SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000 — 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $.50 per share	New York Stock Exchange, Inc. Philadelphia Stock Exchange Inc.

Securities registered pursuant to Section 12(g) of the Act: None

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 filing requirements for the past 90 days.

Yes _x_ No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 1, 2001.
$1,035,364,270

For purposes of determining this amount only, registrant has defined affiliates as including (a) the executive officers named in Part I of this 10-K report, (b) all directors of registrant, and (c) each shareholder that has informed registrant by March 1, 2001, that it has sole or shared voting power of 5% or more of the outstanding common stock of registrant.

The number of shares outstanding of each of the registrant's classes of common stock as of March 1, 2001.
54,048,355

Documents incorporated by reference

(1) Portions of registrant's 2000 Annual Report to Shareholders have been incorporated by reference into Parts I and II of this Form 10-K Report.

(2) Portions of the Proxy Statement, relative to the May 17, 2001

annual meeting of shareholders of registrant, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K Report, have been incorporated by reference into Part III of this Form 10-K Report.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K ("10-K"), or incorporated by reference in this 10-K, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 made based upon, among other things, our current assumptions, expectations and beliefs concerning future developments and their potential effect on us. These forward-looking statements involve risks, uncertainties and other factors, many of which are outside our control, that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. In some cases you can identify forward-looking statements where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans," "future," "potential" or the negative of such terms or similar expressions. Forward-looking statements in this 10-K, or incorporated by reference in this 10-K, include, but are not limited to, statements regarding:

- projected capital expenditures and related funding requirements;
- developments and trends in the water and wastewater utility industries;
- opportunities for future acquisitions;
- the development of new services and technologies by us or our competitors;
- the availability of qualified personnel;
- general economic conditions; and
- merger-related costs and synergies.

Because forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including but not limited to:

- changes in general economic, business and financial market conditions;
- changes in government regulations, including environmental regulations;
- abnormal weather conditions;
- changes in capital requirements;
- our ability to integrate businesses, technologies or services which we may acquire;
- our ability to manage the expansion of our business;
- the extent to which we are able to develop and market new and improved services;
- the effect of the loss of major customers;
- our ability to retain the services of key personnel and to hire qualified personnel as we expand;
- unanticipated capital requirements; and
- cost overruns relating to improvements or the expansion of our operations.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. You should read this 10-K and the documents that we incorporate by reference in this 10-K completely and with the understanding that our actual future results may be materially different from what we expect. These forward-looking statements represent our estimates and assumptions only as of the date of this 10-K. Except for our ongoing obligations to disclose material information under the federal securities laws, we are not obligated to update these forward-looking statements, even though our situation may change in the future. We qualify all of our forward-looking statements by these cautionary statements.

PART I

Item 1. Business

The Company

Philadelphia Suburban Corporation (referred to as "we" or "us") 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 Philadelphia Suburban Water Company, a regulated public utility that provides water or wastewater services to about 1.1 million residents in the suburban areas north and west of the City of Philadelphia, and Consumers Water Company, a holding company for several regulated public utility companies that provide water or wastewater service to about 850,000 residents in various communities in five states. Other subsidiaries provide water and wastewater services in parts of Pennsylvania, North Carolina and Ohio. We are among the largest investor-owned water utilities in the United States based on the number of customers. In addition, we provide water and wastewater service to approximately 35,000 people through operating and maintenance contracts with municipal authorities and other parties close to our operating companies' service territories. Some of our subsidiaries provide wastewater collection, treatment and disposal services (primarily residential) to approximately 30,000 people in Pennsylvania, Illinois, New Jersey and North Carolina.

Consumers Water Company owns 100% of the voting stock of five water companies, and at least 96% of the voting stock of two water companies, operating in Pennsylvania, Ohio, Illinois, New Jersey and Maine. Consumers Water Company's subsidiaries operate 27 divisions in these five states, providing water service to approximately 850,000 people.

The following table indicates by geographic area our number of customers served and utility revenues (water and wastewater revenues) for the year ended December 31, 2000:

	Utility Revenues (000's)	Number of Customers Served
Suburban Philadelphia	$ 166,019	334,676
Ohio	32,746	81,966
Illinois	24,560	62,971
Pennsylvania*	22,039	46,306
New Jersey	13,968	35,728
Maine	8,313	17,072
North Carolina	--	500
	$ 267,645	579,219

* Other than suburban Philadelphia.

The following table indicates by customer class our number of customers served and utility revenues for the year ended December 31, 2000:

Customer class	Utility Revenues (000's)	Number of Customers Served
Residential	$ 170,597	512,442
Commercial	47,109	29,317
Industrial	14,943	1,446
Other	29,582	9,500
Wastewater and operating contracts	5,414	26,514
	$ 267,645	579,219

Our customer base is primarily residential, representing approximately 64% of our total sales. Substantially all of our water customers are metered, which allows us to measure our customers' water consumption. Water consumption per customer is affected by local weather conditions during the year, especially during the late spring and early summer. In general, during these seasons, an extended period of dry weather increases consumption, while above average rainfall decreases water consumption. Also, an increase in the average temperature generally causes an increase in water consumption. See "Water Supplies and Facilities" for a discussion of water use restrictions that may impact water consumption during abnormally dry weather. Our exposure to regional weather conditions is lessened by our geographic diversity as our customers are located in six states. Despite our geographic diversity, during 2000, our service territories in several states, particularly in the suburban Philadelphia territory, experienced cool and wet weather conditions during the summer months, in contrast to the abnormally dry weather experienced in 1999. As a result, water consumption in these portions of our service territory declined during this period, however, in the fourth quarter of 2000, water consumption returned to normal levels.

The growth in revenues over the past three years is a result of increases in the customer base and in water rates. Excluding customers added through acquisitions and other growth ventures, during the three-year period of 1998 through 2000, our customer base grew at an annual compound rate of 1.2%. Including acquisitions and other growth ventures, our customer base increased at an annual compound rate of 3.8% during this period. The customer growth rate in 2000 was 3.9%. Our business combination with Consumers Water Company on March 10, 1999 has enabled us to grow through acquisitions in the areas where Consumers operates, and to enter a new operating state, North Carolina, in 2000.

Acquisitions and Water Sale Agreements

We believe that there are many potential water system acquisition candidates throughout the United States because of the fragmented nature of the water utility industry. We believe the factors driving consolidation of these water systems are:

- the benefits of economies of scale, including the development of technological expertise that would not be feasible in a smaller organization;
- increasingly stringent environmental regulations; and
- the need for capital investment.

We believe that acquisitions will continue to be an important source of growth for us. We intend to continue to pursue acquisitions of municipally-owned and investor-owned water systems of all sizes that provide services in areas adjacent to our existing service territories or in new service areas. We engage in continuing activities with respect to potential acquisitions, including performing analyses and investigations of acquisition candidates, making preliminary acquisition proposals and negotiating the terms of potential acquisitions.

During the past five years, exclusive of the Consumers Water Company merger we have completed 66 acquisitions or other growth ventures adding approximately 56,000 customers to our customer base. The largest of these transactions was the acquisition of the water utility assets of Bensalem Township in December 1999, which has added 14,945 customers. We are actively exploring other opportunities to expand our utility operations through acquisitions or otherwise.

Water Supplies and Water Facilities

Our water utility operations obtain their water supplies from surface water sources such as reservoirs, lakes, ponds, rivers and streams, in addition to obtaining water from wells and purchasing water from other water suppliers. Less than 5% of our water sales are purchased from other suppliers. We believe that we have all of the necessary permits to obtain the water we distribute. Our supplies are sufficient for anticipated daily demand and normal peak demand under normal weather conditions. Our supplies by service area are as follows:

- Suburban Philadelphia - The principal supply of water is surface water from the Schuylkill River, Delaware River, eight rural streams which are tributaries of the Schuylkill and Delaware Rivers, and the Upper Merion Reservoir, a former quarry now impounding groundwater. Wells and interconnections with adjacent municipal authorities supplement these surface supplies.
- Ohio - Water supply is obtained for customers in Lake County from Lake Erie. Customers in Mahoning County obtain their water from man-made lakes and the Ashtabula division is supplied by purchased water. Water supply is obtained for customers in Stark and Summit Counties from wells.
- Illinois - Water supply is obtained for customers in Kankakee County from the Kankakee River and satellite wells, while customers in Vermilion County are supplied from Lake Vermilion. In Will, Lee, Boone and Knox counties, our customers are served from deep well systems.
- New Jersey - Water supply in our three non-contiguous divisions is obtained from wells.

- Pennsylvania (other than suburban Philadelphia) - The Roaring Creek Division draws its water from a man-made lake within a 12,000 acre watershed and two wells also located in the watershed. The Susquehanna Division obtains its water supply from wells. The Shenango Division draws its water from the Shenango River. The Waymart divisions' water supply is principally from wells.
- Maine - Eleven non-contiguous water systems obtain their water supply as follows: five systems use groundwater, five systems use surface water and one system purchases water from a neighboring municipal district.
- North Carolina - Water supply in 105 non-contiguous divisions is obtained from wells and 2 divisions purchase water from neighboring municipalities (effective with the Hydraulics, Inc. acquisition in January 2001).

We believe that the capacities of our sources of supply, and our water treatment, pumping and distribution facilities are generally sufficient to meet the present requirements of our customers. On a continuing basis, we make system improvements and additions to capacity in response to changing regulatory standards, changing patterns of consumption and increases in the number of customers. The various state public utility commissions have generally recognized the operating and capital costs associated with these improvements in setting water rates.

As was the case in Pennsylvania and New Jersey in the summer of 1999, abnormally dry weather can sometimes result in the governmental authorities declaring drought warnings and water use restrictions in the affected areas. If these types of actions are taken, water consumption and water revenues may be reduced. While parts of Pennsylvania, particularly those dependent on ground water, experienced water shortages during the 1999 drought, our water supplies remained adequate. When the drought restrictions were lifted, water use returned to normal levels.

On occasion, there have been other water use restrictions during the past three years, however, because these limitations were issued at times other than the summer months, when nonessential and recreational use of water has traditionally declined, the restrictions did not have a significant impact on operating revenues and we had sufficient quantities of raw water and maintained adequate storage levels of treated water.

Economic Regulation

Our water and wastewater utility operations are subject to regulation by their respective state regulatory commissions, which have broad administrative power and authority to regulate rates and charges, determine franchise areas and conditions of service and authorize the issuance of securities. The regulatory commissions also establish uniform systems of accounts and approve the terms of contracts with affiliates and customers, business combinations with other utility systems, loans and the purchases or sales of property. The profitability of our utility operations is influenced to a great extent by the timeliness and adequacy of rate allowances in the various states in which we operate. Accordingly, we maintain a rate case management capability to provide that the tariffs of our utility operations reflect, to the extent practicable, current costs of operations, capital, taxes, energy, materials and compliance with environmental regulations. Rates for some divisions of our Ohio water utility can be fixed by negotiated agreements with the municipalities that are served by those divisions in lieu of regulatory approval from the Public Utility Commission of Ohio. Currently, two of the five regulated divisions in Ohio are operating under such rate ordinances.

In 1996, the Pennsylvania Public Utility Commission ("PAPUC") approved the Distribution System Improvement Charge ("DSIC"). The DSIC is a mechanism that allows Pennsylvania water utilities to add a surcharge to their water bills. This surcharge offsets the additional depreciation and capital costs associated with certain non-revenue producing, non-expense reducing capital expenditures related to replacing and rehabilitating distribution systems. Prior to the DSIC, water utilities absorbed all of the depreciation and capital costs of these projects between base rate increases without the benefit of additional revenues. The gap between the time that a capital project is completed and the recovery of its costs in base rates is known as regulatory lag. The DSIC is intended to eliminate or reduce regulatory lag that often acted as a disincentive to water utilities in rehabilitating their distribution systems. The DSIC is adjusted quarterly based on additional qualified capital expenditures made in the previous quarter. The DSIC may never exceed 5% of the base rates in effect. The DSIC is reset to zero when new base rates that reflect the costs of those additions become effective. The PAPUC also limits use of the DSIC to periods when a company's return on equity is less than a benchmark it establishes each quarter.

We are currently working to establish DSIC mechanisms in the other states in which we operate. In May 1999, the Illinois legislature passed a bill to establish a DSIC mechanism in Illinois. The Illinois Commerce Commission is drafting regulations interpreting the legislation for use by Illinois water and wastewater utilities beginning in 2001.

In general, we believe that Philadelphia Suburban Corporation and its subsidiaries have valid rights, free from unduly burdensome restrictions, to enable us to carry on our business as presently conducted in the territories we now serve. The rights to provide water or wastewater service to a particular franchised service territory are generally non-exclusive, although the applicable regulatory commissions usually allow only one utility to provide service to a given area. In some instances, another water utility provides service to a separate area within the same political subdivision served by one of our subsidiaries. In the states where our subsidiaries operate, it is possible that portions of our subsidiaries' operations could be acquired by municipal governments by one or more of the following methods:

- eminent domain;
- the right of purchase given or reserved by a municipality or political subdivision when the original franchise was granted; and

o the right of purchase given or reserved under the law of the state in which the subsidiary was incorporated or from which it received its permit.

The price to be paid upon such an acquisition by the municipal government is usually determined in accordance with applicable law governing the taking of lands and other property under eminent domain. In other instances, the price may be negotiated, fixed by appraisers selected by the parties or computed in accordance with a formula prescribed in the law of the state or in the particular franchise or charter. Generally, our strategy is to acquire additional water and wastewater systems, maintain our existing systems, and actively oppose efforts by municipal governments to acquire any of our operations, particularly for less than the fair market value of our operations or where the municipal government seeks to acquire more than it is entitled to under the applicable law or agreement.

There are two matters in Ohio that involve the attempted acquisition or condemnation of certain assets of our Ohio water utility.

In Ashtabula County, Consumers Ohio Water Company provides water service to several municipalities and to areas of the county that are located outside of these municipalities. Ashtabula County has proposed, under a 1959 agreement with Consumers Ohio Water Company, to purchase certain assets of Consumers Ohio Water Company that are located outside of these municipalities. This proposal resulted in litigation over the question of whether Ashtabula County's

right to purchase includes all of the assets located outside of these municipalities or only those assets that are not essential for providing service to these municipalities. The court denied the County's request to acquire all assets outside of these municipalities; yet, the assets which may be purchased have not yet been defined. It is not certain that the County will proceed with an acquisition if all the assets cannot be purchased. If the County does proceed to acquire all or some of these assets, we believe that Consumers Ohio Water Company will be entitled to fair value for these assets, which, in any event, will exceed the book value for these assets.

The City of Geneva in Ashtabula County, Ohio, has passed an ordinance seeking to condemn the assets of Consumers Ohio Water Company that are located in Geneva. The issue was submitted to a referendum in November 2000, whereby voters by a margin of 16 votes affirmed the ordinance. If the City completes the process to condemn these assets, we believe that Consumers Ohio Water Company will be entitled to fair value for these assets, which, in any event, will exceed the book value for these assets. The total number of customers included in the Ashtabula and Geneva systems discussed above represent approximately 1% of our total customer base.

Environmental Regulation

The provision of water and wastewater services is governed primarily by the federal Safe Drinking Water Act, the Clean Water Act and related state laws, and state and federal regulations issued under these laws by the Environmental Protection Agency and state environmental regulatory agencies. These laws and regulations establish criteria and standards for drinking water and for discharges into the waters of the United States. The states have the right to establish criteria and standards that are stricter than those established by the Environmental Protection Agency. In addition, we are subject to federal and state laws and other regulations relating to residual waste disposal, dam safety and other operations of our subsidiaries.

In addition to the capital expenditures and costs currently anticipated, changes in environmental regulations, enforcement policies and practices or related matters may result in additional capital expenditures and costs. Capital expenditures and costs required as a result of water quality standards and environmental requirements have been recognized by state public utility commissions as appropriate for inclusion in establishing rates.

Safe Drinking Water Act - The Safe Drinking Water Act establishes criteria and procedures for the Environmental Protection Agency to develop national quality standards for drinking water. Regulations issued pursuant to the Safe Drinking

Water Act set standards on the amount of certain microbial and chemical contaminants and radionuclides allowable in drinking water. The 1996 Amendments to the Safe Drinking Water Act require the Environmental Protection Agency to analyze both the benefits and the costs of compliance when considering new or stricter water quality criteria and standards. Current requirements under the Safe Drinking Water Act are not expected to have a material impact on our operations or financial condition. We may, in the future, be required to change our method of treating drinking water at certain sources of supply if additional regulations become effective. The 1996 amendments to the Safe Drinking Water Act also prescribe testing for certain additional substances and propose establishing future rules that may change standards for water treatment. The cost of maintaining compliance with new rulemakings is expected to be fully recoverable in water rates and is not expected to have a material impact on our results from operations or financial condition.

The Safe Drinking Water Act of 1974 established a standard for nitrate, a regulated inorganic chemical used extensively in crop fertilization. In 1999 and 2000, elevated levels of nitrate were observed in the Vermillion River, a water supply source for Consumers Illinois Water Company. Construction of a nitrate-removal facility began in 1999 and was completed in December 2000. The new facility is now effectively reducing nitrate levels and cost approximately $5.7 million, which is being recovered in water rates beginning in February 2001.

The EPA is expected to issue a final rule for radon in 2001 establishing limits for radon in water that would become effective in 4 to 5.5 years. We anticipate this rule will establish a radon level that would require treatment at a small number of wells. The capital costs to comply with the anticipated level are expected to total less than $1 million. If the states in which we operate elect not to implement general radon reduction programs (Multi-Media Mitigation), then a lower limit for radon may apply and a larger number of wells would be affected. It is expected that states will adopt Multi-Media Mitigation programs and if not future costs associated with radon treatment under either scenario will be fully recoverable in water rates.

The Safe Drinking Water Act provides for the regulation of radionuclides other than radon, such as radium and uranium. In December 2000, the EPA issued a final rule regulating certain radionuclides other than radon. The rule will become effective in December 2003 and no significant impact on our operations or financial condition is anticipated from the new rulemaking. As a result of revised testing procedures under the new regulation, additional treatment or alternate sources of water supply may be required for a small number of groundwater sources in one of our divisions. We believe the costs for additional treatment or alternate sources of water supply will be fully recoverable in water rates.

In order to eliminate or inactivate microbial organisms, the Surface Water Treatment Rule and the Interim Enhanced Surface Water Treatment Rule were issued by the EPA to improve disinfection or filtration. The EPA developed the Disinfectants-Disinfection By-products Rule to reduce consumers' exposure to disinfectants and by-products of the disinfection process. In December 1998, the EPA issued new rules on disinfection and on surface water treatment. Our large surface water systems are in compliance with these rulemakings, including the additional provisions that will become effective in January 2002. Groundwater and smaller surface water systems have until December 2003 to comply with these rules. In July 2000, construction was completed on a $35 million water treatment plant at one of Consumer's Pennsylvania operating companies. This new plant replaced an aged, lower-capacity facility and allows us to maintain compliance with the Surface Water Treatment Rule, continue to maintain compliance with anticipated future regulations and is being fully recovered in rates. We are currently developing a new groundwater source for a small surface water system in Maine, and in the future may be required to install filtration for a surface water supply in Maine. A number of small groundwater systems in New Jersey and Pennsylvania may be reclassified as being influenced by surface water. This may require additional treatment or the development of replacement sources of supply over time and that could cost approximately $5 million. It is expected that these capital expenditures would be fully recoverable in water rates and would represent an insignificant portion of our typical annual capital expenditures.

