

C O N T R A C T

Between

PENNSYLVANIA-AMERICAN WATER COMPANY

WHITE DEER DISTRICT

and

SYSTEM LOCAL NO. 537

UTILITY WORKERS UNION OF AMERICA

A.F.L. - C.I.O.

2005 - 2010

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 WHITE DEER DISTRICT
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C O N T R A C T

CONTRACT made and entered into as of the _____ day of _____, 2005, by and between PENNSYLVANIA-AMERICAN WATER COMPANY, WHITE DEER DISTRICT and its successors in corporate existence, party of the first part, hereinafter usually referred to as the "Company", and SYSTEM LOCAL NO. 537, UTILITY WORKERS UNION OF AMERICA, affiliated with the A.F.L.-C.I.O. party of the second part, hereinafter usually referred to as the "Union", acting for itself and as the representative of employees of the Company in the Bargaining Unit.

W I T N E S S E T H

The Company and the Union, in consideration of the obligations hereinafter set forth by each of the parties to be kept and performed, do hereby agree as follows:

SECTION 1.

(A) RECOGNITION AND REPRESENTATION

The Union is hereby recognized and accepted by the Company as the sole and exclusive agency for all the employees of the Company except employees engaged as office workers, clerical workers, forepersons, assistant forepersons, supervisors, or executives, and the Company agrees that it will negotiate with accredited representatives of the Union as the representative of employees of the Company in the Bargaining Unit represented.

(B) MANAGEMENT RIGHTS

The Company shall have the supervision, direction, and control of its property and operations, and shall have the right to determine how many employees it will employ or retain in various capacities, and the size and composition of working forces. It is the intention of the parties that this Section shall not alter or supersede other provisions of this Agreement

specifically covering any matter. It is also the intention of the parties that nothing herein contained shall serve to deny, or constitute a waiver of the right of the Company to exercise other normal functions of Management, not enumerated herein.

SECTION 2. NO STRIKE OR LOCKOUT

In furtherance of harmonious relations among employees, the management, and the public, it is mutually agreed by the parties hereto that there shall be no lockout, strike, work stoppage or intentional slowdown during the term of this Agreement. However, there shall be no liability on the part of the Union for any strike, work stoppage, or intentional slowdown when such strike, work stoppage, or intentional slowdown is not authorized by the Union, and when, in addition, duly authorized officers of the Local Union shall, within five (5) hours after notification by the Company, sign and cause to be posted in prominent places within the offices or plant of the Water Company a notice that the strike, work stoppage or intentional slowdown was not authorized by the Local Union and directing all employees to return to their respective jobs promptly or to cease any action which may adversely affect any operation of the Company. The Company shall have the authority to discipline any employee or employees engaged in any unauthorized strike, work stoppage or intentional slowdown, subject to the Union's right to present a grievance as outlined in this Contract.

SECTION 3. ADJUSTMENT PROCEDURES

In recognition of the fact that the Company and its employees represented by the Union have a mutual responsibility to the public which requires that disagreements arising between the employees and the management be settled in an orderly way without interruption to water service, it is agreed that differences which may arise between the employees and the management of the nature of those mentioned in the various sections of this paragraph below shall be adjusted in accordance with the provisions of the succeeding sections of this paragraph.

Disagreement Arising Under Contract

Any disagreement, dispute or grievance which shall arise between the Union or the employees of the Company with respect to the interpretation or application of any of the terms or

provisions of this Contract, shall be, during the term of this Contract, settled by the following procedures:

(a) Such disagreement, dispute or grievance with respect to the interpretation or application of any of the terms or provisions of this Contract shall normally be adjusted by direct contact between the employee and his or her immediate supervisor or through a Union representative. Where such disagreements, disputes or grievances cannot be adjusted in that normal way, they may be pursued further only if presented in writing within ten working days of the protested action. Such grievance shall describe the basis of the claim and the remedy sought.

First Step: The grievance shall first be discussed between a local Union official and the Superintendent and shall be answered in writing.

Second Step: If the answer at the first step is unacceptable, either party may appeal the answer to the Manager and the Human Resources Manager. If so appealed, a meeting shall be held between the Manager and the Human Resources Manager or their designees and the Local Union officers and the System Union officers. Following this meeting the Manager and/or the Human Resources Manager shall provide a written response to the appeal.

Third Step: If still not resolved the matter shall, upon the request of either party, be submitted to arbitration as provided in paragraph (b) of this section.

A written answer to a grievance shall be given within 10 working days of the grievance meeting at each step. A grievance may be referred to a further step only in writing within 10 working days of the written answer at the prior step, except that any demand for arbitration shall be made within 30 working days of the second step answer.

(b) In the event of failure to adjust such differences under the foregoing steps, then either party to this Agreement may within thirty (30) days, submit the dispute to arbitration by requesting a list of arbitrators who are members of the National Academy of Arbitrators from the Federal Mediation and Conciliation Services. The expense and fees for the Arbitrator and the arbitration proceedings shall be shared equally by the Company and the Union.

The Arbitrator shall have jurisdiction and authority only to apply and interpret the provisions of this Agreement insofar as may be necessary to the determination of the dispute. The Arbitrator shall not have jurisdiction or authority to alter or change in any way the provisions of this Agreement. The decision of the Arbitrator on any matter within his jurisdiction and authority shall be final and binding on the Union, the Company and the employees covered by this Agreement.

