



Philadelphia Suburban Subsidiary Purchases North Carolina Water System

GREENSBORO, N.C.--(BUSINESS WIRE)--Dec. 26, 2003--Philadelphia Suburban Corporation announced today that its North Carolina subsidiary, Hydraulics, Ltd., has purchased the Forest Pines water system in Davidson, near Kannapolis, North Carolina, serving approximately 75 residents for \$21,550.

Hydraulics President Neil Phillips said the company will invest another \$15,000 to upgrade the water system during the first quarter of 2004. "Beginning in January, we will install new water meters and rehabilitate the well station including its electrical and chemical feed systems," said Phillips. "We are very pleased to add Forest Pines customers to the other growing number of customers we serve in North Carolina."

Nicholas DeBenedictis, the Chairman and CEO of Philadelphia Suburban Corporation (PSC) which owns Hydraulics said, "While these 'tuck-in' acquisitions don't bring the large customer numbers of some other acquisitions, they are still important to our growth-through-acquisition strategy. There are more than 45,000 small systems in the nation. Acquiring these small systems that integrate well into our existing systems is a sound strategy for continued growth."

In November, PSC announced that it had reached an agreement with ALLETE Water Services, a subsidiary of ALLETE, Inc. (NYSE:ALE), to acquire its water and wastewater systems, Heater Utilities, Inc., located in Cary, North Carolina. The stock purchase agreement includes a payment of \$48 million in cash and the assumption of approximately \$28 million in debt. The acquisition is expected to be accretive to earnings.

With the addition of the Heater operations, PSC will expand its North Carolina operations by more than 52,000 customers including those in the growing areas of suburban Raleigh, Charlotte, Gastonia and Fayetteville. PSC's North Carolina subsidiaries currently provide service to 12,000 customers in suburban Wilmington, Greensboro, and Hickory. The Heater acquisition will secure PSC's position as the largest private water and wastewater utility in North Carolina.

Hydraulics will officially change its name to Aqua North Carolina, Inc. on January 16, 2004. On the same date PSC--the largest publicly-traded U.S.-based water utility--will change its name to Aqua America, Inc. and its ticker symbol to WTR.

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 into PSC; 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 PSC 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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