In April 2000, the gasoline additive Methyl tert-Butyl Ether ("MTBE") was discovered in a Consumers New Jersey production well at levels exceeding the New Jersey drinking water standard. The well was immediately taken out of service and alternate water supplies were obtained through existing well supplies. The New Jersey Department of Environmental Protection identified the source as a nearby gasoline station. The company responsible for the contamination has reimbursed us for expenses incurred to-date and we expect will continue to reimburse us for future costs associated with developing a long-term replacement supply.

In January 2001, the EPA issued a final rule for arsenic that reduces the limit to a more stringent level effective by 2006 with a provision for further time extensions for small systems. Currently, two small systems slightly exceed the new arsenic levels and will require additional treatment. The cost of maintaining compliance with new rulemakings is expected to be fully recoverable in water rates and is not expected to have a material impact on our results from operations or financial condition.

Additional rules dealing with water treatment and disinfection are anticipated during 2001, and are not expected to have a material impact on our results of operations or financial condition.

Clean Water Act - The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams, and groundwater. We currently maintain all required permits and approvals for the discharge of water and wastewater. Wastewater residuals and solids are disposed of in approved landfills, transferred to larger wastewater treatment facilities or applied to farmland. Additional capital expenditures and operating costs in connection with the management and disposal of discharges from our water and wastewater facilities may be required in the future, particularly if changes are made in the requirements of the applicable Federal or state laws. We believe that these capital expenditures would be fully recoverable in our rates.

Residual and Solid Waste Disposal - The handling and disposal of residuals and solids from water treatment facilities are governed by state and federal laws and regulations. Water treatment residuals and solids are a combination of the chemicals used in the treatment process and the silt and other materials removed from the raw water. Most of our water treatment residuals and solids are disposed of in company-owned, dedicated landfills, or by land application by a licensed contractor. A small portion of our water treatment residuals and solids are disposed of in state-approved landfills owned by others or in a liquid form into municipal sewer systems. We currently maintain all required permits for our water treatment facilities and our dedicated landfills. Additional capital expenditures and operating costs in connection with the management and disposal of residuals and solids from our water facilities may be required in the future, particularly if changes are made in the requirements of the applicable Federal or state laws. We believe that these capital expenditures would be fully recoverable in our rates.

Dam Safety - Our subsidiaries own seventeen major dams that are subject to the requirements of the Federal and state regulations related to dam safety. All major dams undergo an annual engineering inspection. We believe that all seventeen dams are structurally sound and well-maintained.

In Pennsylvania, the Department of Environmental Protection has recently adopted the use of a new formula for determining the magnitude of the Probable Maximum Flood. We have initiated studies to determine what improvements may be needed to our dams as a result of this new calculation. We believe that these capital expenditures that could be required by the new formulas would be fully recoverable in our rates.

Employee Relations

As of December 31, 2000, we employed a total of 943 full-time persons. Our subsidiaries are parties to agreements with labor unions covering 482 employees. We consider our employee relations to be good.

Item 2. Properties.

Our properties consist of transmission and distribution mains and conduits, water treatment plants, pumping facilities, wells, tanks, meters, supply lines, dams, reservoirs, buildings, vehicles, land, easements, rights and other facilities and equipment used for the operation of our systems, including the collection, treatment, storage and distribution of water. Substantially all of our properties are owned by our subsidiaries and are subject to liens of mortgage or indentures. These liens secure bonds, notes and other evidences of long-term indebtedness of our subsidiaries. For certain properties that we acquired through the exercise of the power of eminent domain and certain other properties we purchased, we hold title for water supply purposes only. We own, operate and maintain approximately 7,400 miles of transmission and distribution mains, 20 water treatment plants and 13 wastewater treatment plants. Some properties are leased under long-term leases. The following table indicates our net utility plant as of December 31, 2000 by service area:

	Net Property, Plant and Equipment (000's)
Suburban Philadelphia	$ 758,499
Ohio	142,509
Pennsylvania*	126,238
Illinois	119,836
New Jersey	72,336
Maine	32,928
North Carolina	1,500
Inter-company eliminations and other	(2,419)
	$1,251,427

*Other than suburban Philadelphia.

We believe that our properties are maintained in good condition and in accordance with current standards of good waterworks industry practice. We believe that the facilities used in the operation of our business are in good condition in terms of suitability, adequacy and utilization.

Our corporate offices are leased from Philadelphia Suburban Water Company and located in Bryn Mawr, Pennsylvania.

Item 3. Legal Proceedings

There are various legal proceedings in which we are involved. Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which we or any of our subsidiaries is a party or to which any of our properties is the subject that are expected to have a material effect on our financial position, results of operations and cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 2000.

Executive Officers of the Registrant

Information with respect to our executive officers is contained in Item 10 hereof and is hereby incorporated by reference herein.

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

Our common stock is traded on the New York Stock Exchange and the Philadelphia Stock Exchange. As of March 1, 2001, there were approximately

21,000 holders of record of our common stock.

The following selected quarterly financial data is in thousands of dollars, except for per share amounts:

	First	Second	Third	Fourth	Total Year
2000					
Operating revenues	$64,510	$68,494	$73,336	$69,198	$275,538
Operations and maintenance expense	24,928	24,350	25,037	27,426	101,741
Net income available to common stock	10,246	13,565	16,539	12,434	52,784
Basic net income per common share	0.20	0.26	0.33	0.23	1.02
Diluted net income per common share	0.20	0.26	0.32	0.23	1.01
Dividend paid per common share	0.144	0.144	0.144	0.155	0.587
Dividend declared per common share	0.144	0.144	0.299	-	0.587
Price range of common stock					
- high	17.60	19.95	19.45	24.94	24.94
- low	13.20	14.50	16.00	16.95	13.20
1999					
Operating revenues	$58,597	$66,165	$69,527	$63,037	$257,326
Operations and maintenance expense	22,725	24,203	24,645	27,185	98,758
Net income available to common stock	316	12,033	14,332	9,594	36,275
Basic net income per common share	0.01	0.23	0.28	0.19	0.71
Diluted net income per common share	0.01	0.23	0.28	0.18	0.70
Dividends declared and paid per common share	0.136	0.136	0.144	0.144	0.560
Price range of common stock					
- high	23.80	20.60	20.25	19.35	23.80
- low	15.80	17.05	16.90	16.15	15.80

All per share data as presented has been adjusted for the 2000 5-for-4 common stock split effected in the form of a stock distribution (described below). High and low prices of our common stock are as reported on the New York Stock Exchange Composite Tape. Dividends paid and declared per common share represents Philadelphia Suburban Corporation's historical dividends. The cash dividend per common share paid in December 2000 of $0.155 was declared in August 2000.

Net income available to common stock and net income per common share for 2000 includes the partial recovery of the merger costs related to the Consumers Water Company merger as follows: $972,000 ($1,059,000 pre-tax) or $0.02 per share in the second quarter and $1,264,000 ($2,982,000 pre-tax) or $0.02 per share in the third quarter.

Net income available to common stock and net income per common share for the first quarter of 1999 includes net charges of $6,134,000 ($6,334,000 pre-tax), or $0.12 per share, for the Consumers Water Company merger transaction costs and a charge for related restructuring costs of $2,462,000 ($3,787,000 pre-tax), or $0.05 per share.

We have paid common dividends consecutively for 56 years. Effective December 1, 2000, our Board of Directors authorized an increase of 7.64% in the dividend rate over the amount Philadelphia Suburban Corporation has historically paid. As a result of this authorization, beginning with the dividend payment in December, the annual dividend rate increased to $0.62 per share. We presently intend to pay quarterly cash dividends in the future, on March 1, June 1, September 1 and December 1, subject to our earnings and financial condition, regulatory requirements and such other factors as our Board of Directors may deem relevant. During the past five years, after restatement for the Consumers Water Company pooling, our common dividends paid have averaged 70.9% of income from continuing operations.

On August 1, 2000, our Board of Directors declared a 5-for-4 common stock split effected in the form of a 25% stock distribution for all common shares outstanding, to shareholders of record on November 15, 2000. The new shares were distributed on December 1, 2000. PSC's par value of $0.50 per share remained unchanged and $5,319,000 was transferred from Capital in Excess of Par

Value to Common Stock to record the split. All share and per share data for all periods presented have been restated to give effect to the stock split.

Item 6. Selected Financial Data

The information appearing in the section captioned "Summary of Selected Financial Data" from the portions of our 2000 Annual Report to Shareholders filed as Exhibit 13.8 to this Form 10-K Report is incorporated by reference herein.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information appearing in the section captioned "Management's Discussion and Analysis" from the portions of our 2000 Annual Report to Shareholders filed as Exhibit 13.8 to this Form 10-K Report is incorporated by reference herein.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. The exposure to changes in interest rates is a result of financings through the issuance of fixed-rate, long-term debt. Such exposure is typically related to financings between utility rate increases, since generally our rate increases include a revenue level to allow recovery of our current cost of capital. The information appearing in the Long-term Debt and Loans Payable footnote and the Fair Value of Financial Instruments footnote of the section captioned "Notes to Consolidated Financial Statements" from our 2000 Annual Report to Shareholders filed as Exhibit 13.8 to this Form 10-K Report is incorporated by reference herein. From time to time, we make investments in marketable equity securities. As a result, we are exposed to the risk of changes in equity prices for the "available-for-sale" marketable equity securities. As of December 31, 2000, our carrying value of marketable equity securities was $8,283,492.

Item 8. Financial Statements and Supplementary Data

Information appearing under the captions "Consolidated Statements of Income and Comprehensive Income", "Consolidated Balance Sheets", "Consolidated Cash Flow Statements" "Consolidated Statements of Capitalization" and "Notes to Consolidated Financial Statements" from the portions of our 2000 Annual Report to Shareholders filed as Exhibit 13.8 to this Form 10-K Report is incorporated by reference herein. Also, the information appearing in the section captioned "Reports on Financial Statements" from the portions of our 2000 Annual Report to Shareholders filed as Exhibit 13.8 to this Form 10-K Report is incorporated by reference herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On October 3, 2000 Philadelphia Suburban Corporation dismissed KPMG LLP as its independent accountants. The audit report of KPMG LLP on the consolidated balance sheet and statement of capitalization of Philadelphia Suburban Corporation and subsidiaries as of December 31, 1999, and the related consolidated statements of income and comprehensive income, and cash flow for each of the years in the two-year period ended December 31, 1999, did not contain any adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope, or accounting principles. Our Board of Directors approved the recommendation of its Audit Committee to change independent accountants. In connection with its audits as of December 31, 1999 and for each of the years in the two-year period ended December 31, 1999 and through October 3, 2000, there have been no disagreements with KPMG LLP on any matter of accounting principles or practice, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of KPMG LLP would have resulted in a reportable event as defined in Regulation S-K Item 304 (a) (1) (v).

We engaged PricewaterhouseCoopers LLP as our new independent accountants as of October 3, 2000. During the two most recent fiscal years and through October 3, 2000, we have not consulted with PricewaterhouseCoopers LLP regarding:

- o the application of accounting principles to a specified transaction, either completed or proposed;

- o the type of audit opinion that might be rendered on our financial statements, and in no case was a written report provided to us nor was oral advice provided that Philadelphia Suburban Corporation concluded was an important factor in reaching a decision as to an accounting, auditing or financial reporting issue; or

- o any matter that was either the subject of a disagreement, as that term defined in Item 304 (a) (1) (iv) of Regulation S-K and the related instructions to Item 304 (a) (1) (iv) of Regulation S-K, or a reportable event, as that term is defined in Item 304 (a) (1) (v) of Regulation S-K.

There have been no disagreements on accounting and financial disclosure.

PART III

Item 10. Directors and Executive Officers of the Registrant

Directors of the Registrant

The information appearing in the section captioned "Information Regarding Nominees and Directors" of the Proxy Statement relating to our May 17, 2001, annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K Report, is incorporated herein by reference.

Executive Officers of the Registrant

The following table and the notes thereto set forth information with respect to the executive officers of the Registrant, including their names, ages, positions with the Registrant and business experience during the last five years:

Name	Age	Position with the Registrant and date of election (1)
Nicholas DeBenedictis	55	President and Chairman (May 1993 to present); President and Chief Executive Officer (July 1992 to May 1993); Chairman and Chief Executive Officer, Philadelphia Suburban Water Company (July 1992 to present); President, Philadelphia Suburban Water Company (February 1995 to January 1999) (2)
Morrison Coulter	64	President, Philadelphia Suburban Water Company (January 1999 to present); Senior Vice President - Production, Philadelphia Suburban Water Company (February 1996 to January 1999); Vice President - Production, Philadelphia Suburban Water Company (April 1989 to February 1996) (3)
Richard R. Riegler	54	Senior Vice President - Engineering and Environmental Affairs (January 1999 to present); Senior Vice President - Operations, Philadelphia Suburban Water Company (April 1989 to January 1999) (4)

Roy H. Stahl	48	Executive Vice President and General Counsel (May 2000 to present); Senior Vice President and General Counsel (April 1991 to May 2000) (5)
David P. Smeltzer	42	Senior Vice President - Finance and Chief Financial Officer (December 1999 to present); Vice President - Finance and Chief Financial Officer (May 1999 to December 1999); Vice President - Rates and Regulatory Relations, Philadelphia Suburban Water Company (March 1991 to May 1999) (6)

(1) In addition to the capacities indicated, the individuals named in the above table hold other offices or directorships with subsidiaries of the Registrant. Officers serve at the discretion of the Board of Directors.

(2) Mr. DeBenedictis was Secretary of the Pennsylvania Department of Environmental Resources from 1983 to 1986. From December 1986 to April 1989, he was President of the Greater Philadelphia Chamber of Commerce. Mr. DeBenedictis was Senior Vice President for Corporate and Public Affairs of Philadelphia Electric Company from April 1989 to June 1992.

(3) Mr. Coulter was Superintendent of Pumping Facilities from 1971 to 1982. From 1982 to 1987 he served as Manager - Electrical/Mechanical Department and from 1987 to 1989 he was Assistant Vice President - Production.

(4) Mr. Riegler was Chief Engineer of Philadelphia Suburban Water Company from 1982 to 1984. He then served as Vice President and Chief Engineer from 1984 to 1986 and Vice President of Operations from 1986 to 1989.

(5) From January 1984 to August 1985, Mr. Stahl was Corporate Counsel, from August 1985 to May 1988 he was Vice President - Administration and Corporate Counsel of the Registrant, and from May 1988 to April 1991 he was Vice President and General Counsel of the Registrant.

(6) Mr. Smeltzer was Vice President - Controller of Philadelphia Suburban Water Company from March, 1986 to March 1991.

Item 11. Executive Compensation

The information appearing in the sections captioned "Executive Compensation" of the Proxy Statement relating to our May 17, 2001, annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K Report, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information appearing in the sections captioned "Ownership of Common Stock" of the Proxy Statement relating to our May 17, 2001, annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K Report, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information appearing in the sections captioned "Certain Relationships and Related Transactions" of the Proxy Statement relating to our May 17, 2001, annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K Report, is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

Financial Statements. The following is a list of our consolidated financial statements and its subsidiaries and supplementary data incorporated by reference in Item 8 hereof:

Management's Report

Independent Accountants' Report of PricewaterhouseCoopers LLP - 2000

Consolidated Balance Sheets - December 31, 2000 and 1999

Consolidated Statements of Income and Comprehensive Income - 2000, 1999 and 1998

Consolidated Cash Flow Statements - 2000, 1999, and 1998

Consolidated Statements of Capitalization - December 31, 2000 and 1999

Notes to Consolidated Financial Statements

Financial Statement Schedules. The financial statement schedules, or supplemental schedules, filed as part of this annual report on Form 10-K are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.

Pursuant to Rule 14a-3 Note 1, filed herein is the independent auditors' report of KPMG LLP as of December 31, 1999 and for each of the years in the two-year period ended December 31, 1999.

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Philadelphia Suburban Corporation:

We have audited the accompanying consolidated balance sheet and statement of capitalization of Philadelphia Suburban Corporation and subsidiaries as of December 31, 1999 and the related consolidated statements of income and comprehensive income, and cash flow for each of the years in the two-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Philadelphia Suburban Corporation and subsidiaries as of December 31, 1999 and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Philadelphia, Pennsylvania
January 31, 2000

Reports on Form 8-K.

Current Report on Form 8-K filed on October 10, 2000, responding to Item 4, Changes in Registrant's Certifying Accountant and Item 7, Financial Statements and Exhibits. (On October 3, 2000, Philadelphia Suburban Corporation dismissed KPMG LLP as its independent accountants and engaged PricewaterhouseCoopers LLP as its new independent accountants).

Exhibits, Including Those Incorporated by Reference. The following is a list of exhibits filed as part of this annual report on Form 10-K. Where so indicated by footnote, exhibits which were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in parentheses. The page numbers listed refer to page numbers where such exhibits are located using the sequential numbering system specified by Rules 0-3 and 403.

