

YORK WATER CO
Form 424B5
September 29, 2010

Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 29, 2010

**PRELIMINARY PROSPECTUS SUPPLEMENT
To Prospectus dated May 14, 2010**

**Filed Pursuant to Rule 424(b)(5)
Registration No. 333-166329**

The York Water Company

\$15,000,000

% Monthly Senior Notes Series 2010A due October 1, 2040

This is an offering by The York Water Company, which we refer to as the Company, of its % Monthly Senior Notes Series 2010A due October 1, 2040, which we refer to as the Senior Notes. The Senior Notes will bear interest at the rate of % per annum, payable monthly in arrears on the first day of each month, beginning on December 1, 2010. The Senior Notes will mature on October 1, 2040. However, we can redeem the Senior Notes, in whole or in part from time to time, on or after October 1, 2015 at 100% of the principal amount thereof plus any accrued and unpaid interest thereon to the date of redemption. The Senior Notes will be issued only in registered form and in denominations of \$1,000 and any integral multiple thereof. There is no sinking fund for the Senior Notes.

The Senior Notes will be direct, unsecured and unsubordinated obligations of the Company ranking equally with all other existing and future unsecured and unsubordinated obligations of the Company. The Senior Notes will be effectively subordinated to all existing and future secured debt of the Company.

Investing in the Senior Notes involves risk. These risks are described under the caption Risk Factors on page S-6 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriter proposes to offer the Senior Notes from time to time for sale in negotiated transactions, or otherwise, at varying prices to be determined at the time of each sale. The underwriter has agreed to purchase the Senior Notes from the Company at % of their principal amount (approximately \$ million net proceeds to the Company before expenses), subject to the terms and conditions in the underwriting agreement.

The Senior Notes will not be listed on any national securities exchange. Currently, there is no public market for the Senior Notes.

The underwriter expects to deliver the Senior Notes to purchasers in book-entry form only through the facilities of The Depository Trust Company on or about October , 2010.

The date of this prospectus supplement is October , 2010.

Table of Contents

Table of Contents

	Page
<u>ABOUT THIS PROSPECTUS SUPPLEMENT</u>	S-ii
<u>PROSPECTUS SUPPLEMENT SUMMARY</u>	S-1
<u>RISK FACTORS</u>	S-6
<u>NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	S-7
<u>USE OF PROCEEDS</u>	S-8
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	S-9
<u>CAPITALIZATION</u>	S-10
<u>DESCRIPTION OF THE SENIOR NOTES</u>	S-11
<u>MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES</u>	S-15
<u>OUR COMPANY</u>	S-20
<u>MANAGEMENT</u>	S-25
<u>UNDERWRITING</u>	S-27
<u>LEGAL MATTERS</u>	S-28
<u>EXPERTS</u>	S-28
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	S-28
<u>INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE</u>	S-28

You should rely only on the information contained in, or incorporated by reference into, this document. We have not, and the underwriter has not, authorized anyone to give you different or additional information. You should not assume that the information contained in, or incorporated by reference into, this document is accurate as of any date after the respective dates of the documents containing the information. Our business, financial condition, results of operations and prospects may have changed since that date. We are not making an offer of the Senior Notes covered by this prospectus supplement in any jurisdiction where the offer is not permitted.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the securities we are offering, specific terms of this offering and certain other matters relating to us and our financial condition. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which may not apply to the securities we are offering in this prospectus supplement. In addition, we incorporate important information into this prospectus supplement and the accompanying prospectus by reference. You may obtain the information incorporated by reference into this prospectus supplement and the accompanying prospectus without charge by following the instructions under **Where You Can Find More Information** in this prospectus. Generally, when we refer to **this prospectus**, we are referring to this prospectus supplement and the accompanying prospectus as well as to the information incorporated by reference therein. You should carefully read this prospectus supplement, the accompanying prospectus and the additional information described under **Where You Can Find More Information** before investing in the Senior Notes. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference in this prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to **the Company**, **we**, **us** and **our** refer to The York Water Company.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information appearing elsewhere or incorporated by reference in this prospectus supplement and accompanying prospectus and may not contain all of the information that is important to you. This prospectus supplement and the accompanying prospectus include or incorporate by reference information about the Senior Notes we are offering as well as information regarding our business and detailed financial data. You should read this prospectus supplement, the accompanying prospectus and any information incorporated by reference herein and therein in their entirety before making an investment decision.