SECTION 4. DEDUCTION OF DUES

The Company agrees to deduct from the wages of employees Union dues and assessments provided the Company has been authorized to do so by the execution of an appropriate authorization form signed by the employee which complies to the provisions of the Labor Management Relations Act of 1947, as amended, and turn over all moneys once per month to the Union's financial secretary. The financial secretary of the Union is to notify the Manager in writing of any change in the amount to be deducted by the Company from the pay due each member of the Union.

SECTION 5. UNION SECURITY

The Company agrees that as a condition of employment all employees in the Bargaining Unit as of the effective date of this Contract who are not members of the Union shall become members of the Union not later than thirty (30) days after said effective date of the Contract. All new employees shall be required to become members of the Union after thirty (30) days from the date of employment. All employees who are or become members of the Union shall remain members in good standing for the duration of this Agreement.

SECTION 6. NO DISCRIMINATION

The Company agrees that there shall be no interference with the right of employees covered by the terms of this Contract to become members of the Union, and that there shall be no discrimination by the Company or its agents against any employee because of his/her membership in the Union. The Company and the Union agree to continue their current policies of not discriminating against any employee because of race, color,

sex, national origin, religion, qualifying disability, veteran status or age or Union membership or lack thereof.

SECTION 7. SELECTION OF EMPLOYEES BY COMPANY

It is recognized by the parties hereto that in the operation of the water works property of the Company, on account of the responsibility to supply at all times a safe and adequate supply of water to the communities served and their inhabitants, there can be no division of this responsibility and it is agreed that the Company, therefore, must be unhampered in the selection of its employees.

SECTION 8. OBSERVANCE OF COMPANY RULES

The Company shall have the right at anytime to adopt and put into effect reasonable rules and regulations not in conflict with this Contract.

The Union agrees that its officers and members will comply with the Company's rules and regulations relating to safety, economy, continuity of service and efficiency in service to the public. Such rules shall be posted in each department where they may be read by all employees. Any disciplinary action by the Company to which objection is raised by the Union shall be subject to the grievance procedure in **SECTION 3**.

No employee shall be disciplined for any reason for which another employee is not impartially disciplined.

No disciplinary measures, including discharge, will be imposed except for just cause.

SECTION 9. UNION BUSINESS

The Union and employees agree that there will be no solicitation, interference with, restraint or coercion of the Company's employees on the Company's premises or during working hours. However, any authorized representatives of the Union, upon permission obtained from the Company's Manager, shall be allowed the right of ingress to or egress from the Company's premises during working hours for the purpose of conferring with any employee who is a member of the Union. Working hours does not include those periods during the workday such as break

periods, mealtimes, or other specified breaks from work duties when employees are legitimately not engaged in performing their work tasks.

The Union shall be limited to no more than a total of five (5) representatives in contract negotiations.

SECTION 10. NO SUBTERFUGE

The Union and the Company will not engage in subterfuge for the purpose of defeating or abating the provisions of this agreement.

SECTION 11. SENIORITY

It is mutually understood and agreed by all parties hereto that because of the Company's responsibility, hereinbefore mentioned, the management must and shall be the primary judge of any employee's qualification for promotion. However, it is understood and agreed that in all cases of promotion, increase, decrease, person exercising bumping rights, recall from layoff or transfer of employees within the scope of this Contract, length of continuous service and ability to perform the work to be done shall be considered. If more than one candidate is able to perform the job, seniority shall govern.

The probationary period for new employees shall be six (6) months, and it is agreed between the parties that seniority rights shall not exist until after thirty (30) days' continuous employment by the Company. However, after thirty (30) days' continuous employment, seniority rights shall revert to and be considered to have been in full force and effect from the beginning of the thirty (30) days' continuous employment period. While the group insurance policy regulates coverage thereto, holidays and other benefits covered by this Contract shall be not payable until after sixty (60) days of continuous employment.

Upon ratification of a new Collective Bargaining Agreement, the Company shall redesign the job descriptions and job postings for the positions of Plant Operator and Maintenance Person by specifically listing the training, schooling (both scholastic and technical), testing requirements, also any state and federal license requirements and Operators' certification which employees must meet prior to being promoted to a new position.

The most qualified employee requesting the future promotion will be used to fill temporary vacancies as soon as the training has been completed. Time spent training for the higher rated job will not be compensated at the higher rate of pay.

It is agreed between the parties that an employee shall lose his/her seniority under the following circumstances:

1. Voluntary termination of his/her employment.
2. Discharge for cause.
3. Upon failure to return to work, when recalled after layoff, within a period of seventy-two (72) hours after notice by registered or certified mail has been received or refused by the employee as evidence by the return receipt. Said notice shall be mailed to the employee's last known address.
4. When layoff exceeds the following periods:

If Accrued Seniority Is:	Seniority Shall Be Lost After Layoff Exceeding:
Less than six months	One month
Six months but less than one year	Three months
If Accrued Seniority Is:	Seniority Shall Be Lost After Layoff Exceeding:
One year but less than two years	Six months
Two years but less than five years	One year
Five years but less than eight years	Three years
Eight years and over	Five years

Seniority shall not accumulate during periods of layoff.

The Company agrees that any changes in job descriptions or job postings shall be communicated to the Union five (5) days in advance of posting on bulletin boards. In addition, current and future job descriptions or job postings shall incorporate a

statement and any other duties that may be assigned by the Supervisor.

Notice of vacancy in an existing position or in a newly created position shall be posted within one week, at places accessible to employees affected and shall remain posted for a period of five (5) working days within which time applicants eligible and desiring to fill such vacancy shall apply in writing to the official of the Company designated in the notice. Such notice shall set forth the title of the position to be filled, hours of work, days of relief, rate of pay and outline of duties. Within five (5) working days after the expiration on the posting period, the Company shall have assigned the accepted applicant to such vacancy or newly created position. The decision to apply or not to apply for promotion or transfer to an existing position or a newly created position is entirely within the employee's own option.