EXHIBIT INDEX

Exhibit No.		Page No.
3.1	Amended and Restated Articles of Incorporation, as amended (1) (Exhibit 3.1)	-
3.2	By-Laws, as amended (14) (Exhibit 3.2)	-
3.3	Amendment to Amended and Restated Articles of Incorporation, as amended, to increase the number of authorized shares to 41,770,819 and to provide that 40,000,000 of such shares be shares of Common Stock (14) (Exhibit 3.3)	-
3.4	Amendment to Amended and Restated Articles of Incorporation, as amended, designating the Series B Preferred Stock (14) (Exhibit 3.4)	-
3.5	Amendment to Section 3.03 and addition of Section 3.17 to Bylaws (16) (Exhibits 1 and 2)	-
3.6	Amendment to Amended and Restated Articles of Incorporation, designating the terms of the Series A Junior Participating Preferred Shares (18) (Exhibit 3.6)	-
3.7	Amendment to Amended and Restated Articles of Incorporation, to increase the number of authorized shares to 101,770,819 and to provide that 100,000,000 of such shares be shares of Common Stock (20) (Annex E)	-
3.8	Amendment to Section 3.03 of the Bylaws (23) (Exhibit 3.8)	-
3.9	Amendment to Section 5.05(a) to the Amended and restated Articles of Incorporation (24) (Annex A)	-
3.10	Amendments to Sections 2.01(a), 2.02 and 3.08(b) of the Bylaws	26
4.1	Indenture of Mortgage dated as of January 1, 1941 between Philadelphia Suburban Water Company and The Pennsylvania Company for Insurance on Lives and Granting Annuities(now First Pennsylvania Bank, N.A.), as Trustee, with supplements thereto through the Twentieth Supplemental Indenture dated as of August 1, 1983 (2) (Exhibits 4.1 through 4.16)	-
4.2	Agreement to furnish copies of other long-term debt instruments (1) (Exhibit 4.7)	-
4.3	Twenty-first Supplemental Indenture dated as of August 1, 1985 (3) (Exhibit 4.2)	-
4.4	Twenty-second Supplemental Indenture dated as of April 1, 1986 (4) (Exhibit 4.3)	-
4.5	Twenty-third Supplemental Indenture dated as of April 1, 1987 (5) (Exhibit 4.4)	-
4.6	Twenty-fourth Supplemental Indenture dated as of June 1, 1988 (6) (Exhibit 4.5)	-
4.7	Twenty-fifth Supplemental Indenture dated as of January 1, 1990 (7) (Exhibit 4.6)	-
4.8	Twenty-sixth Supplemental Indenture dated as of November 1, 1991 (8) (Exhibit 4.12)	-

Exhibit No.		Page No.
4.9	Twenty-seventh Supplemental Indenture dated as of June 1, 1992 (1) (Exhibit 4.14)	-
4.10	Twenty-eighth Supplemental Indenture dated as of April 1, 1993 (9) (Exhibit 4.15)	-
4.11	Twenty-ninth Supplemental Indenture dated as of March 30, 1995 (11) (Exhibit 4.17)	-
4.12	Thirtieth Supplemental Indenture dated as of August 15, 1995 (12) (Exhibit 4.18)	-
4.13	Thirty-first Supplemental Indenture dated as of July 1, 1997 (15) (Exhibit 4.22)	-
4.14	Rights Agreement, dated as of March 1, 1998 between Philadelphia Suburban Corporation and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (17) (Exhibit 1)	-
4.15	Rights Agreement, dated as of March 1, 1998 between Philadelphia Suburban Corporation and BankBoston, N.A., as Rights Agent (21) (Exhibit 4.25)	-
4.16	Thirty-second Supplement Indenture, dated as of October 1, 1999 (22) (Exhibit 4.26)	-
4.17	Thirty-third Supplemental Indenture, dated as of November 15, 1999. (23) (Exhibit 4.27)	-
4.18	Revolving Credit Agreement between Philadelphia Suburban Water Company and PNC Bank National Association, First Union National Bank, N.A., Mellon Bank, N.A. dated as of December 22, 1999. (23) (Exhibit 4.27)	-
4.19	First Amendment to Revolving Credit Agreement dated as of November 28, 2000, between Philadelphia Suburban Water Company and PNC Bank, National Association, First Union National Bank, N.A., Mellon Bank, N.A. dated as of December 22, 1999.	28
10.1	1982 Stock Option Plan, as amended and restated effective May 21, 1992* (1) (Exhibit 10.1)	-
10.2	1988 Stock Option Plan, as amended and restated effective May 21, 1992* (1) (Exhibit 10.2)	-
10.3	Excess Benefit Plan for Salaried Employees, effective December 1, 1989* (7) (Exhibit 10.4)	-
10.4	Supplemental Executive Retirement Plan, effective December 1, 1989* (7) (Exhibit 10.5)	-
10.5	Supplemental Executive Retirement Plan, effective March 15, 1992* (1) (Exhibit 10.6)	-
10.6	Employment letter agreement with Mr. Nicholas DeBenedictis* (1) (Exhibit 10.8)	-
10.7	1994 Equity Compensation Plan, as amended by Amendment 1994-1* (13) (Exhibit 10.10)	-
10.8	Placement Agency Agreement between Philadelphia Suburban Water Company and PaineWebber Incorporated dated as of March 30, 1995 (11) (Exhibit 10.12)	-

Exhibit No.		Page No.
10.9	Bond Purchase Agreement among the Delaware County Industrial Development Authority, Philadelphia Suburban Water Company and Legg Mason Wood Walker, Incorporated dated August 24, 1995 (12) (Exhibit 10.13)	-
10.10	Construction and Financing Agreement between the Delaware County Industrial Development Authority and Philadelphia Suburban Water Company dated as of August 15, 1995 (12) (Exhibit 10.14)	-
10.11	Amendment 1994-2 to 1994 Equity Compensation Plan, as amended* (14) (Exhibit 10.16)	-

10.12	Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Nicholas DeBenedictis, dated as of January 1, 1997* (14) (Exhibit 10.18)	-
10.13	Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Roy H. Stahl, dated as of January 1, 1997* (14) (Exhibit 10.19)	-
10.14	Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Richard R. Riegler, dated as of January 1, 1997* (14) (Exhibit 10.21)	-
10.15	Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Morrison Coulter, dated as of January 1, 1997* (14) (Exhibit 10.22)	-
10.16	Philadelphia Suburban Corporation Amended and Restated Executive Deferral Plan* (14) (Exhibit 10.23)	-
10.17	Philadelphia Suburban Corporation Deferred Compensation Plan Master Trust Agreement with PNC Bank, National Association, dated as of December 31, 1996* (14) (Exhibit 10.24)	-
10.18	First Amendment to Supplemental Executive Retirement Plan* (14) (Exhibit 10.25)	-
10.19	Placement Agency Agreement between Philadelphia Suburban Water Company and A.G. Edwards and Sons, Inc., Janney Montgomery Scott Inc., HSBC Securities, Inc., and PaineWebber Incorporated (15) (Exhibit 10.26)	-
10.20	Philadelphia Suburban Corporation Director Deferral Plan* (21) (Exhibit 10.28)	-
10.21	Amendment No. 1 dated as of February 1, 1999 to Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Nicholas DeBenedictis, dated as of January 1, 1997* (21) (Exhibit 10.29)	-
10.22	Amendment No. 1 dated as of February 1, 1999 to Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Roy H. Stahl, dated as of January 1, 1997* (21) (Exhibit 10.30)	-
10.23	Amendment No. 1 dated as of February 1, 1999 to Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Richard R. Riegler, dated as of January 1, 1997* (21) (Exhibit 10.32)	-

Exhibit No.		Page No.
10.24	Amendment No. 1 dated as of February 1, 1999 to Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Morrison Coulter, dated as of January 1, 1997* (21) (Exhibit 10.33)	-
10.25	1999 Annual Cash Incentive Compensation Plan* (21) (Exhibit 10.34)	-
10.26	The Philadelphia Suburban Corporation 1994 Equity Compensation Plan (as Amended and Restated Effective March 3, 1998)* (19) (Exhibit A)	-
10.27	Amendment 1998-1 to The Philadelphia Suburban Corporation 1994 Equity Compensation Plan* (20) (Annex F)	-
10.28	Bond Purchase Agreement among the Delaware County Industrial Development Authority, Philadelphia Suburban Water Company and Commerce Capital Markets dated September 29, 1999 (22) (Exhibit 10.37)	-
10.29	Construction and Financing Agreement between the Delaware County Industrial Development Authority and Philadelphia Suburban Water Company dated as of October 1, 1999 (22) (Exhibit 10.38)	-
10.30	2000 Annual Cash Incentive Compensation Plan * (23) (Exhibit 10.39)	-
10.31	Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and David P. Smeltzer dated December 1,1999. (23) (Exhibit 10.40)	-
10.32	Placement Agency Agreement between Philadelphia Suburban Water Company and Merrill Lynch & Co., PaineWebber Incorporated, A.G. Edwards & Sons, Inc., First Union Securities, Inc., PNC Capital Markets, Inc. and Janney Montgomery Scott, Inc., dated as of November 15, 1999 (23) (Exhibit 10.41)	-
10.33	Amendment 2000-1 to 1994 Equity Compensation Plan*	34

13.1	Selected portions of Annual Report to Shareholders for the year ended December 31, 1993 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1993 (9) (Exhibit 13.1)	-
13.2	Selected portions of Annual Report to Shareholders for the year ended December 31, 1994 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1994 (10) (Exhibit 13.2)	-
13.3	Selected portions of Annual Report to Shareholders for the year ended December 31, 1995 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1995 (13) (Exhibit 13.3)	-
13.4	Selected portions of Annual Report to Shareholders for the year ended December 31, 1996 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1996 (14) (Exhibit 13.4)	-
13.5	Selected portions of Annual Report to Shareholders for the year ended December 31, 1997 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1997 (18) (Exhibit 13.5)	-

Exhibit No.		Page No.
13.6	Selected portions of Annual Report to Shareholders for the year ended December 31, 1998 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1998 (21) (Exhibit 13.6)	-
13.7	Selected portions of Annual Report to Shareholders for the year ended December 31, 1999 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1999 (23) (Exhibit 13.7)	-
13.8	Selected portions of Annual Report to Shareholders for the year ended December 31, 2000 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 2000	35
21.	Subsidiaries of Philadelphia Suburban Corporation	76
23.1	Consent of Independent Accountants - PricewaterhouseCoopers LLP	77
23.2	Consent of Independent Accountants - KPMG LLP	78
24.	Power of Attorney (set forth as a part of this report)	24

- Notes -

Documents Incorporated by Reference

(1) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1992.

(2) Indenture of Mortgage dated as of January 1, 1941 with supplements thereto through the Twentieth Supplemental Indenture dated as of August 1, 1983 were filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1983.

(3) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1985.

(4) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1986.

(5) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1987.

(6) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1988.

(7) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1989.

(8) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1991.

(9) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1993.

(10) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1994.

(11) Filed as an Exhibit to Quarterly Report on Form 10-Q for the quarter ended March 31, 1995.

(12) Filed as an Exhibit to Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.

(13) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1995.

(14) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1996.

(15) Filed as an Exhibit to Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.

(16) Filed as an Exhibit to Form 8-K filed August 7, 1997.

(17) Filed as Exhibit 1 to the Registration Statement on Form 8-A filed on March 17, 1998.

(18) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1997.

(19) Filed as Exhibit A to definitive Proxy Statement dated April 7, 1998.

(20) Filed as an Annex to Registration Statement on Form S-4 filed on September 11, 1998.

(21) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1998.

(22) Filed as an Exhibit to Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.

(23) Filed as Exhibit to Annual Report on Form 10-K for the year ended December 31, 1999.

(24) Filed as Annex A to definitive Proxy Statement dated April 10, 2000.

* Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

PHILADELPHIA SUBURBAN CORPORATION

By /s/ Nicholas DeBenedictis

Nicholas DeBenedictis

President and Chairman

Date: March 29, 2001

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Each person in so signing also makes, constitutes and appoints Nicholas DeBenedictis, President and Chairman of Philadelphia Suburban Corporation, David P. Smeltzer, Senior Vice President - Finance and Chief Financial Officer of Philadelphia Suburban Corporation, and each of them, his or her true and lawful attorneys-in-fact, in his or her name, place and stead to execute and cause to be filed with the Securities and Exchange Commission any and all amendments to this report.

/s/ Nicholas DeBenedictis Nicholas DeBenedictis President and Chairman (principal executive officer) and Director	/s/ David P. Smeltzer David P. Smeltzer Senior Vice President - Finance and Chief Financial Officer
/s/ Mary C. Carroll Mary C. Carroll Director	/s/ G. Fred DiBona, Jr. G. Fred DiBona, Jr. Director
/s/ Richard H. Glanton Richard H. Glanton Director	/s/ Richard J. Heckmann Richard J. Heckmann Director
/s/ Alan Hirsig Alan Hirsig Director	/s/ John E. Menario John E. Menario Director
/s/ John F. McCaughan John F. McCaughan Director	/s/ John E. Palmer John E. Palmer Director
Andrew D. Seidel Director	/s/ Richard L. Smoot Richard L. Smoot Director
/s/ Robert O. Viets Robert O. Viets Director	

Exhibit 3.10

PHILADELPHIA SUBURBAN CORPORATION
RESOLUTION AMENDING BYLAWS

RESOLVED, that in accordance with Section 8.07(ii) of the Company's Bylaws, Section 2.01(a) be amended as follows:

Section 2.01. Manner of Giving Notice.

(a) General rule. Whenever written notice is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws, it may be given to the person either personally or by sending a copy thereof by first class mail or express mail, postage prepaid, or by telegram (with messenger service specified), telex or TWX (with answer back received) or courier service, charges prepaid, by internet or other means of electronic transmission consented to by the person whom the notice is given or by facsimile transmission, to the address (or to the telex, TWX or facsimile number) of the person appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, or internet or other means of electronic transmission, when dispatched or, in the case of facsimile transmission, when received. A notice of a meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

; and it is

FURTHER RESOLVED, that in accordance with Section 8.07(ii) of the Company's Bylaws, Section 2.02 of the Company's Bylaws is hereby amended as follows:

Section 2.02. Notice of Meetings of Board of Directors. Notice of a regular meeting of the board of directors need not be given. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing or with the prior consent of the director by internet or other means of electronic transmission at least 24 hours (in the case of notice by telephone, telex, TWX, internet or other means of electronic transmission or facsimile transmission) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

; and it is

FURTHER RESOLVED, that in accordance with Section 8.07(ii) of the Company's Bylaws, Section 3.08(b) of the Company's Bylaws is hereby amended as follows:

(b) Minimum requirements. Every proxy shall be executed in writing by the shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with the secretary of the corporation. A telegram, telex, cablegram, datagram or similar transmission from a shareholder or attorney-in-fact, or a photographic, facsimile or similar reproduction of a writing executed by a shareholder or attorney-in-fact, or other proxy transmitted as permitted by law, including without limitation, by internet, interactive voice response system or other means of electronic transmission executed by a shareholder or attorney-in-fact:

(1) may be treated as properly executed for purposes of this subsection; and

(2) shall be so treated if it sets forth a confidential and unique identification number or other mark furnished by the corporation to the shareholder for the purposes of a particular meeting or transaction.

Exhibit 4.19

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT is made as of this 28th day of November, 2000, by and among PHILADELPHIA SUBURBAN WATER COMPANY, a Pennsylvania corporation ("Borrower"), the several banks which are parties to this Agreement (each a "Bank" and collectively, "Banks") and PNC BANK, NATIONAL ASSOCIATION in its capacity as agent for Banks (in such capacity," Agent").

BACKGROUND

A. Banks, Borrower and Agent are parties to a Credit Agreement, dated as of December 22, 1999 (the "Credit Agreement"), pursuant to which Banks agreed to make revolving credit loans to Borrower in an aggregate outstanding amount of up to Fifty Million Dollars ($50,000,000) (the "Loans"). The Loans are evidenced by Borrower's Revolving Credit Notes in the aggregate principal face amount of $50,000,000 (the "Notes").

B. Agent, Banks and Borrower desire to modify certain covenants in the Credit Agreement, extend the Termination Date of the facility, and increase the swing line provided therein, all on the terms and subject to the conditions herein set forth.

NOW THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

AGREEMENT

1. Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

2. Amendments to Credit Agreement. The Credit Agreement is hereby amended as follows

(a) Effective as of December 20,2000, the definition of Termination Date in Section 1.1 is hereby amended and restated to read in full as follows:

> " "Termination Date": the earlier of (a) December 18, 2001 or any later date to which the Termination Date shall have been extended pursuant to subsection 2.8(d) hereof and (b) the date the Commitments are terminated as provided herein."

(b) Section 6.2 is hereby amended by deleting the word "and" at the end of subsection (vi) thereof, redesignating the next subsection as subsection (viii) and adding the following new subsection (vii):

> "(vii) indebtedness to the Pennsylvania Infrastructure Investment Authority in an amount not to exceed an aggregate of $15,000,000 incurred in each fiscal year of the Borrower for the purchase of capital assets; and"

(c) Section 6.3 is hereby amended by deleting the word "and" at the end of subsection (i) thereof, redesignating the next subsection as subsection (k) and adding the following new subsection (j):

> "(j) Liens granted to secure indebtedness permitted by Section 6.2(vii) to the extent such Liens are also permitted under the Indenture; and"

(d) Section 2.2 is hereby amended by adding the following new subsection (k):

> "(k) In addition to making Swing Line Loans pursuant to the foregoing provisions of this Section 2.2, the Swing Line Bank may also make Swing Line Loans to the Borrower without the requirement for a specific request from the Borrower pursuant to Section 2.2(b) in accordance with the provisions of the agreements between the Borrower and the Swing Line Bank relating to the Borrower's deposit, sweep and other accounts at the Swing Line Bank and related arrangements and agreements regarding the management and

investment of Borrower's cash assets as in effect from time to time (the "Cash Management Agreements") to the extent of the daily aggregate net negative balance in the Borrower's accounts which are subject to the provisions of the Cash Management Agreements. Swing Line Loans made pursuant to this Section 2.2(k) in accordance with the provisions of the Cash Management Agreements shall (i) be subject to the limitations as to aggregate amount set forth in Section 2.2(a), (ii) not be subject to the limitations as to number or individual amount set forth in Sections 2.2(h) and (i), (iii) be payable by the Borrower, both as to principal and interest, at the times set forth in the Cash Management Agreements (but in no event later than the Termination Date), (iv) not be made at any time after the Swing Line Bank has notice of the occurrence of a Default or Event of Default, (v) if not repaid by the Borrower in accordance with the provisions of the Cash Management Agreements, be subject to each Bank's obligation to purchase participating interests therein pursuant to Section 2.2(!), and (vi) except as provided in the foregoing subsections (i) through (v), be subject to all of the terms and conditions of this Section 2.2."

(e) Schedule I to the Credit Agreement is hereby amended to change the amount set forth opposite PNC Bank, National Association's name under the column headed "Swing Line Commitment" from "$2,000,000" to "$5,000,000".

3. Replacement Swing Line Note. Concurrently with the execution and delivery of this Agreement, the Borrower shall execute and deliver to the Swing Line Bank a replacement Swing Line Note in the face amount of $5,000,000 and otherwise in the form of Exhibit B-2 attached to the Credit Agreement. Such replacement Swing Line Note shall evidence any outstanding Swing Line Loans and upon receipt thereof the original Swing Line Note shall be cancelled.

4. Loan Documents. Except where the context clearly requires otherwise, all references to the Credit Agreement and the Swing Line Note in any of the Loan Documents or any other document delivered to Banks or Agent in connection therewith shall be to the Credit Agreement, as amended by this Agreement and to the Swing Line Note delivered pursuant to Section 3 hereof.

5. Borrower's Ratification. Borrower agrees that it has no defenses or setoffs against Banks or Agent or their respective officers, directors, employees, agents or attorneys, with respect to the Loan Documents, all of which are in full force and effect, and that all of the terms and conditions of the Loan Documents not inconsistent herewith shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms. Borrower hereby ratifies and confirms its obligations under the Loan Documents as amended hereby and agrees that the execution and delivery of this Agreement does not in any way diminish or invalidate any of its obligations thereunder.

