

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 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

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of June 30, 2000

41,063,853

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars, except per share amounts)

	June 30, 2000	December 31, 1999
	----- (Unaudited)	----- (Audited)
Assets		
Property, plant and equipment, at cost	\$ 1,451,533	\$ 1,393,027
Less accumulated depreciation	274,467	257,663
	-----	-----

Net property, plant and equipment	1,177,066	1,135,364
	-----	-----
Current assets:		
Cash and cash equivalents	7,889	4,658
Accounts receivable and unbilled revenues, net	48,585	44,399
Inventory, materials and supplies	4,442	3,948
Prepayments and other current assets	3,442	6,520
	-----	-----
Total current assets	64,358	59,525
	-----	-----
Regulatory assets	59,166	58,287
Deferred charges and other assets, net	31,210	27,629
	-----	-----
	\$ 1,331,800	\$ 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 41,856,617 and 41,627,644 in 2000 and 1999	20,928	20,814
Capital in excess of par value	255,613	251,440
Retained earnings	110,589	101,533
Minority interest	2,613	2,604
Treasury stock, 792,764 and 615,038 shares in 2000 and 1999	(14,642)	(11,270)
Accumulated other comprehensive income	1,510	2,020
	-----	-----
Total stockholders' equity	378,371	368,901
	-----	-----
Long-term debt, excluding current portion	457,335	413,752
Commitments	--	--
Current liabilities:		
Current portion of long-term debt	16,473	12,194
Loans payable	94,926	103,069
Accounts payable	20,602	24,286
Accrued interest	10,241	8,994
Accrued taxes	11,706	12,689
Other accrued liabilities	22,211	22,581
	-----	-----
Total current liabilities	176,159	183,813
	-----	-----
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	139,942	136,528
Customers' advances for construction	57,621	59,494
Other	7,716	8,434
	-----	-----
Total deferred credits and other liabilities	205,279	204,456
	-----	-----
Contributions in aid of construction	114,656	109,883
	-----	-----
	\$ 1,331,800	\$ 1,280,805
	=====	=====

See notes to consolidated financial statements on page 6 of this report

1

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)
(Unaudited)

	Six Months Ended June 30,	
	2000	1999
	-----	-----
Operating revenues	\$ 133,004	\$ 124,762
Costs and expenses:		
Operations and maintenance	49,278	46,928
Depreciation	15,916	15,027
Amortization	658	712
Taxes other than income taxes	11,579	11,212
Restructuring costs (recovery)	(396)	3,787
	-----	-----
	77,035	77,666
	-----	-----
Operating income	55,969	47,096

Other expense (income):		
Interest expense, net	19,845	16,621
Allowance for funds used during construction	(1,719)	(857)
Minority interest	46	42
Gain on sale of marketable securities	(1,061)	--
Merger transaction costs (recovery)	(663)	6,334
	-----	-----
Income before income taxes	39,521	24,956
Provision for income taxes	15,657	12,538
	-----	-----
Net income	23,864	12,418
Dividends on preferred stock	53	69
	-----	-----
Net income available to common stock	\$ 23,811	\$ 12,349
	=====	=====
Net income	\$ 23,864	\$ 12,418
Other comprehensive income (loss), net of tax	(510)	--
	-----	-----
Comprehensive income	\$ 23,354	\$ 12,418
	=====	=====
Net income per common share:		
Basic	\$ 0.58	\$ 0.30
	=====	=====
Diluted	\$ 0.58	\$ 0.30
	=====	=====
Average common shares outstanding during the period:		
Basic	40,961	40,784
	=====	=====
Diluted	41,337	41,266
	=====	=====

See notes to consolidated financial statements on page 6 of this report.