Any employee assigned to a new position shall have thirty (30) working days in which to demonstrate his/her qualifications to perform the duties of that position. If he/she is unable to qualify, he/she may return to the position from which he/she came without loss of seniority.

Employees will be allowed to voluntarily surrender a position bid into within thirty (30) calendar days provided the position the employee vacated has not been filled.

Any employee removed from his/her position as a result of a reduction-in-force shall be permitted, in lieu of a layoff, one bump into a position of a less senior employee, with a thirty (30) working day period to demonstrate satisfactory performance on that position (failure to demonstrate satisfactory performance on that position will result in layoff.)

Seniority shall be district-wide.

The Company reserves the right to temporarily fill any vacancy pending the operation of the procedure described hereinbefore.

SECTION 12. LEAVES OF ABSENCE

Employees may be granted leaves of absence for good cause for a period of not more than ninety (90) days without prejudice

to seniority or other rights. All leaves of absence shall be requested and issued in writing and shall state the conditions under which such leaves are granted.

SECTION 13. SERVICE IN THE ARMED FORCES

Both parties agree to abide by, and comply with, the Uniformed Services Employment and Reemployment Rights Act (Public Law 103-353) and any other applicable state laws.

SECTION 14. WAGE AND HOURS

A schedule setting forth the wage rates, hours and related items, for the various classifications and occupations covered by this agreement is hereby accepted by the parties hereto and is marked **EXHIBIT A** and made a part thereof.

SECTION 15. PREMIUM PAY

I. OVERTIME

A. Non-Shift Employees - Monday Through Friday Workweek

1. One and one-half (1-1/2) times the regular hourly rate shall be paid for:

a. All hours worked on Saturday.

b. All hours worked in excess of forty (40) in any one workweek.

c. All hours worked in excess of eight (8) in any one day.

d. All hours worked between the hours of 4:30 p.m. and 8:00 a.m. unless assigned to a shift which encompasses the hours of 4:30 p.m. and 8:00 a.m.

2. Two (2) times the regular hourly rate shall be paid for all hours worked on Sunday.

B. Non-Shift Employees - Tuesday through Saturday Workweek

1. One and one-half (1-1/2) times the regular hourly rate shall be paid for:

a. All hours worked on Sunday.

b. All hours worked in excess of forty (40) in scheduled workweek.

c. All hours worked in excess of eight (8) in any one day.

d. All hours worked between the hours of 4:30 p.m. and 8:00 a.m. unless assigned to a shift which encompasses the hours of 4:30 p.m. and 8:00 a.m.

2. Two (2) times the regular hourly rate shall be paid for all hours worked on Monday.

C. Non-Shift Employees - Wednesday through Sunday Workweek

1. One and one-half (1-1/2) times the regular hourly rate shall be paid for:

a. All hours worked on Monday.

b. All hours worked in excess of forty (40) in scheduled workweek.

c. All hours worked in excess of eight (8) in any one day.

d. All hours worked between the hours of 4:30 p.m. and 8:00 a.m. unless assigned to a shift which encompasses the hours of 4:30 p.m. and 8:00 a.m.

2. Two (2) times the regular hourly rate shall be paid for all hours worked on Tuesday.

D. Shift Employees

1. One and one-eighth (1-1/8) times the regular hourly rate shall be paid for all hours

worked on Sundays except those Sundays which otherwise qualify as days of premium pay. No shift employee shall be paid both one and one-eighth (1-1/8) times the hourly rate and other premium pay for the same hours worked.

2. One and one-half (1-1/2) times the regular hourly rate shall be paid for:

a. All hours worked in excess of forty (40) in any one workweek.

b. All hours worked in excess of eight (8) in any one day.

c. The sixth (6) day of shift work provided, however, that the employee was paid, under the terms of the Contract, for five (5) previous workdays.

3. Two (2) times the regular hourly rate shall be paid for all hours worked on the second of any employee's regular scheduled days off in any workweek.

4. No daily overtime shall be paid when employees are changing from one shift to another, or when employees at their own request are working extra time in order to be excused during regular shifts. Employees may be allowed to change shifts by mutual agreement, subject to the approval of the Company, and may work overtime without overtime pay when such overtime is for the convenience of the employee and not the Company, provided such arrangement shall not be in violation of any applicable Federal or State laws, rules or regulations.

E. No employee shall be paid both daily and weekly overtime for the same hours worked.

F. Time for which overtime rates are paid under any provision of this agreement shall not be counted in determining eligibility for overtime under any other provision.

G. Sharing of overtime - Insofar as possible, overtime shall be distributed equally within each department.

H. Flexible Workweek- All Departments

(1) As of April 5, 1985, for the outside Commercial Department and as of April 5, 1995, for the Distribution Department, a Tuesday to Saturday workweek is established with Sunday and Monday as the first and second regularly scheduled days off, respectively. The Tuesday to Saturday workweek will be staffed through the bidding process. Newly created job vacancies which might occur from time to time in the outside Commercial Department may be filled on a Tuesday to Saturday workweek. No employee employed as of April 5, 1985, in the outside Commercial Department, or April 5, 1995, in the Distribution Department shall be required to bid on or accept an assignment on a Tuesday to Saturday shift.

(2) The Company also has the right as of April 5, 1995, to establish a Wednesday to Sunday workweek in the outside Commercial Department and Distribution Department subject to the terms and conditions outlined in paragraph (1) of the subsection G. with the designated time and one-half overtime day being Monday and designated double time overtime day being Tuesday.