Our Company

We are the oldest investor-owned water utility in the United States and have operated continuously since 1816. We impound, purify and distribute water entirely within our franchised territory located in York County, Pennsylvania and Adams County, Pennsylvania. Our headquarters are located approximately 23 miles south of Harrisburg, Pennsylvania, 46 miles north of Baltimore, Maryland and 80 miles west of Philadelphia, Pennsylvania. We currently provide water service to approximately 62,570 customers. In 2009, 63% of our operating revenue was derived from residential customers, 29% was derived from commercial and industrial customers, and 8% was derived from other sources, primarily fire service.

Our service territory presently includes 36 municipalities in York County and 7 municipalities in Adams County, and has an estimated population of 180,000. We have two reservoirs, Lake Williams and Lake Redman, which together hold up to 2.2 billion gallons of water. In addition, we have a 15-mile pipeline from the Susquehanna River to Lake Redman, which provides access to an additional supply of 12.0 million gallons of water per day. As of June 30, 2010, our average daily consumption was approximately 18.5 million gallons and our average daily availability was approximately 35.0 million gallons.

The territory that we currently service is experiencing significant growth. According to the United States Census Bureau, the population of York County increased by 12.4% between 2000 and 2009, from 381,753 to 428,937, and the population of Adams County increased by 12.1% between 2000 and 2009, from 91,292 to 102,323, in comparison to a 2.6% increase for Pennsylvania during the same period.

Our Strategy

Our strategy is to continue to provide our customers with safe, dependable, high-quality water and excellent service at reasonable rates while maximizing shareholder value. We strive to accomplish this strategy by:

- maintaining and strengthening our position as a consistent and reliable source of high-quality water service;
- continuing to increase our customer base;
- pursuing the acquisition of other water systems; and
- establishing additional long-term bulk water contracts with municipalities.

Recent Developments

Declaration of Dividend

On August 23, 2010, our Board of Directors declared a quarterly cash dividend of \$0.128 per share. The dividend is payable October 15, 2010 to the holders of record of our common stock as of September 30, 2010. Cash dividends on our common stock have been paid each year since our inception in 1816, and we have increased our dividend rate in each of the last thirteen years.

S-1

Table of Contents

Second Quarter Financial Results

On August 6, 2010, we announced our operating results for the second quarter ended June 30, 2010. Revenues for the second quarter of 2010 were approximately \$9.7 million, a 5.8% increase from \$9.2 million during the same period in 2009. We reported net income of \$2.3 million for the second quarter ended June 30, 2010, or \$0.18 per share, compared with \$1.9 million, or \$0.17 per share for the same period of 2009. We reported operating revenues of approximately \$18.8 million for the six months ended June 30, 2010, a 4.3% increase from \$18.0 million of operating revenue for the same period of 2009. For the first six months of 2010, we reported net income of \$4.2 million, or \$0.33 per share, compared with \$3.4 million, or \$0.30 per share, for the same period of 2009. We also reported construction expenditures of \$3.6 million.

Potential Rate Case Settlement

See Note 9 to the financial statements under "Rate Matters" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 for information regarding our most recent rate request filed with the Pennsylvania Public Utility Commission, or the "PPUC". On September 2, 2010, the Administrative Law Judge assigned to our rate case proceeding issued an order suspending the litigation schedule and cancelling the scheduled hearings, noting that the parties to the rate filing, including the PPUC's Office of Trial Staff, the Office of Consumer Advocate, and the Office of Small Business Advocate, had reached an agreement in principle settling all the issues in the proceeding. The parties are now in the process of preparing a signed written settlement agreement. Until a written settlement agreement is executed, there is no official settlement. Therefore, no settlement terms may be released. Once executed, the written agreement is then subject to approval by the Administrative Law Judge and the PPUC before any rate change can be implemented.

