

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 29, 1998

REGISTRATION NO. 333-44271

=====
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

AMENDMENT NO. 1

TO

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PHILADELPHIA SUBURBAN CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

PENNSYLVANIA
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

23-1702594
(I.R.S. EMPLOYER IDENTIFICATION NO.)

762 LANCASTER AVENUE
BRYN MAWR, PA 19010
(610) 527-8000

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

ROY H. STAHL
PHILADELPHIA SUBURBAN CORPORATION
SENIOR VICE PRESIDENT AND GENERAL COUNSEL
762 LANCASTER AVENUE
BRYN MAWR, PA 19010
(610) 527-8000

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF AGENT FOR SERVICE)

COPIES TO:

N. JEFFREY KLAUDER
MORGAN, LEWIS & BOCKIUS LLP
2000 ONE LOGAN SQUARE
PHILADELPHIA, PA 19103-6993
(215) 963-5000

DAVID P. FALCK
WINTHROP, STIMSON, PUTNAM & ROBERTS
ONE BATTERY PARK PLAZA
NEW YORK NY 10005
(212) 858-1000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as
practicable after this Registration Statement is declared effective.

If the only securities being registered on this Form are being offered
pursuant to dividend or interest reinvestment plans, please check the following
box. []

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933 (the "Securities Act"), other than securities offered only in connection

with dividend or interest reinvestment plans, check the following box. []

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED JANUARY 29, 1998

PROSPECTUS

1,100,000 SHARES

PHILADELPHIA SUBURBAN CORPORATION

COMMON STOCK

The outstanding shares of the Common Stock of Philadelphia Suburban Corporation (the "Company") are, and the shares offered hereby will be, listed on the New York and Philadelphia Stock Exchanges under the symbol "PSC". The reported last sale price of the Common Stock on the New York Stock Exchange Composite Tape on January 28, 1998 was \$24.3125 per share.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS (1)	PROCEEDS TO COMPANY (2)
Per Share.....	\$	\$	\$
Total (3).....	\$	\$	\$

- (1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). See "Underwriting."
- (2) Before deducting expenses of the offering payable by the Company estimated at \$184,000.
- (3) The Company has granted the Underwriters a 30-day option to purchase up to 150,000 additional shares of Common Stock on the same terms as set forth above to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to the Company will be \$, \$, and \$ respectively. Additionally, the per share Underwriting Discount will be increased and the per share Proceeds to the Company will be decreased by the amount of any dividend declared by the Company and payable on the shares of Common Stock initially sold to the Underwriters, but not payable on the shares subject to such option. See "Underwriting."

The shares of Common Stock are being offered by the several Underwriters named herein, subject to prior sale, when, as and if accepted by them and subject to certain conditions. It is expected that certificates for the shares of Common Stock offered hereby will be made available for delivery on or about February , 1998, at the office of A.G. Edwards & Sons, Inc., 1 North Jefferson, St. Louis, MO 63103.

A.G. EDWARDS & SONS, INC.

EDWARD D. JONES & CO., L.P.

February , 1998

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AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices located at Seven World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained in person from the Public Reference Section of the Commission at its principal office located at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Additionally, such material may be obtained at the web site the Commission maintains at "<http://www.sec.gov>", which contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The Common Stock of the Company is listed on the New York and the Philadelphia Stock Exchanges, and reports, proxy material and other information concerning the Company may be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005 and the Philadelphia Stock Exchange, Inc., 1900 Market Street, Philadelphia, PA 19103.

This Prospectus constitutes a part of a registration statement on Form S-3 (herein, together with all exhibits thereto, referred to as the "Registration Statement") filed by the Company with the Commission under the Securities Act, with respect to the securities offered hereby. This Prospectus does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Reference is hereby made to the Registration Statement and to the

exhibits thereto for further information with respect to the Company and the securities offered hereby. Copies of the Registration Statement and the exhibits thereto are on file at the offices of the Commission and may be obtained upon payment of the prescribed fee or may be examined without charge at the public reference facilities of the Commission described above.

Statements contained herein concerning the provisions of documents are necessarily summaries of such documents, and each statement is qualified in its entirety by reference to the copy of the applicable document filed with the Commission.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the year ended December 31, 1996, the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997 and September 30, 1997 and the Company's Current Reports on Form 8-K dated August 5, 1997, December 2, 1997 and January 29, 1998 (which report includes the Company's 1997 audited financial statements) filed by the Company with the Commission are incorporated herein by reference. All reports and other documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Common Stock hereunder shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such reports and documents. Any statement contained in a document, all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document, which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The information relating to the Company contained in this Prospectus summarizes, is based upon, or refers to, information and financial statements contained in one or more of the documents incorporated by reference herein; accordingly, such information contained herein is qualified in its entirety by reference to such documents and should be read in conjunction therewith.

The Company will provide without charge to each person to whom this Prospectus is delivered a copy of any or all of such documents which are incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into the documents that this Prospectus incorporates). Written or oral requests for copies should be directed to Patricia M. Mycek, Secretary, Philadelphia Suburban Corporation, 762 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010, (610) 527-8000.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING SYNDICATE COVERING TRANSACTIONS AND THE IMPOSITION OF A PENALTY BID. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the detailed information and financial statements appearing elsewhere, or incorporated by reference, in this Prospectus. Except as otherwise indicated herein, all information in this Prospectus, including share and per share data, (i) reflects the 4-for-3 stock split in the form of a stock distribution effective January 12, 1998 and (ii) assumes the Underwriters' over-allotment option is not exercised.

THE COMPANY

Philadelphia Suburban Corporation ("PSC" or the "Company") is a holding company whose principal subsidiary, Philadelphia Suburban Water Company ("PSW"), is a regulated public utility engaged in the collection, storage, treatment, distribution and sale of water to approximately 302,000 residential, industrial, commercial, public and other customers (including 6,000 customers of a municipal authority operated by PSW) in 94 municipalities in Southeastern Pennsylvania. PSW's 480 square mile service territory is located within four counties north and west of the City of Philadelphia. The population of PSW's service territory is approximately 900,000. The population of the four counties is approximately 2,200,000. The service area is nearly all contiguous, primarily residential and is completely metered except for fire hydrant service. As of December 31, 1996, PSW was the fourth largest investor-owned water utility in the United States based on the number of customers. PSW accounts for over 98% of PSC's consolidated revenues and net income. Non-utility subsidiaries account for the remaining 2% of consolidated revenues and net income and include the operation of a data center and contract operation of water systems.

From December 1992 through December 1997, PSW acquired 21 local water systems and 2 small wastewater utilities that have added approximately 39,500 customers and 135 square miles to PSW's service territory. The annual compound growth rate in customers over the past five years has been 3.3% including both acquisitions and normal growth of PSW's water system. On January 23, 1998, PSW acquired the water utility assets of the West Chester Area Municipal Authority, which serves 7,750 customers in a 16 square mile service territory adjacent to PSW's service territory. PSW has also entered into a letter of intent to acquire the Flying Hills Water Company, which serves 1,150 customers in a 1 square mile service territory in Berks County, Pennsylvania. This will be PSW's first acquisition of a water system in Berks County. Closing of the Flying Hills acquisition is expected to occur in the first quarter of 1998. The Company is actively exploring other opportunities to expand its water utility operations through acquisitions or otherwise. See "Recent Developments." While acquisitions in recent years have been adjacent or close to PSW's existing service territory, the Company may, in the future, acquire systems in other geographic locations.

THE OFFERING

Common Stock offered(1).....	1,100,000 shares
Common Stock to be outstanding after the offering.....	27,317,281 shares(2)
Common Stock price range (January 1, 1997 through January 28, 1998).....	\$25.75-\$11.44
Common Stock dividend.....	The indicated annual dividend rate is \$.65 per share, paid quarterly(3)
New York Stock Exchange symbol.....	PSC
Use of proceeds.....	\$19,000,000 of the net proceeds will be used to fund an investment in PSW and will be used by PSW to reduce debt. The balance of the net proceeds will be used to reduce short-term debt of the Company. See "Use of Proceeds."

(1) Includes associated Preferred Stock Purchase Rights. See "Description of Capital Stock -- Shareholders Rights Plan."

(2) As of January 26, 1998. Does not include any shares of Common Stock that may have been issued after that date pursuant to the Company's employee benefit plans.

(3) On December 2, 1997, the Company's Board of Directors declared a regular quarterly dividend of \$.1625 per share, payable March 1, 1998 to holders of record on February 13, 1998. Holders, as of the record date, of the Common Stock offered hereby will be entitled to receive this dividend.

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SUMMARY FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE AND OPERATING DATA)

	YEAR ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
INCOME STATEMENT DATA:					
Earned revenues.....	\$136,171	\$122,503	\$117,044	\$108,636	\$101,244
Operating income.....	56,799	49,290	46,109	40,845	37,430
Net income available to common stock					
Continuing operations(1).....	22,993	19,757	18,030	15,638	13,835
Discontinued operations.....	--	965	370	--	--
Total.....	\$ 22,993	\$ 20,722	\$ 18,400	\$ 15,638	\$ 13,835
PER COMMON SHARE DATA:					
Basic net income per common share -- continuing operations(2).....	\$ 0.89	\$ 0.79	\$ 0.75	\$ 0.68	\$ 0.64
Cash dividends paid per common share.....	0.622	0.593	0.570	0.550	0.535
Average common shares outstanding.....	25,908	24,966	23,803	23,004	21,557
OPERATING DATA:					
Total water sold (millions of gallons).....	31,482	27,695	28,022	27,106	26,910
Number of metered water customers.....	287,516	284,141	264,865	249,533	247,195

	DECEMBER 31,				
	1997	1996	1995	1994	1993
BALANCE SHEET DATA:					
Capitalization					
Long-term debt(3).....	\$234,919	\$229,962	\$188,985	\$153,082	\$150,176
Preferred stock of PSW with mandatory redemption(3).....	4,214	5,643	7,143	10,000	10,000
Preferred stock of Company.....	3,220	3,220	--	--	--
Common stockholders' equity.....	191,525	176,795	156,976	143,795	135,934
Total capitalization(3).....	\$433,878	\$415,620	\$353,104	\$306,877	\$296,110
Total assets.....	\$618,472	\$582,944	\$518,051	\$460,062	\$440,935
Property, plant & equipment, net.....	534,483	502,938	436,905	385,709	366,230

	DECEMBER 31, 1997			
	ACTUAL		AS ADJUSTED (4)	
	AMOUNT	PERCENT	AMOUNT	PERCENT
CAPITALIZATION:				
Long-term debt(3)				
First mortgage bonds of PSW.....	\$206,200		\$226,200	
Revolving credit debt of PSW.....	27,128		14,742	
Other.....	1,591		1,591	
Total.....	234,919	54.2%	242,533	52.4%
Preferred stock of PSW with mandatory redemption(3).....	4,214	1.0%	--	0.0%
Preferred stock of Company.....	3,220	0.7%	3,220	0.7%

Common stockholders' equity				
Paid-in capital.....	135,389	31.2%	160,628	34.8%
Retained earnings.....	56,136	12.9%	56,136	12.1%
Total.....	191,525	44.1%	216,764	46.9%

Total capitalization(3).....	\$433,878	100.0%	\$462,517	100.0%
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Total assets.....	\$618,472		\$640,872	
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Short-term debt(5).....	\$ 10,400		\$ 4,161	
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- (1) After provision for dividends on preferred stock.
- (2) Net income per common share from continuing operations, calculated on a diluted basis, which takes into account the impact of outstanding employee stock options, was \$0.88, \$0.78, \$0.75, \$0.68 and \$0.64 for the years ended December 31, 1997, 1996, 1995, 1994 and 1993, respectively.
- (3) Includes current portion of long-term debt and preferred stock of PSW. See "Use of Proceeds."
- (4) Adjusted to reflect (i) the sale of the Common Stock offered hereby for estimated net proceeds of approximately \$25,239, (ii) the acquisition of the water utility assets of the West Chester Area Municipal Authority in January 1998 for \$22,400 (financed with revolving credit borrowings by PSW), (iii) the private placements in January 1998 of \$20,000 of First Mortgage Bonds of PSW, (iv) the application of approximately \$39,000 of the proceeds of such financings to reduce the outstanding revolving credit debt of PSW and (v) the application of the remaining proceeds to reduce short-term debt of the Company. See "Use of Proceeds."
- (5) Loans payable to banks under short-term lines of credit.

