by approximately \$5,600 on an annual basis. Revenues from the rate increases realized in the first three months of 2003 were approximately \$1,250.

Note 3 Stockholders' Equity  
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PSC reports other comprehensive income in accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." The following table summarizes the activity of accumulated other comprehensive income:

	2003 -----	2002 -----
Balance at January 1,	\$ 63	\$ 726

Unrealized holding gain arising during the period, net of tax of \$25 in 2003 and \$68 in 2002	47	128
Less: reclassification adjustment for gains included in net income, net of tax of \$122 in 2002	-	(227)
	----	-----
Other comprehensive income (loss), net of tax	47	(99)
	----	-----
Balance at March 31,	\$110	\$ 627
	=====	=====

## PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

## Note 4 Net Income per Common Share

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Basic net income per common share is based on the weighted average number of common shares outstanding. Diluted net income per common share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock options is included in the computation of Diluted net income per common share. The following table summarizes the shares, in thousands, used in computing Basic and Diluted net income per common share:

	Three Months Ended March 31,	
	2003	2002
	-----	-----
Average common shares outstanding during the period for Basic computation	67,977	68,451
Dilutive effect of employee stock options	609	849
	-----	-----
Average common shares outstanding during the period for Diluted computation	68,586	69,300
	=====	=====

## Note 5 Stock-Based Compensation

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PSC accounts for stock-based compensation using the intrinsic value method in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, no compensation expense related to granting of stock options has been recognized in the financial statements for stock options that have been granted. Pursuant to the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, pro forma net income available to common stock and earnings per share are presented in the following table as if compensation cost for stock options was determined as of the grant date under the fair value method:

	Three Months Ended March 31,	
	2003	2002
	-----	-----

Net income available to common stock:		
As reported	\$13,324	\$11,875
Less: pro forma expense related to stock options granted, net of tax effects	(405)	(317)
	-----	-----
Pro forma	\$12,919	\$11,558
	=====	=====
Basic net income per share:		
As reported	\$ 0.20	\$ 0.17
Pro forma	0.19	0.17
Diluted net income per share:		
As reported	\$ 0.19	\$ 0.17
Pro forma	0.19	0.17

The fair value of options at the date of grant was estimated using the Black-Scholes option-pricing model.

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Note 6 Recent Accounting Pronouncements  
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In July 2001, the Financial Accounting Standards Board ("FASB") approved Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. When the liability is initially recognized, the carrying amount of the related long-lived asset is increased by the same amount. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, PSC may settle the obligation for its recorded amount, or an alternative amount, thereby incurring a gain or loss upon settlement. The adoption of this statement as required on January 1, 2003 did not have a material impact on PSC's results of operations or financial position.

In April 2002, the FASB approved SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145, among other things, rescinds SFAS No. 4, which required all gains and losses from the extinguishment of debt to be classified as an extraordinary item and amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. PSC adopted this statement in the first quarter of 2003 and it did not have a material impact on PSC's results of operations or financial position.

In June 2002, the FASB approved SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. This statement replaces the previous accounting guidance provided in Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 is effective for exit or disposal activities that are

initiated after December 31, 2002. PSC adopted this standard in the first quarter of 2003 and it did not have a material impact on PSC's results of operations or financial position.

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," an interpretation of SFAS No. 5, 57 and 107 and rescission of SFAS No. 34. This interpretation clarifies the requirements of FASB Statement No. 5, "Accounting for Contingencies" relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. The disclosure provisions of the interpretation are effective for financial statements of periods ending after December 15, 2002. The provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. PSC adopted the accounting provisions of this standard in the first quarter of 2003 and it did not have a material impact on PSC's results of operations or financial position.

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

(In thousands of dollars, except per share amounts)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements



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This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things: our use of cash; projected capital expenditures; liquidity; possible acquisitions and other growth ventures; the expected completion dates for the AquaSource acquisition; the completion of various construction projects; the projected effects of recent accounting pronouncements; the final purchase price for and the financing of the purchase of AquaSource; the projected annual value of rate increases, as well as information contained elsewhere in this report where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans" or similar expressions. These statements are based on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside our control. Actual results may differ materially from such statements for a number of reasons, including the effects of regulation, abnormal weather, changes in capital requirements and funding, acquisitions and the approval of the AquaSource acquisition by governmental authorities. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