Corporate Information

Our executive offices are located at 130 East Market Street, York, Pennsylvania 17401 and our telephone number is (717) 845-3601. Our website address is www.yorkwater.com. The information on our website is not part of this prospectus supplement.

Table of Contents

The Offering

Securities Offered	\$15,000,000 aggregate principal amount of % Monthly Senior Notes Series 2010A due October 1, 2040.
Maturity Date	The Senior Notes will mature on October 1, 2040.
Interest Payment Dates	We will pay interest on the Senior Notes on the first day of each month, beginning December 1, 2010, to the holders of the Senior Notes as of the close of business on the fifteenth calendar day prior to such payment date (whether or not a business day); provided, that interest payable on the maturity date or on a redemption date of the Senior Notes will be paid to the person to whom principal is payable.
Ranking	The Senior Notes will be our direct, unsecured and unsubordinated obligations ranking equally with all of our other existing and future unsecured and unsubordinated obligations. The Senior Notes will be effectively subordinated to all of our existing and future secured debt aggregating approximately \$70,193,874 outstanding at June 30, 2010. The Senior Note Indenture (as defined below) contains no restrictions on the amount of additional indebtedness that we may incur.
Optional Redemption	We will have the right to redeem the Senior Notes, in whole or in part, without premium or penalty, at any time and from time to time, on or after October 1, 2015, at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest thereon to the date of redemption.
Use of Proceeds	We estimate that the net proceeds of this offering will be approximately \$14.3 million, after deducting underwriting discounts and commissions and estimated expenses. We intend to use the net proceeds from this offering to repay outstanding short-term indebtedness that was primarily incurred to fund our 2009 and 2010 capital expenditures and acquisitions, to retire maturing long-term debt issues, and for general corporate purposes. See Use of Proceeds.
Further Issuances	The Senior Notes will be issued as a series of senior notes under the Senior Note Indenture. The Senior Notes will initially be issued in the aggregate principal amount of \$15,000,000. We may, without the consent of the holders of the Senior Notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Senior Notes, (except for the issue price and issue date and the initial interest accrual date and initial Interest Payment Date (as defined below), if applicable). Any additional notes having such similar terms, together with the Senior Notes, will constitute a single series of senior notes under the Senior Note Indenture.
Risk Factors	See Risk Factors beginning on page S-6 of this prospectus supplement for a discussion of factors you should consider carefully before deciding

whether to invest in the Senior Notes being offered by this prospectus supplement.

S-3

Table of Contents**Summary Financial Information**

We have derived the summary historical financial data as of and for each of the years ended December 31, 2009, 2008 and 2007 from our audited financial statements and related notes. We have derived the summary historical financial data as of June 30, 2010 and 2009, and for the six-month periods then ended, from our unaudited financial statements which, in the opinion of management, include all adjustments necessary for a fair presentation of the data. The results for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full fiscal year. You should read the information below in conjunction with our historical financial statements and related notes and our Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in our Annual Report on Form 10-K for the year ended December 31, 2009 and our Quarterly Report on Form 10-Q for the six-month period ended June 30, 2010, both of which are incorporated by reference herein.