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MAP OF SERVICE AREA

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THE WATER UTILITY INDUSTRY

Of the major utility industries in the U.S. (telephone, natural gas, electric and water), the water industry is the most fragmented with over 55,000 water systems. The systems range in size from large municipally-owned systems like the City of Philadelphia water system with over 486,000 customers, to small systems where a few customers share a common well. In Pennsylvania alone, the Company believes there are over 2,400 public water systems.

Companies in the water industry, both municipally-owned and investor-owned, are expected by customers and regulators to provide reliable water service at affordable prices while meeting stringent federal and state water quality standards. Continued capital investment is necessary to (1) repair and replace aging water distribution infrastructure, (2) expand existing systems in response to community growth and development, and (3) invest in new technology to meet water quality standards. In its First Report to Congress in January 1997, the United States Environmental Protection Agency estimated that the nation's water systems must invest a minimum of \$138.4 billion over the next 20 years to meet the requirements of The Safe Drinking Water Act of 1974, as amended.

THE COMPANY

Philadelphia Suburban Corporation ("PSC" or the "Company") is a holding company whose principal subsidiary, Philadelphia Suburban Water Company ("PSW"), is a regulated public utility engaged in the collection, storage, treatment, distribution and sale of water to approximately 302,000 residential, industrial, commercial, public and other customers (including 6,000 customers of a municipal authority operated by PSW) in 94 municipalities in Southeastern Pennsylvania. PSW's 480 square mile service territory is located within four counties north and west of the City of Philadelphia. The population of PSW's service territory is approximately 900,000. The population of the four counties is approximately 2,200,000. The service area is nearly all contiguous, primarily residential and is completely metered except for fire hydrant service. As of December 31, 1996, PSW was the fourth largest investor-owned water utility in the United States based on the number of customers. PSW accounts for over 98% of PSC's consolidated revenues and net income. Non-utility subsidiaries account for the remaining 2% of consolidated revenues and net income and include the operation of a data center and contract operation of water systems.

The Company was incorporated in Pennsylvania in 1968 and its executive offices are located at 762 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010, and its telephone number is (610) 527-8000.

The Company's largest shareholder is Compagnie Generale des Eaux, a company headquartered in Paris with worldwide interests in various businesses, including the water industry. Compagnie Generale des Eaux and its affiliates owned approximately 14 percent of the Company's outstanding common stock on December 31, 1997.

From December 1992 through December 1997, PSW acquired 21 local water systems and 2 small wastewater utilities that have added approximately 39,500 customers and 135 square miles to PSW's service territory. The annual compound growth rate in customers over the past five years has been 3.3% including both acquisitions and normal growth of PSW's water system. On January 23, 1998, PSW acquired the water utility assets of the West Chester Area Municipal Authority, which serves 7,750 customers in a 16 square mile service territory adjacent to PSW's service territory. PSW has also entered into a letter of intent to acquire the Flying Hills Water Company, which serves 1,150 customers in a 1 square mile service territory in Berks County, Pennsylvania. This will be PSW's first acquisition of a water system in Berks County. Closing of the Flying Hills acquisition is expected to occur in the first quarter of 1998. The Company is actively exploring other opportunities to expand its water utility operations through acquisitions or otherwise. See "Recent Developments." While acquisitions in recent years have been adjacent or close to PSW's existing service territory, the Company may, in the future, acquire systems in other geographic locations.

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Acquisition Strategy

The Company believes that there are many potential water system acquisition candidates because of the fragmented nature of the water utility industry and that consolidation will be facilitated by (1) the benefits of economies of scale, (2) effective management, and (3) the capital intensive nature of the business. The Company believes acquisitions will continue to be an important source of growth for the Company. The Company intends to continue to pursue acquisitions of municipally-owned and investor-owned water systems of all sizes that provide services in areas adjacent to the Company's existing service territory or in new service areas. The Company engages in continuing activities with respect to potential acquisitions, including performing analyses and investigations of acquisition candidates, making preliminary acquisition proposals and negotiating the terms of potential acquisitions. Except as described below under "Recent Developments -- Acquisitions", the Company is not currently a party to any definitive agreement or binding letter of intent with respect to a material acquisition. No assurance can be given that the Company will be able to identify and acquire such businesses on acceptable terms or that

such acquisitions will be accretive to earnings.

RECENT DEVELOPMENTS

Acquisitions

On January 23, 1998, PSW purchased the franchise rights and the water utility assets of West Chester Area Municipal Authority ("West Chester") for \$22,400,000 in cash, subject to minor adjustment related to the final value of current assets transferred and recent capital expenditures. PSW has also entered into a letter of intent to acquire the Flying Hills Water Company ("Flying Hills") for approximately 45,000 shares of PSC Common Stock. The acquisition of Flying Hills, which is subject to final negotiations and the approval of the Pennsylvania Public Utility Commission ("PUC"), is expected to be completed in the first quarter of 1998. The West Chester system is contiguous to PSW's existing service territory. The Flying Hills system is in Berks County near Reading, Pennsylvania and is 16 miles from the nearest edge of PSW's system. These systems cover 17 square miles and have approximately 8,900 customers. The annual revenues of these systems approximate \$4,700,000. PSW has also recently entered into a 25-year water sales agreement with the Warwick Township Water and Sewer Authority providing for purchases of water by the Authority, subject to regulatory approvals, of a minimum of \$325,000 per year.

Employee Relations

In December 1997, PSW and the International Brotherhood of Firemen and Oilers, Local 473, which represents a majority of PSW's hourly employees, reached agreement on a new four year labor agreement. The new contract calls for wage increases of 3.75%, 3.5%, 3.5% and 3.75% per year effective on December 1, 1997, 1998, 1999 and 2000, respectively.

Rates and Regulation

PSW is subject to regulation by the PUC, which has jurisdiction with respect to rates, service, accounting procedures, issuance of securities, acquisitions and other matters. In 1996, the PUC approved a mechanism, the Distribution System Improvement Charge ("DSIC"), which allows Pennsylvania water utilities to add a surcharge to their water bills to offset the additional depreciation and capital costs associated with certain non-revenue producing, non-expense reducing capital expenditures related to replacing and rehabilitating distribution systems. The DSIC may be adjusted quarterly based on the previous quarter's qualified capital expenditures, but may never exceed 5% of the base rates in effect. PSW began charging a DSIC of 0.5% in the first quarter of 1997. Based on subsequent qualified capital expenditures, the DSIC was increased to 1.0% in the second quarter, 1.4% in the third quarter and 1.82% for the portion of the fourth quarter prior to the effective date of the new base rate increase (discussed below). The DSIC is reset to zero when new base rates that reflect the costs of the related expenditures become effective. Total revenues associated with the DSIC in 1997 were \$1,104,000.

In October 1997, the PUC approved a settlement of PSW's most recent rate request, filed in April 1997. The settlement was between PSW, the Pennsylvania Office of the Consumer Advocate, the PUC staff and the Pennsylvania Small Business Advocate. The settlement provided for a 7.3% increase over the rates that were in effect at the time of the filing. Since rates in effect at the time of the filing included a DSIC of 1% or \$1,300,000 on an annual basis, the settlement resulted in a total base rate increase of 8.3% or \$10,600,000 on an annual basis. The new base rates were effective on October 24, 1997. As part of the settlement, PSW has agreed not to file its next base rate increase request prior to April 1999, absent extraordinary circumstances. As a result of the rate settlement, the DSIC was reset to zero.

Pending Deregulation of Electric Industry

During 1997, the total costs for electric power purchased by the Company amounted to \$8,575,000. In December 1996, the Governor of Pennsylvania signed into law the Electricity Generation Customer Choice and Competition Act ("Electric Act"), which provides for the restructuring of the electric utility industry in Pennsylvania. The Electric Act requires the unbundling of electric services into separate generation, transmission and distribution services with open competition for generation. Beginning in November 1997, approximately 18% of PSW's electricity requirements were selected to be included in the State's pilot implementation program. Prior to the pilot program, PSW had purchased all of its electricity from PECO Energy Company ("PECO"). For electric accounts in the pilot program, the electricity will be purchased from HorizonOne Electric, a PECO affiliate. The total electric costs for the twelve-month period prior to the pilot program for the accounts selected were approximately \$1,020,000. The Company estimates that the electric rates during participation in the pilot program will be approximately 10% to 12% lower than the former rates. Since electric usage is dependent on water demand, the exact savings related to the pilot program cannot be determined at this time. A recent ruling by the PUC provides that after completion of the pilot program on December 31, 1998, 66% of PECO's electric accounts, including the accounts in the pilot program and others to be selected in a lottery, will be permitted to choose the electricity generator of their choice. The Electric Act will be completely phased in on January 1, 2001, at which point all electric accounts will be allowed to select their electric supplier. The PUC ruling is subject to appeal by PECO and others.

Financial Results (1997 Compared to 1996)

Revenues increased by \$13,668,000 or 11.1% primarily as a result of an increase in the average annual consumption per customer in 1997 of 6.7%, increased water revenues from the 1997 and 1996 acquisitions, DSIC revenues of \$1,104,000 and the rate case settlement which was effective on October 24, 1997. The average annual consumption per customer increased due to the relatively hot, dry summer weather experienced in 1997, particularly in comparison to 1996 when average consumption per customer declined due to rainfalls that were well above average and temperatures that were cooler than normal during the spring and summer months. Acquisitions completed in 1997 and 1996 provided additional water revenues of approximately \$5,611,000 in 1997.

Expenses increased by \$6,159,000 or 8.4%, of which \$4,284,000 was due to increased operating expenses. Operating expenses increased primarily due to the water systems acquired in the past two years (\$1,883,000) and the increased volume of water sales (\$740,000). Operating expenses were also impacted by increased wage and administrative expenses, partially offset by lower maintenance expenses. Depreciation increased by \$1,243,000 due to the significant capital expenditures made to expand and improve water utility facilities, and as a result of acquisitions of water systems. Taxes other than income taxes increased \$628,000 due to increases in the bases on which the Pennsylvania Public Utility Realty Tax (PURTA), local real estate taxes and the Capital Stock Tax are calculated and to an increase in the PURTA tax rate. The increase in the taxable base for the PURTA and local real estate taxes is due to PSW's capital expenditures and acquisitions completed in the last two years. The increase in the Capital Stock Tax is due to the increases in the Company's common equity over the past year.

USE OF PROCEEDS

The net proceeds from the sale of the 1,100,000 shares of Common Stock offered hereby, after deducting the underwriting discount and offering expenses, are estimated to be \$25,238,900 (\$28,705,700 if the Underwriters' overallotment option is exercised in full). The Company expects to invest \$19,000,000 of the net proceeds of the offering in PSW as a contribution to the capital of PSW. The Company expects that PSW will use these proceeds to reduce outstanding indebtedness under its revolving credit agreement incurred for capital expenditures, for acquisitions of water systems (including West Chester) and for

the retirement of approximately \$4,214,500 of PSW's 8.66% Series 1 Cumulative Preferred Stock with Mandatory Redemption. The principal amount outstanding under the revolving credit agreement on January 26, 1998 was \$50,000,000. Interest on outstanding balances under the revolving credit agreement is based, at PSW's option, on the prime rate, an adjusted federal funds rate, an adjusted certificate of deposit rate corresponding to the interest period selected, an adjusted Euro-Rate corresponding to the interest period selected or at rates offered by the banks. As of January 26, 1998, the interest rate on the principal amount outstanding under the revolving credit agreement was 6.37%. The balance of the net proceeds will be used to reduce short-term debt of the Company.