6. Representations and Warranties. Borrower hereby represents and warrants to Agent and Banks that:

(a) Except as otherwise previously disclosed to Agent and Banks, the representations and warranties made in the Credit Agreement, as amended by this Agreement, are true and correct as of the date hereof;

(b) No Default or Event of Default under the Credit Agreement exists on the date hereof; and

(c) This Agreement has been duly authorized, executed and delivered so as to constitute the legal, valid and binding obligation of Borrower, enforceable in accordance with its terms.

All of the above representations and warranties shall survive the making of this Agreement.

7. Conditions Precedent. The effectiveness of the amendments set forth herein is subject to the fulfillment, to the satisfaction of Agent and its counsel, of the following conditions precedent on or before the Effective Date:

(a) Borrower shall have delivered to Agent, with copies or counterparts for each Bank as appropriate, the following, all of which shall be in form and substance satisfactory to Agent and shall be duly completed and executed:

(i) This Agreement;

(ii) The replacement Swing Line Note;

(iii) Copies, certified by the Secretary or an Assistant Secretary of Borrower of resolutions of the board of directors of Borrower in effect on the date hereof authorizing the execution, delivery and performance of this Agreement and the replacement Swing Line Note and the other documents and transactions contemplated hereby;

(iv) Copies, certified by its corporate secretary of the articles of incorporation, certificate of information, and by-laws of Borrower as in effect, or a certificate stating that there have been no changes to any such documents since the most recent date, true and correct copies thereof were delivered to Agent; and

(v) Such additional documents, certificates and information as Agent or Banks may require pursuant to the terms hereof or otherwise reasonably request.

(b) The representations and warranties set forth in the Credit Agreement shall be true and correct on and as of the date hereof.

(c) No Default or Event or Default shall have occurred and be continuing as of the date hereof.

(d) Borrower shall have paid to Agent for the benefit of Banks an additional fee of $30,000 to be distributed to Banks pro rata in accordance with their Commitments.

8. Miscellaneous.

(a) All terms, conditions, provisions and covenants in the Loan Documents and all other documents delivered to Agent and Banks in connection therewith shall remain unaltered and in full force and effect except as modified or amended hereby. To the extent that any term or provision of this Agreement is or may be deemed expressly inconsistent with any term or provision in any Loan Document or any other document executed in connection therewith, the terms and provisions hereof shall control.

(b) The execution, delivery and effectiveness of this Agreement shall neither operate as a waiver of any right, power or remedy of Agent or Banks under any of the Loan Documents nor constitute a waiver of any Default or Event of Default or default thereunder .

(c) In consideration of Agent's and Banks' agreement to amend the existing credit facility, Borrower hereby waives and releases Agent and Banks and their respective officers, attorneys, agents and employees from any liability, suit, damage, claim, loss or expense of any kind or failure whatsoever and howsoever arising that it ever had up until, or has as of, the date of this Agreement.

(d) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous understandings and agreements.

(e) In the event any provisions of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

(f) This Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.

(g) This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns and may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(h) The headings used in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, Borrower, Agent and Banks have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

PHILADELPHIA SUBURBAN
WATER COMPANY

By: /s/ Kathy L. Pape

Title: Vice President & Treasurer

PNC BANK, NATIONAL ASSOCIATION,
as a Bank and as Agent

By:

Title:

FIRST UNION NATIONAL BANK

By:

Title:

MELLON BANK, N .A.

By:

Title:

Consent and Waiver Approved By:

PNC :Bank, National Association. as Agent and as a Lender

/s/ Frank A. Pugliese

By: Frank A. Pugliese, Vice President

Mellon Bank, N.A

/s/ Mark W. Tori

By: Mark W. Tori, Vice President

First Union National Bank

/s/ Michael J. Kolosowsky

By: Michael J. Kolosowsky, Vice President

Exhibit 10.33

Amendment No 2000-1
to the
Philadelphia Suburban Corporation
1994 Equity Compensation Plan

The 1994 Equity Compensation Plan, as amended, is hereby further amended by replacing Section 7 (e) with the following:

(e) Lapse of Restrictions. All restrictions imposed under the restricted stock grant shall lapse upon the expiration of the applicable Restriction Period; provided however, that upon the death of the grantee or a Change of Control of the Corporation, all restrictions on the transfer of shares which have not, prior to such date, been forfeited shall immediately lapse. In addition, the Committee may determine as to any or all restricted stock grants, that all the restrictions shall lapse, without regard to any Restriction Period, under such circumstances as it deems equitable.

Exhibit 13.8

Philadelphia Suburban Corporation and Subsidiaries

Selected Portions of Annual Report to Shareholders for the year ended December 31, 2000

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In thousands of dollars, except per share amounts)

FORWARD-LOOKING STATEMENTS

This report by Philadelphia Suburban Corporation ("we" or "us") contains, 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; 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, and acquisitions. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

GENERAL INFORMATION

Philadelphia Suburban 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 Philadelphia Suburban Water Company ("PSW"), a regulated public utility that provides water or wastewater services to about 1.1 million residents in the suburban areas north and west of the City of Philadelphia, and Consumers Water Company ("CWC"), a holding company for several regulated public utility companies that provide water or wastewater service to about 850,000 residents in various communities in five states. We are among the largest investor-owned water utilities in the United States based on the number of customers. In addition, we provide water service to approximately 35,000 people through operating and maintenance contracts with municipal authorities and other parties close to our operating companies' service territories. Some of our subsidiaries provide wastewater services (primarily residential) to approximately 30,000 people in Pennsylvania, Illinois, New Jersey and North Carolina. During 2000 and each of the previous four years, the operating revenues associated with wastewater services have been less than 3% of our consolidated operating revenues.

In March 1999, we completed a merger with CWC. Shares of our common stock were exchanged for all of the outstanding shares of CWC and CWC became a wholly-owned subsidiary. The merger was accounted for under the pooling-of-interests method of accounting. Accordingly, this report includes the accounts and results of CWC as if the merger had been completed as of the beginning of the earliest period presented.

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)

Following are our selected five-year financial statistics:

Years ended December 31,	2000	1999	1998	1997	1996
Operating revenues (a)	$275,538	$257,326	$250,771	$235,852	$215,971
Income from continuing operations	$ 52,890	$ 36,384	$ 45,015	$ 35,210	$ 29,204
Income from continuing operations before income taxes and non-recurring items(b)	$ 82,954	$ 73,036	$ 68,453	$ 57,642	$ 48,554
Operating Statistics					
Operating revenues	100.00%	100.00%	100.00%	100.00%	100.00%
Costs and expenses:					
Operations and maintenance	36.9%	38.4%	39.9%	40.9%	43.0%
Depreciation and amortization	12.4%	12.4%	11.8%	11.9%	11.7%
Taxes other than income taxes	8.2%	8.5%	8.7%	9.1%	9.3%
Interest expense(c)	13.4%	13.1%	12.8%	14.1%	14.0%
Allowance for funds used during construction	(1.0)%	(0.8)%	(0.5)%	(0.4)%	(0.5)%
Total costs and expenses	69.9%	71.6%	72.7%	75.6%	77.5%
Income from continuing operations before income taxes and non-recurring items(b)	30.1%	28.4%	27.3%	24.4%	22.5%
Effective tax rates(a)	39.2%	42.2%	40.1%	38.9%	39.9%

(a) Continuing operations only.

(b) Non-recurring items include the 2000 gain of $2,236 ($4,041 pre-tax) for the partial recovery of the merger costs related to the 1999 merger with Consumers Water Company, 1999 charges of $8,596 ($10,121 pre-tax) for transaction costs and restructuring costs related to the merger with Consumers Water Company, and the 1998 gain of $3,903 ($6,680 pre-tax) on the sale of Consumer Water Company's New Hampshire system.

(c) Includes dividends on preferred stock of subsidiary and minority interest.

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)

Following are our selected five-year operating and sales statistics:

Years ended December 31,		2000	1999	1998	1997	1996
Utility	Residential	512,442	497,937	478,160	473,309	467,210
Customers	Commercial	29,317	29,241	27,612	26,369	26,003

(In thousands of dollars, except per share amounts)

	Industrial	1,446	1,430	1,327	1,386	1,387
	Wastewater	12,441	11,262	10,583	10,522	10,245
	Other water	9,500	9,067	8,277	7,574	7,305
	Total	565,146	548,937	525,959	519,160	512,150
Utility Revenues	Residential	$170,597	$154,881	$156,523	$148,323	$135,848
	Commercial	47,109	45,192	44,894	40,439	38,238
	Industrial	14,943	13,944	13,970	12,818	12,396
	Wastewater	5,414	5,235	4,755	4,378	3,836
	Other water	29,582	31,999	25,672	25,132	23,612
	Total	$267,645	$251,251	$245,814	$231,090	$213,930

RESULTS OF OPERATIONS

Our income from continuing operations has grown at an annual compound rate of approximately 12.1% during the five-year period ended December 31, 2000. During this same period, operating revenues grew at a compound rate of 5.8% and total expenses, exclusive of income taxes, grew at a compound rate of 4.3%.

Operating Revenues

The growth in revenues over the past five years is a result of increases in the customer base and in water rates. The number of customers increased at an annual compound rate of 3.0% in the past five years primarily as a result of acquisitions of local water systems. Acquisitions made during the five-year period ended December 31, 2000 have provided water revenues of approximately $19,475 in 2000, $13,330 in 1999 and $12,912 in 1998. Excluding the effect of acquisitions, our customer base increased at a five-year annual compound rate of 0.8%. Rate increases implemented during the past three years have provided additional operating revenues of approximately $15,400 in 2000, $1,700 in 1999 and $13,300 in 1998. In April 1998, CWC's New Hampshire system was sold under a condemnation statute. The operating revenues associated with the New Hampshire system were $1,600 in 1998. In addition to water and wastewater revenues, operating revenues include the net gains on sales of properties of $1,524 in 2000, $780 in 1999 and $53 in 1998, and other non-regulated revenues associated with operating and management contracts, rental income, data processing service fees and sales of timber of $6,369 in 2000, $5,295 in 1999 and $4,904 in 1998.

Economic Regulation - Our water and wastewater utility operations are subject to regulation by their respective state regulatory commissions, which have broad administrative power and authority to regulate rates and charges, determine franchise areas and conditions of service, approve acquisitions and authorize the issuance of securities. The profitability of our utility operations is influenced to a great extent by the timeliness and adequacy of rate allowances in the various states in which we operate. Accordingly, we maintain a rate case management capability to ensure that the tariffs of the utility operations reflect, to the extent practicable, current costs of operations, capital, taxes,

energy, materials and compliance with environmental regulations. In assessing our rate case strategy, we consider the amount of utility plant additions and replacements made since the previous rate decision, the changes in the cost of capital, changes in the capital structure and changes in other costs. Based on these assessments, our utility operations periodically file rate increase requests with their respective state regulatory commissions. The rates for some divisions of CWC's Ohio subsidiary can be fixed by negotiated agreements with the municipalities that are served by those divisions in lieu of regulatory approval from the Public Utility Commission of Ohio. Currently, two of the five regulated divisions in Ohio are operating under such rate ordinances.

On April 27, 2000, the Pennsylvania Public Utility Commission ("PAPUC") approved a rate settlement reached between our Pennsylvania water utility subsidiaries and the parties actively litigating the joint rate application filed in October 1999. The settlement was designed to increase annual revenues by $17,000 or 9.4% above the level in effect at the time of the filing. The rates in effect at the time of the filing included $7,347 in Distribution System Improvement Charges ("DSIC") ranging from 0.33% to 5%. Consequently, the settlement resulted in a total base rate increase of $24,347 or 13.5% above the rates in effect before the DSIC was applied. As part of the settlement, the DSIC was reset to zero and we agreed not file a base rate increase request prior to April 29, 2001, absent extraordinary circumstances. The settlement agreement also provides for the recovery of up to $5,295 (the merger costs allocable to our Pennsylvania operations) of the $10,121 ($8,596 after-tax) in merger costs that were expensed in the first quarter of 1999 in connection with the CWC merger. During 2000, a regulatory asset was established to reflect the amount to be recovered as a result of the rate settlement. This resulted in a recovery of $1,136 of restructuring costs and $2,905 of merger transaction costs as reported on the Consolidated Statements of Income and Comprehensive Income.

In October 1997, the PAPUC approved a rate settlement reached between PSW and the parties actively litigating the rate application PSW filed in April 1997. The settlement was designed to increase PSW's annual revenues by $9,300 or 7.3% over the level in effect at the time of the filing. The rates in effect at the time of the filing included a 1% or $1,300 Distribution System Improvement Charge. Consequently, the settlement resulted in a total base rate increase of $10,600 or 8.3%.

The CWC operating subsidiaries were allowed annual rate increases of $698 in 2000, $390 in 1999, and $3,334 in 1998 represented by four, two, and five rate decisions. Revenues from these increases realized in the year of grant were approximately $450 in 2000, $308 in 1999, and $1,969 in 1998. The CWC operating subsidiaries filed seven rate requests in 2000, of which two increases were allowed during the year, and four rate increases were received in the first quarter of 2001 representing annual rate increases of $3,700.

Distribution System Improvement Charge - The PAPUC permits Pennsylvania water utilities to add a surcharge to their water bills to offset the additional depreciation and capital costs associated with certain capital expenditures related to replacing and rehabilitating distribution systems. Prior to the Distribution System Improvement Charge ("DSIC") mechanism being approved in 1996, water utilities absorbed all of the depreciation and capital costs of these projects between base rate increases without the benefit of additional revenues. The gap between the time that a capital project is completed and the recovery of its costs in base rates is known as regulatory lag. The DSIC mechanism is intended to substantially reduce regulatory lag that often acted as a disincentive to water utilities in rehabilitating their distribution systems.

The DSIC is adjusted quarterly based on additional qualified capital expenditures made in the previous quarter. The DSIC is capped at 5% of base rates. The DSIC 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 PAPUC benchmark. The DSIC in 2000 was set at 5% until new base rates became effective in April 2000, at which point the DSIC was reset to zero. The DSIC in the first quarter of 2001 has been set at 2.2% and is subject to adjustment in subsequent quarters. The DSIC provided revenues of $2,301 in 2000, $4,140 in 1999 and $229 in 1998.

In May 1999, the Illinois legislature passed a bill to establish a DSIC mechanism in Illinois. The Illinois Commerce Commission is drafting regulations interpreting the legislation for use by Illinois water and wastewater utilities beginning in 2001.

Rate Surcharges - In addition to its base rates and DSIC, PSW and CWC's Pennsylvania subsidiaries have utilized a surcharge or credit on their bills to reflect certain changes in Pennsylvania State taxes until such time as the tax changes are incorporated into base rates. Operating revenues were increased by rate surcharges of $74 in 2000 and $1,306 in 1999, and rate credits reduced operating revenues in 1998 by $117.

Sendout - "Sendout" represents the quantity of treated water delivered to our distribution systems. We use sendout as an indicator of customer demand. Weather conditions tend to impact water consumption, particularly during the late spring and summer months when nonessential and recreational use of water is at its highest. Consequently, a higher proportion of annual operating revenues is realized in the second and third quarters. In general during this period, an extended period of dry weather increases water consumption, while above average rainfall decreases water consumption. Also, an increase in the average temperature generally causes an increase in water consumption. Conservation efforts, construction codes which require the use of low flow plumbing fixtures as well as mandated water use restrictions in response to drought conditions also affect water consumption.

Our exposure to regional weather conditions is lessened by our geographic diversity as our customers are located in the following states: 66% in Pennsylvania, 14% in Ohio, 11% in Illinois, 6% in New Jersey, 3% in Maine and less than 1% in North Carolina. In 2000, our territories in several states, in particular the southeastern Pennsylvania territory, experienced cool and wet weather conditions during the summer months. As a result, water consumption in these portions of our service territory declined during this period, however, in the fourth quarter of 2000, water consumption returned to normal levels.

During the summer of 1999 in Pennsylvania and New Jersey, we experienced abnormally dry weather in our service areas resulting in governmental authorities declaring drought warnings and water use restrictions in the affected areas. As a result of these actions, water consumption and water revenues in these areas declined to levels below those experienced in 1998. While portions of Pennsylvania, particularly those dependent on ground water, experienced water shortages, our water supplies remained adequate. When the drought restrictions were lifted in the fall of 1999, water revenues returned to normal levels. There have been other water use restrictions during the past three years, however, because these warnings were issued at times other than the summer months, when nonessential and recreational use of water is at a minimum, the restrictions did not have a significant impact on operating revenues. Throughout the restriction periods, we had sufficient quantities of raw water and maintained adequate storage levels of treated water.

Operations and Maintenance

Operations and maintenance expenses totaled $101,741 in 2000, $98,758 in 1999, and $100,139 in 1998. Most elements of operating costs are subject to the effects of inflation, as well as the effects of changes in the number of customers served, in water consumption and the degree of water treatment required due to variations in the quality of the raw water. The principal elements of operating costs are labor, electricity, chemicals and maintenance expenses. Electricity and chemical expenses vary in relationship to water consumption, raw water quality, and to a lesser extent the electric market in some of the states in which we operate. Maintenance expenses are sensitive to extremely cold weather, which can cause water mains to rupture. Operations and maintenance expenses increased in 2000 as compared to 1999 by $2,983 or 3.0% due to additional operating costs associated with acquisitions, higher fuel and electric costs, and increased administrative costs, offset in part by a reduction in corporate costs as part of our cost containment initiatives. Administrative costs increased as a result of increases in insurance costs and an increased allowance for doubtful accounts. The reduction in corporate costs was related to the cost synergies resulting from the Consumers Water Company merger in March 1999.

Operations and maintenance expenses decreased in 1999 as compared to 1998 by $1,381 or 1.4% due to a reduction in general corporate expenses resulting from the closing of CWC's corporate office in March 1999, savings from reduced electric costs as a result of electric deregulation in Pennsylvania, elimination of $590 of operations and maintenance expenses associated with CWC's New Hampshire operations, which was sold in April 1998, offset in part by labor wage increases and increased maintenance and production costs. Increased maintenance expenses resulted from a higher number of main breaks experienced in 1999. The increased wages reflect normal merit increases.

Depreciation and Amortization

Depreciation expense was $32,271 in 2000, $30,612 in 1999 and $27,189 in 1998, and has increased principally as a result of the significant capital expenditures made to expand and improve the utility facilities, and as a result of acquisitions of water systems, offset in part by the effect in 2000 of a change in depreciation rates.

Amortization was $1,829 in 2000, $1,291 in 1999 and $2,275 in 1998. The increase in 2000 is due to the amortization of the costs associated with, and the other costs being recovered in, various rate filings. The decrease in 1999 is due to the completion of the amortization in 1998 of the costs associated with and the other costs being recovered in PSW's 1997 rate filing. Expenses associated with filing rate cases are deferred and amortized over periods that generally range from one to three years.

Taxes Other than Income Taxes

Taxes other than income taxes increased by $687 or 3.1% in 2000 as compared to 1999 and decreased by approximately $97 or 0.4% in 1999 as compared to the previous year. The increase in 2000 is associated with increased property taxes and an increase in Pennsylvania Public Utility Realty tax ("PURTA") due to a higher base on which the tax is calculated. The decrease in 1999 is associated with a decrease in the PURTA and due to $285 of other taxes associated with CWC's New Hampshire operations, which was sold in April 1998. The decreased PURTA is a result of a change in 1999 in the method by which the tax was calculated.

