Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2015

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from_______________ to _______________

Commission File Number 1-6659

AQUA AMERICA, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania	23-1702594
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania	19010 -3489
(Address of principal executive offices)	(Zip Code)

(610) 527-8000
(Registrant's telephone number, including area code)

(Former Name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12(b)-2 of the Exchange Act.:

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 23, 2015: 177,069,727

AQUA AMERICA, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Assets	March 31, 2015	December 31, 2014
Property, plant and equipment, at cost	$ 5,764,467	$ 5,707,017
Less: accumulated depreciation	1,331,323	1,305,027
Net property, plant and equipment	4,433,144	4,401,990
Current assets:		
Cash and cash equivalents	9,274	4,138
Accounts receivable and unbilled revenues, net	95,405	96,999
Deferred income taxes	35,202	26,849
Inventory, materials and supplies	12,591	12,788
Prepayments and other current assets	11,753	11,748
Total current assets	164,225	152,522
Regulatory assets	748,911	725,591
Deferred charges and other assets, net	54,864	52,084
Investment in joint venture	42,619	43,334
Funds restricted for construction activity	15	47
Goodwill	33,954	31,184
Total assets	$ 5,477,732	$ 5,406,752
Liabilities and Equity		
Aqua America stockholders' equity:		
Common stock at $.50 par value, authorized 300,000,000 shares, issued 179,041,925 and 178,591,254 as of March 31, 2015 and December 31, 2014	$ 89,521	$ 89,296
Capital in excess of par value	763,259	758,145
Retained earnings	869,203	849,952
Treasury stock, at cost, 1,978,968 and 1,837,984 shares as of March 31, 2015 and December 31, 2014	(46,592)	(42,838)
Accumulated other comprehensive income	863	788
Total Aqua America stockholders' equity	1,676,254	1,655,343
Noncontrolling interest	40	40
Total equity	1,676,294	1,655,383
Long-term debt, excluding current portion	1,594,980	1,560,655
Commitments and contingencies (See Note 13)	-	-
Current liabilities:		
Current portion of long-term debt	47,042	58,615
Loans payable	33,062	18,398
Accounts payable	34,717	63,035
Accrued interest	20,477	12,437
Accrued taxes	31,653	31,462
Other accrued liabilities	38,168	41,388
Total current liabilities	205,119	225,335
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	1,041,418	1,000,791
Customers' advances for construction	75,833	78,301
Regulatory liabilities	273,873	278,317
Other	106,279	109,692
Total deferred credits and other liabilities	1,497,403	1,467,101
Contributions in aid of construction	503,936	498,278
Total liabilities and equity	$ 5,477,732	$ 5,406,752

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET INCOME
(In thousands, except per share amounts)
(UNAUDITED)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Operating revenues	$ 190,326	$ 182,672
Operating expenses:		
Operations and maintenance	73,189	71,686
Depreciation	30,500	30,981
Amortization	849	1,133
Taxes other than income taxes	14,621	12,102
Total operating expenses	119,159	115,902
Operating income	71,167	66,770
Other expense (income):		
Interest expense, net	18,665	19,310
Allowance for funds used during construction	(1,182)	(1,167)
(Gain) loss on sale of other assets	(169)	348
Equity loss in joint venture	714	686
Income from continuing operations before income taxes	53,139	47,593
Provision for income taxes	4,594	5,192
Income from continuing operations	48,545	42,401
Discontinued operations:		
Income from discontinued operations before income taxes	-	772
Provision for income taxes	-	314
Income from discontinued operations	-	458
Net income attributable to common shareholders	$ 48,545	$ 42,859
Income from continuing operations per share:		
Basic	$ 0.27	$ 0.24
Diluted	$ 0.27	$ 0.24
Income from discontinued operations per share:		
Basic	$ -	$ 0.00
Diluted	$ -	$ 0.00
Net income per common share:		
Basic	$ 0.27	$ 0.24
Diluted	$ 0.27	$ 0.24
Average common shares outstanding during the period:		
Basic	176,888	176,839
Diluted	177,792	177,810
Cash dividends declared per common share	$ 0.165	$ 0.152

See notes to consolidated financial statements beginning on page 8 of this report.