CAPITAL REQUIREMENTS AND FUNDING

PSW's planned 1998 capital program is projected to be \$55,000,000, of which \$33,400,000 is for DSIC qualified projects. The 1998 capital program is expected to be financed, along with \$2,448,000 of sinking fund obligations and \$4,214,500 of preferred stock redemptions, through internally-generated funds, bank borrowings, equity investments from the Company and issuance of new long-term debt. PSW has increased its capital spending for infrastructure rehabilitation in response to the DSIC. Should the DSIC be discontinued for any reason, which is not anticipated, PSW would likely reduce its capital program significantly.

Future utility construction in the period 1999 through 2002 is estimated to require aggregate expenditures of approximately \$200,000,000. The majority of the utility construction during this period is expected to be for DSIC qualified projects. The Company anticipates that approximately 50% of these expenditures will require external financing including the additional issuance of Common Stock through the Company's dividend reinvestment plan and possible future public equity offerings. The Company expects to refinance \$20,238,000 of debt maturities during this period as they become due with new long-term debt. The estimates discussed above do not include any amounts for possible future acquisitions of water systems or the financing necessary to support them.

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

FORWARD-LOOKING STATEMENTS

Certain matters discussed under "The Company," "Use of Proceeds" and "Capital Requirements and Funding" in this Prospectus may include forward-looking statements that involve risks and uncertainties. These forward-looking statements are based on assumptions made by management regarding future circumstances over which the Company may have little or no control. Actual results may differ materially from these forward-looking statements for a number of reasons, including (i) the effects of regulation, (ii) changes in capital requirements and funding, and (iii) acquisitions.

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PRICE RANGE OF COMMON STOCK AND DIVIDENDS

The following table shows the high and low sale prices per share of Common Stock as reported on the New York Stock Exchange ("NYSE") Composite Tape for the periods indicated and also shows the cash dividends paid per share during such periods.

	HIGH	LOW	QUARTERLY CASH DIVIDENDS PAID
	-----	-----	-----
1996			
First Quarter.....	\$11.57	\$10.26	\$ 0.1448
Second Quarter.....	12.57	11.25	0.1448
Third Quarter.....	12.94	11.63	0.1519
Fourth Quarter.....	14.91	12.38	0.1519

			\$ 0.5934
			=====
1997			
First Quarter.....	\$15.47	\$11.72	\$ 0.1519
Second Quarter.....	15.10	11.44	0.1519
Third Quarter.....	18.00	14.07	0.1594
Fourth Quarter.....	22.18	15.10	0.1594

			\$ 0.6226
			=====
1998			
First Quarter (through January 28, 1998).....	\$25.75	\$20.72	\$ 0.1625*

- -----

* On December 2, 1997, the Company's Board of Directors declared a regular quarterly dividend of \$.1625 per share, payable March 1, 1998 to holders of record on February 13, 1998. Holders, as of the record date, of the Common Stock offered hereby will be entitled to receive this dividend.

The Company or its predecessor companies have paid dividends each year since 1944. The Company presently intends to pay quarterly cash dividends in the future, subject to its earnings and financial condition, regulatory requirements and such other factors as the Board of Directors of the Company may deem relevant. See "Description of Capital Stock -- Dividend Rights" for a description of limitations on the payment of cash dividends.

See the cover page of this Prospectus for the last sale price of the Company's Common Stock on a recent date. As of December 31, 1997 there were approximately 13,894 holders of record of the Common Stock.

The Company offers the holders of record of its Common Stock the opportunity to reinvest part or all of the dividend payments on their shares of Common Stock through purchases of original issue Common Stock without payment of any brokerage commission or service charge through its Dividend Reinvestment and Direct Stock Purchase Plan (the "Plan"). The purchase price for original issue shares of Common Stock purchased through the reinvestment of dividends is 95% of the average of the high and low prices of the Common Stock as reported in the NYSE-Composite Transactions for each of the five trading days immediately preceding the dividend payment date. The Plan also permits shareholders and investors to invest up to \$30,000 annually in the Company's Common Stock in the open market through the Company's transfer agent. At December 1, 1997, holders of 23% of the shares of Common Stock outstanding participated in the dividend reinvestment portion of the Plan.

DESCRIPTION OF CAPITAL STOCK

The Company has the authority to issue an aggregate of 41,770,819 shares. This includes 40,000,000 shares of Common Stock, par value \$.50 per share, and 1,770,819 shares of Series Preferred Stock, par value \$1.00 per share, including the Series A Junior Participating Preferred Stock referred to under "Shareholders

Rights Plan." The Board of Directors has authority to divide the Series Preferred Stock into one or more series and has broad authority to fix and determine relative rights and preferences of the shares of each series. During 1996, the Board of Directors designated 32,200 shares as 6.05% Series B Preferred Stock and in November 1996, the Company issued all of these shares in connection with an acquisition.

As of December 31, 1997, 26,210,654 shares of Common Stock were issued and outstanding, and 32,200 shares of 6.05% Series B Preferred Stock were outstanding. In addition, options to purchase 968,137 shares of Common Stock under the Company's stock option plans were outstanding as of that date.

DIVIDEND RIGHTS. Holders of shares of Common Stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available therefore. Since the Company is a holding company, the funds required by the Company to enable it to pay dividends on its Common Stock are derived predominantly from the dividends paid to the Company by PSW. The Company's ability to pay dividends, therefore, is dependent upon the earnings, financial condition and ability to pay dividends of PSW. PSW is subject to regulation by the PUC, and the amounts of its earnings and dividends are affected by the manner in which it is regulated by the PUC. In addition, PSW is subject to restrictions on the payment of dividends contained in its various debt agreements. Under the most restrictive debt agreement, the amount available for payment of dividends by PSW as of December 31, 1997 was approximately \$120 million.

LIQUIDATION RIGHTS. In the event of liquidation, dissolution or winding up of the Company, the holders of shares of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of Preferred Stock, if any, then outstanding. Under terms of the Series B Preferred Stock, the holders thereof are entitled in the event of a liquidation, dissolution or winding up of the Company, to receive out of the Company's assets legally available for distribution to its shareholders, an amount per share of \$100.00 plus an amount equal to any accrued but unpaid cumulative dividends and any interest accrued thereon.

VOTING RIGHTS. Holders of Common Stock are entitled to one vote for each share held by them at all meetings of the shareholders and are not entitled to cumulate their votes for the election of directors.

SHAREHOLDERS RIGHTS PLAN. Holders of the Common Stock own, and the holders of the shares of Common Stock issued in this offering will receive, one right (a "Right") to purchase Series A Junior Participating Preferred Stock ("Series A Preferred Stock") for each outstanding share of Common Stock. The rights are issued pursuant to a Shareholders Rights Plan (the "Current Plan"). Upon the occurrence of certain events, each Right would entitle the holder to purchase from the Company one one-hundredth of a share of Series A Preferred Stock at an exercise price of \$70 per one-hundredth of a share, subject to adjustment. The Rights are exercisable in certain circumstances if a person or group acquires 25% or more of the Company's Common Stock or if the holder of 25% or more of the Company's Common Stock engages in certain transactions with the Company. In that case, each Right would be exercisable by each holder, other than the acquiring person, to purchase shares of Common Stock of the Company at a substantial discount from the market price. In addition, if, after the date that a person has become the holder of 25% or more of the Company's Common Stock, any person or group merges with the Company or engages in certain other transactions with the Company, each Right entitles the holder, other than the acquirer, to purchase common stock of the surviving corporation at a substantial discount from the market price. The Rights are subject to redemption by the Company in certain circumstances. The Rights have no voting or dividend rights and, until exercisable, cannot trade separately from the Common Stock and have no dilutive effect on the earnings of the Company. The Current Plan expires on March 1, 1998.

At the meeting of the Board of Directors scheduled for February 3, 1998, management is expected to recommend that the Board of Directors adopt a new Shareholder Rights Plan (the "New Plan") to replace the Current Plan. The New Plan, which would expire on March 1, 2008, would be substantially the same as the Current Plan except that the beneficial ownership threshold that would trigger the exercisability of the rights issued to purchase Company Common Stock would be reduced from 25% of the outstanding Common Stock to approximately 20% of the outstanding Common Stock.

provisions of the Pennsylvania Business Corporation Law of 1988, as amended, which are triggered, in general, if any person or group acquires, or discloses an intent to acquire 20% or more of the voting power of a covered corporation, other than pursuant to a registered firm commitment underwriting or, in certain cases, pursuant to the approving vote of the board of directors. These provisions provide the other shareholders of the corporation with certain rights against such person or group; prohibit the corporation from engaging in any of a broad range of business combinations with such person or group; and restrict such person's or group's voting and other rights. In addition, an amendment of the corporation's articles or other corporate action, if approved by shareholders generally, may provide mandatory special treatment for specified groups of nonconsenting shareholders of the same class by providing, for example, that shares of common stock held only by designated shareholders of record, and no other shares of common stock, shall be cashed out at a price determined by the corporation, subject to applicable dissenters' rights.

Certain provisions of the Company's Articles and Bylaws may have the effect of discouraging unilateral tender offers or other attempts to take over and acquire the business of the Company. These provisions might discourage some potentially interested purchaser from attempting a unilateral takeover bid for the Company on terms which some shareholders might favor. The Company's Articles require that certain fundamental transactions must be approved by the holders of 75% of the outstanding shares of capital stock of the Company entitled to vote on the matter unless at least 75% of the members of the Board of Directors of the Company has approved the transaction, in which case the required shareholder approval will be the minimum approval required by applicable law. The fundamental transactions which are subject to this provision are those transactions which require approval by the shareholders of the Company under applicable law or the Articles of the Company, including certain amendments of the Articles or Bylaws of the Company, certain sales or other dispositions of the assets of the Company, certain issuances of capital stock of the Company, or certain transactions involving the merger, consolidation, division, reorganization, dissolution, liquidation or winding up of the Company. The Company's Bylaws prohibit (i) shareholders from calling a special meeting of the Company's shareholders, (ii) a nominee from being elected a director of the Company unless the name of the nominee, and certain information relating to the nominee, is filed with the Secretary of the Company not less than 14 days nor more than 50 days prior to any meeting of the shareholders called for the election of directors, and (iii) shareholder proposals to be made at annual meetings of shareholders unless certain advance notice procedures are met, which generally require a notice to be delivered not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders.

NO PREEMPTIVE RIGHTS. Neither the Common Stock nor any other class of securities of the Company has any preemptive rights.

TRANSFER AGENT AND REGISTRAR. The Transfer Agent and Registrar for the Common Stock is ChaseMellon Shareholder Services, L.L.C.

UNDERWRITING

Upon the terms and subject to the conditions stated in the Underwriting Agreement, dated the date hereof, each Underwriter named below has severally agreed to purchase, and the Company has agreed to sell to such Underwriter, the number of shares of Common Stock set forth opposite the name of such Underwriter:

NAME	NUMBER OF SHARES
-----	-----
A.G. Edwards & Sons, Inc.	
Edward D. Jones & Co., L.P.	

Total.....	1,100,000

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The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares are subject to approval of certain legal matters by counsel and to certain other conditions. The Underwriters are obligated to take and pay for all shares of Common Stock offered hereby (other than those covered by the over-allotment option described below) if any such shares are taken; provided that under certain circumstances involving a default of Underwriters, less than all of such shares may be purchased.