General Information  
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Philadelphia Suburban Corporation ("we" or "us"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to approximately 2 million people in Pennsylvania, Ohio, Illinois, New Jersey, Maine and North Carolina. Our two primary subsidiaries are Pennsylvania Suburban Water Company ("PSW"), a regulated public utility that provides water or wastewater services to approximately 1.3 million residents in the suburban areas north and west of the City of Philadelphia and in 18 other counties in Pennsylvania, and Consumers Water Company ("CWC"), a holding company for several regulated public utility companies that provide water or wastewater service to approximately 700,000 residents in various communities in Ohio, Illinois, New Jersey and Maine. Other of our smaller subsidiaries provide water and wastewater services in parts of Pennsylvania, North Carolina and Ohio. Some of our subsidiaries provide wastewater services to a population of approximately 40,000 people in Pennsylvania, Illinois, New Jersey and North Carolina. In addition, we provide water and wastewater service to approximately 45,000 people through operating and maintenance contracts with municipal authorities and other parties close to our operating companies' service territories. We are the largest U.S.-based investor-owned water utility based on number of customers.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

Financial Condition  
-----

During the quarter, we had \$24,001 of capital expenditures, repaid \$742 of

customer advances for construction and repaid debt and made sinking fund contributions and other loan repayments of \$11,050. The capital expenditures were related to improvements to treatment plants, new water mains and customer service lines, the rehabilitation of existing water mains, hydrants and customer service lines, in addition to well and booster improvements.

During the quarter, the proceeds from our short-term credit facilities, proceeds from the issuance of common stock, internally generated funds and available working capital were used to fund the cash requirements discussed above and to pay dividends. At March 31, 2003, we had short-term lines of credit of \$180,000, of which \$42,770, was available.

We entered into a purchase agreement with DQE, Inc. ("DQE") and AquaSource, Inc. ("AquaSource") dated July 29, 2002, as amended by Amendment No. 1 dated March 4, 2003, pursuant to which we agreed to acquire four operating water and wastewater subsidiaries of AquaSource and assume selected, integrated operating and maintenance contracts and related assets. The purchase agreement provides for a target cash purchase price of approximately \$205 million subject to various adjustments. If the transaction is completed, we will purchase operating utilities, including assets and franchises that serve approximately 130,000 water and wastewater customer accounts in 11 states, and selected water and wastewater operating contracts that serve approximately 40,000 customers in seven of these states. The acquisition is subject to certain regulatory approvals, but does not require approval of the shareholders of DQE or PSC. We expect to obtain the requisite regulatory approvals in mid-2003. It is our intention to fund the acquisition at closing with cash from a combination of short-term debt, long-term debt, the issuance of our common stock and/or an instrument convertible into our common stock. The ultimate decision regarding the funding of the acquisition will be based upon market conditions existing at the time the acquisition is consummated.

Management believes that internally generated funds along with existing credit facilities and the proceeds from the issuance of long-term debt and common stock will be adequate to meet our financing requirements for the balance of the year and beyond.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

Results of Operations  
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Analysis of First Quarter of 2003 Compared to First Quarter of 2002  
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Revenues for the quarter increased \$8,820 or 12.3% primarily due to increased water rates granted to our Pennsylvania, New Jersey and Ohio operating subsidiaries, increased water consumption, and additional water revenues associated with the larger customer base due to acquisitions, offset partially by the revenues associated with a water system sold in 2002 of \$384.

Operations and maintenance expenses increased by \$3,379 or 12.4% primarily due to increased postretirement benefits expenses, additional operating costs associated with acquisitions, higher maintenance expenses and increased insurance expense. The postretirement benefits expense increase resulted principally from higher pension costs. The increased maintenance expenses resulted from an increased number of main breaks resulting from the relatively harsh winter weather that was experienced in the first quarter of 2003.

Depreciation expense increased \$1,454 or 14.7% reflecting the utility plant placed in service since the first quarter of 2002, including the assets acquired through system acquisitions.

Amortization increased \$172 primarily due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by \$6 or 0.1% as a result of an increase in capital stock tax due to an increase in the base on which the tax is applied, offset partially by a reduction in state taxes. The decrease in state taxes is a result of a reduction in assessments.

Interest expense increased by \$832 or 8.5% primarily due to additional borrowings to finance on-going capital projects and acquisitions, offset partially by decreased interest rates on borrowings.

Allowance for funds used during construction ("AFUDC") decreased by \$10 primarily due to a decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied; offset partially by an increase in the AFUDC rate as a result of tax-exempt borrowings for our multi-year infrastructure rehabilitation plan.

Gain on sale of other assets decreased \$294 due to a decrease in the gain on sale of marketable securities of \$349 as there were no marketable securities sold in the first quarter of 2003, offset by an increase in the gain on the sale of land realized of \$55.