2

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended June 30,	
	2000	1999
	-----	-----
Operating revenues	\$ 68,494	\$ 66,165
Costs and expenses:		
Operations and maintenance	24,350	24,203
Depreciation	7,665	7,608
Amortization	388	292
Taxes other than income taxes	5,597	5,624
Recovery of restructuring costs	(396)	--
	-----	-----
	37,604	37,727
	-----	-----
Operating income	30,890	28,438
Other expense (income):		
Interest expense, net	9,990	8,530
Allowance for funds used during construction	(985)	(469)

Minority interest	28	27
Recovery of merger transaction costs	(663)	--
	-----	-----
Income before income taxes	22,520	20,350
Provision for income taxes	8,929	8,283
	-----	-----
Net income	13,591	12,067
Dividends on preferred stock	26	34
	-----	-----
Net income available to common stock	\$ 13,565	\$ 12,033
	=====	=====
Net income	\$ 13,591	\$ 12,067
Other comprehensive income, net of tax	144	--
	-----	-----
Comprehensive income	\$ 13,735	\$ 12,067
	=====	=====
Net income per common share:		
Basic	\$ 0.33	\$ 0.29
	=====	=====
Diluted	\$ 0.33	\$ 0.29
	=====	=====
Average common shares outstanding during the period:		
Basic	40,981	40,800
	=====	=====
Diluted	41,441	41,251
	=====	=====

See notes to consolidated financial statements on page 6 of this report.

3

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands of dollars)

(UNAUDITED)

	Six Months Ended June 30,	
	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income	\$ 23,864	\$ 12,418
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	16,574	15,739
Deferred income taxes	3,785	3,312
Gain on sale of marketable securities	(1,061)	--
Net increase in receivables, inventory and prepayments	(1,440)	(1,178)
Net decrease in payables, accrued interest, accrued taxes and other accrued liabilities	(3,806)	(14,908)
Other	(926)	3,411
	-----	-----
Net cash flows from operating activities	36,990	18,794
	-----	-----
Cash flows from investing activities:		
Property, plant and equipment additions, including allowance for funds used during construction of \$1,719 and \$857	(57,443)	(43,696)
Proceeds from the sale of marketable securities	2,814	--
Acquisitions of water and wastewater systems	(206)	(199)
Other	(3,320)	(5,327)
	-----	-----
Net cash flows used in investing activities	(58,155)	(49,222)
	-----	-----

Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	2,600	2,301
Repayments of customers' advances	(1,764)	(1,441)
Net proceeds (repayments) of short-term debt	(8,143)	13,456
Proceeds from long-term debt	49,734	30,716
Repayments of long-term debt	(2,935)	(2,438)
Redemption of preferred stock	--	(1,460)
Proceeds from issuing common stock	3,256	3,970
Repurchase of common stock	(3,543)	(1,416)
Dividends paid on preferred stock	(53)	(63)
Dividends paid on common stock	(14,755)	(14,465)
Other	(1)	(35)
	-----	-----
Net cash flows from financing activities	24,396	29,125
	-----	-----
Net increase (decrease) in cash and cash equivalents	3,231	(1,303)
Cash and cash equivalents at beginning of period	4,658	8,247
	-----	-----
Cash and cash equivalents at end of period	\$ 7,889	\$ 6,944
	=====	=====

See Acquisitions footnote for description of non-cash investing activities.

See notes to consolidated financial statements on page 6 of this report.

4

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In thousands of dollars, except per share amounts)

	June 30, 2000	December 31, 1999
	(Unaudited)	(Audited)
Stockholders' equity:		
6.05% Series B cumulative preferred stock	\$ 1,760	\$ 1,760
Common stock, \$.50 par value	20,928	20,814
Capital in excess of par value	255,613	251,440
Retained earnings	110,589	101,533
Minority interest	2,613	2,604
Treasury stock	(14,642)	(11,270)
Accumulated other comprehensive income	1,510	2,020
	-----	-----
Total stockholders' equity	378,371	368,901
	-----	-----
Long-term debt:		
First Mortgage Bonds secured by utility plant:		
Interest Rate Range		
0.00% to 2.49%	837	858
2.50% to 4.99%	3,744	824
5.00% to 5.49%	2,200	2,200
5.50% to 5.99%	31,145	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%	62,000	38,000
7.50% to 7.99%	23,000	23,000
8.00% to 8.49%	16,500	16,500
8.50% to 8.99%	9,000	9,003
9.00% to 9.49%	53,695	53,695
9.50% to 9.99%	50,726	51,220
10.00% to 10.55%	6,000	6,000
	-----	-----
Total First Mortgage Bonds	459,617	415,255
Notes payable to banks under revolving credit agreements, due August 2000	12,700	9,200
	-----	-----
Installment note payable, 9%, due in equal annual payments through 2013	1,491	1,491
	-----	-----
	473,808	425,946
Current portion of long-term debt	16,473	12,194
	-----	-----
Long-term debt, excluding current portion	457,335	413,752
	-----	-----
Total capitalization	\$ 835,706	\$ 782,653