The Underwriters, for whom A.G. Edwards & Sons, Inc. and Edward D. Jones & Company, L.P. are acting as Representatives, propose to offer part of the shares directly to the public at the public offering price set forth on the cover page of this Prospectus and part of the shares to certain dealers at a price which represents a concession not in excess of \$. per share under the public offering price. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$. per share to certain other dealers. After the shares of Common Stock are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriters.

The Company has agreed that, for a period of 90 days from the date of this Prospectus, it will not, without the prior written consent of the Underwriters, offer, sell, contract to sell or otherwise dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or grant any options or warrants to purchase Common Stock, except for the Plan and pursuant to the Company's employee benefit plans.

The Company has granted to the Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to 150,000 additional shares of Common Stock at the price to public set forth on the cover page of this Prospectus minus the underwriting discounts and commissions determined in the manner described on the cover page hereof. The Underwriters may exercise such option solely for the purpose of covering over-allotments, if any, in connection with the offering of the shares offered hereby. To the extent such option is exercised, each Underwriter will be obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares as the number of shares set forth opposite each Underwriter's name in the preceding table bears to the total number of shares listed in such table.

In connection with this offering, certain Underwriters and selling group members and their respective affiliates may engage in transactions that stabilize, maintain or otherwise affect the market price of the Common Stock. Such transactions may include stabilization transactions effected in accordance with Rule 104 of Regulation M under the Exchange Act, pursuant to which such persons may bid for or purchase

Common Stock for the purpose of stabilizing its market price. The Underwriters also may create a short position for their respective accounts by selling more Common Stock in connection with this offering than they are committed to purchase from the Company and in such case may purchase Common Stock in the open market following completion of this offering to cover all or a portion of such short position. The Underwriters may also cover all or a portion of such short position by exercising the Underwriters' over-allotment option referred to above. In addition, A.G. Edwards & Sons, Inc. on behalf of the Underwriters, may impose "penalty bids" under contractual arrangements with the Underwriters whereby it may reclaim from an Underwriter (or dealer participating in this offering) for the account of the Underwriters, the selling concession with respect to Common Stock that is distributed in this offering but subsequently purchased for the account of the Underwriters in the open market. Any of the transactions described in this paragraph may result in the maintenance of the price of the Common Stock at a level above that which might otherwise prevail in the open market. None of the transactions described in this paragraph is required, and, if they are undertaken, they may be discontinued at any time.

A.G. Edwards & Sons, Inc. is a party to an agreement with the Company pursuant to which it acts as a placement agent for the Company's issuance of Medium-Term Notes. A.G. Edwards & Sons, Inc. also is acting as financial advisor to the Company in connection with the Company's adoption of the new Shareholder Rights Plan, as described under "Description of Capital Stock" above.

LEGAL OPINIONS

Certain legal matters with respect to this offering are being passed upon for the Company by Morgan, Lewis & Bockius LLP, Philadelphia, Pennsylvania, and for the Underwriters by Winthrop, Stimson, Putnam & Roberts, New York, New York.

EXPERTS

The consolidated financial statements of Philadelphia Suburban Corporation and subsidiaries as of December 31, 1997 and 1996, and for each of the years in the three-year period ended December 31, 1997, have been incorporated by reference herein and in the registration statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, incorporated by reference herein, and upon authority of said firm as experts in accounting and auditing.

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NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY OF THE UNDERWRITERS OR BY ANY OTHER PERSON. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY A SECURITY OTHER THAN THE SHARES OF COMMON STOCK OFFERED HEREBY, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION TO SUCH PERSON. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

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[PSC LOGO]

PROSPECTUS

A.G. EDWARDS & SONS, INC.

EDWARD D. JONES & CO., L.P.

February , 1998

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table shows the estimated expenses of the issuance and distribution of the securities offered hereby:

Securities and Exchange Commission Registration Fee.....	\$ 7,825
Printing and Engraving.....	50,000
Accounting Services.....	25,000
Legal Services.....	70,000
NYSE Listing Fees.....	4,380
PHSE Listing Fees.....	1,250
Transfer Agent Fees.....	5,000
Miscellaneous.....	20,545

Total.....	\$184,000

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Sections 1741 and 1742 of the Pennsylvania Business Corporation Law of 1988, as amended (the "BCL"), provide that a business corporation may indemnify directors and officers against liabilities they may incur as such provided that the particular person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. In general, the power to indemnify under these sections does not exist in the case of actions against a director or officer by or in the right of the corporation if the person otherwise entitled to indemnification shall have been adjudged to be liable to the corporation unless it is judicially determined that, despite the adjudication of liability but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnification for specified expenses. The corporation is required to indemnify directors and officers against expenses they may incur in defending actions against them in such capacities if they are successful on the merits or otherwise in the defense of such actions.

Section 1713 of the BCL permits the shareholders to adopt a bylaw provision relieving a director (but not an officer) of personal liability for monetary damages except where (i) the director has breached the applicable standard of care, and (ii) such conduct constitutes self-dealing, willful misconduct or recklessness. The statute provides that a director may not be relieved of liability for the payment of taxes pursuant to any federal, state or local law or responsibility under a criminal statute. Section 4.01 of the Company's Bylaws limits the liability of any director of the Company to the fullest extent permitted by Section 1713 of the BCL.

Section 1746 of the BCL grants a corporation broad authority to indemnify its directors, officers and other agents for liabilities and expenses incurred in such capacity, except in circumstances where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness. Article VII of the Company's Bylaws provides indemnification of directors, officers and other agents of the

Company to the extent not otherwise permitted by Section 1741 of the BCL and pursuant to the authority of Section 1746 of the BCL.

Article VII of the Bylaws provides, except as expressly prohibited by law, an unconditional right to indemnification for expenses and any liability paid or incurred by any director or officer of the Company, or any other person designated by the Board of Directors as an indemnified representative, in connection with any actual or threatened claim, action, suit or proceeding (including derivative suits) in which he or she may be involved by reason of being or having been a director, officer, employee or agent of the Company or, at the request of the Company, of another corporation, partnership, joint venture, trust, employee benefit plan or other entity. The Bylaws specifically authorize indemnification against both judgments and amounts paid in

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settlement of derivative suits, unlike Section 1742 of the BCL which authorized indemnification only of expenses incurred in defending a derivative action. Article VII of the Bylaws also allows indemnification for punitive damages and liabilities incurred under the federal securities laws.

Unlike the provisions of BCL Sections 1741 and 1742, Article VII does not require the Company to determine the availability of indemnification by the procedures or the standard of conduct specified in Sections 1741 and 1742 of the BCL. A person who has incurred an indemnifiable expense or liability has a right to be indemnified independent of any procedures or determinations that would otherwise be required, and that right is enforceable against the Company as long as indemnification is not prohibited by law. To the extent indemnification is permitted only for a portion of a liability, the Bylaw provisions require the Company to indemnify such portion. If the indemnification provided for in Article VII is unavailable for any reason in respect of any liability or portion thereof, the Bylaws require the Company to make a contribution toward the liability. Indemnification rights under the Bylaws do not depend upon the approval of any future Board of Directors.

Section 7.04 of the Company's Bylaws also authorizes the Company to further effect or secure its indemnification obligations by entering into indemnification agreements, maintaining insurance, creating a trust fund, granting a security interest in its assets or property, establishing a letter of credit, or using any other means that may be available from time to time.

The Company maintains, on behalf of its directors and officers, insurance protection against certain liabilities arising out of the discharge of their duties, as well as insurance covering the Company for indemnification payments made to its directors and officers for certain liabilities. The premiums for such insurance are paid by the Company.

ITEM 16. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND INDEX TO SUCH EXHIBITS AND SCHEDULES

The exhibits filed as part of this registration statement are as follows:

EXHIBIT NUMBER	DESCRIPTION
1.1	Form of Underwriting Agreement*
4.1	Articles of Incorporation(1)
4.2	By-laws of Registrant, as amended(2)
4.3	Rights Agreement(3)
5.1	Opinion of Morgan, Lewis & Bockius LLP regarding legality of securities when issued.**
23.1	Consent of Morgan, Lewis & Bockius LLP (included in its opinion filed as Exhibit 5.1 hereto).**
23.2	Consent of KPMG Peat Marwick LLP.*
24.1	Powers of Attorney (included on the signature page).**

* Filed herewith

** Previously filed

- (1) Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (Exhibit No. 3.1) and the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 (Exhibits 3.3 and 3.4)
- (2) Incorporated by reference from the Registrant's Annual Report on Form 10-K for the Year Ended December 31, 1992 (Exhibit No. 3.2) and the Registrant's Current Report on Form 8-K dated August 5, 1997.
- (3) Incorporated by reference from the Registrant's Current Report on Form 8-K dated February 26, 1988 (Exhibit No. 1) and Current Report on Form 8-K dated May 19, 1988 (Exhibit No. 1).

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ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bryn Mawr, Commonwealth of Pennsylvania, on this 29(th) day of January, 1998.

PHILADELPHIA SUBURBAN CORPORATION

By: *

 Nicholas DeBenedictis
 Chairman and President

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement has been signed below by the following persons and by Michael P. Graham as attorney-in-fact for the specified persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
* ----- Nicholas DeBenedictis	Chairman and President (Principal Executive Officer)	January 29, 1998
/s/ MICHAEL P. GRAHAM ----- Michael P. Graham	Senior Vice President -- Finance and Treasurer (Principal Financial and Accounting Officer)	January 29, 1998
* ----- John H. Austin, Jr.	Director	January 29, 1998
* ----- G. Fred DiBona, Jr.*	Director	January 29, 1998
* ----- John W. Boyer, Jr.	Director	January 29, 1998
* ----- Mary C. Carroll	Director	January 29, 1998
* ----- Alan R. Hirsig	Director	January 29, 1998
* ----- Richard H. Glanton, Esq.	Director	January 29, 1998
* ----- John F. McCaughan	Director	January 29, 1998
* ----- Richard L. Smoot	Director	January 29, 1998
* ----- Harvey J. Wilson	Director	January 29, 1998

*By: /s/ MICHAEL P. GRAHAM

INDEX TO EXHIBITS

EXHIBIT NUMBER	EXHIBIT	SEQUENTIALLY NUMBERED PAGE
1.1	-- Form of Underwriting Agreement*	
5.1	-- Opinion of Morgan, Lewis & Bockius LLP**	
23.1	-- Consent of Morgan, Lewis & Bockius LLP (included as part of Exhibit 5.1)**	
23.2	-- Consent of KPMG Peat Marwick LLP*	
24.1	-- Powers of Attorney (included on the signature page)**	

* Filed herewith

** Previously filed

PHILADELPHIA SUBURBAN CORPORATION

COMMON STOCK

UNDERWRITING AGREEMENT

FEBRUARY __, 1998

A.G. Edwards & Sons, Inc.
Edward D. Jones & Co., L.P.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson Avenue
St. Louis, Missouri 63103

As the Representatives of the
several Underwriters named in
Schedule I hereto

Ladies and Gentlemen:

PHILADELPHIA SUBURBAN CORPORATION, a Pennsylvania corporation (the COMPANY), hereby confirms its agreement with the several Underwriters, for whom you are acting as representatives (the REPRESENTATIVES), as follows:

1. Purchase and Sale.

(a) Firm Shares. Upon the basis of the representations and warranties herein contained, and subject to the terms and conditions herein set forth, the Company agrees to sell to each of the several firms or corporations named in Schedule I hereto and any firm or corporation substituted as provided in Section 3(e) hereof as if such firm or corporation had originally been a party to this Agreement (each, an UNDERWRITER) and such Underwriter agrees, at the time and place herein specified, severally and not jointly, to purchase from the Company, the respective number of shares of Common Stock, par value \$.50 per share, of the Company (the COMMON STOCK) set forth opposite such Underwriter's name on Schedule I hereto (the FIRM SHARES) at a purchase price of \$[] per share (the PURCHASE PRICE).