Table of Contents

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of dollars)
(UNAUDITED)

	Three Months Ended March 31,	
	2015	2014
Net income attributable to common shareholders	$ 48,545	$ 42,859
Other comprehensive income, net of tax:		
Unrealized holding gain on investments, net of tax expense of $41 and $38 for the three months ended March 31, 2015 and 2014, respectively	75	72
Reclassification adjustment for loss reported in net income, net of tax benefit of $134 for the three months ended March 31, 2014 (1)	-	249
Comprehensive income	$ 48,620	$ 43,180

(1) Amount of pre-tax loss of $383 reclassified from accumulated other comprehensive income to loss on sale of other assets on the consolidated statements of net income for the three months ended March 31, 2014.

See notes to consolidated financial statements beginning on page 8 of this report.

Table of Contents

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In thousands of dollars, except per share amounts)
(UNAUDITED)

		March 31, 2015	December 31, 2014
Aqua America stockholders' equity:			
Common stock, $.50 par value		$ 89,521	$ 89,296
Capital in excess of par value		763,259	758,145
Retained earnings		869,203	849,952
Treasury stock, at cost		(46,592)	(42,838)
Accumulated other comprehensive income		863	788
Total Aqua America stockholders' equity		1,676,254	1,655,343
Noncontrolling interest		40	40
Total equity		1,676,294	1,655,383
Long-term debt of subsidiaries (substantially secured by utility plant):			
Interest Rate Range	Maturity Date Range		
0.00% to 0.99%	2023 to 2033	5,587	5,653
1.00% to 1.99%	2016 to 2035	25,681	24,871
2.00% to 2.99%	2024 to 2031	15,641	15,578
3.00% to 3.99%	2016 to 2047	190,271	190,875
4.00% to 4.99%	2020 to 2054	484,084	484,168
5.00% to 5.99%	2015 to 2043	241,991	242,102
6.00% to 6.99%	2015 to 2036	64,949	64,944
7.00% to 7.99%	2022 to 2027	34,261	34,424
8.00% to 8.99%	2021 to 2025	18,809	18,907
9.00% to 9.99%	2018 to 2026	27,800	27,800
10.00% to 10.99%	2018	6,000	6,000
		1,115,074	1,115,322
Notes payable to bank under revolving credit agreement, variable rate, due 2017		113,000	72,000
Unsecured notes payable:			
Bank note at 1.921% due 2017		50,000	50,000
Notes at 3.57% due 2027		50,000	50,000
Notes ranging from 4.62% to 4.87%, due 2016 through 2024		144,400	144,400
Notes ranging from 5.20% to 5.95%, due 2016 through 2037		169,548	187,548
Total long-term debt		1,642,022	1,619,270
Current portion of long-term debt		47,042	58,615
Long-term debt, excluding current portion		1,594,980	1,560,655
Total capitalization		$ 3,271,274	$ 3,216,038

See notes to consolidated financial statements beginning on page 8 of this report.

Table of Contents

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY
(In thousands of dollars)
(UNAUDITED)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
Balance at December 31, 2014	$ 89,296	$758,145	$849,952	$ (42,838)	$ 788	$ 40	$1,655,383
Net income	-	-	48,545	-	-	-	48,545
Other comprehensive income, net of income tax of $41	-	-	-	-	75	-	75
Dividends	-	-	(29,176)	-	-	-	(29,176)
Repurchase of stock (140,984 shares)	-	-	-	(3,754)	-	-	(3,754)
Equity compensation plan (280,401 shares)	140	(140)	-	-	-	-	-
Exercise of stock options (170,270 shares)	85	2,767	-	-	-	-	2,852
Stock-based compensation	-	1,341	(118)	-	-	-	1,223
Employee stock plan tax benefits	-	1,409	-	-	-	-	1,409
Other	-	(263)	-	-	-	-	(263)
Balance at March 31, 2015	$ 89,521	$763,259	$869,203	$ (46,592)	$ 863	$ 40	$1,676,294