I. Extended Overtime

(1) An employee shall not be required to take time off during his/her scheduled working hours for overtime worked or to be worked unless, in emergencies, he/she is required to work overtime to such an extent as to be unable to obtain sufficient rest before the start of his/her regular working period.

(2) The Company agrees that when an employee remains at work after completion of his/her regular workday, he/she shall be entitled to meal allowance at the following intervals:

One (1) meal at the end of the first two (2) hours of overtime.

One (1) meal at the end of each five (5) hour interval thereafter during such overtime work.

(3) The Company agrees that when an employee is called out after leaving for the day, or is called out on his/her days off (except with prior notice), he/she shall be entitled to meal allowance at the following intervals:

One (1) meal at the end of the first four (4) hours of call-out time, or at his/her next regular eating time, whichever is earlier, and at five (5) hour intervals thereafter during such overtime work.

(4) The amount of the meal allowance as provided for in paragraphs (2) and (3) above shall be fixed at \$6.25 per meal for the duration of this agreement. Employees who are entitled to the meal allowance will be reimbursed the appropriate amount in their biweekly paycheck.

(5) Whenever an employee has been required by the Company to work in excess of sixteen (16) consecutive hours, the employee shall be entitled to an eight (8) hour rest period before returning to work. If the rest period extends into the employee's regularly scheduled shift, the employee shall be excused with pay at the straight time rate for that part of the regular scheduled shift necessary to make up an eight-hour rest period.

II. HOLIDAYS

A. The following holidays will be recognized for the purpose set forth in the subsequent paragraphs of this Section.

New Year's Day	Labor Day
Good Friday	Thanksgiving Day
Memorial Day	Independence Day
Christmas Day	

The Company agrees to grant each regular employee five (5) personal holidays (other than a scheduled holiday set forth in this Contract), with pay for eight (8) hours at his/her normal pay and said employee will request said personal day off at least one (1) week in advance; thus to permit the Company to schedule its work program. The Company reserves the right to limit the number of employees absent at one time. Employees who wish to use one of their personal holidays to go hunting on the first day of buck season may take this day off without regard to the Company's limits on the number of employees who can be absent at one time provided such employees request this day off and present their hunting license to the Company at least one (1) week in advance of this day off. Other employees are not permitted to use a personal day on the first day of buck season if hunters exceed the limit on the number of employees absent at one time. Notwithstanding the above, the Company reserves the right to limit the number of Plant Operators absent on the first day of buck season to assure a minimum number of employees to provide for proper plant manning. Notwithstanding the Company's right to limit the number of employees who may be absent at any one time, it is agreed that there shall be no restriction on the number of employees who may select the day after Thanksgiving Day as a personal holiday, but for an employee to be entitled to select the day after Thanksgiving Day as a personal holiday, at least one week advance notice must be given.

When any holiday falls on Saturday, it will be observed on the preceding Friday, and when any holiday falls on Sunday, it will be observed on the following Monday, except in the case of the Tuesday through Saturday workweek. In this case, if a holiday falls on Sunday, the holiday will be observed on the immediately preceding Saturday. However, employees who work a Tuesday-Saturday schedule shall observe Christmas Day and New Years Day on Saturday when those holidays fall on Saturday.

Employees may utilize one personal day in increments of no less than one hour for the express purpose of attending to routine personal matters. The employee will notify the company at least one week in

advance of his or her desire to utilize personal time in this fashion, unless prevented from doing so by an emergency situation. Examples of when one-hour increments may be used include: scheduling routine annual physicals, annual eye/auditory examinations, annual dental examinations, other wellness appointments and legal consultations. While the intent is not to preclude every situation which may arise, some examples of when this time may not be used include: to start vacation or a weekend early or to return from a vacation or weekend late, follow up examinations or appointments from a prior illness, etc.

An employee must work his/her last scheduled day or shift prior to each holiday and his/her first scheduled day or shift following each holiday in order to be eligible for holiday bonus pay, except for legitimate excused absences or illness.

(1) When not required to work on any of the foregoing holidays, every regular employee covered by this Contract shall be paid a holiday bonus equal to eight (8) hours at his/her regular hourly rate which, in the case of a shift employee, shall be construed to mean the rate applicable to the daytime shift.

(2) Each non-shift employee will normally not be required to work on any of the foregoing holidays, but when required to work, will be paid the holiday bonus described in the immediately preceding paragraph in addition to one and one-half (1-1/2) times his/her regular hourly rate during all hours which would otherwise be normal working hours, and two (2) times the regular hourly rate for all other hours worked that day.

(3) Each shift employee will normally be required to work when any holiday falls on one of his/her regularly scheduled workdays. When so required to work, he/she will be paid the holiday bonus described in paragraph (1), and in addition, he/she will be paid at one and one-half (1-1/2) times his/her regular hourly rate for the first eight (8) hours worked and two (2) times

his/her regular hourly rate for all other hours worked that day.

(4) When a holiday falls on the employee's scheduled workday, the hours normally worked or the hours actually worked, whichever is greater, shall be used in determining eligibility for weekly overtime. When a holiday falls on a day when the employee is not scheduled to work, only the hours actually worked shall be used in determining eligibility for weekly overtime.

(5) When a holiday occurs on a scheduled working day during a vacation period, all regular employees covered by this Contract shall be allowed an extra day's vacation to be taken at such times as work requirements will permit or, at the option of the employee, shall receive an extra normal day's pay at regular hourly rates.