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(b) Option Shares. Upon the basis of the representations and warranties herein contained, and subject to the terms and conditions herein set forth, the Company agrees to sell to the respective Underwriters named in Schedule I hereto and the Underwriters have an option to purchase, severally and not jointly, from the Company (the "Option") not more than an additional 150,000 shares of Common Stock (the "Option Shares") at the Purchase Price minus, if an Option Closing Date (as defined in Section 3(c) hereof) with respect to the delivery and payment of any Option Shares occurs after the date fixed for the determination of stockholders entitled to receive the next dividend payable on shares of Common Stock, an amount equal to such dividend per share of such Option Shares, provided such Option Closing Date is after the Firm Closing Date (as defined in Section 3(b) hereof). Option Shares may be purchased as provided herein solely for the purpose of covering over-allotments made in connection with the public offering of the Firm Shares. If any Option Shares are to be purchased, each of the Underwriters agrees, severally and not jointly, to purchase the number of Option Shares that bears the same proportion to the total number of Option Shares to be purchased as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto bears to the total number of Firm Shares. The Option may be exercised, in whole or in part from time to time, within the period of 30 days from the date hereof, by written notice from the Representatives, on behalf of the Underwriters, to the Company (the OPTION NOTICE). The Option Notice shall set forth the aggregate number of Option Shares as to which the Option is being exercised and the date of delivery of, and payment for, such Option Shares pursuant to Section 3(c) hereof. As used herein, the term SECURITIES shall mean, collectively, the Firm Shares and Option Shares.

2. Representations and Warranties of Company. The Company represents and warrants to, and covenants and agrees with, the several Underwriters that:

(a) Filing of Registration Statement and any Preliminary Prospectus with Commission. The Company meets the requirements for use of Form S-3 under the Securities Act of 1933, as amended (the 1933 ACT), and has transmitted for filing to the Securities and Exchange Commission (the SEC) the Registration Statement (as defined below) and each Preliminary Prospectus (as defined below) relating to the Securities, if any, required to be filed pursuant to Rule 424(a) or (b) under the 1933 Act; and the Registration Statement has been declared effective by the SEC under the 1933 Act and complies in all material respects with Rule 430A. For purposes of this Agreement, the following terms used herein shall have the following meanings: (i) REGISTRATION STATEMENT shall mean the registration statement on Form S-3 (No. 333-44271) filed by the Company with the SEC for the registration under the 1933 Act of the Securities, as amended and supplemented to the date of this Agreement and including the exhibits thereto, and shall be deemed to include the Incorporated Documents (as defined below); (ii) INCORPORATED DOCUMENTS shall mean the documents filed by the Company with the SEC under the Securities Exchange Act of 1934, as amended (the 1934 ACT), that are, or are deemed to be, incorporated by reference in the Prospectus (as defined herein) pursuant to Item 12 of Form S-3 under the 1933 Act; (iii) PRELIMINARY PROSPECTUS shall mean (A) any prospectus included in the Registration Statement prior to the initial Effective Date (as defined below) used in connection with the offering and sale of the Securities (other than making confirmations of sales of the Securities), as such prospectus may at any time be amended or modified (whether or

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not transmitted for filing pursuant to Rule 424(a) or (b) under the 1933 Act), or (B) any amendment or supplement to such prospectus used in connection with the offering and sale of the Securities (other than making confirmations of sales of the Securities) transmitted for filing to the SEC pursuant to Rule 424(a) or (b) under the 1933 Act, and shall in each case be deemed to include the Incorporated Documents; and (iv) EFFECTIVE DATE shall mean the date or time that the Registration Statement or any post-effective amendment thereto was declared effective by the SEC under the 1933 Act. For purposes of this Agreement, the words "amend," "amendment," "amended," "supplement" or "supplemented" with respect to the Registration Statement or the Prospectus shall mean (i) amendments or supplements to the Registration Statement or the Prospectus, and (ii) Incorporated Documents, in each case filed with the SEC or sent to prospective purchasers of the Securities after the date of this Agreement and prior to the completion of the distribution of the Securities.

(b) Registration Statement; Prospectus; Incorporated Documents. (i) The Registration Statement, at the Effective Date, any Preliminary Prospectus, at the time it is transmitted for filing to the SEC pursuant to Rule 424(a) or (b) under the 1933 Act and when delivered to the Underwriters for their use in marketing the Securities, and the Prospectus, at the time it is transmitted for filing to the SEC pursuant to Rule 424(b) under the 1933 Act and when delivered to the Underwriters for their use in making confirmations of sales of the Securities, complied and will comply, as the case may be, in all material respects with the applicable requirements of the 1933 Act and the rules and regulations of the SEC thereunder; (ii) the Registration Statement, at the Effective Date, did not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (iii) the Prospectus, at the time it is transmitted for filing to the SEC pursuant to Rule 424(b) under the 1933 Act and when delivered to the Underwriters for their use in making confirmations of sales of the Securities, will not and any Preliminary Prospectus, at the time it is transmitted for filing to the SEC pursuant to Rule 424(a) or (b) under the 1933 Act and when delivered to the Underwriters for their use in marketing the Securities, did not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (iv) each Incorporated Document, at the time it is transmitted for filing to the SEC pursuant to the 1934 Act, complied and will comply, as the case may be, in all material respects with the applicable requirements of the 1934 Act and the rules and regulations of the SEC thereunder; provided, however, that, in the case of clauses (i), (ii) and (iii) above, the Company makes no representation or warranty as to information furnished in writing to the Company by any Underwriter through the

Representatives expressly for use in the Prospectus, which for purposes of this Agreement shall be deemed to consist solely of (x) the statements with respect to the delivery of the Securities in the last paragraph on the cover page of the Prospectus, (y) the stabilization legend on the inside front cover page of the Prospectus, and (z) the statements in the third, fifth and sixth paragraphs under the caption "Underwriting" in the Prospectus (collectively, the UNDERWRITER INFORMATION). For purposes of this Agreement, PROSPECTUS shall mean the prospectus included in the Registration Statement at the initial Effective Date, as such prospectus may at any time be amended or supplemented by the addition of (i) the information omitted in reliance on Rule 430A under the 1933 Act and contained in the prospectus as first transmitted for filing to the SEC pursuant to Rule 424(b) under the 1933 Act,

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and (ii) except for purposes of subsection (f) of Section 5, any Incorporated Documents filed with the SEC after the Effective Date.

(c) Securities. The Securities have been duly and validly authorized, and when issued and delivered against payment therefor as provided herein, will be validly issued and fully paid and non-assessable and entitled to the rights set forth in the Company's Articles of Incorporation, as it may be amended (the Charter); other than as set forth in the Prospectus, there are no preemptive rights or other rights to subscribe for or to purchase, or any restriction upon the voting or transfer of, any shares of Common Stock pursuant to the Charter or Bylaws (the ORGANIZATIONAL DOCUMENTS) of the Company, or other agreement or instrument to which the Company is a party or by which it is bound or to which any of the property of the Company is subject; and the Common Stock, including the Securities, and the Shareholders Rights Plan (as defined in the Prospectus) each conforms in all material respects to the description thereof contained in the Prospectus.

(d) Agreement. This Agreement has been duly authorized, executed and delivered by the Company and is a valid and legally binding agreement of the Company enforceable against the Company in accordance with its terms, except as may be limited by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization and other similar laws relating to or affecting creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) requirements of reasonableness, good faith and fair dealing (such exceptions, collectively, the EXCEPTIONS).

(e) Due Incorporation and Qualification. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus and to execute and deliver, and perform its obligations under, this Agreement; PSWC (as hereinafter defined) has been duly incorporated and is validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus; and the Company and PSWC are each duly qualified as a foreign corporation to transact business and each is in good standing in each jurisdiction in which it owns or leases substantial properties or in which the conduct of its business requires such qualification, except where the failure to so qualify would not have a material adverse effect on the financial condition of the Company and PSWC taken as a whole and would not subject the Company or PSWC to any material liability or disability. Pursuant to the Exchange Act and the rules and regulations thereunder, Philadelphia Suburban Water Company (PSWC) is the only subsidiary of the Company required to be listed in an exhibit to the Company's Annual Report on Form 10-K which is incorporated by reference into the Registration Statement. All the outstanding shares of capital stock of PSWC have been duly authorized and validly issued, are fully paid and non-assessable, and are beneficially owned by the Company free and clear of any lien, adverse claim, security interest, equity, or other encumbrance.

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(f) Material Changes or Transactions. Neither the Company nor PSWC has sustained since December 31, 1996 any material loss or interference with its business from fire, explosion, flood or other calamity, or from any

labor dispute or court or governmental action, order or decree, otherwise than as set forth in the Prospectus; and, since the respective dates as of which information is given in the Prospectus, there has not been any change in the capital stock (other than pursuant to any stock purchase, dividend reinvestment, savings bonus, incentive, or similar plan or exercise of outstanding stock options) or material increase in short-term debt or long-term debt of the Company or PSWC or any material adverse change, or any development which could reasonably be expected to involve a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and PSWC taken as a whole, otherwise than as set forth in the Prospectus.

(g) No Conflicts; No Consents Required. The offering and sale of the Securities and the compliance by the Company with all of the provisions of this Agreement, and the consummation of the transactions herein contemplated, will not conflict with or result in a breach or violation of any of the material terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which the Company or PSWC is a party or by which the Company or PSWC is bound or to which any of the property or assets of the Company or PSWC is subject, nor will such action result in any violation of the provisions of the Company's Organizational Documents or any statute, rule, regulation or other law applicable to the Company or PSWC, or any order or judgment of any court or governmental agency or body having jurisdiction over the Company or PSWC or any of their respective properties; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities or the consummation by the Company of the transactions contemplated by this Agreement, except such as have been, or will be prior to the Firm Closing Date, obtained under the 1933 Act and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters.

(h) Capital Stock. The Company has an authorized capitalization as set forth in the Prospectus and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable; and all of the issued shares of capital stock of PSWC have been duly and validly authorized and issued, are fully paid and non-assessable and, except as otherwise set forth in the Prospectus, are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims.

(i) No Defaults. The Company is not in violation of the Organizational Documents and neither the Company nor PSWC is in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other material agreement or instrument to which either is a party or by which either is bound or to which any of the property or assets of either is subject. Neither the Company nor PSWC has incurred any liability or obligation, direct

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or contingent, or entered into any transaction, not in the ordinary course of business, that is material to the Company and PSWC taken as a whole.

(j) Litigation. Other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or PSWC is a party or of which any property of the Company or PSWC is the subject that, if determined adversely to the Company or PSWC, would individually or in the aggregate reasonably be expected to have a material adverse effect on the current or future consolidated financial position, stockholders' equity or results of operations of the Company and PSWC taken as a whole; and, to the Company's knowledge, no such proceedings are threatened or contemplated.

(k) 1940 Act. The Company is not and, after giving effect to the offering and sale of the Securities, will not be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the 1940 ACT).

(l) Independent Public Accountants. KPMG Peat Marwick LLP (the ACCOUNTANTS), who have audited certain financial statements of the Company and

PSWC, are independent public accountants as required by the 1933 Act and the rules and regulations of the SEC thereunder.

(m) No Right to Require Registration. No holder of any security of the Company has any right to require registration of shares of Common Stock or any other security of the Company because of the filing of the Registration Statement or consummation of the transactions contemplated by this Agreement.