Our effective income tax rate was 40.1% in the first quarter of 2003 and 39.3% in the first quarter of 2002. The change was due to a decrease in the tax-deductible portion of our book expenses.

Net income available to common stock for the quarter increased by \$1,449 or 12.2%, in comparison to the same period in 2002 primarily as a result of the factors described above. On a diluted per share basis, earnings increased \$.02 or 11.8% reflecting the change in net income and a 1.0% decrease in the average number of common shares outstanding. The decrease in the number of shares outstanding is primarily a result of shares repurchased in the fourth quarter of 2002, offset partially by the additional shares sold or issued through the dividend reinvestment plan, and employee stock purchase plan and equity compensation plan and shares issued in connection with acquisitions.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

Impact of Recent Accounting Pronouncements  
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In July 2001, the Financial Accounting Standards Board ("FASB") approved Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. When the liability is initially recognized, the carrying amount of the related long-lived asset is increased by the same amount. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we may settle the obligation for its recorded amount, or an alternative amount, thereby incurring a gain or loss upon settlement. The adoption of this statement as required on January 1, 2003 did not have a material impact on our results of operations or financial position.

In April 2002, the FASB approved SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145, among other things, rescinds SFAS No. 4, which required all gains and losses from the extinguishment of debt to be classified as an extraordinary item and amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. We adopted this statement in the first quarter of 2003 and it did not have a material impact on our results of operations or financial position.

In June 2002, the FASB approved SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. This statement replaces the previous accounting guidance provided in Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. We adopted this standard in the first quarter of 2003 and it did not have a material impact on our results of operations or financial position.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," an interpretation of SFAS No. 5, 57 and 107 and rescission of SFAS No. 34. This interpretation clarifies the requirements of FASB Statement No. 5, "Accounting for Contingencies" relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. The disclosure provisions of the interpretation are effective for financial statements of periods ending after December 15, 2002. The provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. We adopted the accounting provisions of this standard in the first quarter of 2003 and it did not have a material impact on our results of operations or financial position.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risk  
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We are subject to market risks in the normal course of business, including changes in interest and equity prices. There have been no significant changes in our exposure to market risks since December 31, 2002. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2002 for additional information.

Item 4. Controls and Procedures  
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Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer), we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of the filing date of this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation.

## PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

## Part II. Other Information

Item 1. Legal Proceedings  
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There are no pending legal proceedings to which we or any of our subsidiaries is a party or to which any of their properties is the subject that are expected to have a material effect on our financial position, results of operations or cash flows.

Item 6. Exhibits and Reports on Form 8-K  
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## (a) Exhibits

Exhibit No. -----	Description -----
99.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

## (b) Reports on Form 8-K

Current Report on Form 8-K filed on January 14, 2003, responding to Item 5, Other Events. (Related to the Company's previous filing of a Registration Statement on Form S-4 on December 22, 1999 and the result of applying the Company's 5-for-4 common stock splits effected in the form of stock dividends distributed on December 1, 2001 and on December 1, 2000).

## SIGNATURES

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

May 7, 2003

PHILADELPHIA SUBURBAN CORPORATION

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Registrant

/s/ Nicholas DeBenedictis

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Nicholas DeBenedictis  
Chairman and President

/s/ David P. Smeltzer

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David P. Smeltzer  
Senior Vice President - Finance  
and Chief Financial Officer

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CERTIFICATIONS

I, Nicholas DeBenedictis, Chairman, President and Chief Executive Officer of Philadelphia Suburban Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Philadelphia Suburban Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and

procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 7, 2003

/s/ Nicholas DeBenedictis

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Nicholas DeBenedictis  
Chairman, President and Chief Executive Officer

I, David P. Smeltzer, Senior Vice President - Finance and Chief Financial Officer of Philadelphia Suburban Corporation, certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of Philadelphia Suburban Corporation;
- 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 7, 2003

/s/ David P. Smeltzer

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 David P. Smeltzer  
 Senior Vice President - Finance and  
 Chief Financial Officer

EXHIBIT INDEX

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99.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002





CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2003 of Philadelphia Suburban Corporation (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas DeBenedictis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Nicholas DeBenedictis

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Nicholas DeBenedictis  
Chairman, President and Chief Executive Officer  
May 7, 2003

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2003 of Philadelphia Suburban Corporation (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Smeltzer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David P. Smeltzer

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David P. Smeltzer  
Senior Vice President - Finance and Chief Financial Officer  
May 7, 2003