See notes to consolidated financial statements on page 6 of this report.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

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

Note 1 Basis of Presentation

The accompanying consolidated balance sheet and statement of capitalization of Philadelphia Suburban Corporation ("PSC") at June 30, 2000, the consolidated statements of income and comprehensive income for the six months and quarter ended June 30, 2000 and 1999, and the consolidated statements of cash flow for the six months ended June 30, 2000 and 1999, are unaudited, but reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the consolidated results of operations, and the consolidated cash flow for the periods presented. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and therefore, should be read in conjunction with the PSC Annual Report on Form 10-K for the year ended December 31, 1999 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2000. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year.

Note 2 Water Rates

On April 27, 2000, the Pennsylvania Public Utility Commission 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 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 of the \$10,121 (\$8,596 after-tax) in merger costs that were charged off in the first quarter 1999 in connection with the Consumers Water Company ("CWC") merger. The \$5,295 represents the merger costs allocable to our Pennsylvania operations. In the second quarter of 2000, a regulatory asset of \$1,059 was established to reflect that portion of the \$5,295 to be recovered before our next Pennsylvania rate filing is expected to become effective. This resulted in a recovery of \$396 of restructuring costs and \$663 of merger transaction costs as reported on the Consolidated Statements of Income and Comprehensive Income. The remainder of the \$5,295 has not yet been recognized and its recoverability is presently being evaluated.

In March 2000, an operating division of CWC's Illinois operating subsidiary settled one rate case resulting in an aggregate annual revenue increase of approximately \$400. In

April 2000, a rate increase was negotiated by an operating division of CWC's Ohio operating subsidiary resulting in an aggregate annual revenue increase of \$140 in each of the following three years. In addition, rate applications have been filed in 2000 by other CWC operating divisions in Illinois, Maine and New Jersey. The additional annual revenue requested is \$6,662 and decisions are anticipated by the first quarter of 2001.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

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

Note 3 Long-term Debt and Loans Payable

In January 2000, Philadelphia Suburban Water Company ("PSW") issued a First Mortgage Bond of \$15,000 7.40% Series due 2005 and in April 2000, PSW issued a First Mortgage Bond of \$11,000 7.40% Series due 2005 through the medium-term note program. At various times during the first half of 2000, PSW issued notes payable in aggregate of \$2,930 at a rate of 2.84% due 2019. In June 2000, one of CWC's Pennsylvania operating subsidiaries issued tax-exempt bonds of \$18,360 at a rate of 6.0% due 2030. Proceeds from these issues were used to reduce a portion of the balance of short-term debt at each of the respective operating subsidiaries.

Note 4 Net Income per Common Share

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

	Six Months Ended June 30,		Three Months Ended June 30,	
	2000	1999	2000	1999
Average common shares outstanding during the period for Basic computation	40,961	40,784	40,981	40,800
Dilutive effect of employee stock options	376	482	460	451
Average common shares outstanding during the period for Diluted computation	41,337	41,266	41,441	41,251

Note 5 Acquisitions and Water Sale Agreements

During the first half of 2000, two water systems and one wastewater system were acquired in Pennsylvania and Ohio. The total purchase price of \$850 for the three systems acquired consisted of \$206 in cash and the issuance of 30,440 shares of PSC's common stock. In August 2000, CWC's Ohio operating subsidiary acquired the water utility assets of a municipally-owned system for \$2,300 in cash. The increase in annual revenues resulting from the acquired systems approximate \$860.

In August 2000, PSW entered into a 25-year bulk water sale agreement with Liberty Electric Power, LLC, a subsidiary of Columbia Electric Corporation, to supply water to a power plant that is expected to be constructed and commence operations in the first quarter of 2002. The agreement stipulates a minimum monthly payment through March 1, 2026. The annual revenues resulting from this water sale agreement are expected to approximate \$1,350 initially, and may adjust annually based upon changes in the Consumer Price Index.