(n) Notification of SEC Requests or Stop Orders; Notification of Change in Condition. The Company will advise the Representatives promptly and, if requested by the Representatives, will confirm such advice in writing: (i) of any request by the SEC for amendment of the Registration Statement, any Preliminary Prospectus or the Prospectus or for additional information; (ii) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or of the suspension of qualification of the Securities for offering or sale in any jurisdiction or the initiation of any proceeding for such purpose; and (iii) until the earlier of (x) notification from the Representatives that the distribution of the Securities has been completed, and (y) 60 days following the date hereof, of any change in the Company's condition (financial or other), business, prospects, properties, net worth or results of operations, or of the happening of any event, which makes any statement of a material fact made in the Registration Statement or the Prospectus (as then amended) untrue or which requires the making of any additions to or changes in the Registration Statement or the Prospectus (as then amended) in order to state a material fact required by the Act or the regulations thereunder to be stated therein or necessary in order to make the statements therein not misleading, or of the necessity to amend the Prospectus (as then amended) to comply with the Act or any other law. If at any time the SEC shall issue any stop order suspending the effectiveness of the Registration Statement, the Company will make every reasonable effort to obtain the withdrawal of such order at the earliest possible time.

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3. Offering; Delivery of Securities; Defaulting Underwriters.

(a) Offering. The Company is advised by the Representatives that the Underwriters propose to make a public offering of their respective portions of the Securities as soon after the effectiveness of this Agreement as in their judgment is advisable. The Company is further advised by the Representatives that the Securities will be offered to the public at the initial public offering price specified in the Prospectus as amended.

(b) Delivery of Firm Shares. Delivery of the Firm Shares, against payment of the Purchase Price in immediately available funds by wire transfer, shall be made prior to 1:00 P.M. New York City time on February __, 1998 to the Underwriters or at such other time and date as may be agreed upon by the Company and the Representatives. Delivery of the documents required by Section 5 hereof shall be made at such time and date at the offices of Winthrop, Stimson, Putnam & Roberts, One Battery Park Plaza, New York, NY 10004, or at such other location as may be agreed upon in writing by the Company and the Representatives. For purposes of this Agreement, FIRM CLOSING DATE shall mean the hour and date of such delivery and payment.

(c) Delivery of Option Shares. If any Option Shares are to be purchased, delivery of such Option Shares, against payment of the Purchase Price in immediately available funds by wire transfer, shall be made prior to 1:00 P.M. New York City time on the date (which may be the same as the Firm Closing Date but shall in no event be earlier than the Firm Closing Date nor later than three business days after the giving of the Option Notice) specified in the Option Notice, to the Underwriters or at such other time and date as may be agreed upon in writing by the Company and the Representatives. Delivery of the documents required by Section 5 hereof shall be made at such time and date at the offices of Winthrop, Stimson, Putnam & Roberts, One Battery Park Plaza, New York, NY 10004, or at such other location as may be agreed upon by the Company and the Representatives. For purposes of this Agreement, OPTION CLOSING DATE shall mean the hour and date of such delivery and payment.

(d) Certificates for Securities. The certificates for the Firm Shares and any Option Shares shall be delivered to the Representatives for the respective accounts of the Underwriters in such denominations and registered in such names as the Representatives may reasonably request in writing not later

than 10:00 A.M. New York City time on the business day prior to the Firm Closing Date and any Option Closing Date, respectively, or to the extent not so requested, registered in the names of the respective Underwriters in such authorized denominations as the Company shall determine. For the purpose of expediting the checking of the certificates for the Firm Shares and such Option Shares by the Representatives on behalf of the Underwriters, the Company agrees to make such certificates available to the Representatives for such purpose at the offices of The Depository Trust Company, New York, NY, or at such other location in New York, NY, as may be agreed upon between the Company and the Representatives, not later than 2:00 P.M. New York City time on the business day preceding the Firm Closing Date and such Option Closing Date, respectively.

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(e) Defaulting Underwriters. If any Underwriter shall default in its obligation to purchase the Securities that it has agreed to purchase under this Agreement, the Representatives may in their discretion arrange for themselves or another firm or corporation or firms or corporations (including any other Underwriters) to purchase such Securities on the terms contained herein. If, within thirty-six hours after such default by any Underwriter, the Representatives do not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of thirty-six hours within which to procure another firm or corporation or firms or corporations (including any other Underwriters) which are members in good standing of the National Association of Securities Dealers, Inc. and reasonably satisfactory to the Representatives to purchase such Securities on such terms. In the event that, within the respective prescribed period, the Representatives shall notify the Company that they have so arranged for the purchase of such Securities, or the Company notifies Representatives that it has so arranged for the purchase of such Securities, the Representatives or the Company shall have the right to postpone the Firm Closing Date or any Option Closing Date for such Securities, as the case may be, for a period of not more than seven days in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus that in the opinion of the Representatives may thereby be made necessary. If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company, the number of such Securities that remains unpurchased does not exceed one-tenth of the total number of Securities, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Securities that such Underwriter agreed to purchase under this Agreement and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Securities that such Underwriter agreed to purchase under this Agreement) of the Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default. If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company, the number of Securities that remains unpurchased exceeds one-tenth of the total number of Securities, or if the Company shall not exercise the right to require non-defaulting Underwriters to purchase the Securities of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 4(j) hereof and the indemnity and contribution agreements in Section 6 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

4. Covenants of Company. The Company covenants and agrees with the several Underwriters that:

(a) Filing of Prospectus. If required by the 1933 Act or the rules and regulations promulgated thereunder, the Company will promptly transmit copies of the Prospectus, and any amendments thereto, to the SEC for filing pursuant to Rule 424(b) under the 1933 Act.

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(b) Copies of Registration Statement and Prospectus; No Stop Orders. The Company will deliver to each of the Representatives, and to

Winthrop, Stimson, Putnam & Roberts (UNDERWRITERS COUNSEL), (i) one copy of the Registration Statement certified by an officer of the Company to be in the form originally filed, including copies of exhibits thereto (other than any exhibits incorporated by reference therein), (ii) copies (so certified) of any amendments to the Registration Statement, (iii) copies of the Incorporated Documents (other than exhibits thereto), and (iv) a signed copy of each consent and certificate included or incorporated by reference in, or filed as an exhibit to, the Registration Statement as so amended; the Company will deliver to the Underwriters through the Representatives as soon as practicable after the date of this Agreement as many copies of the Prospectus as the Representatives may reasonably request for the purposes contemplated by the 1933 Act and the Blue Sky laws of any jurisdiction in which the Securities are offered; the Company will promptly advise the Representatives of the issuance of any stop order under the 1933 Act with respect to the Registration Statement (as amended) or the institution of any proceedings therefor, or the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, of which the Company shall have received notice or otherwise have knowledge prior to the completion of the distribution of the Securities; and the Company will use its best efforts to prevent the issuance of any such stop order and, if issued, to secure the prompt removal thereof.

(c) Filing of Amendments. During the period when a prospectus relating to any of the Securities is required to be delivered under the 1933 Act by any Underwriter or dealer, the Company will not file any amendment to the Registration Statement, the Prospectus or any Incorporated Document to which the Representatives or Underwriters Counsel shall reasonably object on legal grounds in writing.

(d) Compliance with 1933 Act. During the period when a prospectus relating to any of the Securities is required to be delivered under the 1933 Act by any Underwriter or dealer, the Company will comply, at its own expense, with all requirements imposed by the 1933 Act, as now and hereafter amended, and by the rules and regulations of the SEC thereunder, as from time to time in force, so far as necessary to permit the continuance of sales of or dealing in the Securities during such period in accordance with the provisions hereof and as contemplated by the Prospectus.

(e) Certain Events and Amendments. If, during the period when a prospectus relating to any of the Securities is required to be delivered under the 1933 Act by any Underwriter or dealer, (i) any event relating to or affecting the Company or of which the Company shall be advised in writing by the Representatives shall occur as a result of which, in the opinion of the Company or the Representatives, the Prospectus as then amended would include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (ii) it shall be necessary to amend the Registration Statement or the Prospectus to comply with the 1933 Act, the 1934 Act or the rules and regulations of the SEC thereunder, the Company will forthwith at its expense prepare and furnish to the Representatives a

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reasonable number of copies of such amendment that will correct such statement or omission or effect such compliance.

(f) Blue Sky Qualifications. During the period when a prospectus relating to any of the Securities is required to be delivered under the 1933 Act by any Underwriter or dealer, the Company will furnish such proper information as may be lawfully required and otherwise cooperate in qualifying the Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives may reasonably designate and will file and make in each year such statements or reports as are or may be reasonably required by the laws of such jurisdictions; provided, however, that the Company shall not be required to qualify as a foreign corporation or shall be required to qualify as a dealer in securities or to file a general consent to service of process under the laws of any jurisdiction.

(g) Earning Statement. In accordance with Rule 158 under the 1933 Act, the Company will make generally available to its security holders and to holders of the Securities, as soon as practicable, an earning statement (which need not be audited) in reasonable detail covering the 12 months beginning not later than the first day of the month next succeeding the month in

which occurred the effective date (within the meaning of Rule 158 under the 1933 Act) of the Registration Statement.

(h) Exchange Act Documents; Ratings Notification. During the period when a prospectus relating to any of the Securities is required to be delivered under the 1933 Act by any Underwriter or dealer, the Company will file promptly all documents required to be filed with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act; and the Company will promptly notify the Representatives of any written notice given to the Company by any "nationally recognized statistical rating organization" within the meaning of Rule 436(g)(2) under the 1933 Act (a RATING AGENCY) of any intended decrease in any rating of any securities of the Company or of any intended change in any such rating that does not indicate the direction of the possible change of any such rating, in each case by any such Rating Agency.

(i) No Issuance Period. During the period beginning from the date of this Agreement and continuing to and including the earlier of (i) the termination of trading restrictions on the Securities, as determined by the Underwriters, and (ii) 90 days after the Firm Closing Date, the Company will not, without the prior written consent of the Representatives, offer for sale, sell or enter into any agreement to sell, or otherwise dispose of any Common Stock (except for the Securities), or any other securities of the Company that are substantially similar to the Common Stock or which are convertible or exchangeable into securities which are substantially similar to the Common Stock (other than sales of Common Stock pursuant to PSWC's 1994 Equity Compensation Plan, its Employee Stock Repurchase Plan, its Shareholder Rights Plan and its Dividend Reinvestment and Direct Stock Purchase Plan, as such plans are in effect as of the date hereof); provided, however, that the Company may issue up to 45,000 shares of the Common Stock in conjunction with its acquisition of the Flying Hills Water Company.

(j) Payment of Expenses. Whether or not any sale of the Securities is consummated, the Company will pay or cause to be paid the following: (i) the fees,

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disbursements and expenses of Morgan, Lewis & Bockius, LLP (COMPANY COUNSEL) and the Accountants in connection with the registration of the Securities under the 1933 Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any agreement among the Underwriters, this Agreement, any Blue Sky memorandum, closing documents (including any compilations thereof) and other documents in connection with the offering, purchase, sale and delivery of the Securities; (iii) all expenses in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 4(f) hereof, including the reasonable fees and disbursements of Underwriters Counsel in connection with such qualification and in connection with any such Blue Sky memorandum; (iv) any filing fees incident to, and the fees and disbursements of Underwriters Counsel in connection with, any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Securities; (v) the cost of preparing the Securities; (vi) the fees and expenses in connection with the listing of the Securities on the New York Stock Exchange and the Philadelphia Stock Exchange; and (vii) all other costs and expenses incident to the performance of the Company's obligations hereunder that are not otherwise specifically provided for in this Section 4(j); provided, however, that if this Agreement shall be terminated pursuant to Section 3(e) hereof and could not have been terminated pursuant to Section 5 hereof, the Company shall then not be under any liability to any Underwriter with respect to the Securities except as provided in this Section 4(j) and Section 6 hereof; but, if for any other reason the Securities are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters through the Representatives for all out-of-pocket expenses approved in writing by the Representatives, including fees and disbursements of Underwriters Counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Securities, but the Company shall then be under no further liability to any Underwriter with respect to the Securities except as provided in this Section 4(j) and Section 6 hereof. It is understood that, except as provided in this Section 4(j) and Section 6 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of Underwriters Counsel and any advertising expenses connected with any offers they may make.

