



Aqua America Adds 63 Florida Water and Wastewater Systems to Its Expanding Southern Footprint; Acquisition Increases Florida Customer Base by More Than 50 Percent

BRYN MAWR, Pa.--(BUSINESS WIRE)--July 1, 2004--Aqua America, Inc. (NYSE:WTR) announced today that its Florida subsidiary, Aqua Utilities Florida, Inc., (Aqua) completed the acquisition of 63 water and wastewater systems from Florida Water Services Corporation, a subsidiary of ALLETE, Inc. (NYSE:ALE) for \$13.82 million. The acquisition will be accretive to earnings.

The transaction adds another 40,000 residents in the central part of the state and complements Aqua's current concentration of customers in the Sarasota area, bringing the total number of residents served in Florida to 100,000. Aqua America's purchase of the Florida properties was made possible by ALLETE's stated intent to exit its water services holdings in the Southeast.

Aqua America Chairman Nicholas DeBenedictis said he was pleased with the outcome. "We are very enthused about our new, expanding Florida operations," said DeBenedictis. "When we entered Florida last August with the purchase of the AquaSource water and wastewater systems, we knew we would have a good opportunity to expand our customer base in this rapidly-growing state. It's very exciting and encouraging to increase our customer base by more than half in a state where we didn't operate a year ago." Aqua America purchased its AquaSource assets from another large electric utility that recently exited the water business, DQE, now known as Duquesne Light Holdings.

The Florida acquisition is the second one of size for Aqua America's southern operations this month. On June 1, the company announced that it had completed the acquisition of Heater Utilities, Inc. (Heater), based in Cary, North Carolina, from ALLETE Water Services, Inc., a subsidiary of ALLETE, Inc. (NYSE:ALE). The \$76 million stock purchase agreement included a payment of \$48 million in cash and the assumption of approximately \$28 million in debt. The acquisition was also immediately accretive to earnings.

The Heater operations increased the number of residents served in North Carolina by 150,000, quadrupling the size of Aqua America's North Carolina operations in less than a year. Aqua America first entered North Carolina in December 2000 with the purchase of MidSouth Utilities, Inc. and continued to buy water and wastewater systems leading up to its July 2003 purchase of AquaSource's water and waste water operations. The June 1, 2004 purchase of Heater secured Aqua America's position as the largest private water and wastewater utility in the state serving more than 175,000 residents, expanding its service territory to the growing areas of suburban Raleigh, Gastonia and Fayetteville from its existing customer base in suburban Wilmington, Greensboro and Hickory. The acquisition also expanded the customer base of both companies in the Charlotte area.

In accordance with Florida procedures, regulatory approval from the Florida Public Service Commission will be sought following closing.

Aqua America is the largest U.S.-based publicly-traded water utility serving more than 2.5 million residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York, South Carolina and Kentucky. Aqua America is a publicly traded company listed on both the New York and Philadelphia Stock Exchanges under the ticker symbol WTR. The company has been committed to the preservation and improvement of the environment throughout its history, which spans more than 100 years.

This release contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 that address, among other things, the effect of acquisitions, geographic diversity, possible synergies from acquired operations, and the expected timing of acquisitions. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: regulatory approvals for the transaction; the risk that the acquired company's business will not be successfully integrated; the costs related to the transaction; the inability to obtain or meet conditions imposed for governmental approvals for the transaction; the risk that anticipated benefits will not be obtained or will not be obtained within the time anticipated; and other key factors that we have indicated could adversely affect our business and financial performance contained in our past and future filings and reports, including those filed with the Securities and Exchange Commission. Neither Aqua America nor ALLETE is under any obligation (and each expressly disclaims any such obligation) to update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

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