Restructuring costs

During 2000, a recovery of restructuring costs of $1,136 resulted from the April 2000 rate settlement. These costs were included in a 1999 charge of $3,787 for restructuring costs that included severances of $2,940 and exit costs associated with the closing of CWC's corporate office.

Interest Expense, net

Net interest expense was $40,360 in 2000, $33,698 in 1999 and $31,888 in 1998. Interest expense increased in 2000 and 1999 primarily as a result of higher levels of borrowing in order to finance capital expenditures and the acquisition of other water systems. The 1999 increase over 1998 was partially offset by a reduction in debt associated with Consumers New Hampshire operations, which were sold in April 1998.

Gain on Sale of Marketable Securities

During 2000, gains on the sale of marketable securities of $3,552 were recorded. There were no marketable securities sold in 1999 or 1998.

Dividends on Preferred Stock of Subsidiary and Minority Interest

Dividends on preferred stock of subsidiary and minority interest were $103 in 2000, $93 in 1999 and $142 in 1998. The decrease in 1999 is due to a decrease in dividends on preferred stock of subsidiary as a result of a reduction in the number of shares of preferred stock outstanding during 1999 and 1998.

Allowance for Funds Used During Construction

The allowance for funds used during construction ("AFUDC") was

$2,688 in 2000, $1,995 in 1999 and $1,245 in 1998 and has varied over the years as a result of changes in the average balance of utility plant construction work in progress ("CWIP"), to which AFUDC is applied, and to changes in the AFUDC rate. The average balance of CWIP, to which AFUDC is applied, increased due to the increased level of capital expenditures in 2000, 1999 and 1998, particularly due to the construction of a $35,000 water treatment plant at one of CWC's Pennsylvania subsidiaries. Construction commenced on this facility in December 1997 and was completed in the third quarter of 2000.

Merger transaction costs

During 2000, a recovery of merger transaction costs of $2,905 was recognized resulting from the April 2000 rate settlement. These costs were included in a $6,334 charge that was recorded in the first quarter of 1999 when the CWC merger was completed. The charge represents the fees for investment bankers, attorneys, accountants and other administrative charges.

Gain on Sale of New Hampshire System

In April 1998, CWC's New Hampshire subsidiary sold its utility assets to the Town of Hudson under the New Hampshire condemnation statute for $33,728, net of certain closing costs. The sale generated a gain of $6,680 ($3,903 net of taxes, or $0.08 per share) that was recognized in 1998. This system had approximately 8,200 customers and operating revenues of $1,600 in 1998 prior to the sale. The interest savings associated with paying off the outstanding borrowings under the revolving credit agreements with the proceeds from this sale, principally offset the reduction of the New Hampshire system's normal contribution to income.

Income Taxes

Our effective income tax rate was 39.2% in 2000, 42.2% in 1999 and 40.1% in 1998. The effective tax rate increased in 1999 due to the estimated non-deductible portion of the $6,334 of merger transaction costs recorded in 1999. Exclusive of the merger transaction costs and related tax benefits of $200, the 1999 effective tax rate would have been 38.6%. The changes in the effective tax rates in 2000 and 1999 are due to differences between tax deductible expenses and book expenses.

Summary

Operating income was $118,313 in 2000, $101,045 in 1999 and $99,238 in 1998 and net income was $52,890 in 2000, $36,384 in 1999 and $45,015 in 1998. Our operating results have been effected by several non-operating items in 2000, 1999 and 1998. Operating income and net income for 2000 includes the gain for the partial recovery of restructuring costs related to the CWC merger of $1,136 ($665 after tax or $0.01 per share) and for 1999 includes the charge for restructuring costs related to the CWC merger of $3,787 ($2,462 after tax or $0.05 per share). Net income for 2000 includes the gain for the partial recovery of merger transaction costs related to the CWC merger of $2,905 ($1,571 after tax or $0.03 per share) and for 1999 includes the charge for $6,334 ($6,134 after tax or $0.12 per share) of merger transaction costs associated with the CWC merger. Net income for 1998 includes a net gain of $6,680 ($3,903 after tax or $0.08 per share) on the sale of CWC's New Hampshire operations. Diluted net income per share was $1.01 in 2000, $0.70 in 1999 and $0.88 in 1998. Diluted income per share from operations, exclusive of the aforementioned non-recurring items, was $0.97 in 2000, $0.87 in 1999 and $0.80 in 1998. The changes in the per share income in 2000 and 1999 over the previous years were due to the aforementioned changes in income and impacted by a 1.4% and 1.1% increase in the average number of common shares outstanding during 2000 and 1999.

Although we have experienced increased income in the recent past, continued adequate rate increases reflecting increased operating costs and new capital investments are important to the future realization of improved profitability.

Fourth Quarter Results

(In thousands of dollars, except per share amounts)

Net income available to common stock for the fourth quarter of 2000 increased over the same period in 1999 by $2,840 to $12,434 primarily as a result of a $6,161 increase in operating revenues, and a pre-tax gain on sale of marketable securities of $2,491 in the fourth quarter of 2000, offset partially by increases in costs and expenses, including interest and income tax expense. The increase in operating revenues was a result of an increase in water rates and additional revenues from acquisitions. There were no marketable securities sold in the fourth quarter of 1999. Operations and maintenance expenses increased primarily due to operating costs associated with acquisitions. Depreciation increased due to utility plant additions and the water system acquisitions made since the fourth quarter of 1999. Amortization increased due to the amortization of the costs associated with, and the other costs being recovered in, various rate filings. Other taxes increased due to higher PURTA and property taxes. Interest expense increased in the fourth quarter primarily as a result of higher borrowing levels. Income taxes increased due to differences between tax deductible expenses and book expenses.

Effects of Inflation

As a regulated enterprise, our rates are established to provide recovery of costs and a return on our investment. Recovery of the effects of inflation through higher water rates is dependent upon receiving adequate and timely rate increases. However, rate increases are not retroactive and often lag increases in costs caused by inflation. During periods of moderate to low inflation, as has been experienced for the past several years, the effects of inflation on our operating results are not significant.

FINANCIAL CONDITION

Cash Flow and Capital Expenditures

Net operating cash flow, dividends paid on common stock and capital expenditures, including allowances for funds used during construction, for the five years ended December 31, 2000 were as follows:

	Net Operating Cash Flows	Common Dividends	Capital Expenditures
1996	$ 56,274	$ 25,137	$ 66,130
1997	71,252	26,752	67,378
1998	84,362	29,349	87,973
1999	74,103	29,217	96,383
2000	86,972	30,406	129,740
	$372,963	$140,861	$447,604

Included in capital expenditures for the five-year period are: expenditures for the modernization and replacement of existing treatment plants; new water mains and customer service lines; rehabilitation of existing water mains, hydrants and customer service lines; water meters; and the construction of a divisional operations center. During this five-year period, we received $33,933 of customer advances and contributions in aid of construction to finance new water mains and related facilities. In addition, during this period, we have made sinking fund contributions and retired debt in the amount of $69,691, retired $8,603 of preferred stock, and have refunded $20,198 of customer advances for construction. Despite an annual increase in the common dividends declared and paid on our common stock over the past five years, the total common dividends paid in 1999 declined as compared to 1998 due to the exchange of the Consumers Water Company common stock for our common stock.

During the past five years, we have also expended $124,515 related to the acquisitions of utility systems, primarily water utilities and some wastewater utilities. In 2000, we issued 463,050 shares to acquire other water and wastewater systems. These acquisitions were accounted for as purchases. In March 1999, we completed a merger with Consumers Water Company. On the date of the merger, we issued 16,267,519 shares of Common Stock in exchange for all of the outstanding shares of CWC and CWC became our wholly-owned subsidiary. Our common shares issued have been restated for the effect of the 2000 5-for-4 common stock split in the form of a stock distribution. The merger has been accounted for as a pooling-of-interests. In 1998, CWC's New Hampshire operations were sold under the New Hampshire condemnation statute for $33,728, net of certain closing costs, which was used to pay down long-term debt.

Since net operating cash flow plus advances and contributions in aid of construction have not been sufficient to fully fund cash requirements, we issued approximately $202,880 of First Mortgage Bonds and obtained other short-term borrowings during the past five years. In September 2000, we sold 1,653,125 shares of common stock in a public offering for net proceeds of $29,689. The proceeds of this offering were used to make an equity contribution to PSW. In February 1998, we sold 1,562,500 shares of common stock in a public offering for net proceeds of $25,840. The proceeds of this offering were used to make a $19,000 equity contribution to PSW and to repay short-term debt. At December 31, 2000, we had short-term lines of credit and other credit facilities of $190,000, of which $89,006 was available.

We have a Dividend Reinvestment and Direct Stock Purchase Plan ("Plan") that replaced the Customer Stock Purchase Plan and the Dividend Reinvestment and Optional Stock Purchase Plan in December 1997. Under the direct stock purchase portion of the Plan, shares are sold throughout the year and the shares are obtained by our transfer agent in the open market instead of issuing original issue shares of stock, as was done under the previous plan. The dividend reinvestment portion of the Plan offers a 5% discount on the purchase of original issue shares of common stock with reinvested dividends. As of the December 2000 dividend payment, holders of 17.6% of the common shares outstanding participated in the dividend reinvestment portion of the Plan. During the past five years, we have sold 2,271,867 original issue shares of common stock for net proceeds of $28,945 through the dividend reinvestment program. During the past five years, and before its replacement in December 1997, we have sold 1,056,554 original issue shares of common stock for net proceeds of $11,075 through the former Customer Stock Purchase Plan. Proceeds from these plans were used to invest in PSW, to relieve PSW of the need to pay a dividend to us, to repay short-term debt, and for general corporate purposes.

The Board of Directors has authorized us to purchase our common stock, from time to time, in the open market or through privately negotiated transactions. We purchased 231,000 shares in 2000, 101,750 shares in 1999 and 189,258 shares in 1998 at a net cost of $3,500 in 2000, $1,771 in 1999 and $3,333 in 1998 . For comparative purposes the number of shares purchased is presented as if they were adjusted for the effect of the 2000 5-for-4 common stock split in the form of a stock distribution. As of December 31, 2000, 210,539 shares remain available for purchase. Funding for future stock purchases, if any, is not expected to have a material impact on our financial position.

Our planned 2001 capital program, exclusive of the costs of new mains financed by advances and contributions in aid of construction, is estimated to be $110,308 of which $35,189 is for DSIC qualified projects. PSW has increased its capital spending for infrastructure rehabilitation in response to the DSIC. Should the DSIC be discontinued for any reason, which is not anticipated, PSW would likely reduce its capital program significantly. The 2001 capital program of PSW and CWC, along with $3,943 of sinking fund obligations and debt maturities is expected to be financed through internally-generated funds, the revolving credit facilities, our equity investments and the issuance of new long-term debt.

We continue to hold acquisition discussions with several water systems. Acquisitions are expected to be financed through the issuance of equity or funded initially with short-term debt with subsequent repayment from the proceeds of long-term debt or our equity investments.

Future utility construction in the period 2002 through 2005, including recurring programs, such as the ongoing replacement of water meters, the rehabilitation of water mains and additional transmission mains to meet customer demands, exclusive of the costs of new mains financed by advances and contributions in aid of construction, is estimated to require aggregate expenditures of approximately $480,000. We anticipate that less than one-half of these expenditures will require external financing including the additional issuance of Common Stock through our dividend reinvestment plan and possible future public equity offerings. We expect to refinance $101,000 of debt maturities during this period as they become due with new issues of long-term debt. The estimates discussed above do not include any amounts for possible future acquisitions of water systems or the financing necessary to support them.

The ability to finance our future construction programs, as well as our acquisition activities, depends on our ability to attract the necessary external financing and maintain or increase internally-generated funds. Rate orders permitting compensatory rates of return on invested capital and timely rate adjustments will be required by PSW and the CWC operating subsidiaries to achieve an adequate level of earnings to enable it to secure the capital it will need and to maintain satisfactory debt coverage ratios.

Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. The exposure to changes in interest rates is a result of financings through the issuance of fixed-rate, long-term debt. Such exposure is typically related to financings between utility rate increases, since generally our rate increases include a revenue level to allow recovery of our current cost of capital. From time to time, we make investments in marketable equity securities. As of December 31, 2000, our carrying value of marketable equity securities was $8,283.

Capitalization

The following table summarizes our capitalization during the past five years:

December 31,	2000	1999	1998	1997	1996
Long-term debt*	52.8%	53.8%	51.9%	56.9%	57.9%
Preferred stock*	0.2%	0.2%	0.4%	1.0%	1.3%
Common stockholders' equity**	47.0%	46.0%	47.7%	42.1%	40.8%
	100.0%	100.0%	100.0%	100.0%	100.0%

* Includes current portion.
** Excludes minority interest.

The changes in the capitalization ratios primarily result from the issuance of common stock over the past five years and the issuance of debt to finance our acquisitions and capital program. It is our goal to maintain an equity ratio adequate to support PSW's current Standard and Poors debt rating of "AA-" and to support CWC's current debt rating of an NAIC (National Association of Insurance Commissioners) "2".

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

Dividends on Common Stock

We have paid common dividends consecutively for 56 years. In 2000, our Board of Directors authorized an increase of 7.6% in the dividend rate over the amount we previously paid. As a result of this authorization, beginning with the dividend payment in December, the annual dividend rate increased to $0.62 per share. We presently intend to pay quarterly cash dividends in the future, on March 1, June 1, September 1 and December 1, subject to our earnings and financial condition, regulatory requirements and such other factors as our Board of Directors may deem relevant. During the past five years, after restatement for the 1999 CWC pooling, our common dividends paid have averaged 70.9% of income from continuing operations.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," and in June 1999 amended this standard by issuing SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." In September 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," an amendment to SFAS No. 133. SFAS No. 138 establishes accounting and reporting standards for derivative instruments and for hedging activities and requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 137 changed the timing of the implementation of SFAS No. 133. We plan to adopt these statements on January 1, 2001 as required. As of December 31, 2000, we had no derivative instruments or hedging activities.

In March 2000, the FASB issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation," an interpretation of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." The Interpretation provides guidance for certain issues that arose in the application of APB No. 25. We adopted the Interpretation as required on July 1, 2000. The implementation of this new standard had no material effect on our results of operations or financial position.

Management's Report

The consolidated financial statements and related information for the years ended December 31, 2000, 1999 and 1998 were prepared by management in accordance with accounting principles generally accepted in the United States of America and include management's best estimates and judgments, as required. Financial information included in other sections of this annual report is consistent with that in the consolidated financial statements.

The Company has an internal accounting control structure designed to provide reasonable assurance that assets are safeguarded and that transactions are properly authorized and recorded in accordance with established policies and procedures. The internal control structure is supported by the selection and training of qualified personnel, the delegation of management authority and responsibility and dissemination of policies and procedures.

The Company's independent accountants, PricewaterhouseCoopers LLP, provide an independent review of management's reporting of results of operations and financial condition. PricewaterhouseCoopers has audited the financial statements by conducting tests as they deemed appropriate and their report follows.

The Board of Directors through the Audit Committee selects the Company's independent auditors and reviews the scope and results of their audits. The Audit Committee also reviews the adequacy of the Company's internal control structure and other significant matters. The Audit Committee is comprised of three outside Directors who meet periodically with management and the independent auditors. The Audit Committee held three meetings in 2000.

Nicholas DeBenedictis Chairman & President	David P. Smeltzer Senior Vice President - Finance

Report of Independent Accountants

To the Board of Directors and Stockholders of
Philadelphia Suburban Corporation:

In our opinion, the accompanying consolidated balance sheets as of December 31, 2000 and the related consolidated statements of income and comprehensive income, of capitalization and of cash flow present fairly, in all material respects, the financial position of Philadelphia Suburban Corporation and its subsidiaries at December 31, 2000, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. The financial statements of the Company as of December 31, 1999 and for the two years then ended were audited by other independent accountants whose report dated January 31, 2000 expressed an unqualified opinion on those statements.