(k) Listing of Securities. The Company will use its best efforts to cause the Securities to be duly authorized for listing on the New York Stock Exchange and the Philadelphia Stock Exchange, subject to notice of issuance.

(l) Provision of Information. During the period of two years from the date hereof, the Company will furnish to the Representatives (i) as soon as available, a copy of each report of the Company mailed to stockholders or filed with the SEC, and (ii) from time to time such other information concerning the Company as the Representatives may reasonably request.

(m) Application of Proceeds. The Company will apply the net proceeds from the sale of the Securities substantially in accordance with the description set forth in the Prospectus.

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(n) "Lock-up Letters". The Company has furnished or will furnish to the Representatives prior to the Firm Closing Date "lock-up" letters, in form attached as Exhibit ___ hereto, signed by Compagnie Generale des Eaux (or its nominee).

(o) Abstention from Price-affecting Transactions. Except as stated in this Agreement and in the Preliminary Prospectus and Prospectus, the Company has not effected, nor will it effect, directly or indirectly, any transaction in the Common Stock designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Securities.

5. Conditions to Underwriters' Obligations. The obligations of the several Underwriters under this Agreement shall be subject, in the discretion of the Representatives, to the condition that all representations and warranties of the Company contained in this Agreement are, at and as of the Firm Closing Date and, if any Option Shares are to be purchased, at and as of any Option Closing Date, true and correct (i) in the case of representations and warranties that are qualified as to materiality, in all respects, and (ii) as to all other representations and warranties, in all material respects to the condition that the Company shall have performed all of its obligations hereunder in all material respects on or prior to the Firm Closing Date or such Option Closing Date, as the case may be, and to the following additional conditions:

(a) Filing of Prospectus with SEC; No Stop Order. If, at the time this Agreement is executed and delivered, it is necessary for a post-effective amendment to the Registration Statement to be declared effective before the offering of the Securities may commence, such post-effective amendment shall have become effective not later than 5:30 P.M. New York City time on the date hereof, or at such later date and time as shall be consented to in writing by you; the Prospectus, and any amendments thereto, shall have been transmitted for filing to the SEC within the time period prescribed for such filing by Rule 424(b) under the 1933 Act and in accordance with Section 4(a) hereof; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the SEC; and all requests for additional information on the part of the SEC shall have been complied with to the reasonable satisfaction of the Representatives.

(b) Opinion of Underwriters Counsel. At the Closing Date, Underwriters Counsel shall have furnished to the Representatives an opinion, dated such Closing Date, with respect to the Securities, the Prospectus and the Registration Statement and such other related matters as the Representatives may reasonably request, and Underwriters Counsel shall have received such papers and information as it may reasonably request to enable it to pass upon such matters.

(c) Opinion of Company Counsel. The Representatives shall have received on the Closing Date, an opinion of Morgan, Lewis & Bockius, LLP, dated the Closing Date, in form and substance (including as to qualifications and assumptions) satisfactory to the Representatives, which opinion shall state that it is being rendered at the request of the Company and shall be to the effect that:

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(i) The Company is a corporation duly incorporated and validly existing in good standing under the laws of the Commonwealth of Pennsylvania with full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus, and is duly registered and qualified to conduct its business and is in good standing in the Commonwealth of Pennsylvania (which is the only jurisdiction in which such registration or qualification is required);

(ii) PSWC is a corporation duly incorporated and validly existing in good standing under the laws of the Commonwealth of Pennsylvania, with full corporate power and authority to own, lease, and operate its properties and to conduct its business as described in the Prospectus; and all the outstanding shares of capital stock of PSWC have been duly authorized and validly issued, are fully paid and non-assessable, and are beneficially owned by the Company free and clear of any perfected security interest, or, to the knowledge of such counsel, any Adverse Claim (as defined in Title 13 of the Pennsylvania Uniform Consolidated Statutes Annotated (the PA UCC));

(iii) The capital stock and Shareholders Rights Plan of the Company each conforms in all material respects as to legal matters to the description thereof contained in the Prospectus under the caption "Description of Capital Stock";

(iv) All the shares of capital stock of the Company outstanding prior to the issuance of the Shares have been duly authorized and validly issued, and are fully paid and non-assessable;

(v) The Shares have been duly authorized and, when issued and delivered to the Underwriters against payment therefor in accordance with the terms hereof, will be validly issued, fully paid and non-assessable and free of any preemptive, or to the knowledge of such counsel, similar rights that entitle or will entitle any person to acquire any Shares upon the issuance thereof by the Company;

(vi) The form of certificates for the Shares conforms to the requirements of the Pennsylvania Business Corporation Law of 1988, as amended;

(vii) The Registration Statement and all post-effective amendments, if any, have become effective under the Act and, to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose are pending before or contemplated by the Commission; and the required filing of the Prospectus pursuant to Rule 424(b) has been made in accordance with Rule 424(b);

(viii) The Company has the requisite corporate power and authority to enter into this Agreement and to issue, sell and deliver the Shares to the Underwriters as provided herein, and this Agreement has been duly authorized, executed and delivered by the Company and is a valid, legal and binding agreement of the Company, enforceable

against the Company in accordance with its terms, except as enforcement of rights to indemnity and contribution hereunder may be limited by Federal or state securities laws or principles of public policy and subject to the qualification that the enforceability of the Company's obligations hereunder may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws relating to or affecting creditors' rights generally, and by general equitable principles;

(ix) Neither the offer, sale or delivery of the Shares, the execution, delivery or performance of this Agreement, compliance by the Company with the provisions hereof nor consummation by the Company of the transactions contemplated hereby conflicts or will conflict with or constitutes or will constitute a breach of, or a default under, the certificate or articles of incorporation or bylaws of the Company or PSWC or any agreement, indenture, lease or other instrument known to

such counsel to which the Company or PSWC is a party or by which any of them or any of their respective properties is bound nor will any such action result in any violation of any existing law, regulation, ruling (assuming compliance with all applicable state securities and Blue Sky laws), judgment, injunction, order or decree known to such counsel applicable to the Company, PSWC or any of their respective properties;

(x) No consent, approval, authorization or other order of, or registration or filing with, any court, regulatory body, administrative agency or other governmental body, agency, or official is required on the part of the Company (except as have been obtained under the Act and the Exchange Act or such as may be required under state securities or Blue Sky laws governing the purchase and distribution of the Shares) for the valid issuance and sale of the Shares to the Underwriters as contemplated by this Agreement;

(xi) The Registration Statement, at the Effective Date (including the information deemed included therein pursuant to Rule 430A) and the Prospectus, when filed pursuant to Rule 424(b) (except for the financial statements and the notes thereto and the schedules and other financial and statistical data included therein, as to which such counsel need not express any opinion), complied as to form in all material respects with the requirements of the Act; and each of the Incorporated Documents (except for the financial statements and the notes thereto and the schedules and other financial and statistical data included therein, as to which counsel need not express any opinion) when it was filed with the Commission pursuant to the Exchange Act complied as to form in all material respects with the Exchange Act and the rules and regulations of the Commission thereunder;

(xii) To the knowledge of such counsel, (A) other than as described or contemplated in the Prospectus, there are no legal or governmental proceedings pending or threatened against the Company or PSWC, or to which the Company or PSWC, or any of their property, is subject, which are required to be described in the Registration Statement or Prospectus and (B) there are no agreements, contracts, indentures, leases or other instruments, that are required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement or any Incorporated Document that are not described or filed as required, as the case may be;

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(xiii) The statements in the Registration Statement and Prospectus, insofar as they are descriptions of contracts, agreements or other legal documents, or refer to statements of law or legal conclusions, are accurate and present fairly in all material respects the information required to be shown; and

(xiv) Although counsel has not undertaken, except as otherwise indicated in their opinion, to determine independently, and does not assume any responsibility for, the accuracy or completeness of the statements in the Registration Statement, such counsel has participated in the preparation of the Registration Statement and the Prospectus, including review and discussion of the contents thereof (including review and discussion of the contents of all Incorporated Documents), and nothing has come to the attention of such counsel that has caused them to believe that the Registration Statement, at the Effective Date (including the information deemed included therein pursuant to Rule 430A), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, as of the date it was filed pursuant to Rule 424(b) and as of the Firm Closing Date or the Option Closing Date, as the case may be, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no opinion with respect to the financial statements and the notes thereto and the schedules and other financial and statistical data included in the Registration Statement or the Prospectus or any Incorporated Document).

(d) Opinion of General Counsel. The Representatives shall have received on the Closing Date, an opinion of Roy H. Stahl, Esq., Senior Vice President & General Counsel for the Company (GENERAL COUNSEL), dated such Closing Date and addressed to the Representatives which opinion shall state that it is being rendered at the request of the Company which shall be to the effect set forth in clause (xiv) of subsection (c) and which shall be to the further effect that:

(i) The Company and PSWC each have full corporate power and authority, and all necessary governmental authorizations, approvals, orders, licenses, certificates, franchises and permits of and from all governmental regulatory officials and bodies (except where the failure so to have any such authorizations, approvals, orders, licenses, certificates, franchises or permits, individually or in the aggregate, would not have a material adverse effect on the business, properties, operations or financial condition of the Company and PSWC taken as a whole), to own their respective properties and to conduct their respective businesses as now being conducted, as described in the Prospectus;

(ii) The Company owns of record, directly or indirectly, all the outstanding shares of capital stock of PSWC free and clear of any Adverse Claim (as defined in the PA UCC);

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(iii) Other than as described or contemplated in the Prospectus (or any supplement thereto), there are no legal or governmental proceedings pending or, to such counsel's knowledge, threatened against the Company or PSWC, or to which the Company or PSWC, or any of their property, is subject, which are required to be described in the Registration Statement or Prospectus (or any amendment or supplement thereto);

(iv) To such counsel's knowledge, there are no agreements, contracts, indentures, leases or other instruments, that are required to be described in the Registration Statement or the Prospectus (or any amendment or supplement thereto) or to be filed as an exhibit to the Registration Statement or any Incorporated Document that are not described or filed as required, as the case may be;

(v) To the knowledge of such counsel, neither the Company nor PSWC is in violation of any Pennsylvania law or regulation known to such counsel to be generally applicable to the businesses of such companies or of any decree of any court or governmental agency or body having jurisdiction over the Company or PSWC, except where such violations, considering all such cases in the aggregate, do not involve a material risk to the business, properties, financial position or results of operations of the Company and PSWC taken as a whole;

(vi) Except as described in the Prospectus, there are no outstanding options, warrants or other rights calling for the issuance by the Company of, and such counsel does not know of any commitment, plan or arrangement to issue, any shares of capital stock of the Company or any security convertible into or exchangeable or exercisable for capital stock of the Company; and

(vii) To the knowledge of such counsel, except as described in the Prospectus, there is no holder of any security of the Company or any other person who has the right, contractual or otherwise, to cause the Company to sell or otherwise issue to them, or to permit them to underwrite the sale of, the Shares or the right to have any Common Stock or other securities of the Company included in the registration statement or the right, as a result of the filing of the registration statement, to require registration under the Act of any shares of Common Stock or other securities of the Company.