7

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

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

Note 6 Stockholders' Equity

On August 1, 2000, PSC's Board of Directors declared a 5-for-4 common stock split effected in the form of a 25% stock dividend for all common shares outstanding, to shareholders of record on November 15, 2000. The new shares will be distributed on December 1, 2000. PSC's par value of \$.50 per share will not change as a result of the common stock distribution, and as a result, on the distribution date an amount will be transferred from Capital in Excess of Par Value to Common Stock to record the common stock split. The share and per share data contained in this Quarterly Report on Form 10-Q have not been restated to give effect to this stock dividend.

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

	2000	1999
	-----	-----
Balance at January 1,	\$ 2,020	\$ -
Unrealized gains (losses) on sales of marketable securities:		
Unrealized holding gain arising during the period,		
net of tax of \$36	66	-
Less: reclassification adjustment for gains included		
in net income, net of tax of \$409	(576)	-
	-----	-----
Balance at June 30,	\$ 1,510	\$ -
	=====	=====

8

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 Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report 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. Except for our ongoing obligations to disclose material information under the federal securities laws, 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 ("we" or "us"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to approximately 2 million people in Pennsylvania, Ohio, Illinois, New Jersey and Maine. 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 west and north 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 Pennsylvania, Ohio, Illinois, New Jersey and Maine. We are among the largest investor-owned water utilities in the United States based on the number of customers. In addition, PSW and CWC provide water service to approximately 25,000 people through operating and maintenance contracts with municipal authorities and other parties in proximity to the operating company's service territory. Subsidiaries of PSW and CWC provide wastewater services (primarily residential) to approximately 28,000 people in Pennsylvania, Illinois and New Jersey.

Financial Condition

During the first half of 2000, we had \$57,443 of capital expenditures, repurchased \$3,543 of common stock, repaid \$1,764 of customer advances for construction and made sinking fund contributions of \$2,935. The capital expenditures were related to construction of a new treatment plant, improvements to existing treatment plants, new water mains and customer service lines and the rehabilitation of existing water mains, hydrants and customer service lines.

During the first half of 2000, the proceeds from the issuance of long-term debt, common stock, the sale of marketable securities, internally generated funds, available working capital and funds available under the revolving credit agreements were used to fund the cash requirements discussed above and to pay dividends. In January 2000, PSW issued a First Mortgage Bond of \$15,000 7.40% Series due 2005 through the medium-term note program. At various times during the first half of 2000, PSW issued notes payable in aggregate of \$2,930 2.84% Series due 2019. In April 2000, PSW issued a First Mortgage Bond of \$11,000 7.40% Series due 2005. In June 2000, one of CWC's Pennsylvania operating subsidiaries issued tax-exempt bonds of \$18,360 at a rate of 6.0% due 2030. Proceeds from these issues were used to reduce a portion of the balance of the short-term debt at each of the respective operating subsidiaries. Effective with the December 1, 2000 payment, PSC has increased the quarterly cash dividend on common stock from \$.18 per share to \$.19375 per share.

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)

At June 30, 2000, we had short-term lines of credit and other credit facilities of \$187,000, of which \$79,374 was available.

On August 3, 2000, PSC filed with the Securities and Exchange Commission a

registration statement on Form S-3 covering 1,150,000 shares of common stock to be registered and sold in a public offering. The proceeds of this offering will be used to make a capital contribution to PSW, and PSW will use the proceeds to reduce outstanding debt under its revolving credit agreement.

On April 27, 2000, the Pennsylvania Public Utility Commission 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% over 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 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 Distribution System Improvement Charge was applied. As a part of the settlement, the Distribution System Improvement Charge 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 of the \$10,121 (\$8,596 after-tax) in merger costs that were charged off in the first quarter 1999 in connection with the Consumers Water Company ("CWC") merger. The \$5,295 represents the merger costs allocable to our Pennsylvania operations. In the second quarter of 2000, a regulatory asset of \$1,059 was established to reflect that portion of the \$5,295 to be recovered before our next Pennsylvania rate filing is expected to become effective. This resulted in a recovery of \$396 of restructuring costs and \$663 of merger transaction costs as reported on the Consolidated Statements of Income and Comprehensive Income. The remainder of the \$5,295 has not yet been recognized and its recoverability is presently being evaluated.