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands of dollars)
(UNAUDITED)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	$ 48,545	$ 42,859
Income from discontinued operations	-	458
Income from continuing operations	48,545	42,401
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	31,349	32,114
Deferred income taxes	2,688	3,692
Provision for doubtful accounts	936	1,508
Stock-based compensation	1,341	1,331
(Gain) loss on sale of other assets	(169)	348
Net change in receivables, inventory and prepayments	191	3,644
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	11,460	13,269
Other	(6,321)	(7,833)
Operating cash flows from continuing operations	90,020	90,474
Operating cash flows used in discontinued operations, net	-	(545)
Net cash flows from operating activities	90,020	89,929
Cash flows from investing activities:		
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of $296 and $367	(70,284)	(59,819)
Acquisitions of utility systems and other, net	(788)	(4,045)
Release of funds previously restricted for construction activity	32	-
Net proceeds from the sale of utility system and other assets	232	133
Other	(1,180)	(91)
Investing cash flows used in continuing operations	(71,988)	(63,822)
Investing cash flows from discontinued operations, net	-	39
Net cash flows used in investing activities	(71,988)	(63,783)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	1,193	1,142
Repayments of customers' advances	(1,040)	(234)
Net proceeds (repayments) of short-term debt	14,664	(8,827)
Proceeds from long-term debt	52,629	73,192
Repayments of long-term debt	(29,800)	(31,874)
Change in cash overdraft position	(21,431)	(21,753)
Proceeds from exercised stock options	2,852	2,757
Stock-based compensation windfall tax benefits	1,230	964
Repurchase of common stock	(3,754)	(1,973)
Dividends paid on common stock	(29,176)	(26,873)
Other	(263)	(181)
Financing cash flows used in continuing operations	(12,896)	(13,660)
Financing cash flows used in discontinued operations, net	-	(36)
Net cash flows used in financing activities	(12,896)	(13,696)
Net change in cash and cash equivalents	5,136	12,450
Cash and cash equivalents at beginning of period	4,138	5,058
Cash and cash equivalents at end of period	$ 9,274	$ 17,508
Non-cash investing activity:		
Property, plant and equipment additions purchased at the period end, but not yet paid for	$ 20,158	$ 18,550

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Note 1 – *Basis of Presentation*

The accompanying consolidated balance sheets and statements of capitalization of Aqua America, Inc. and subsidiaries (the "Company") at March 31, 2015, the consolidated statements of net income and comprehensive income for the three months ended March 31, 2015 and 2014, the consolidated statements of cash flow for the three months ended March 31, 2015 and 2014, and the consolidated statement of equity for the three months ended March 31, 2015 are unaudited, but reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the consolidated changes in equity, the consolidated results of operations, and the consolidated cash flow for the periods presented. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2014. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year. The December 31, 2014 consolidated balance sheet data presented herein was derived from the Company's December 31, 2014 audited consolidated financial statements, but does not include all disclosures and notes normally provided in annual financial statements.

Note 2 – *Goodwill*

The following table summarizes the changes in the Company's goodwill, by business segment:

	Regulated Segment	Other	Consolidated
Balance at December 31, 2014	$ 24,564	$ 6,620	$ 31,184
Goodwill acquired	-	12	12
Reclassifications (to) from utility plant acquisition adjustment, net	2,758	-	2,758
Balance at March 31, 2015	$ 27,322	$ 6,632	$ 33,954

The reclassification of goodwill to utility plant acquisition adjustment in the table above results from a mechanism approved by the applicable public utility commission. The mechanism provides for the transfer over time, and the recovery through customer rates, of goodwill associated with certain acquisitions upon achieving certain objectives.