(e) Letter of Accountants. On the date of this Agreement at a time prior to the execution of this Agreement and at the Firm Closing Date and such Option Closing Date, the Accountants shall have furnished to the Representatives letters, dated the date of this Agreement and the Firm Closing Date and such Option Closing Date, respectively, in form and substance

satisfactory to the Representatives, confirming that they are independent accountants within the meaning of the 1933 Act and the rules and regulations of the SEC thereunder with respect to the Company and PSWC and stating in effect that:

(i) in the opinion of the Accountants, the consolidated financial statements and schedules included or incorporated by reference in the Prospectus and audited by them

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comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1934 Act and the rules and regulations of the SEC thereunder;

(ii) on the basis of a reading of the unaudited consolidated financial statements, if any, included or incorporated by reference in the Prospectus and the latest available interim unaudited consolidated financial statements of the Company, the performance of the procedures specified by the American Institute of Certified Public Accountants for a review of any such financial statements as described in Statement on Auditing Standards No. 71, inquiries of officials of the Company responsible for financial and accounting matters and a reading of the minutes of meetings of the stockholders and the Board of Directors of the Company and the [_____] Committees thereof through a specified date not more than five days prior to the date of the applicable letter, nothing came to the attention of the Accountants that caused them to believe that: (A) any material modification should be made to the unaudited consolidated financial statements, if any, included or incorporated by reference in the Prospectus for them to be in conformity with generally accepted accounting principles or any such financial statements do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act or the 1934 Act and the rules and regulations of the SEC thereunder; (B) for the twelve months ended as of the date of the most recent available financial statements of the Company, there were any decreases in revenues, earnings on common stock or earnings per common share as compared with the comparable period of the preceding year; or (C) at the date of the most recent available financial statements of the Company and at a subsequent date not more than five days prior to the date of such letter, there was any change in the capital stock (except for sales under the Company's 1994 Equity Compensation Plan, its Shareholder Rights Plan, its Dividend Reinvestment and Optional Stock Purchase Plan and its Customer Stock Purchase Plan) or long-term debt of the Company or any decrease in its net assets as compared with the amounts shown in the most recent consolidated balance sheet included or incorporated by reference in the Prospectus, except in all instances for changes or decreases that the Prospectus discloses have occurred or may occur, or for changes or decreases that are described in such letter that are reasonably satisfactory to the Representatives; and

(iii) if unaudited pro forma financial statements are included or incorporated by reference in the Prospectus, on the basis of a reading of such financial statements, carrying out certain specified procedures, inquiries of certain officials of the Company and the company or business acquired or to be acquired who have responsibility for financial and accounting matters and proving the arithmetic accuracy of the application of the adjustments to the historical amounts in such financial statements, nothing came to the attention of the Accountants that caused them to believe that such financial statements do not comply in form in all material respects with the applicable accounting requirements of Rule 11-02 of Regulation S-X or that such pro forma adjustments have not been properly applied to such historical amounts in the compilation of such financial statements.

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Such letter shall also cover such other matters as the Representatives shall reasonably request, including but not limited to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the financial statements included or incorporated by reference in

the Prospectus and any other information of an accounting, financial or statistical nature included therein.

(f) No Material Changes. Since the respective dates as of which information is given in the Prospectus there shall not have been any change in the capital stock (other than pursuant to any stock purchase, dividend reinvestment, savings bonus, incentive, or similar plan or exercise of outstanding stock options) or material increase in short-term debt or long-term debt of the Company or PSWC or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and PSWC, otherwise than as set forth in the Prospectus, the effect of which is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus.

(g) Non-occurrence of Certain Events. On or after the date of this Agreement there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange or on the Philadelphia Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on the New York Stock Exchange or on the Philadelphia Stock Exchange; (iii) a general moratorium on commercial banking activities declared by Federal or New York State or Pennsylvania State authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this clause (iv) in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus.

(h) Listing of Securities. The Securities shall have been listed (subject to official notice of issuance) on the New York Stock Exchange or on the Philadelphia Stock Exchange.

(i) Certificates. At the Firm Closing Date and such Option Closing Date, the Company shall have furnished or caused to be furnished to the Representatives a certificate of officers of the Company satisfactory to the Representatives as to the accuracy of the representations and warranties of the Company herein on and as of the Firm Closing Date and on and as of such Option Closing Date, as to the performance by the Company of all of its obligations hereunder to be performed on or prior to the Firm Closing Date and such Option Closing Date, as to the matters set forth in Sections 5(a) and 5(e) hereof and as to such other matters as the Representatives may reasonably request.

In case any of the conditions specified above in this Section 5 shall not have been fulfilled, this Agreement may be terminated by the Representatives upon mailing or delivering written notice thereof to the Company. Any such termination shall be without liability of either

party to the other party except as otherwise provided in Section 4(j) hereof and except for any liability under Section 6 hereof.

6. Indemnification and Contribution

(a) Indemnification by Company. The Company will indemnify and hold harmless each Underwriter for and against any losses, damages or liabilities, joint or several, to which such Underwriter may become subject, under the 1933 Act or otherwise, insofar as such losses, damages or liabilities (or actions or claims in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus, or any amendment thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred (including such losses, damages, liabilities or expenses to the extent of the aggregate amount paid in settlement of any such action or claim provided that (subject to Section 6(c) hereof) any such settlement is effected with the written consent of the Company); provided, however, that the Company shall not be liable in any such case to the extent that any such loss,

damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement, the Prospectus, or any such amendment, in reliance upon and in conformity with the Underwriter Information; and provided, further, that the Company shall not be liable in any such case under the indemnity agreement in this Section 6(a) with respect to any Preliminary Prospectus or the Prospectus, to the extent that any such losses, damages or liabilities result from the fact that the Underwriter sold Securities to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Prospectus or of the Prospectus as then amended or supplemented (excluding any Incorporated Documents) in any case where such delivery is required by the 1933 Act if the Company has previously furnished copies thereof to the Underwriter and the loss, claim, liability, expense or damage of the Underwriter results from an untrue statement, alleged untrue statement, omission or alleged omission of a material fact contained (x) in a Preliminary Prospectus which was corrected in the Prospectus, or (y) in the Prospectus which was corrected in an amendment or supplement thereto. The foregoing indemnity agreement shall be in addition to any liability which the Company may otherwise have.

(b) Indemnification by Underwriters. Each Underwriter will indemnify and hold harmless the Company for and against any losses, damages or liabilities to which the Company may become subject, under the 1933 Act or otherwise, insofar as such losses, damages or liabilities (or actions or claims in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment thereto, or arise out of or are based upon the omission or alleged

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omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any such amendment, in reliance upon and in conformity with the Underwriter Information in respect of such Underwriter, and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred (including such losses, damages, liabilities or expenses to the extent of the aggregate amount paid in settlement of any such action or claim provided that (subject to Section 6(c) hereof) any such settlement is effected with the written consent of the Underwriters). The foregoing indemnity agreement shall be in addition to any liability which the Underwriters may otherwise have.

(c) General. Promptly after receipt by an indemnified party under Section 6(a) or 6(b) hereof of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under Section 6(a) or 6(b) hereof, notify such indemnifying party in writing of the commencement thereof, but the failure so to notify such indemnifying party shall not relieve such indemnifying party from any liability except to the extent that it has been prejudiced in any material respect by such failure or from any liability that it may have to any such indemnified party otherwise than under Section 6(a) or 6(b) hereof. In case any such action shall be brought against any such indemnified party and it shall notify such indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party under Section 6(a) or 6(b) hereof similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of such indemnified party, be counsel to such indemnifying party), and, after notice from such indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party under Section 6(a) or 6(b) hereof for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. If at any time such indemnified party shall have requested such indemnifying party under Section 6(a) or 6(b) hereof to reimburse such indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a) or 6(b) hereof effected without its written consent if (i) such settlement is entered into more than 45 days after receipt

by such indemnifying party of such request for reimbursement, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request for reimbursement prior to the date of such settlement. No such indemnifying party shall, without the written consent of such indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not such indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (A) includes an unconditional release of such indemnified party from all liability arising out of such action or claim and (B) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. In no event shall such indemnifying parties be liable for the fees and expenses of more than one counsel, including any local counsel, for all such

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indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

(d) Contribution. If the indemnification provided for in this Section 6 is unavailable to or insufficient to indemnify or hold harmless an indemnified party under Section 6(a) or 6(b) hereof in respect of any losses, damages or liabilities (or actions or claims in respect thereof) referred to therein, then each indemnifying party under Section 6(a) or 6(b) hereof shall contribute to the amount paid or payable by such indemnified party as a result of such losses, damages or liabilities (or actions or claims in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if such indemnified party failed to give the notice required under Section 6(c) hereof, and such indemnifying party was prejudiced in a material respect by such failure, then each such indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, damages or liabilities (or actions or claims in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and such Underwriters on the other hand shall be deemed to be in the same proportion as the total net proceeds from such offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above in this Section 6(d). The amount paid or payable by such an indemnified party as a result of the losses, damages or liabilities (or actions or claims in respect thereof) referred to above in this Section 6(d) shall be deemed to include any legal or other expenses incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6(d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations of the Underwriters in this Section 6(d) to contribute are several in proportion to

their respective underwriting obligations with respect to the Securities and not joint.

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(e) Scope of Obligations. The obligations of the Company under this Section 6 shall be in addition to any liability that the Company may otherwise have and shall extend, upon the same terms and conditions, to each officer, director, employee, agent or other representative and to each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act; and the obligations of the Underwriters under this Section 6 shall be in addition to any liability that the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company who signed the Registration Statement and to each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act.

7. Representations, Warranties and Agreements to Survive Delivery. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter, any officer, director, employee, agent or other representative of the Underwriters or any controlling person of any Underwriter, or the Company, any officer or director of the Company who signed the Registration Statement or any controlling person of the Company, and shall survive delivery of and payment for the Securities. The obligations of the Company contained in Section 4(j) (to the extent provided for therein) and Section 6 hereof shall survive termination of this Agreement.

8. Authority to Act; Notices. In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by such Representatives jointly or by such of the Representatives, if any, as may be designated for such purpose in this Agreement.

All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to A.G. Edwards & Sons, Inc. at the address set forth on the first page of this Agreement, Attention: Lester H. Krone; notice to the Company shall be directed to Philadelphia Suburban Corporation, 762 W. Lancaster Avenue, Bryn Mawr, PA 19010-3489, Attention: Senior Vice President and General Counsel.

9. Miscellaneous. The rights and duties of the parties to this Agreement shall, pursuant to New York General Obligations Law Section 5-1401, be governed by the law of the State of New York. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters and the Company, except to the extent provided in Section 6(e) hereof, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Securities from any Underwriter shall be deemed a successor or assign by reason merely of such purchase. This Agreement may be executed by any one or more of the parties hereto and thereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument. The word "or"

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shall not be exclusive, and all references in this Agreement to the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or subdivision hereof, and the captions to such Sections and subdivisions are for convenience only and shall not affect the construction hereof.

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If the foregoing is in accordance with your understanding, please sign and return to the Company the enclosed duplicate hereof, whereupon this Agreement will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

PHILADELPHIA SUBURBAN CORPORATION

Name:
Title:

Accepted as of the date hereof:

A.G. EDWARDS & SONS, INC.

BY: _____
NAME:
TITLE:

EDWARD D. JONES & CO., L.P.

BY: _____
NAME:
TITLE:

As the Representatives of the several Underwriters named in Schedule I hereto

The Board of Directors
Philadelphia Suburban Corporation:

We consent to incorporation by reference in this Registration Statement on Form S-3 of Philadelphia Suburban Corporation of our report dated January 28, 1998, relating to the consolidated balance sheets and statements of capitalization of Philadelphia Suburban Corporation and subsidiaries as of December 31, 1997 and 1996 and the related consolidated statements of income and cash flow for each of the years in the three-year period ended December 31, 1997 which report is included in Form 8-K of Philadelphia Suburban Corporation dated January 29, 1998.

We also consent to the reference to our firm under the heading "Experts" appearing elsewhere herein.

KPMG Peat Marwick LLP

Philadelphia, Pennsylvania

January 29, 1998