(6) Employees shall not be entitled to the holiday pay if they are absent without pay or only receiving partial pay in the form of A&S Workers' Compensation benefits on the last scheduled work day before or after the holiday.

SECTION 16. OTHER TERMS OF EMPLOYMENT

Jury Duty, Witness Duty and Death in Family

The Company guarantees normal pay to employees while on jury duty or while serving as a duly subpoenaed non-party witness by paying the difference between normal pay and the amount received for such duty, provided a written verification is provided by the employee from the court showing the date served and total compensation received. The provision relating to witness pay shall not exceed two (2) days per year and shall not apply to any proceeding in which the Company and Union are adverse parties nor to any employees subpoenaed in such a proceeding by other than the Company.

Regular employees shall be granted a maximum of four (4) days' absence with pay in the event of death of father, mother, brother, sister, spouse, child, mother-in-law,

father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, stepchild, grandparents or grandchildren.

Regular employees shall be granted a maximum of one (1) day's absence with pay for the purpose of attending the funeral of their stepmother, stepfather, stepsister, stepbrother, spouse's grandparents, aunt or uncle.

It is agreed, however, that employees will return to work as soon as reasonably possible following the funeral.

Temporary Transfers

This provision shall not be applicable to employees who are provided light duty type work of a lower rated job because of medical reasons or physical limitations. If regular employees are temporarily transferred from the job or department in which they are employed regularly to another job or department paying a lower wage, there shall be no reduction in wages; and if employees are temporarily transferred to other jobs or departments paying a higher hourly rate, they shall receive such higher rates while so employed.

Temporary Employees

"Temporary employees" shall mean all employees hired by the Company or individuals whose services are contracted through temporary employment agencies or other entities on a temporary basis to enlarge or maintain the existing workforce as needed. The Company's right to use temporary employees in any calendar year shall be determined as follows:

- (1) For each calendar year, starting with 1995, the Company shall determine the number of hours that all of the bargaining unit individuals were absent from employment by virtue of illness, vacation, and other paid or unpaid leave of absence, but not for reasons of absence due to holidays or personal days. The Company shall be permitted in the calendar year following the calendar year for which such calculation is made, to employ a temporary employee or employees for an aggregate number of hours equal to the hours of absence calculated for the preceding calendar year as hereinabove described.

(2) Prior to the use of any temporary employee in any department, all bargaining unit individuals shall be upgraded to the highest positions in such department for which they are qualified, and the temporary individuals shall be used thereafter as needed.

The Company has the exclusive rights to determine who shall be hired as temporary employees and the rate of pay for temporary employees. The Company has no obligation to rehire temporary employees for any future periods of employment, whether seasonal or permanent. Except for the individuals who are employees of temporary agencies or other entities, the rate of pay for temporary employees hired by the Company shall be fixed at nine dollars and twenty eight cents (\$9.28) per hour as of April 5, 2005, then nine dollars and fifty eight cents (\$9.58) per hour as of April 5, 2006, then nine dollars and ninety cents (\$9.90) per hour as of April 5, 2007, then ten dollars and twenty three cents (\$ 10.23)per hour as of April 5, 2008 and ten dollars and fifty-eight cents(\$10.58) per hour as of April 5, 2009.

Temporary employees shall not accrue seniority or be entitled to the following benefits: (a) holiday pay, (b) the right to bid any job, (c) sick leave, (d) personal leave day, (e) minimum time allowance, or (f) vacation. Temporary employees shall be required to join the Union and to pay Union dues and assessments as otherwise provided in this contract, and in the Union constitution and by-laws.

The management and direction of temporary employees, including the right to hire, suspend, discharge, transfer or relieve employees from duties is vested exclusively in the Company. The Union and its members will cooperate fully in this effort.

Temporary employees shall not be used by the Company so as to cause the layoff of bargaining unit members, prevent the recall from layoff of bargaining unit members.

Temporary employees shall not be used to perform call-out or prescheduled overtime provided that the full-time employees currently employed in the classification who would normally and customarily perform the overtime duties are immediately available.

Call-Out Pay

Employees called out to perform short time duties shall receive a minimum time allowance of three (3) hours.

Minimum Time and Guaranteed Workweek

Employees engaged in classes of work specified in **EXHIBIT A**, non-shift employees who commence work and who are obliged to stop work during the day for any reason will be paid one-half (1/2) of one (1) day's wage if they are forced to stop during the forenoon; or a full day's wage will be paid if they are forced to stop work during the afternoon.

Inclement Weather

Except in cases of emergency, employees shall not be required to work in weather so inclement as to jeopardize their health or cause extreme discomfort. It is the intent of both parties to work together in applying this rule in a reasonable manner.

Uniforms

The Company will provide uniforms for the Distribution, Production and Commercial Department employees and the wearing of the uniform shall be required and may only be worn during working hours, including traveling to and from work.

Five (5) pairs of trousers, five (5) long sleeve shirts, and five (5) T-shirts will be provided for all employees. In lieu of T-shirts, the Commercial Department shall receive five (5) short sleeve shirts.

One (1) pair of coveralls will be provided to the Distribution employees and the Production Department's maintenance person and production person.

One (1) winter parka and the choice of one of the following will be provided to the employees:

- A. Vest
- B. Lightweight Jacket
- C. Sweatshirt

All of the employees will be responsible for the maintenance of their own uniforms and unusable articles shall be returned prior to the issuance of replacements. Upon termination of employment for any reason, all uniforms shall be returned to the Company.