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

10

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

Results of Operations

Analysis of First Six Months of 2000 Compared to First Six Months of 1999

Revenues for the first six months of 2000 increased \$8,242 or 6.6% primarily due to increased water rates, particularly as a result of the April 2000 Pennsylvania rate settlement, the additional water revenues associated with acquisitions and additional revenues from the Distribution System Improvement Charge in Pennsylvania. The additional revenues from acquisitions were primarily from the Bensalem water system acquired in December 1999.

Operations and maintenance expenses increased by \$2,350 or 5.0% due to higher maintenance expenses and additional operating costs associated with the Bensalem acquisition. The increased maintenance expenses at PSW resulted from an increased number of main breaks, particularly during January 2000. Offsetting these increases in part, was a reduction in administrative expenses and corporate costs as part of our cost containment initiatives, and lower water production costs in Pennsylvania and Ohio. The reduction in water production costs is associated with the lower water consumption resulting from the relatively cool, wet weather experienced in May and June of 2000. The reduction in general corporate costs was related to the closing of CWC's corporate office in March 1999.

Depreciation expense increased \$889 or 5.9% reflecting the utility plant placed in service since the second quarter of 1999, including the assets acquired through system acquisitions, offset partially by the effect of a change in

depreciation rates.

Amortization decreased \$54 primarily due to the completion of the amortization of the costs associated with, and the other costs being recovered in various rate filings.

Taxes other than income taxes increased by \$367 or 3.3% due to a refund recognized in the first quarter of 1999 of a regulatory assessment associated with a prior year.

The recovery of restructuring costs of \$396 in the second quarter of 2000 resulted from the April 2000 rate settlement. These costs were included in a \$3,787 charge that was recorded in the first quarter of 1999 when CWC's corporate office was closed.

Interest expense increased by \$3,224 or 19.4% primarily due to increased borrowings to finance acquisitions, on-going capital projects and, to a lesser extent, increased interest rates on borrowings.

Allowance for funds used during construction increased by \$862 primarily due to an increase in the average balance of utility plant construction work in progress resulting from 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 July 2000.

During the first quarter of 2000, gains on the sale of marketable securities of \$1,061 were recorded. There were no marketable securities sold in 1999 or during the second quarter of 2000.

11

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)

The recovery of merger transaction costs of \$663 in the second quarter of 2000 resulted 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.

Our effective income tax rate was 39.6% in the first half of 2000 and 50.2% in the first half of 1999. The effective tax rate decreased due to the estimated non-deductible portion of the \$6,334 of merger transaction costs recorded in the first quarter of 1999. Exclusive of the merger transaction costs and related tax benefits of \$200, the first half 1999 effective income tax rate would have been 40.7%.

Dividends on preferred stock decreased \$16 or 23.2% due to the redemption in January 1999 of 14,600 shares of preferred stock. The preferred shares were redeemed at the liquidation value of \$100 per share.

Net income available to common stock for the first six months of 2000 increased by \$11,462, in comparison to 1999 primarily as a result of the 1999 after-tax charge of \$8,596 for restructuring and transaction costs associated with the merger of CWC, the 2000 recovery of a portion of these merger costs of \$1,059 in connection with the April 2000 Pennsylvania rate settlement and the other factors described above. On a diluted per share basis, earnings increased \$.28 reflecting the change in net income.

Results of Operations

Analysis of Second Quarter of 2000 Compared to Second Quarter of 1999

Revenues for the quarter increased \$2,329 or 3.5% primarily as a result of the increased water rates granted to the Pennsylvania operating subsidiaries in April 2000 and additional water revenues associated with acquisitions, offset partially by a decrease in water consumption associated with the relatively cool, wet weather experienced in Pennsylvania and Ohio. The additional revenues from acquisitions were primarily from the Bensalem water system acquired in December 1999.

Operations and maintenance expenses increased by \$147 or 0.6% due to the additional operating costs associated with the Bensalem acquisition, offset in part by reduced administrative expenses, including lower insurance costs and corporate costs and lower water production expenses in Pennsylvania and Ohio. The reduction in the water production costs is associated with the lower water consumption resulting from the relatively cool, wet weather experienced in May and June of 2000.

Depreciation expense increased \$57 or 0.7% reflecting the utility plant placed in service since the second quarter of 1999, including the assets acquired through system acquisitions, offset in part by the effect of a change in depreciation rates.

