

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 27, 2004

AQUA AMERICA, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

1-6659

23-1702594

(State or other
jurisdiction of
incorporation)

(Commission
File Number)

(IRS Employer
Identification
Number)

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania

19010

(Address of principal executive offices)

(Zip Code)

(610) 527 – 8000

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01. Regulation FD Disclosure.

On August 31, 2004, Aqua America, Inc. (Aqua) issued a press release announcing the events described in Item 8.01. The press release is attached hereto as Exhibit 99 and is incorporated by reference into this Item 7.01. The press release is not being “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of Aqua. Additionally, the submission of this report on Form 8-K is not an admission as to the materiality of any information in this report that is required to be disclosed solely by Regulation FD.

Item 8.01. Other Events.

On August 27, 2004, Aqua America, Inc. (Aqua) was awarded approximately \$12 million plus interest in an arbitration over the final purchase price in its acquisition of the stock of the AquaSource operations. Aqua purchased these operations from Duquesne Light Holdings, Inc. on July 31, 2003. The purchase agreement allowed for adjustments to be made to the purchase price based upon the achievement of specific operating performance metrics, involving revenue, rate base and customer connections. The award represents a cash refund to Aqua for a portion of the estimated purchase price originally paid in accordance with the purchase agreement.

Item 9.01. Financial Statements and Exhibits.

Exhibit No.	Description
99	Aqua America, Inc. Press Release dated August 31, 2004

SIGNATURE

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

Aqua America, Inc.

Date: August 31, 2004

ROY H. STAHL

Name: Roy H. Stahl
Title: Executive Vice President and
General Counsel

EXHIBIT INDEX

Exhibit Number

Description of Document

99

Press Release dated August 31, 2004

Contact: Cheryl Hansen
Director, Investor Relations
(610) 645-1084
clhansen@aquaamerica.com

Donna Alston
Manager, Communications
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AQUA AMERICA WINS \$12 MILLION ARBITRATION AWARD

BRYN MAWR, PA, August 31, 2004 – Aqua America, Inc. (Aqua) (NYSE: WTR) announced today that the company was awarded \$12.3 million plus interest in an arbitration over the final purchase price for the stock of the AquaSource operations. Aqua purchased these operations from Duquesne Light Holdings, Inc. (NYSE: DQE) on July 31, 2003. The approximate \$12.3 million adjustment means Aqua paid the minimum purchase price of \$178.4 million (which includes working capital and tax adjustments) for more than 130,000 customer accounts, or approximately \$1,300 per customer, which is one of the lowest costs paid in a major water company acquisition to date. Chairman and President Nicholas DeBenedictis said, “The AquaSource acquisition was accretive to earnings from day one and this arbitration award will serve to enhance the accretion to earnings.”

The award represents a cash refund to Aqua for a portion of the estimated purchase price originally paid in accordance with the purchase agreement. The purchase agreement required adjustments to be made to the final purchase price based upon the achievement of specific operating performance metrics, involving revenue, rate base and customer connections between the time of the signing of the purchase agreement and the closing on the transaction.

“We are very pleased with the arbitrator’s decision and intend to reinvest the \$12.3 million in capital improvements in the acquired systems,” said DeBenedictis. “Since taking ownership, we have been making needed improvements to bring the AquaSource systems to required water quality standards, as well as instituting changes to professionally manage the operations. In addition, we continue to identify synergies from the acquisition, and are filing for needed rate relief to recover our investments and fully earn on our assets,” added DeBenedictis.

Aqua America, Inc. 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, and South Carolina. Aqua America is listed on 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, including, among others, the impact of the AquaSource purchase price arbitration award, the earning potential of the AquaSource systems, the identification of acquisition synergies and the expected impact of rate cases. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: general economic business conditions, unfavorable weather conditions, the success of certain cost containment initiatives, changes in regulations or regulatory treatment, availability and the cost of capital, the success of growth initiatives, and other factors discussed in our filings with the Securities and Exchange Commission.

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