SECTION 17. WORK BY SUPERVISORS

Except in cases of emergency, the Company agrees that a foreperson, superintendent, supervisor or executive in charge shall not perform any work covered by employees in **EXHIBIT A** which normally is performed by the employees under their supervision other than to demonstrate how they desire the work to be done.

SECTION 18. CONTRACTING OF WORK

The Company agrees that no regular distribution employee or other employee qualified to do distribution-type work shall be laid off, or no regular distribution employee or other employee qualified to do distribution-type work who is laid off shall remain off, while any of the following work is being done by outside contractors:

1. Installation of service lines.
2. Installation of fire hydrants on existing mains.
3. Main line connections to existing mains.
4. Maintenance of existing distribution systems.

Except this section shall be inoperative if:

a. In an emergency the Company makes a bona fide effort to call employees to work and cannot reach them.

b. Excavating or other mechanical equipment not owned by the Company must be hired together with the operator of such equipment.

SECTION 19. VACATIONS

A. Each employee who, within any calendar year, will have completed twenty-eight (28) years or more in the service of the Company shall be entitled to six (6) weeks' vacation within the calendar year.

B. Each employee who, within any calendar year, will have completed twenty (20) years or more in the service of the Company shall be entitled to five (5) weeks' vacation within the calendar year.

The above A. and B. are not applicable to employees hired after April 5 2000.

C. Each employee who, within any calendar year, will have completed fifteen (15) years or more in the service of the Company shall be entitled to four (4) weeks' vacation within that calendar year.

D. Each employee who, within any calendar year, will have completed seven (7) years or more in the service of the Company shall be entitled to three (3) weeks' vacation within that calendar year.

E. Each employee who, within any calendar year, will have completed two (2) years or more in the service of the Company shall be entitled to two (2) weeks' vacation within that calendar year.

F. In the first calendar year of employment, an employee shall not be entitled to any vacation. In the second calendar year, an employee shall be entitled to one (1) day's vacation for each two (2) full months service accumulated in the prior calendar year (for example, an employee who nine (9) months of service in the calendar year of his/her hire will, if remaining with the Company, have four (4) days vacation in the following calendar year).

G. For each full week of vacation to which an employee is entitled he shall be paid an amount equal to his normal weekly wage. For vacations of less than (1) week, the employee shall be paid for each day of such vacation an amount equal to eight (8) times his regular basic hourly rate of pay.

H. The Company agrees that the employee's wishes will be considered in setting up the vacation schedule and, wherever possible to do so without interfering with the orderly and continuous operation of the plant, employees shall be permitted to take their vacations at the times desired by them. In the event operational demands necessitate the company to cancel an employee's previously scheduled vacation, and if it is impossible for the cancelled vacation to be rescheduled prior to the end of the calendar year, the employee will be allowed to carry over into the following year up to five days of vacation. The carryover vacation will be used prior to March 15th in the following year.

I. The vacation to which an employee is entitled in any calendar year may be taken at any time during that year subject to the following conditions:

(1) The right of the Company to deny an employee the privilege of taking any part of his/her vacation which is unearned at the time such vacation is scheduled unless the employee has accrued ten (10) days' vacation as of the first of the preceding year.

(2) The stipulation that any vacation to which an employee is entitled in any calendar year will be forfeited if not taken in that year, unless the failure of the employee to take his/her vacation is the result of specific request by Management. If any employee has been required by Management to forego all or any part of his/her vacation and substitute periods cannot be arranged before December 31, he/she shall be paid for each day of vacation so lost, an amount equal to eight (8) hours at his/her regular hourly rate. The Company, upon request of the employee, will pay him/her in advance for the period of his/her vacation.

It is Management's obligation and prerogative to approve vacation periods for all employees. It is desirable, for several reasons, that vacation time be taken in not less than one (1) week increments.

However, effective January 1, 2006, the Company will permit employees to select a maximum of ten (10) days vacation in less than one week increments providing it does not affect the orderly and continuous operation of the Company, does not result in the payment of overtime, does not increase the maximum number of employees permitted off on vacation at any one time and the selection of full weeks of vacation in seniority order will take precedent over employees selecting less than a full week of vacation in accordance with their seniority.

Any request for special variation consideration from the stated vacation policy shall be made, in writing, at least one week prior to the desired time of absence. No more than one member of a department, and/or subdivision of a department, may be granted special vacation exception for the same period of time. It is the understanding of both Management and Local No. 537, that Management must cover all jobs adequately for the continued and uninterrupted operations of all phases of the Company.

All requests for vacation of less than one week will be referred through the employee's immediate Supervisor to the Manager for approval.

J. Upon termination of service for any cause other than retirement on pension, the employee shall be paid at the time of such termination for all accrued vacation then due.

K. In order to qualify for a full vacation, an employee must have worked or been fully compensated directly by the Company (i.e., vacation pay, sick pay, holiday pay and including Workers' Compensation weekly lost wage benefits but not other insurance or other payment) for at least seventy percent (70%) of his/her scheduled straight time hours during the preceding calendar year. An employee who works or is compensated directly by the Company for less than forty percent (40%) of his/her scheduled straight time hours during

the preceding calendar year shall receive no vacation. An employee who works or is fully compensated directly by the Company for at least forty percent (40%) but less than seventy percent (70%) of the preceding calendar year shall receive a pro rata vacation calculated as follows:

If the employee receives Company pay for:	Vacation pay:
70% or more of normal straight time scheduled hours	Full vacation
60% or more but less than 70%	75%
50% or more but less than 60%	50%
40% or more but less than 50%	40%

20. PAY DAYS

All employees of the Company shall be paid every other Friday for work done during the two (2) week period ending at midnight of the preceding Sunday. The Company will attempt to include the payment for overtime hours worked during the pay period in the current paycheck. Any employee who, as of April 4, 2005, has his/her paycheck directly deposited in his/her bank account shall be required to continue having the paycheck directly deposited, and any employee who, as of April 4, 2005, does not have his/her paycheck directly deposited in his/her bank account shall not be required do so but if at any time after April 4, 2005, such employee elects to have his/her paycheck directly deposited, he/she shall not be permitted to discontinue having the paycheck directly deposited. Any employee who is hired on or after April 5, 2005, shall be required to have his/her paycheck directly deposited.