PricewaterhouseCoopers LLP

Philadelphia, PA
January 29, 2001

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)
Years ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Operating revenues	$ 275,538	$ 257,326	$ 250,771
Costs and expenses:			
Operations and maintenance	101,741	98,758	100,139
Depreciation	32,271	30,612	27,189
Amortization	1,829	1,291	2,275
Taxes other than income taxes	22,520	21,833	21,930
Restructuring costs (recovery)	(1,136)	3,787	-
	157,225	156,281	151,533

Operating income	118,313	101,045	99,238
Other expense (income):			
Interest expense, net	40,360	33,698	31,888
Gain on sale of marketable securities	(3,552)	-	-
Dividends on preferred stock of subsidiary and minority interest	103	93	142
Allowance for funds used during construction	(2,688)	(1,995)	(1,245)
Merger transaction costs (recovery)	(2,905)	6,334	-
Gain on sale of New Hampshire system	-	-	(6,680)
Income before income taxes	86,995	62,915	75,133
Provision for income taxes	34,105	26,531	30,118
Net income	52,890	36,384	45,015
Dividends on preferred stock	106	109	195
Net income available to common stock	$ 52,784	$ 36,275	$ 44,820
Net income	$ 52,890	$ 36,384	$ 45,015
Other comprehensive income (loss), net of tax	(1,094)	2,020	-
Comprehensive income	$ 51,796	$ 38,404	$ 45,015
Net income per common share:			
Basic	$ 1.02	$ 0.71	$ 0.89
Diluted	$ 1.01	$ 0.70	$ 0.88
Average common shares outstanding during the period:			
Basic	51,807	51,080	50,453
Diluted	52,331	51,631	51,068

See accompanying notes to consolidated financial statements.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except per share amounts)
December 31, 2000 and 1999

	2000	1999
Assets		
Property, plant and equipment, at cost	$ 1,536,162	$ 1,393,027
Less accumulated depreciation	284,735	257,663
Net property, plant and equipment	1,251,427	1,135,364
Current assets:		
Cash and cash equivalents	8,049	4,658
Accounts receivable and unbilled revenues, net	51,223	44,399
Inventory, materials and supplies	4,352	3,948
Prepayments and other current assets	7,054	6,520
Total current assets	70,678	59,525
Regulatory assets	65,509	59,839
Deferred charges and other assets, net	26,396	26,077
	$ 1,414,010	$ 1,280,805
Liabilities and Stockholders' Equity		
Stockholders' equity:		
6.05% Series B cumulative preferred stock	$ 1,760	$ 1,760
Common stock at $.50 par value, authorized 100,000,000 shares, issued 54,520,300 and 51,880,796 in 2000 and 1999	27,260	20,814
Capital in excess of par value	291,013	251,440
Retained earnings	123,911	101,533
Minority interest	2,823	2,604
Treasury stock, at cost, 844,376 and 615,038 shares in 2000 and 1999	(15,346)	(11,270)
Accumulated other comprehensive income	926	2,020
Total stockholders' equity	432,347	368,901
Long-term debt, excluding current portion	468,769	413,752
Commitments	-	-
Current liabilities:		
Current portion of long-term debt	15,943	12,194
Loans payable	88,994	103,069
Accounts payable	20,635	24,286
Accrued interest	10,199	8,994

Accrued taxes	15,815	12,689
Other accrued liabilities	21,597	22,581
Total current liabilities	173,183	183,813
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	151,718	136,528
Customers' advances for construction	58,718	59,494
Other	9,109	8,434
Total deferred credits and other liabilities	219,545	204,456
Contributions in aid of construction	120,166	109,883
	$ 1,414,010	$ 1,280,805

See accompanying notes to consolidated financial statements.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In thousands of dollars, except per share amounts)
December 31, 2000 and 1999

	2000	1999
Stockholders' equity:		
6.05% Series B cumulative preferred stock	$ 1,760	$ 1,760
Common stock, $.50 par value	27,260	20,814
Capital in excess of par value	291,013	251,440
Retained earnings	123,911	101,533
Minority interest	2,823	2,604
Treasury stock, at cost	(15,346)	(11,270)
Accumulated other comprehensive income	926	2,020
Total stockholders' equity	432,347	368,901
Long-term debt:		
First Mortgage Bonds secured by utility plant:		
Interest Rate Range		
0.00% to 2.49%	4,368	858
2.50% to 4.99%	6,712	824
5.00% to 5.49%	6,667	2,200
5.50% to 5.99%	31,060	31,545
6.00% to 6.49%	145,570	127,210
6.50% to 6.99%	55,200	55,200
7.00% to 7.49%	62,007	38,000
7.50% to 7.99%	23,000	23,000
8.00% to 8.49%	16,621	16,500
8.50% to 8.99%	10,460	9,003
9.00% to 9.49%	53,615	53,695
9.50% to 9.99%	49,831	51,220
10.00% to 10.50%	6,167	6,000
Total First Mortgage Bonds	471,278	415,255
Notes payable to banks under revolving credit agreements, due March 2001	12,000	9,200
Installment note payable, 9%, due in equal annual payments through 2013	1,434	1,491
	484,712	425,946
Current portion of long-term debt	15,943	12,194
Long-term debt, excluding current portion	468,769	413,752
Total capitalization	$ 901,116	$ 782,653

See accompanying notes to consolidated financial statements.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
(In thousands of dollars)
Years ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Cash flows from operating activities:			
Net income	$ 52,890	$ 36,384	$ 45,015
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	34,100	31,903	29,464
Deferred income taxes	10,885	6,342	9,957
Gain on sale of marketable securities	(3,552)	-	-
Gain on sale of New Hampshire system	-	-	(6,680)
Net increase in receivables, inventory and prepayments	(5,531)	(3,073)	(3,623)
Net increase in payables, accrued interest and other accrued liabilities	4,247	444	11,216
Other	(6,067)	1,600	(2,476)
Net cash flows from discontinued operations	-	503	1,489
Net cash flows from operating activities	86,972	74,103	84,362
Cash flows from investing activities:			
Property, plant and equipment additions, including allowance for funds used during construction of $2,688, $1,995 and $1,245	(129,740)	(96,383)	(87,973)
Acquisitions of water and wastewater systems	(3,546)	(39,164)	(24,498)
Net proceeds from the sale (purchases) of marketable securities	3,878	(6,066)	(1,056)
Proceeds from sale of New Hampshire system	-	-	33,728
Other	307	997	157
Net cash flows used in investing activities	(129,101)	(140,616)	(79,642)
Cash flows from financing activities:			
Customers' advances and contributions in aid of construction	7,603	5,345	3,902
Repayments of customers' advances	(4,642)	(4,077)	(3,062)
Net proceeds (repayments) of short-term debt	(14,075)	39,519	(4,615)
Proceeds from long-term debt	67,791	54,412	33,395
Repayments of long-term debt	(13,289)	(6,733)	(24,918)
Redemption of preferred stock	-	(1,460)	(4,214)
Proceeds from issuing common stock	37,190	7,061	32,589
Repurchase of common stock	(4,383)	(1,773)	(3,334)
Dividends paid on preferred stock	(106)	(117)	(195)
Dividends paid on common stock	(30,406)	(29,217)	(29,349)
Other	(163)	(36)	(46)
Net cash flows from financing activities	45,520	62,924	153
Net increase (decrease) in cash and cash equivalents	3,391	(3,589)	4,873
Cash and cash equivalents at beginning of year	4,658	8,247	3,374
Cash and cash equivalents at end of year	$ 8,049	$ 4,658	$ 8,247

See Summary of Significant Accounting Policies-Customer's Advances for Construction, Merger with Consumers Water Company, Acquisitions and Water Sale Agreements, Income Taxes and Employee Stock and Incentive Plans footnotes for description of non-cash activities.
See accompanying notes to consolidated financial statements.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

Basis of Presentation - On March 10, 1999, Philadelphia Suburban Corporation (the "Company") completed a merger (the "Merger") with Consumers Water Company ("CWC"). On the date of the Merger, the Company issued 16,267,519 shares of Common Stock in exchange for all of the outstanding shares of CWC and CWC became a wholly-owned subsidiary of the Company. The Company's common shares issued and exchanged for CWC shares have been restated for the effect of the 2000 5-for-4 common stock split effected in the form of a stock distribution. The Merger has been accounted for as a pooling-of-interests under Accounting Principles Board Opinion No. 16. Accordingly, the Company's consolidated financial statements and footnotes presented in this report include the accounts and results of CWC as if the Merger had been completed as of the beginning of the earliest period presented.

Nature of Operations - The business of Philadelphia Suburban Corporation is conducted primarily through its wholly-owned subsidiary Philadelphia Suburban Water Company ("PSW") and the seven operating companies of CWC (collectively referred to as "operating companies"). The operating companies of PSC are regulated public utilities which supply water and provide wastewater service to approximately 579,200 customers in Pennsylvania, Ohio, Illinois, New Jersey, Maine and North Carolina. PSW, our largest subsidiary, is a regulated public utility which supplies water to approximately 324,000 customers in a service territory located west and north of the City of Philadelphia. CWC owns 100% of the voting stock of five water companies and at least 96% of the voting stock of two water companies. In addition, the Company provides water and wastewater service to approximately 14,100 customers through operating and maintenance contracts in Pennsylvania, Illinois, New Jersey and Maine.

The customers of our operating subsidiaries are residential, commercial and industrial in nature. The regulated public utilities are subject to regulation by the public utility commissions of the states in which they operate. The respective public utility commissions have jurisdiction with respect to rates, service, accounting procedures, issuance of securities, acquisitions and other matters.

Consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries as of December 31, 2000. All material intercompany accounts and transactions have been eliminated where appropriate.

Recognition of Revenues - Revenues include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the latest billing to the end of the accounting period. Non-utility revenues are recognized when services are performed.

Property, Plant and Equipment and Depreciation - Property, plant and equipment consist primarily of utility plant. The cost of additions includes contracted cost, direct labor and fringe benefits, materials, overheads and, for certain utility plant, allowance for funds used during construction. Water systems acquired are recorded at estimated original cost of utility plant when first devoted to utility service and the applicable depreciation is recorded to accumulated depreciation. The difference between the estimated original cost, less applicable accumulated depreciation, and the purchase price is recorded as an acquisition adjustment within utility plant. At December 31, 2000, utility plant includes a net credit acquisition adjustment of $7,499, which is being amortized over 20 to 40 years. Consistent with the Company's rate settlements, $541 was amortized during 2000, $558 was amortized during 1999 and $567 was amortized during 1998.

Utility expenditures for maintenance and repairs, including minor renewals and betterments, are charged to operating expenses in accordance with the system of accounts prescribed by the public utility commissions of the states in which the company operates. The cost of new units of property and betterments are capitalized. When units of utility property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and such value, together with the net cost of removal, is charged to accumulated depreciation.

The straight-line remaining life method is used to compute depreciation on utility plant. Generally, the straight-line method is used with respect to transportation and mechanical equipment, office equipment and laboratory equipment.

In accordance with the requirements of Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed Of", the long-lived assets of the Company, which consist primarily of Utility Plant in Service and regulatory assets, have been reviewed for impairment. There has been no change in circumstances or events that have occurred that require adjustments to the carrying values of these assets.

Allowance for Funds Used During Construction - The allowance for funds used during construction ("AFUDC") is a non-cash credit which represents the estimated cost of funds used to finance the construction of utility plant. In general, AFUDC is applied to construction projects requiring more than one month to complete. No AFUDC is applied to projects funded by customer advances for construction or contributions in aid of construction. AFUDC includes the net cost of borrowed funds and a rate of return on other funds when used, and is recovered through water rates as the utility plant is depreciated. The amount of AFUDC related to equity funds was $334 in 2000 and $57 in 1999. There was no AFUDC related to equity funds in 1998.

Cash Equivalents - The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Deferred Charges and Other Assets - Deferred charges and other assets consist of financing expenses, other costs and marketable securities. Deferred bond issuance expenses are amortized by the straight-line method over the life of the related issues. Call premiums related to the early redemption of long-term debt, along with the unamortized balance of the related issuance expense, are deferred and amortized over the life of the long-term debt used to fund the redemption. Other costs, for which the Company has received or expects to receive prospective rate recovery, are deferred and amortized over the period of rate recovery.

Marketable securities are considered "available-for-sale" and accordingly, are carried on the balance sheet at fair market value. Unrecognized gains are included in other comprehensive income.

Income Taxes - The Company accounts for certain income and expense items in different time periods for financial reporting than for tax reporting purposes. Deferred income taxes are provided on the temporary differences between the tax basis of the assets and liabilities and the amounts at which they are carried in the consolidated financial statements. The income tax effect of temporary differences not allowed currently in rates is recorded as deferred taxes with an offsetting regulatory asset or liability. These deferred income taxes are based on the enacted tax rates expected to be in effect when such temporary differences are projected to reverse. Investment tax credits are deferred and amortized over the estimated useful lives of the related properties.

Customers' Advances for Construction - Water mains or, in some instances, cash advances to reimburse the Company its costs to construct water mains, are contributed to the Company by customers, real estate developers and builders in order to extend water service to their properties. The value of these contributions is recorded as Customers' Advances for Construction. The Company makes refunds on these advances over a specific period of time based on operating revenues related to the main or as new customers are connected to and take service from the main. After all refunds are made, any remaining balance is transferred to Contributions in Aid of Construction. Non-cash property, in the form of water mains, has been received, generally from developers, as advances or contributions of $6,060, $10,069 and $8,774 in 2000, 1999 and 1998.

Contributions in Aid of Construction - Contributions in aid of construction include direct non-refundable contributions and the portion of customers' advances for construction that become non-refundable.

Inventories, Materials and Supplies - Inventories are stated at cost, not in excess of market value. Cost is determined using the first-in, first-out method and the average cost method.

Stock-Based Compensation - The Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation", electing the provision of the statement allowing it to continue its practice of not recognizing compensation expense related to granting of stock options to the extent that the option price of the underlying stock was equal to, or greater than, the market price on the date of option grant. Disclosure of the impact on the results of operations, had the Company elected to recognize compensation expense, is provided in the Employee Stock and Incentive Plans footnote as required by the Statement.

Use of Estimates in Preparation of Consolidated Financial Statements - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain prior year amounts have been reclassified to conform with current year's presentation.

Merger with Consumers Water Company

On March 10, 1999, the Company completed a merger ("the Merger") with CWC. Pursuant to the merger agreement, the Company issued 16,267,519 shares of Common Stock in exchange for all of the outstanding stock of CWC. CWC common shareholders received 1.79 shares of the Company's Common Stock for each CWC common share and CWC preferred shareholders received 7.06125 shares of the Company's Common Stock for each CWC preferred share. The Company's common shares issued and exchanged for CWC shares have been restated for the effect of the 2000 5-for-4 common stock split effected in the form of a stock distribution. As a result of the Merger, CWC became a wholly-owned subsidiary of the Company. CWC's seven water companies serve approximately 245,000 customers in service territories covering parts of Pennsylvania, Ohio, Illinois, New Jersey and Maine.

During 1999, the Company recorded a charge of $6,334 ($6,134, after tax benefits of $200) for merger transaction costs consisting primarily of fees for investment bankers, attorneys, accountants and other administrative charges. In addition, the Company recorded a restructuring reserve of $3,787 ($2,462, after tax benefits of $1,325) in 1999 that includes severances of $2,940 and exit costs associated with the closing of CWC's corporate office. Since the restructuring reserve was established, cash payments have substantially eliminated this reserve balance during the first half of 2000. In connection with a rate settlement received in 2000, recovery of a portion of the merger costs has been granted and a regulatory asset was established to reflect this recovery. As a result, a gain on recovery of merger costs of $2,236 ($4,041 pre-tax) was recognized in 2000. The merger transaction costs and related recovery have been reported in Other expenses and the restructuring costs and related recovery have been reported as Costs and expenses in the Consolidated Statements of Income and Comprehensive Income.

Acquisitions and Water Sale Agreements

During 2000, 18 acquisitions or other growth ventures were completed, including the Company's entry into a sixth operating state, North Carolina. These transactions have added 14,148 customers to the Company's customer base. The total purchase price for the systems acquired in 2000 was $3,546 in cash and the issuance of 463,050 shares of the Company's common stock. The increase in annual revenues resulting from the acquired systems approximate $2,600 (unaudited) and operating revenues included in the consolidated financial statements during the period owned by the Company was $394. In January 2001, the Company acquired its second water system in North Carolina for 195,368 shares of the Company's common stock and $389 in cash.

(In thousands of dollars, except per share amounts)

During 1999, exclusive of the Merger, 16 acquisitions or other growth ventures were completed in five of the states in which the Company operates. These transactions have added 17,250 customers to the Company's customer base. The largest of these transactions was the acquisition of the water utility assets of Bensalem Township in December 1999, which has added 14,945 customers. The total purchase price for the systems acquired in 1999 was $39,164 in cash. Operating revenues included in the consolidated financial statements related to the systems acquired in 1999 were $4,808 in 2000 and $559 in 1999.

During 1998, five water system acquisitions were completed and two long-term water sale agreements were obtained in Pennsylvania and New Jersey. These transactions have added 9,007 customers to the Company's customer base. The total purchase price of $25,380 for the five water systems acquired in 1998 was $24,498 in cash and the issuance of 52,500 shares of the Company's common stock. Operating revenues included in the consolidated financial statements related to the systems acquired and new water sale agreements obtained in 1998 were $5,094 in 2000, $4,685 in 1999 and $4,627 in 1998.

Disposition

In April 1998, CWC's New Hampshire subsidiary sold its utility assets to the Town of Hudson under the New Hampshire condemnation statute for $33,728, net of certain closing costs. The sale generated a gain of $6,680 ($3,903 net of taxes, or $0.08 per share), and was recorded in 1998. This system had approximately 8,200 customers and operating revenues of $1,600 in 1998 prior to the sale.

Property, Plant and Equipment

	December 31, 2000	December 31, 1999
Utility plant and equipment	$ 1,513,480	$ 1,340,361
Utility construction work in progress	19,820	49,271
Non-utility plant and equipment	2,862	3,395
Total property, plant and equipment	$ 1,536,162	$ 1,393,027

Depreciation is computed based on estimated useful lives of 2 to 110 years for utility plant and 3 to 10 years for both utility transportation and mechanical equipment and all non-utility plant, office equipment and laboratory equipment.

Accounts Receivable

	December 31, 2000	December 31, 1999
Billed utility revenue	$ 30,846	$ 23,971
Unbilled utility revenue	20,645	20,813
Other	1,639	923
	53,130	45,707
Less allowance for doubtful accounts	1,907	1,308
Net accounts receivable	$ 51,223	$ 44,399

(In thousands of dollars, except per share amounts)

The Company's customers are located in the following states: 66% in Pennsylvania, 14% in Ohio, 11% in Illinois, 6% in New Jersey, 3% in Maine and less than 1% in North Carolina. PSW's customers are located in southeastern Pennsylvania and accounted for 57% of the customers served. No single customer accounted for more than one percent of the Company's operating revenues.

Regulatory Asset

The regulatory asset represents costs that are excluded from the Company's rate base but are expected to be fully recovered in future rates. The four components of this asset are deferred income taxes, postretirement benefits other than pensions, merger costs slated for recovery and rate case filing expenses. Items giving rise to deferred state income taxes, as well as a portion of deferred Federal income taxes related to certain differences between tax and book depreciation expense, are recognized in the rate setting process on a cash or flow-through basis and will be recovered as they reverse. The portion of the regulatory asset related to postretirement benefits other than pensions represents costs that were deferred between the time that the accrual method of accounting for these benefits was adopted in 1993 and the recognition of the accrual method in the Company's rates as prescribed in subsequent rate filings.

Amortization of the amount deferred for postretirement benefits other than pensions began in 1994 and is currently being recovered in rates. The regulatory asset related to the recovery of merger costs represents the portion of the CWC merger costs that will be recovered in rates as a result of a rate settlement in 2000 and is being amortized over the recovery period. The portion of the regulatory asset related to rate case filing expenses represents the costs associated with filing for rate increases that are deferred and amortized over periods that generally range from one to three years.

	December 31,	
	2000	1999
Income taxes	$ 58,650	$ 56,467
Postretirement benefits other than pensions	1,231	1,820
Merger costs	4,288	-
Rate case filing expenses	1,340	1,552
	$ 65,509	$ 59,839

Income Taxes

Total income tax expense is allocated as follows:

	Years Ended December 31,		
	2000	1999	1998
Net income available to common stock	$ 34,105	$ 26,531	$ 30,118
Common stockholders' equity related to stock option activity which reduces taxable income	(285)	(205)	(402)
	$ 33,820	$ 26,326	$ 29,716

The provision for income taxes consists of:

Years Ended December 31,

(In thousands of dollars, except per share amounts)

	2000	1999	1998
Current:			
Federal	$ 19,888	$ 15,233	$ 14,837
State	4,900	3,695	5,583
	24,788	18,928	20,420
Deferred:			
Federal	8,371	6,862	8,453
State	946	741	1,245
	9,317	7,603	9,698
Total tax expense	$ 34,105	$ 26,531	$ 30,118

The statutory Federal tax rate is 35% and the state corporate net income tax rates range from 7.18% to 9.99% for all years presented.