	Six Months Ended		Year Ended December 31,		
	2010	2009	2009	2008	2007
	June 30,				
	(Unaudited)				
	(In thousands, except per share amounts)				
Statement of Operations:					
Total operating revenues	\$ 18,764	\$ 17,984	\$ 37,043	\$ 32,838	\$ 31,433
Operating expenses					
Operating and maintenance	6,578	7,083	14,168	13,434	13,099
Depreciation and amortization	2,285	2,159	4,412	3,622	3,227
State and federal income taxes	2,599	2,131	4,579	3,628	3,692
Property and other taxes	581	543	1,075	1,102	1,007
Total operating expenses	12,043	11,916	24,234	21,786	21,025
Operating income	6,721	6,068	12,809	11,052	10,408
Other income (expense), net	(156)	(260)	(517)	(509)	(78)
Income before interest charges	6,565	5,808	12,292	10,543	10,330
Interest charges	2,382	2,398	4,780	4,112	3,916
Net income	\$ 4,183	\$ 3,410	\$ 7,512	\$ 6,431	\$ 6,414
Net income per share of common stock (basic and diluted)	\$ 0.33	\$ 0.30	\$ 0.64	\$ 0.57	\$ 0.57
Average shares of common stock outstanding (basic and diluted)	12,593	11,393	11,695	11,298	11,226
Cash dividends declared per share of common stock	\$ 0.256	\$ 0.252	\$ 0.506	\$ 0.489	\$ 0.475

Six Months Ended

	June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				

(In thousands)

Cash Flow Data:

Operating activities	\$ 6,414	\$ 7,507	\$ 15,801	\$ 11,527	\$ 10,040
Investing activities	(3,590)	(9,010)	(15,211)	(24,623)	(18,192)
Financing activities	(2,824)	1,503	(590)	13,096	8,152
Construction expenditures (including acquisitions)	3,617	8,536	14,771	24,697	19,050
Dividend declared per common share	0.256	0.252	0.506	0.489	0.475

S-4

Table of Contents

	As of June 30,		As of December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
	(In thousands)				
Balance Sheet:					
Utility plant and equipment, net	\$ 223,326	\$ 218,196	\$ 221,475	\$ 210,820	\$ 191,046
Total assets	252,181	247,665	248,837	240,442	210,969
Notes payable	3,000	10,000	5,000	6,000	3,000
Long-term debt including current portion	78,952	86,495	77,568	86,353	70,505
Shareholders' equity	89,005	71,097	86,922	69,766	67,272
Total capitalization	167,957	157,592	164,490	156,119	137,777

S-5

Table of Contents

RISK FACTORS

Investing in the Senior Notes involves significant risks. Before making an investment decision, you should carefully read and consider the risk factors incorporated by reference into this prospectus under "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2009, as the same may be updated from time to time by our future filings with the Securities and Exchange Commission, or the SEC, under the Securities Exchange Act of 1934, as amended, or the 1934 Act. You should also refer to other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our financial statements and the related notes incorporated by reference herein. Additional risks and uncertainties not presently known to us at this time or that we currently deem immaterial may also materially and adversely affect our business and operations. In that case, the trading price of the Senior Notes could decline and you might lose all or part of your investment.

S-6

Table of Contents

NOTE REGARDING FORWARD-LOOKING STATEMENTS

We discuss in this prospectus supplement, the accompanying prospectus and in documents that we have incorporated by reference certain matters which are not historical facts, but which are forward-looking statements. Words such as may, should, believe, anticipate, estimate, expect, intend, plan and similar expressions are intended to identify forward-looking statements. We intend these forward-looking statements to qualify for safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to statements regarding:

- our expected profitability and results of operations;
- our goals, priorities and plans for, and cost of, growth and expansion;
- our strategic initiatives;
- the availability of our water supply;
- the water usage by our customers; and
- our ability to pay dividends on our common stock and the rate of those dividends.

Such forward-looking statements reflect what we currently anticipate will happen. What actually happens could differ materially from what we currently anticipate will happen. We are not promising to make any public announcement when we think forward-looking statements in this prospectus are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason.

Important matters that may affect what will actually happen include, but are not limited to:

- changes in weather, including drought conditions;
- levels of rate relief granted;
- the level of commercial and industrial business activity within our service territory;
- construction of new housing within our service territory and increases in population;
- changes in government policies or regulations;
- our ability to obtain permits for expansion projects;
- material changes in demand from customers, including the impact of conservation efforts which may impact the demand of our customers for water;
- changes in economic and business conditions, including interest rates, which are less favorable than expected;
- our ability to obtain financing; and

other matters described in the Risk Factors section.