SECTION 21. DISABILITY BENEFITS AND LIFE INSURANCE

A. Leaves of Absence for Sickness or Accident Disability

Except as provided in B. of this section, employees will be granted leaves of absence for sickness or accident disability for the maximum periods shown below:

Length of Service	Maximum Period of Leave of Absence
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Sixty (60) days but less than six (6) months	Six (6) weeks
Six (6) months but less than one (1) year	Twenty-eight (28) weeks
One (1) year but less than two (2) years	One (1) year
Two (2) years but less five years	Two (2) years
Five (5) years but less ten (10) years	Four (4) years
Ten (10) years and over	At least four (4) years

Upon receipt of competent medical certification that he/she is physically and mentally able to perform his/her duties without jeopardy to himself/herself or others, an employee who has been disabled by occupational accident or disease incurred in the course of his/her employment by the Company, and who has exceeded the maximum period of leave of absence applicable to this length of service at the date such disability commenced, shall be rehired in accordance with his/her accrued seniority at the time such leaves of absence terminated.

B. Payments During Leaves of Absence for Sickness or Accident Disability

During periods of leave of absence for sickness or accident disability, employees will be paid in the maximum amounts hereinafter set forth:

Each employee who is disabled and unable to perform his/her regular duties as a consequence of illness or accident shall be paid as follows during such disability:

Length of Service	Maximum Number of Weeks In Any Disability Year" In Which Payments Will Be Made By The Company
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At least six (6) months
but less than one (1) year

One (1) week

Over one (1) year

One (1) week for each
completed year of service
with a minimum of two (2)
weeks

1. If the employee is entitled to, in any given week, Weekly Sickness and Non-Occupational Accident Benefits under the Group Insurance Plan or Temporary Total Disability Benefits under the Pennsylvania Workers' Compensation Act, the payment by the Company in such week shall be limited to the difference between the employee's normal weekly earnings and the amount of such benefits.

2. The Company may require a suitable statement from the employee's physician, certifying to the disability or may elect to have a physician elected by it examine the employee.

3. The employee's completed years of service on January 1 shall be used to determine the maximum number of weeks in which he/she shall be entitled to a paid leave of absence under this **SECTION** during that calendar year.

4. The "Disability Year" shall be a twelve (12) month period commencing on January 1 of each year of active employment except if a period of disability overlaps January 1 of any year he/she shall continue to draw such pay from the Company until he/she has received the maximum number of paid leave which he/she would have been entitled to at the beginning of the prior "Disability Year." This employee would not be entitled to any further payments until he/she returns to active employment for at least two (2) weeks.

In recognition of the fact that delay sometimes occurs in the determination of benefits payable under the Workers' Compensation Law, the

Company agrees in order to assure continuity of income to a disabled employee that it will pay the employee's normal weekly wages in full for the period indicated in the schedule above, subject to agreement by the employee that any benefits currently or subsequently received from the Workers' Compensation Carrier (other than reimbursement of expenses) with respect to said period of disability, shall be assigned to the Company.

It is understood that these payments from the Compensation Carrier to be assigned to the Company include only weekly benefits for temporary disability.

5. Employees may utilize one sick day in increments of no less than one hour to schedule medical appointments due to illness. It is understood that the sick day increments are to be utilized in the event of a known or documented illness. While it is understood that the nature of an illness or appointment may preclude timely notice, when at all possible, the employee will provide as much notice as possible of a scheduled medical appointment or follow up examination. For routine wellness appointments, personal time should be taken as outlined in Section 15. It is understood that the language in this section does not supersede any prior arbitration award regarding sick leave.

C. Insurance and Welfare Plan

The benefits set forth in the booklet entitled "Your Group Insurance Plan" dated August 1, 2000, shall apply to all employees in the Union.

It is further agreed that all provisions covering the Insurance and Welfare Plan shall not be subject to renegotiation before July 1, 2005.

SECTION 22. PENSIONS

The Pension Plan described in the booklet "Pension Plan" dated July 1, 2000, shall apply to all eligible employees in the Union and shall not be subject to renegotiation before July 1, 2005.

The Company and local Union agree to be bound by the results of renegotiation of the Insurance and Welfare Plan described in **SECTION 21.** and Pension Plan to be agreed upon the American Water Works Company, Inc., and the Utility Workers Union of America, A.F.L.-C.I.O.

SECTION 23. BULLETIN BOARDS

The Union shall have the privilege of using bulletin boards for notices to members.

SECTION 24. DURATION OF CONTRACT

This Contract shall be binding on the parties hereto, their successors and assigns, from April 5, 2005 to April 4, 2010, both dates inclusive, and from year to year thereafter unless at sixty (60) days before April 4, 2010, or any succeeding April 4, the Company or the Union serves written notice on the other party of its desire to change or terminate the Contract.

Signed and delivered in sextuplet the _____ day of _____, 2005.