The reasons for the differences between amounts computed by applying the statutory Federal income tax rate to income before income tax expense are as follows:

	Years Ended December 31,		
	2000	1999	1998
Computed Federal tax expense at statutory rate	$ 30,448	$ 22,020	$ 26,296
Increase in tax expense for depreciation expense to be recovered in future rates	353	387	1,091
Merger transaction costs	120	2,017	-
Charitable contribution	(83)	(479)	-
Gain on sale of land	-	83	-
Amortization of deferred investment tax credits	(287)	(279)	(658)
Prior year rate reductions	(311)	(313)	(655)
State income taxes, net of federal tax benefit	3,799	2,883	4,438
Difference in statutory rate	-	-	(240)
Other, net	66	212	(154)
Actual income tax expense	$ 34,105	$ 26,531	$ 30,118

The tax effects of temporary differences between book and tax accounting that give rise to the deferred tax assets and deferred tax liabilities are as follows:

	December 31,	
	2000	1999
Deferred tax assets:		
Customers' advances for construction	$ 19,120	$ 19,896
Costs expensed for book not deducted for tax, principally accrued expenses		

and bad debt reserves	5,064	4,952
Alternative minimum tax	-	1,464
Other	-	292
Total gross deferred tax assets	24,184	26,604
Deferred tax liabilities:		
Utility plant, principally due to depreciation and differences in the basis of fixed assets due to variation in tax and book accounting	143,615	129,083
Deferred taxes associated with the gross-up of revenues necessary to recover, in rates, the effect of temporary differences	23,344	24,793
Deferred investment tax credit	7,498	7,823
Unrealized gain on marketable securities	547	1,433
Other	898	-
Total gross deferred tax liabilities	175,902	163,132
Net deferred tax liability	$151,718	$ 136,528

The Company made income tax payments of $23,008, $20,313 and $15,746 in 2000, 1999 and 1998, respectively. The Company's Federal income tax returns for all years through 1996 have been closed.

Commitments

The Company maintains agreements with municipal authorities for the purchase of water to supplement its water supply, particularly during periods of peak demand. The agreements stipulate purchases of minimum quantities of water to the year 2017. The estimated annual commitments related to such purchases are expected to approximate $4,800 through 2005. The Company purchased approximately $5,592, $3,172 and $3,012 of water under these agreements during the years ended December 31, 2000, 1999 and 1998, respectively.

The Company leases motor vehicles, buildings and other equipment under operating leases that are noncancelable. During the next five years, $3,776 of future minimum lease payments are due: $1,484 in 2001, $974 in 2002, $776 in 2003, $371 in 2004 and $171 in 2005. PSW leases parcels of land on which its Media treatment plant and other facilities are situated and adjacent parcels that are used for watershed protection. The operating lease is noncancelable, expires in 2045 and contains certain renewal provisions. The lease is subject to an adjustment every five years based on changes in the Consumer Price Index. During each of the next five years, $324 of lease payments for land, subject to the aforesaid adjustment, are due.

Rent expense was $1,815, $1,894 and $2,270 for the years ended December 31, 2000, 1999 and 1998, respectively.

Long-term Debt and Loans Payable

The Consolidated Statements of Capitalization provides a summary of long-term debt and loans outstanding as of December 31, 2000 and 1999. The supplemental indentures with respect to certain issues of the First Mortgage Bonds restrict the ability of PSW and CWC to declare dividends, in cash or property, or repurchase or otherwise acquire PSW's and CWC's stock. As of December 31, 2000, approximately $161,000 of PSW's and $63,000 of CWC's retained earnings were free of these restrictions. Certain supplemental indentures also prohibit PSW and CWC from making loans to, or purchasing the stock of, the

(In thousands of dollars, except per share amounts)

Company.

Annual sinking fund payments are required for certain issues of First Mortgage Bonds by the supplemental indentures. Excluding amounts due under the revolving credit agreements, the Company's future sinking fund payments and debt maturities are as follows:

Interest Rate Range	2001	2002	2003	2004	2005	Thereafter
0.00% to 2.49%	$ 163	$ 303	$ 279	$ 275	$ 265	$ 3,083
2.50% to 4.99%	-	106	56	57	68	6,425
5.00% to 5.49%	-	60	60	70	70	6,407
5.50% to 5.99%	400	400	10,000	10,000	-	10,260
6.00% to 6.49%	-	10,000	-	15,000	-	120,570
6.50% to 6.99%	-	-	10,400	400	10,400	34,000
7.00% to 7.49%	2,007	2,000	12,000	12,000	28,000	6,000
7.50% to 7.99%	-	-	-	-	-	23,000
8.00% to 8.49%	30	30	33	28	-	16,500
8.50% to 8.99%	16	17	18	20	22	10,367
9.00% to 9.49%	142	548	554	561	568	52,676
9.50% to 9.99%	1,160	1,153	1,155	1,155	1,155	44,053
10.00% to 10.50%	25	12	11	12	14	6,093
Total	$ 3,943	$ 14,629	$ 34,566	$ 39,578	$ 40,562	$ 339,434

In December 1999, PSW established a five-year $300,000 medium-term note program providing for the issuance of long-term debt with maturities ranging between one and 35 years at fixed rates of interest, as determined at the time of issuance. This program replaced a similar program that expired in June 1999. The notes issued under this program are secured by the Thirty-Third Supplement to the trust indenture relating to PSW's First Mortgage Bonds. In January 2000, PSW issued First Mortgage Bonds through the program of $15,000 7.40% Series due 2005, and in April 2000, $11,000 7.40% Series due 2005. During 1999, First Mortgage Bond issuances through these programs were as follows: $10,000 in January 1999, 5.85% Series due 2004; and $15,000 in April 1999, 6.00% Series due 2004. The proceeds from these issuances were used to fund acquisitions, to reduce the balance of PSW's revolving credit facility and for PSW's ongoing capital program.

In June 2000, one of CWC's operating subsidiaries issued $18,360 of tax-exempt bonds due in 2030 at a rate of 6.00%. At various times during 2000, PSW and other operating subsidiaries issued notes payable in aggregate of $12,583 at various rates of interest ranging from 0% to 5.4% due at various times in 2019, 2020, and 2030. As of December 31, 2000, the Trustee for one of the issues held $3,474 pending completion of the projects financed with the issue and the restricted funds are included as cash and cash equivalents in the consolidated balance sheet. The proceeds from the other issues were used to reduce a portion of the balance of short-term debt at each of the respective operating subsidiaries. In connection with various acquisitions completed during 2000, the Company acquired $3,102 of long-term debt at various rates of interest ranging from 1% to 10.5% due in various years.

In June 1999, CWC's Maine subsidiary issued a First Mortgage Bond of $2,200 5.05% Series due 2024. In August 1999, CWC's Maine subsidiary issued a First Mortgage Bond of $824 2.68% Series due 2019. Proceeds from these issues were used to reduce the balance of its short-term debt. In October 1999, PSW issued $25,000 in First Mortgage Bonds 6.00% Series due 2029 as security for an equal amount of Bonds issued by the Delaware County Industrial Development Authority. The proceeds from these bonds are restricted to funding the costs of certain capital projects.

(In thousands of dollars, except per share amounts)

In December 2000, PSW renewed its $50,000 revolving credit facility with three banks until December 2001. As of December 31, 2000 and 1999, funds borrowed under the PSW revolving credit agreements of $46,270 and $50,000, respectively, have been classified as loans payable. CWC has a $20,000 revolving credit facility, which was due to expire in June 2000, but was extended until March 2001. It is anticipated that a new facility will be obtained upon expiration of this facility. Borrowing under this facility has been classified as current portion of long-term debt. Interest under these facilities is based, at the borrower's option, on the prime rate, an adjusted federal funds rate, an adjusted London Interbank Offered Rate corresponding to the interest period selected, an adjusted Euro-Rate corresponding to the interest period selected or at rates offered by the banks. These agreements restrict the total amount of short-term borrowings of PSW and CWC. A commitment fee ranging from 1/4 to 1/10 of 1% is charged on the unused portion of the revolving credit agreements. The average cost of borrowing under these facilities was 6.8% and 5.6%, and the average borrowing was $56,541 and $47,047, during 2000 and 1999, respectively. The maximum amount outstanding at the end of any one month was $64,000 in 2000 and $59,600 in 1999.

At December 31, 2000 and 1999, the Company had combined short-term lines of credit of $120,000 and $116,000, respectively. Funds borrowed under these lines are classified as loans payable and are used to provide working capital. The average borrowing under the lines was $49,901 and $36,809 during 2000 and 1999, respectively. The maximum amount outstanding at the end of any one month was $58,878 in 2000 and $53,069 in 1999. Interest under the lines is based at the Company's option, depending on the line, on the prime rate, an adjusted Euro-Rate, an adjusted federal funds rate or at rates offered by the banks. The average cost of borrowings under all lines during 2000 and 1999 was 7.3% and 6.0%, respectively.

The total amount of interest paid on all borrowings, net of amounts capitalized, was $36,507, $31,036 and $30,711 in 2000, 1999 and 1998, respectively. The pro forma weighted cost of long-term debt at December 31, 2000 and 1999 was 7.2% and 7.4%, respectively.

Preferred Stock of Subsidiaries

The Company's subsidiaries have the following preferred stock ($100 par value) as of December 31, 2000:

	Cumulative Dividend Rate	Current Call Price Per Share	Shares Authorized	Shares Outstanding
Consumers Pennsylvania - Shenango Valley Division	5.00%	$ 110	10,000	9,646
Consumers Illinois Water Company	5.50%	107	5,000	3,575
Consumers Maine Water Company	5.00%	105	4,000	2,739
PSW	-	None	1,000,000	-

PSW is authorized to issue preferred stock with mandatory redemption requirements, with stated par value, in one or more series. In 1991, PSW issued 100,000 shares of 8.66% Series 1 Cumulative Preferred Stock, at par value of $100 per share in a private placement. The remaining shares of this issue were called by PSW and retired in 1998.

Fair Value of Financial Instruments

The carrying amount of current assets and liabilities that are considered financial instruments approximates their fair value as of the dates presented. The carrying amount and estimated fair value of the Company's long-term debt are as follows:

(In thousands of dollars, except per share amounts)

	December 31,	
	2000	1999
Carrying amount	$ 484,712	$ 425,946
Estimated fair value	487,330	415,653

The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration. The Company's customers' advances for construction and related tax deposits have a carrying value of $58,718 and $59,494 at December 31, 2000 and 1999, respectively. Their relative fair values cannot be accurately estimated since future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases. Portions of these non-interest bearing instruments are payable annually through 2017 and amounts not paid by the contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest bearing feature.

Stockholders' Equity

At December 31, 2000, the Company had 1,770,819 shares of Series Preferred Stock with a $1.00 par value authorized, of which 100,000 shares are designated as Series A Preferred Stock. During 1996, the Company designated 32,200 shares as Series B Preferred Stock, $1.00 par value. The Series A Preferred Stock, as well as the undesignated shares of Series Preferred Stock, remains unissued. In 1996, the Company issued all of the 6.05% Series B Preferred Stock in connection with an acquisition. The Series B Preferred Stock is recorded on the balance sheet at its liquidation value of $100 per share. Dividends on the Series B Preferred Stock are cumulative and payable quarterly. PSC may not pay dividends on common stock unless provision has been made for payment of the preferred dividends. Under the provisions of this issue, the holders may redeem the shares, in whole or in part, at the liquidation value beginning December 1, 1998 and the Company may redeem up to 20% of this issue each year beginning December 1, 2001 and, at the holders' option, this redemption may be made in cash or through the issuance of debt with a five year maturity at an interest rate of 6.05%. As of December 31, 2000, all dividends have been provided for. In January 1999, 14,600 shares of Series B Preferred Stock were redeemed in cash at the liquidation value of $100 per share.

In August 2000, the Company's Board of Director's declared a 5-for-4 common stock split effected in the form of a 25% stock distribution for all common shares outstanding, to shareholders of record on November 15, 2000. Common shares outstanding do not include shares held by the Company in treasury. The new shares were distributed on December 1, 2000. The Company's par value of $0.50 per share remained unchanged and $5,319 was transferred from Capital in Excess of Par Value to Common Stock to record the split. All share and per share data for all periods presented have been restated to give effect to the stock split.

At December 31, 2000, the Company had 100,000,000 shares of common stock authorized; par value $0.50. Shares outstanding at December 31, 2000, 1999 and 1998 were 53,675,924, 51,265,758, and 50,877,889 respectively. Treasury shares held at December 31, 2000, 1999 and 1998 were 844,376, 615,038, and 533,292, respectively.

The following table summarizes the activity of common stockholders' equity:

(In thousands of dollars, except per share amounts)

	Common stock	Treasury stock	Capital in excess of par value	Retained earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 1997	$ 19,744	$ (5,970)	$ 211,182	$ 76,270	$ -	$ 301,226
Net income	-	-	-	44,820	-	44,820
Dividends	-	-	-	(29,407)	-	(29,407)
Sale of stock	761	293	30,495	-	-	31,549
Repurchase of stock	-	(3,801)	-	-	-	(3,801)
Equity Compensation Plan	12	-	491	-	-	503
Exercise of stock options	100	-	2,289	-	-	2,389
Balance at December 31, 1998	20,617	(9,478)	244,457	91,683	-	347,279
Net income	-	-	-	36,275	-	36,275
Other comprehensive income, net of income tax of $1,433	-	-	-	-	2,020	2,020
Dividends	-	-	-	(26,425)	-	(26,425)
Sale of stock	114	354	4,807	-	-	5,275
Repurchase of stock	-	(2,146)	-	-	-	(2,146)
Equity Compensation Plan	2	-	98	-	-	100
Exercise of stock options	81	-	2,078	-	-	2,159
Balance at December 31, 1999	20,814	(11,270)	251,440	101,533	2,020	364,537
Net income	-	-	-	52,784	-	52,784
Other comprehensive income, net of income tax of $489	-	-	-	-	908	908
Reclassification adjustment for gains reported in net income, net of income tax of $1,375	-	-	-	-	(2,002)	(2,002)
Dividends	-	-	-	(30,406)	-	(30,406)
Stock split	5,319	-	(5,319)	-	-	-
Stock issued for acquisitions	228	-	8,067	-	-	8,295
Sale of stock	803	307	34,318	-	-	35,428
Repurchase of stock	-	(4,383)	-	-	-	(4,383)
Equity Compensation Plan	12	-	545	-	-	557
Exercise of stock options	84	-	1,962	-	-	2,046
Balance at December 31, 2000	$ 27,260	$ (15,346)	$ 291,013	$ 123,911	$ 926	$ 427,764

In September 2000, the Company issued 1,653,125 shares of common stock through a public offering, providing net proceeds of $29,689 which were used to make an equity contribution to PSW. In February 1998, the Company issued 1,562,500 shares of common stock through a public offering, providing net proceeds of $25,840 which were used to repay short term debt and to make a $19,000 equity contribution to PSW. PSW used both of these contributions from the Company to reduce the balance of its revolving credit loan.

In December 1999, the Company filed a shelf registration statement with the Securities and Exchange Commission for the offering and sale of up to 2,000,000 shares of common stock and 500,000 shares of preferred stock. In 2000, 463,050 shares of common stock totaling $8,295 were issued to acquire water and wastewater systems, and in January 2001, 195,368 shares of common stock were issued

to acquire a water system in North Carolina. The Company expects to offer from time to time, the remainder of these shares for acquisitions. The precise amount and timing of the application of such proceeds will depend upon our funding requirements and the availability and cost of other funds.

The Company reports comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income." Accordingly, the Company's accumulated other comprehensive income for unrealized gains on securities is reported in the Stockholders' Equity section of the Consolidated Balance Sheets and the related other comprehensive income is reported in the Consolidated Statements of Income and Comprehensive Income.

The Company has a Dividend Reinvestment and Direct Stock Purchase Plan ("Plan") that allows reinvested dividends to be used to purchase original issue shares of common stock at a five percent discount from the current market value. Under the direct stock purchase program, shares are purchased by investors at market price and the shares are purchased by the Company's transfer agent in the open-market at least weekly. During 2000, 1999 and 1998, under the dividend reinvestment portion of the Plan, 335,813, 286,845 and 255,395 original issue shares of common stock were sold providing the Company with proceeds of $5,482, $5,044 and $4,197, respectively.

The Board of Directors has authorized the Company to purchase its common stock, from time to time, in the open market or through privately negotiated transactions. During 2000, 1999 and 1998, 231,000, 101,750, and 189,258 shares have been purchased at a net cost of $3,500, $1,771, and $3,333, respectively. For comparative purposes the number of shares purchased is presented as if they were adjusted for the effect of the 2000 5-for-4 common stock split in the form of a stock distribution. As of December 31, 2000, 210,539 shares remain available for purchase by the Company.

Net Income per Common Share and Equity per Common Share

Basic net income per share is based on the weighted average number of common shares outstanding. Diluted net income per 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 share. The following table summarizes the shares, in thousands, used in computing Basic and Diluted net income per share:

	Years ended December 31,		
	2000	1999	1998
Average common shares outstanding during the period for Basic computation	51,807	51,080	50,453
Dilutive effect of employee stock options	524	551	615
Average common shares outstanding during the period for Diluted computation	52,331	51,631	51,068

Equity per common share was $7.97 and $7.11 at December 31, 2000 and 1999, respectively. These amounts were computed by dividing common stockholders'equity by the number of shares of common stock outstanding at the end of each year.

Shareholder Rights Plan

The Company has a Shareholder Rights Plan designed to protect the Company's shareholders in the event of an unsolicited unfair offer to acquire the Company. Each outstanding common share is entitled to one Right which is evidenced by the common share certificate. In the event that any person acquires 20% or more of the outstanding common shares or commences a tender or exchange offer which, if consummated, would result in a person or corporation owning at least 20% of the outstanding common shares of the Company, the Rights will begin to trade independently from the common shares and, if certain circumstances occur, including the acquisition by a person of 20% or more of the outstanding common shares, each Right would then entitle its holder to purchase a number of common shares of the Company at a substantial discount. If the Company is involved in a merger or other business combination at any time after the Rights become exercisable, the Rights will entitle the holder to acquire a certain number of shares of common stock of the acquiring company at a substantial discount. The Rights are redeemable by the Company at a redemption price of $.01 per Right at any time before the Rights become exercisable. The Rights will expire on March 1, 2008, unless previously redeemed.

Employee Stock and Incentive Plans

(In thousands of dollars, except per share amounts)

Under the 1994 Equity Compensation Plan ("1994 Plan"), as amended and restated effective March 3, 1998, the Company may grant qualified and non-qualified stock options to officers, key employees and consultants. Officers and key employees may also be granted dividend equivalents and restricted stock. Restricted stock may also be granted to non-employee members of the Board of Directors ("Board"). In November 1998, the Shareholders authorized an increase to the number of shares from 1,900,000 shares to 2,900,000 shares of common stock for issuance under the 1994 Plan. The maximum number of shares that may be subject to grants under the 1994 Plan to any one individual in any one year is 100,000. Awards under this plan are made by the Board of Directors or a committee of the Board.

Options under the 1994 plan, as well as the earlier 1988 Stock Option Plan were issued at the market price of the stock on the day of the grant. Options are exercisable in installments ranging from 20% to 50% annually, starting one year from the date of the grant and expire either 5 or 10 years from the date of the grant.