Amortization increased \$96 primarily due to the amortization of the costs associated with, and the other costs being recovered in various rate filings.

Taxes other than income taxes decreased by \$27 or 0.5% due to a reduction in certain state taxes.

12

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)

The recovery of restructuring costs of \$396 in the second quarter of 2000 resulted from the April 2000 rate settlement. These costs were charged off in the first quarter of 1999 when CWC's corporate office was closed.

Interest expense increased by \$1,460 or 17.1% primarily due to increased borrowings to finance acquisitions, on-going capital projects and, to a lesser extent, increased interest rates on borrowings.

Allowance for funds used during construction increased by \$516 primarily due to an increase in the average balance of utility plant construction work in progress resulting from 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 July 2000.

The recovery of merger transaction costs of \$663 in the second quarter of 2000 resulted from the April 2000 rate settlement. These costs were charged off in the first quarter of 1999 when the CWC merger was completed.

Our effective income tax rate was 39.6% in the second quarter of 2000 and 40.7% in the second quarter of 1999. The change is due to a difference between tax deductible expenses and book expenses.

Net income available to common stock for the second quarter of 2000 increased by \$1,532, in comparison to 1999 primarily as a result of the factors described above. On a diluted per share basis, earnings increased \$.04 reflecting the change in net income.

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 June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," and 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 137 changed the timing of the implementation of SFAS No. 133. We plan to adopt these statements in 2001 as required. As of June 30, 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 APB Opinion No. 25, "Accounting for Stock Issued to Employees." The Interpretation provides guidance for certain issues that arose in the application of APB Opinion No. 25. We are required to adopt the Interpretation on July 1, 2000. The implementation of this new standard is not expected to have a material effect on our results of operations or financial position.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

Part II. Other Information

Item 1. Legal Proceedings

There are no pending legal proceedings to which the Registrant or any of its subsidiaries is a party or to which any of their properties is the subject that present a reasonable likelihood of a material adverse impact on the Registrant. Reference is made to Item 3 of our Annual Report on Form 10-K for the year ended December 31, 1999, which is hereby incorporated by reference.

Item 4. Results of Vote of Security Holders

The Annual Meeting of Shareholders of Philadelphia Suburban Corporation was held on May 15, 2000 at the Springfield Country Club, 400 West Sproul Road, Springfield, Pennsylvania, pursuant to the Notice sent on or about April 10, 2000 to all shareholders of record at the close of business on March 27, 2000. At that meeting, the following nominees were elected as directors of Philadelphia Suburban Corporation for terms expiring in the year 2003 and received the votes set forth after their names below:

Name of Nominee -----	For ---	Withheld -----
Richard H. Glanton, Esq.	28,276,712	717,746
Alan R. Hirsig	28,679,012	315,446
John F. McCaughan	28,686,203	208,255
Richard L. Smoot	28,679,072	315,386

Since the Board of Directors is divided into three classes with one class elected each year to hold office for a three-year term, the term of office for the following directors continued after the Annual Meeting: Michel Avenas; Mary C. Carroll; Nicholas DeBenedictis; G. Fred DiBona, Jr.; John E. Menario; John E. Palmer, Jr.; and Robert O. Viets.

Proposal II (to Amend Our Articles of Incorporation)

For ---	Against -----	Abstain -----	No Vote -----
22,016,103	842,373	391,647	5,744,335

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

Item 5. Other Information

Our largest shareholder is Vivendi S.A. and certain of its subsidiaries. Vivendi S.A. is a company headquartered in Paris with worldwide interests in various businesses, including the water industry primarily through its subsidiary, Vivendi Water S.A. Vivendi S.A. and these subsidiaries owned approximately 18% of our outstanding common stock on June 30, 2000. For more information with respect to Vivendi S.A.'s ownership of our common stock, we refer you to Amendment No. 19 to Vivendi S.A.'s Schedule 13D. At its August 1, 2000 meeting, our board of directors, on the recommendation of our corporate governance committee: acknowledged the resignation of Michel Avenas, President of Vivendi North America, from our board; increased the size of the board from 11 to 12 directors; expanded the class of directors with terms expiring at our 2001 annual meeting (the class of directors that Mr. Avenas was in) from 3 to 4; and appointed Mr. Richard Heckmann, Chairman of Vivendi Water S.A., and Mr. Andrew Seidel, President and Chief Operating Officer of Vivendi Water S.A. to our board in the class of directors with terms expiring at our 2001 annual meeting.