Signatures on next page

PENNSYLVANIA-AMERICAN WATER CO.
WHITE DEER DISTRICT

UTILITY WORKERS UNION OF
AMERICA, SYSTEM LOCAL
NO. 537, AFL-CIO

System President

System Vice President

System Recording Secretary

System Financial Secretary

National Union Representative

PENNSYLVANIA-AMERICAN WATER COMPANY
WHITE DEER DISTRICT

EXHIBIT A

SECTIONS 1. AND 2.

Wages and Hours - Non-shift and Shift employees

SECTION 1. WAGES AND HOURS - NON-SHIFT EMPLOYEES

REGULAR HOURLY RATE EFFECTIVE:

POSITION

	4/5/05	4/5/06	4/5/07	4/5/08	4/5/09
Utility Person	19.25	19.85	20.48	21.13	21.83
Service Person	19.23	19.83	20.46	21.11	21.81
Meter Reader	19.13	19.73	20.36	21.01	21.71
Meter Repair Person	19.15	19.75	20.38	21.03	21.73
Utility Person B	18.99	19.59	20.22	20.87	21.57
Utility Person C	18.77	19.37	20.00	20.65	21.35
Production Person	19.13	19.73	20.36	21.01	21.71
Maintenance Person	19.67	20.27	20.90	21.55	22.25
Relief Operator-Utility C with less than two years seniority	18.87	19.47	20.10	20.75	21.45
Relief Operator Utility B with two or more years seniority	19.09	19.69	20.32	20.97	21.67

NOTE: Utility Person C who has two (2) or more years of service and who is fully qualified to perform the duties of the Utility Person will be classified as Utility Person B.

Working hours for all distribution, meter reading and non-shift production employees shall be 7:00 AM to 3:30 PM, beginning two weeks prior to the beginning of Daylight Savings Time and ending two weeks after Daylight Savings Time ends. During all other times of the year, the working hours for these employees shall be 8:00 AM to 4:30 PM.

The shift differential listed in **SECTION 2.** below shall be applicable to employees under this **SECTION 1.** should the Company establish an afternoon or midnight shift.

SECTION 2. WAGES AND HOURS - SHIFT EMPLOYEES

Position	4/5/05	4/5/06	4/5/07	4/5/08	4/5/09
Plant Operator	19.35	19.95	20.58	21.23	21.93

NOTE: In addition, effective May 24, 1991, to the foregoing hourly rates, employees performing classes of work in this Section shall be paid a shift premium of thirty cents (\$.30) per hour for all work done between 4:00 p.m. and 12:00 p.m.; and a shift premium of thirty-five cents (\$.35) per hour for all work done between 12:00 midnight to 8:00 a.m.

Plant Operators who possess a PA Class A license shall be paid an additional thirty cents (\$.30) per hour. On and after April 5, 2006, this addition shall increase to thirty-five cents (\$.35) per hour, and on and after April 5, 2007, this addition shall increase to forty cents (\$.40) per hour.

SECTION 3. NEW EMPLOYEES

a. All full time persons hired on or after April 5, 1995, shall be paid at a lesser hourly rate for their position in accordance with the following schedule in any classification set forth in Exhibit A, except for those persons hired on or after April 5, 2005 holding the position of meter reader:

For the first year of active employment, five dollars (\$5.00) less than the regular hourly rate.

For the second year of active employment, four dollars and seventy five cents (\$4.75) less than the regular hourly rate.

For the third year of active employment, four dollars and twenty five cents (\$4.25) less than the regular hourly

rate.

For the fourth year of active employment, three dollars and fifty cents (\$3.50) less than the regular hourly rate.

For the fifth year of active employment, two dollars and seventy five cents (\$2.75) less than the regular hourly rate.

For the sixth year of active employment, two dollars (\$2.00) less than the regular hourly rate.

For the seventh year of active employment, one dollar and seventy five cents (\$1.75) less than the regular hourly rate.

For the eighth year of active employment, one dollar and twenty five cents (\$1.25) less than the regular hourly rate.

Thereafter, the employee shall be paid at the rate set forth for the position.

b. All full time persons hired on or after April 5, 2005, shall be paid at a lesser hourly rate for their position in accordance with the following schedule for the position of meter reader:

1. Starting rate- \$ 14.00 per hour
2. Upon first anniversary of employment-\$ 15.00 per Hour
3. Upon second anniversary of employment-\$ 15.50 per hour
4. Upon third anniversary of employment- \$16.00 per hour
5. Upon fourth anniversary of employment- \$ 16.75 per hour
6. Notwithstanding the above, on and after April 5, 2010, all rates of pay for meter readers hired on or after April 5, 2005 shall be as agreed upon between the Company and the Union.

c. As to any employee in the Company's employ before April 5, 1995, no such employee shall be subject to the provisos of subsections a, and/or b in case of layoff or other cessation of employment unless the employee is re-employed after having lost

seniority under this agreement.

- d. As to any employee in the Company's employ before April 5, 2005, no such employee shall be subject to the proviso of subsection b in case of layoff or other cessation of employment unless the employee is re-employed after having lost seniority under this agreement.
- e. If any employee hired on or after April 5, 1995 suffers layoff or any other cessation of employment and is thereafter re-employed before having lost seniority under this agreement, such employee shall be subject to the provisos of subsection a only for such time as, when added to the time such employee spent in active employment with the company between the date of hire and the date of layoff or other cessation of employment, is required to aggregate eight years of active employment.
- f. If any employee hired on or after April 5, 2005 suffers layoff or any other cessation of employment and is thereafter re-employed before having lost seniority under this agreement, such employee's compensation with regard to the proviso of subsection b shall be calculated by counting his/her years of service before the layoff or other cessation of employment.