The following table summarizes stock option transactions for the two plans:

	As of or For the Years Ended December 31,					
	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options:						
Outstanding, beginning of year	1,604,155	$ 12.65	1,417,384	$ 11.00	1,384,518	$ 8.82
Granted	448,487	14.69	378,125	17.14	329,375	17.70
Terminated	(56,729)	16.46	(9,446)	16.40	(45,888)	10.03
Exercised	(184,871)	9.48	(181,908)	8.94	(250,621)	7.95
Outstanding, end of year	1,811,042	$ 13.36	1,604,155	$ 12.65	1,417,384	$ 11.00
Exercisable, end of year	1,036,449	$ 11.51	906,040	$ 9.64	759,419	$ 8.03

Options exercised during 2000 ranged in price from $5.28 per share to $17.13 per share. At December 31, 2000, 1,212,587 options under the 1994 Plan were still available for grant. The following table summarizes the price ranges of the options outstanding and options exercisable as of December 31, 2000:

	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Range of prices:					
$ 5.74 - 8.99	483,695	3.6	$ 7.42	483,695	$ 7.42
$ 9.00 - 14.99	678,610	8.0	13.72	241,060	11.99
$15.00 - 19.10	648,737	7.7	17.40	311,694	17.50
	1,811,042	6.7	$ 13.36	1,036,449	$ 11.51

(In thousands of dollars, except per share amounts)

Under SFAS No. 123, "Accounting for Stock-Based Compensation", the Company elects to continue to apply the provisions of APB Opinion No. 25 and to provide the pro forma disclosure provisions of this statement. Accordingly, no compensation cost has been recognized in the financial statements for stock options that have been granted. Had the Company determined compensation cost based on the fair value at

the grant date for its stock options under SFAS No. 123, the Company's net income available to common stock and Basic and Diluted net income per share would have been reduced to the pro forma amounts indicated below:

	Years Ended December 31,		
	2000	1999	1998
Net income available to common stock:			
As reported	$ 52,784	$ 36,275	$ 44,820
Proforma	51,206	35,398	44,277
Basic net income per share:			
As reported	$ 1.02	$ 0.71	$ 0.89
Proforma	0.99	0.69	0.88
Diluted net income per share:			
As reported	$ 1.01	$ 0.70	$ 0.88
Proforma	0.98	0.69	0.87

The per share weighted-average fair value at the date of grant for stock options granted during 2000, 1999 and 1998 was $3.52, $4.28, and $4.26 per option, respectively. The fair value of options at the date of grant was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2000	1999	1998
Expected life (years)	10	10	10
Interest rate	6.4%	5.4%	5.6%
Volatility	21.1%	20.9%	16.9%
Dividend yield	3.9%	3.2%	2.9%

Restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. During 2000, 1999 and 1998, 29,500, 5,500 and 29,500 shares of restricted stock were granted with a restriction period ranging from six to 36 months. The value of restricted stock awards, which are "compensatory", is equal to the fair market value of the stock on the date of the grant less payments made by the grantee and is amortized ratably over the restriction period.

Pension Plans and Other Postretirement Benefits

The Company has defined benefit pension plans that cover its full-time employees. Retirement benefits under the plans are generally based on the employee's total years of service and compensation during the last five years of employment. The Company's policy is to fund these plans annually at a level which is deductible for income tax purposes and which provides assets sufficient to meet its pension obligations. To offset certain limitations imposed by the Internal Revenue Code with respect to payments under qualified plans, the Company has a non-qualified Excess Benefit Plan for Salaried Employees in order to prevent certain employees from being penalized by these limitations. The Company also has non-qualified Supplemental Executive Retirement Plans for current and retired employees. The net pension costs and obligations of the qualified and non-qualified plans are included in the tables which follow.

(In thousands of dollars, except per share amounts)

In addition to providing pension benefits, the Company offers certain Postretirement Benefits other than Pensions ("PBOPs") to employees retiring with a minimum level of service. These PBOPs

include continuation of medical and prescription drug benefits for all eligible retirees and life insurance benefits for certain eligible retirees. The Company funds its gross PBOP cost through various trust accounts.

The Company's pension expense (credit) includes the following components:

	Years Ended December 31,		
	2000	1999	1998
Benefits earned during the year	$ 2,553	$ 3,232	$ 2,949
Interest cost on projected benefit obligation	7,612	7,214	6,771
Expected return on plan assets	(11,281)	(10,304)	(9,049)
Net amortization and deferral	(1,283)	(105)	(38)
Capitalized costs	(56)	(47)	(48)
Rate-regulated adjustment	1,403	430	(134)
Special termination benefits	43	716	56
Net pension cost (credit)	$ (1,009)	$ 1,136	$ 507

The rate-regulated adjustment set forth above is required in order to reflect pension expense (credit) for the Company in accordance with the method used in establishing water rates. During 2000, 1999 and 1998, the Company instituted early retirement and restructuring programs. These actions resulted in additional termination benefits of $43 in 2000, $716 in 1999 and $56 in 1998.

The Company's costs for postretirement benefits other than pensions includes the following components:

	Years Ended December 31,		
	2000	1999	1998
Benefits earned during the year	$ 555	$ 645	$ 575
Interest cost	1,267	1,249	1,229
Expected return on plan assets	(920)	(699)	(475)
Net amortization and deferral	417	628	643
Special termination benefits	-	209	-
Amortization of regulatory asset	208	208	257
Gross PBOP cost	1,527	2,240	2,229
Capitalized costs	(512)	(464)	(454)
Net PBOP cost	$ 1,015	$ 1,776	$ 1,775

(In thousands of dollars, except per share amounts)

The changes in the benefit obligation and fair value of plan assets, the funded status of the plans and the assumptions used in the measurement of the company's benefit obligation are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2000	1999	2000	1999
Change in benefit obligation:				
Benefit obligation at January 1,	$ 98,228	$ 106,047	$ 17,292	$ 19,015
Service cost	2,553	3,123	555	649
Interest cost	7,612	7,202	1,267	1,252
Special termination benefits	43	689	282	28
Change in measurement date	-	2,024	-	181
Actuarial loss (gain)	6,963	(15,747)	-	(3,258)
Benefits paid	(5,185)	(5,110)	(815)	(575)
Benefit obligation at December 31,	110,214	98,228	18,581	17,292
Change in plan assets:				
Fair value of plan assets at January 1,	128,367	116,848	11,097	8,003
Actual return on plan assets	479	13,455	(323)	1,196
Employer contributions	54	39	1,937	2,162
Change in measurement date	-	3,135	-	311
Benefits paid	(5,185)	(5,110)	(815)	(575)
Fair value of plan assets at December 31,	123,715	128,367	11,896	11,097
Funded status of plan:				
Funded status at December 31,	(13,501)	(30,139)	6,685	6,195
Unrecognized actuarial gain	18,014	37,755	6,345	8,508
Unrecognized prior service cost	(3,012)	(3,443)	761	819
Rate-regulated adjustment	37	(1,366)	-	-
Unrecognized net transition obligation	1,755	1,876	(10,846)	(11,750)
Accrued benefit costs	$ 3,293	$ 4,683	$ 2,945	$ 3,772
Weighted-average assumptions as of December 31,				
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected return on plan assets	9.00%	9.00%	6.00-9.00%	6.00-9.00%
Rate of compensation increase	4.50-5.50%	4.50-5.50%	4.50%	4.50%

The accumulated benefit obligation is in excess of plan assets for certain non-qualified plans. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for these plans were $3,490, $2,078, and $0, and $2,886, $1,898 and $0, respectively as of December 31, 2000 and 1999.

The assumed medical inflation rates under the PSC plans are 5.0%, reducing to 4.5% in 2002 for retirees under the age of 65 and 15.0%, reducing to 4.5% by 2006 for retirees 65 years of age and over. The assumed medical inflation rates under the CWC plans are 5.0% for all future years. The effect of a 1% increase in the assumed medical inflation rates would be to increase the accumulated postretirement benefit obligation as of December 31, 2000 and the 2000 PBOP costs by $898 and $83, respectively. The effect of a 1% decrease in the assumed medical inflation rates would be to decrease the accumulated postretirement benefit obligation as of December 31, 2000 and the 2000 PBOP costs by $1,502 and $189, respectively. The benefits of retired officers and certain other retirees are paid by the Company and not from plan assets due to limitations imposed by the Internal Revenue Code.

Water Rates

On April 27, 2000, the Pennsylvania Public Utility Commission ("PAPUC") approved a rate settlement reached between PSC's Pennsylvania utility subsidiaries, and the parties actively litigating the joint rate application filed in October 1999. The settlement was designed to increase annual revenue by $17,000 or 9.4% above the level in effect at the time of the filing. The rates in effect at the time of the filing included $7,347 in Distribution System Improvement Charges ("DSIC") ranging from 0.33% to 5%. Consequently, the settlement resulted in a total base rate increase of $24,347 or 13.5% above the rates in effect before the DSIC was applied. As a part of the rate settlement, the DSIC was reset to zero and PSC agreed not to file a base rate increase request prior to April 29, 2001, absent extraordinary circumstances.

The settlement agreement also provides for the recovery of up to $5,295 (the merger costs allocable to our Pennsylvania operations) of the $10,121 ($8,596 after-tax) in merger costs that were expensed in the first quarter of 1999 in connection with the Merger. As a result, a regulatory asset was established to reflect the amount to be recovered as a result of the rate settlement.

The CWC operating subsidiaries were allowed annual rate increases of $698 in 2000, $390 in 1999 and $3,334 in 1998, represented by four, two and five rate decisions, respectively. Revenues from these increases realized in the year of grant were approximately $450, $308 and $1,969 in 2000, 1999 and 1998, respectively.

The DSIC enables water utilities in Pennsylvania to add a surcharge to customer bills reflecting the capital costs and depreciation related to certain distribution system improvement projects completed and placed into service between base rate filings. PSW is permitted to request adjustments to the DSIC quarterly to reflect subsequent capital expenditures and it is reset to zero when new base rates that reflect the costs of those additions become effective or when PSW's pro forma earnings exceed a PUC benchmark. The maximum DSIC that can be in effect at any time is 5%. The DSIC in the first quarter of 2001 has been set at 2.2% and is subject to adjustment in subsequent quarters. The DSIC provided revenues in 2000, 1999 and 1998 of $2,301, $4,140 and $229, respectively.

In addition to its base rates and DSIC, PSW and CWC's Pennsylvania subsidiaries have utilized a surcharge or credit on their bills to reflect certain changes in Pennsylvania State taxes until such time as the tax changes are incorporated into base rates. Various surcharge rates provided operating revenues of $74 in 2000, $1,306 in 1999, and rate credits reduced operating revenues in 1998 by $117.

Selected Quarterly Financial Data (Unaudited) Philadelphia Suburban Corporation and Subsidiaries

(in thousands of dollars, except per share amounts)

	First	Second	Third	Fourth	Total Year
2000					
Operating revenues	$ 64,510	$ 68,494	$ 73,336	$ 69,198	$ 275,538
Operations and maintenance expense	24,928	24,350	25,037	27,426	101,741
Net income available to common stock	10,246	13,565	16,539	12,434	52,784
Basic net income per common share	0.20	0.26	0.33	0.23	1.02
Diluted net income per common share	0.20	0.26	0.32	0.23	1.01
Dividend paid per common share	0.144	0.144	0.144	0.155	0.587
Dividend declared per common share	0.144	0.144	0.299	-	0.587
Price range of common stock					
- high	17.60	19.95	19.45	24.94	24.94
- low	13.20	14.50	16.00	16.95	13.20
1999					
Operating revenues	$ 58,597	$ 66,165	$ 69,527	$ 63,037	$ 257,326
Operations and maintenance expense	22,725	24,203	24,645	27,185	98,758
Net income available to common stock	316	12,033	14,332	9,594	36,275
Basic net income per common share	0.01	0.23	0.28	0.19	0.71
Diluted net income per common share	0.01	0.23	0.28	0.18	0.70
Dividends declared and paid per common share	0.136	0.136	0.144	0.144	0.560
Price range of common stock					
- high	23.80	20.60	20.25	19.35	23.80
- low	15.80	17.05	16.90	16.15	15.80

All per share data as presented has been adjusted for the 2000 5-for-4 common stock split effected in the form of a stock distribution. High and low prices of the Company's common stock are as reported on the New York Stock Exchange Composite Tape.

Dividends paid and declared per common share represents PSC's historical dividends. The cash dividend paid in December 2000 of $0.155 was declared in August 2000.

Net income available to common stock and net income per common share for 2000 includes the partial recovery of the merger costs related to the Merger as follows: $972 ($1,059 pre-tax) or $0.02 per share in the second quarter and $1,264 ($2,982 pre-tax) or $0.02 per share in the third quarter.

Net income available to common stock and net income per common share for the first quarter of 1999 includes net charges of $6,134 ($6,334 pre-tax), or $0.12 per share, for the Merger transaction costs and a charge for related restructuring costs of $2,462 ($3,787 pre-tax), or $0.05 per share.

(in thousands of dollars, except per share amounts)

Years ended December 31,	2000	1999*	1998*	1997*	1996*
PER COMMON SHARE:					
Income from continuing operations (a)					
Basic	$1.02	$0.71	$0.89	$0.73	$0.62
Diluted	1.01	0.70	0.88	0.72	0.62
Net income (a)					
Basic	1.02	0.71	0.89	0.67	0.58
Diluted	1.01	0.70	0.88	0.66	0.57
Cash dividends paid (b)	0.59	0.56	0.54	0.50	0.47
Cash dividends declared (b) (c)	0.59	0.56	0.40	0.63	0.47
Return on average stockholders' equity (a) (d)	13.2%	10.1%	13.6%	11.8%	10.5%
Book value at year end	$7.97	$7.11	$6.82	$6.16	$5.95
Market value at year end	24.50	16.55	23.65	17.66	11.93
INCOME STATEMENT HIGHLIGHTS:					
Operating revenues (d)	$275,538	$257,326	$250,771	$235,852	$215,971
Depreciation and amortization (d)	34,100	31,903	29,464	27,977	25,277
Interest expense (d) (e)	37,775	31,796	30,785	32,317	29,112
Income before income taxes (d)	86,995	62,915	75,133	57,642	48,554
Provision for income taxes (d)	34,105	26,531	30,118	22,432	19,350
Income from continuing operations (a)	52,890	36,384	45,015	35,210	29,204
Net income available to common stock (a)	52,784	36,275	44,820	32,278	26,918
BALANCE SHEET HIGHLIGHTS:					
Total assets	$1,414,010	$1,280,805	$1,156,733	$1,083,162	$1,038,926
Property, plant and equipment, net	1,251,427	1,135,364	1,016,194	952,626	907,739
Stockholders' equity	432,347	368,901	353,088	306,816	289,436
Preferred stock with mandatory redemption (f)	-	-	-	4,214	5,643
Long-term debt (f)	484,712	425,946	377,355	407,526	403,524
Total debt	573,706	529,015	440,905	436,756	426,438
ADDITIONAL INFORMATION:					
Net cash flows from operating activities	$86,972	$74,103	$84,362	$71,252	$56,274
Capital additions (d) (g)	129,740	96,383	87,973	67,378	66,130
Dividends on common stock	30,406	29,217	29,349	26,752	25,137
Number of customers served	579,219	557,462	533,847	526,640	512,802
Number of shareholders of common stock	20,978	21,187	20,553	19,902	19,905
Common shares outstanding (000)	53,676	51,266	50,878	48,890	47,703
Employees (full-time)	943	945	973	979	1,016

*Share and per share data has been restated for the 2000 5-for-4 stock split.

(a) The 2000 amounts include a net gain of $2,236 ($4,041 pre-tax) or $0.04 per share for the partial recovery of the merger costs related to the Merger. The 1999 amounts include a net charge of $8,596 ($10,121 pre-tax) or $0.17 per share for the Merger transaction costs and related restructuring costs. The 1998 amounts include a net gain of $3,903 ($6,680 pre-tax) or $0.08 per share on the sale of Consumers Water Company's New Hampshire system pursuant to the State's condemnation statute.

(b) Amount represents PSC's historical dividends per common share.

(c) The cash dividend of $0.13, paid in March 1998, was declared in December 1997.

(d) Continuing operations only.

(e) Includes dividends on preferred stock of subsidiary and minority interest; net of allowance for funds used during construction.
(f) Includes current portion.
(g) Excludes payments for acquired water systems of $3,546 in 2000, $39,164 in 1999, $24,498 in 1998, $1,226 in 1997, and $44,110 in 1996.

Exhibit 21
(unaudited)

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

The following table lists the significant subsidiaries and other active subsidiaries of Philadelphia Suburban Corporation at December 31, 2000:

Philadelphia Suburban Water Company (Pa.)
Suburban Environmental Services, Inc. (Pa.)
Little Washington Wastewater Company (Pa.)
Consumers Water Company (Pa.)
Consumers Ohio Water Company (Ohio)
Consumers Applegrove Water Company (Ohio)
Consumers Illinois Water Company (Illinois)
Consumers New Jersey Water Company (New Jersey)
Consumers Maine Water Company (Maine)
Consumers North Carolina Water Company, Inc. (North Carolina)
Consumers Pennsylvania Water Company - Shenango Valley Division (Pa.)
Consumers Pennsylvania Water Company - Roaring Creek Division (Pa.)
Consumers Pennsylvania Water Company - Susquehanna Division (Pa.)
Masury Water Company (Ohio)
Fawn Lake Forest Water Company (Pa)
Hawley Water Company (Pa)
Northeast Utilities, Inc. (Pa)
Waymart Water Company (Pa)
Western Utilities, Inc. (Pa)
Utility & Municipal Services, Inc. (Pa)

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-70859, 033-52557, 33-27032, 2-81757, 333-93243) and on Form S-3 (No. 333-42275) of our report dated January 29, 2001 relating to the consolidated financial statements, which appears in the 2000 Annual Report to Shareholders of Philadelphia Suburban Corporation, which is incorporated by reference in Philadelphia Suburban Corporation's Annual Report on Form 10-K for the year ended December 31, 2000.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
March 29, 2001

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Philadelphia Suburban Corporation:

We consent to incorporation by reference in the Registration Statements on Form S-8 (1994 Equity Compensation Plan No. 333-70859), (1994 Employee Stock Purchase Plan No. 033-52557), (1988 Stock Option Plan No. 33-27032), (1982 Stock Option Plan No. 2-81757), (Employees 401(k) Savings Plan and Trust No. 333-93243); and on Form S-3 (Dividend Reinvestment and Direct Stock Purchase Plan No. 333-42275) of Philadelphia Suburban Corporation of our report dated January 31, 2000, relating to the consolidated balance sheet and the statement of capitalization of Philadelphia Suburban Corporation and subsidiaries as of December 31, 1999 and the related consolidated statements of income and comprehensive income, and cash flow for each of the years in the two-year period ended December 31, 1999, which report is included in the December 31, 2000 Annual Report on Form 10-K of Philadelphia Suburban Corporation.

KPMG LLP

Philadelphia, Pennsylvania
March 29, 2001