We have had various discussions with representatives of Vivendi S.A.'s subsidiaries, Vivendi Water S.A. and United States Filter Corporation, exploring possible joint activities or alliances in such areas as water treatment devices, bottled water, contract operations of water and wastewater systems, laboratory testing and joint materials purchasing. Although we intend to continue these discussions and explore any other potential areas of cooperation, we currently have no formal agreements with Vivendi S.A., United States Filter Corporation or any of their affiliates in any of these areas and there can be no assurance that any agreements in these areas or other areas will be ultimately reached.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No. -----	Description -----
27	Financial Data Schedule

(b) Reports on Form 8-K

Current Report on Form 8-K filed on April 27, 2000, responding to Item 5, Other Events. (Related to our announcement of the Pennsylvania Public Utility Commission's approval of the settlement of the rate case filed by our Pennsylvania water utility operations.)

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

SIGNATURE

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

August 14, 2000

PHILADELPHIA SUBURBAN CORPORATION

Registrant

/s/ Nicholas DeBenedictis

Nicholas DeBenedictis
Chairman and President

/s/ David P. Smeltzer

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

16

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit No. -----	Description -----	Page No. -----
27	Financial Data Schedule	18

17

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

<ARTICLE> OPUR1

<LEGEND>

This schedule contains summary financial information extracted from the consolidated balance sheets and the statements of capitalization at June 30, 2000, and the consolidated statements of income and comprehensive income and the consolidated statements of cash flow for the six months ended June 30, 2000, and is qualified in its entirety by reference to such financial statements.

</LEGEND>

<PERIOD-TYPE>	6-MOS	
<FISCAL-YEAR-END>		DEC-31-2000
<PERIOD-END>		JUN-30-2000
<BOOK-VALUE>		0
<TOTAL-NET-UTILITY-PLANT>		1,176,457
<OTHER-PROPERTY-AND-INVEST>		609
<TOTAL-CURRENT-ASSETS>		64,358
<TOTAL-DEFERRED-CHARGES>		31,210
<OTHER-ASSETS>		59,166
<TOTAL-ASSETS>		1,331,800
<COMMON>		6,286
<CAPITAL-SURPLUS-PAID-IN>		257,123
<RETAINED-EARNINGS>		110,589
<TOTAL-COMMON-STOCKHOLDERS-EQ>		373,998
<PREFERRED-MANDATORY>		0
<PREFERRED>		1,760
<LONG-TERM-DEBT-NET>		457,335
<SHORT-TERM-NOTES>		0
<LONG-TERM-NOTES-PAYABLE>		94,926
<COMMERCIAL-PAPER-OBLIGATIONS>		0
<LONG-TERM-DEBT-CURRENT-PORT>		16,473
<PREFERRED-STOCK-CURRENT>		0
<CAPITAL-LEASE-OBLIGATIONS>		0
<LEASES-CURRENT>		0
<OTHER-ITEMS-CAPITAL-AND-LIAB>		387,308
<TOT-CAPITALIZATION-AND-LIAB>		1,331,800
<GROSS-OPERATING-REVENUE>		133,004

<INCOME-TAX-EXPENSE>	15,657
<OTHER-OPERATING-EXPENSES>	77,035
<TOTAL-OPERATING-EXPENSES>	92,692
<OPERATING-INCOME-LOSS>	40,312
<OTHER-INCOME-NET>	1,678
<INCOME-BEFORE-INTEREST-EXPEN>	41,990
<TOTAL-INTEREST-EXPENSE>	18,126
<NET-INCOME>	23,864
<PREFERRED-STOCK-DIVIDENDS>	53
<EARNINGS-AVAILABLE-FOR-COMM>	23,811
<COMMON-STOCK-DIVIDENDS>	14,755
<TOTAL-INTEREST-ON-BONDS>	33,813
<CASH-FLOW-OPERATIONS>	36,990
<EPS-BASIC>	0.58
<EPS-DILUTED>	0.58