S-7

Table of Contents

USE OF PROCEEDS

The net proceeds from the sale of the Senior Notes offered by this prospectus supplement, after deducting the underwriter's commissions and other estimated offering expenses, are estimated to be approximately \$14.3 million.

We expect to use the net proceeds from the sale of these securities to repay our outstanding indebtedness under our revolving credit facilities with Citizens Bank N.A., Fulton Bank and PNC Bank and for general corporate purposes. Obligations under these credit facilities were primarily incurred to fund acquisitions and construction expenditures during 2009 and 2010, and to retire two maturing debt issues. The line of credit with Citizens Bank N.A. matures on May 31, 2012, the portion of the Fulton Bank line of credit referenced above matures on May 1, 2012 and the PNC Bank line of credit matures on June 30, 2011.

The portion of these lines of credit that have been borrowed against have an aggregate maximum borrowing amount of \$29.0 million (\$11.0 million under the line of credit with Citizens Bank N.A., \$13.0 million under the portion of the line of credit with Fulton Bank and \$5.0 million under the line of credit with PNC Bank referenced above). These lines of credit borrowings bear interest at LIBOR plus 1.50 to 2.00%. The weighted average interest rate on these line of credit borrowings at June 30, 2010 was 2.15%. These lines of credit are committed and unsecured. We are required to maintain a compensating balance of \$500,000 on these lines of credit. As of June 30, 2010, we had approximately \$11.8 million outstanding under the lines of credit referenced above.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The following table contains our ratio of earnings to fixed charges for the periods indicated. You should read these ratios in conjunction with our financial statements including the notes to those statements incorporated by reference into this prospectus.

	Six Months Ended June 30, 2010	2009	Year Ended December 31,			
		2008	2007	2006	2005	
Ratio of Earnings to Fixed Charges	3.76	3.37	3.07	3.39	3.19	3.51

The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges. For the purpose of this computation, earnings have been calculated by adding pre-tax income from continuing operations, fixed charges and amortized capitalized interest. Fixed charges consist of interest cost, whether expensed or capitalized and amortized debt expenses.

Table of Contents**CAPITALIZATION**

The following table sets forth, as of June 30, 2010, our capitalization (i) on an actual basis, and (ii) on an adjusted basis to give effect to the sale of the Senior Notes we are offering with this prospectus supplement and the application of the net proceeds in this offering as described in "Use of Proceeds". You should read this table in conjunction with our financial statements including the notes to those statements incorporated by reference into this prospectus.

	Actual	As of June 30, 2010 % of Capitalization (In thousands)	As Adjusted	% of Capitalization
Common shareholders equity	\$ 89,005	53.0%	\$ 89,005	51.1%
Long-term debt(1)	78,952	47.0%	85,194	48.9%
Total capitalization	\$ 167,957	100.0%	\$ 174,199	100.0%

(1) Includes current maturities of long-term debt.

Table of Contents

DESCRIPTION OF THE SENIOR NOTES

Set forth below is a description of the specific terms of the % Monthly Senior Notes Series 2010A due October 1, 2040, or the Senior Notes . This description supplements, and should be read together with, the description of the general terms and provisions of the Senior Notes set forth in the accompanying prospectus under the caption

Description of Debt Securities. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the accompanying prospectus and the Indenture to be dated as of October 1, 2010, or the Senior Note Indenture , between the Company and Manufacturers and Traders Trust Company, as trustee, or the Senior Note Indenture Trustee .

General

The Senior Notes will be issued as a series of senior notes under the Senior Note Indenture. The Senior Notes will initially be issued in the aggregate principal amount of \$15,000,000. The Company may, without the consent of the holders of the Senior Notes, issue additional notes having