Note 3 – ***Acquisitions***

In December 2014, the Company acquired the water utility system assets of Lake Mohawk and Lake Tomahawk utilities located in Northeastern Ohio serving approximately 1,250 customers. The total purchase price consisted of $1,770 in cash.

In December 2014, the Company acquired a non-regulated business that specializes in providing water distribution system services to prevent the contamination of potable water, including training to waterworks operators. The total purchase price consisted of $1,800, of which $700 was paid in the first quarter of 2015.

In September 2014, the Company acquired the water and wastewater utility system assets of Texas H2O, Inc. located in Mansfield, Texas serving approximately 1,100 customers. The total purchase price consisted of $2,796 in cash.

In September 2014, the Company acquired the water utility system assets of Lake Caroline Water Co. located in Caroline County, Virginia serving approximately 1,040 customers. The total purchase price consisted of $1,377 in cash.

In August 2014, the Company acquired a non-regulated business that specializes in the inspection, cleaning and repair of storm and sanitary sewer lines. The total purchase price consisted of $3,010, of which a total of $810 is contingent upon satisfying certain annual performance targets over a three-year period.

In May 2014, the Company entered into an asset purchase agreement for the acquisition of the water and wastewater utility system assets of North Maine Utilities owned by the Village of Glenview, Illinois serving approximately 7,200 customers, for cash at closing of $22,000. On April 1, 2015, the Illinois Commerce Commission approved this transaction, and on April 30, 2015, we completed this acquisition. As of the date of issuance of the financial statements, the initial accounting of the purchase price allocation for this acquisition is incomplete.

In March 2014, the Company acquired the wastewater utility system assets of Penn Township located in Chester County, Pennsylvania serving approximately 800 customers. The total purchase price consisted of $3,668 in cash.

Note 4 – ***Discontinued Operations***

In December 2014, we completed the sale of our water utility system in southwest Allen County, Indiana to the City of Fort Wayne, Indiana. The completion of this sale settled the dispute concerning the City of Fort Wayne's valuation of the northern portion of our water and wastewater utility systems, which were acquired by the City of Fort Wayne in February 2008, by eminent domain. In addition, as a result of this transaction, Aqua Indiana will expand its sewer customer base by accepting new wastewater flows from the City of Fort Wayne.

(In thousands of dollars, except per share amounts)

In March 2014, we completed the sale of our wastewater treatment facility in Georgia.

The operating results and cash flows of the Company's operations named above, during the periods owned, have been presented in the Company's consolidated statements of net income and consolidated statements of cash flow as discontinued operations. These operations were included in the Company's "Regulated" segment.

A summary of discontinued operations presented in the consolidated statements of net income include the following:

	Three Months Ended March 31, 2014
Operating revenues	$ 1,579
Total operating expenses	673
Operating income	906
Other expense:	
Loss on sale	134
Income from discontinued operations before income taxes	772
Provision for income taxes	314
Income from discontinued operations	$ 458

As of March 31, 2015 and December 31, 2014, there were no assets or liabilities associated with the Company's discontinued operations.

Note 5 – *Capitalization*

In February 2015, the Company renewed its universal shelf registration, which had expired in February 2015, through a filing with the Securities and Exchange Commission ("SEC") to allow for the potential future sale by the Company, from time to time, in one or more public offerings, of an indeterminate amount of our common stock, preferred stock, debt securities and other securities specified therein at indeterminate prices.

In February 2015, the Company filed a registration statement with the SEC to update an existing filing which permits the offering, from time to time, of an aggregate of $500,000 in shares of common stock and shares of preferred stock in connection with acquisitions. The form and terms of any securities issued under these shelf registration statements will be determined at the time of issuance.

Note 6 – *Fair Value of Financial Instruments*

The Company follows the Financial Accounting Standards Board's ("FASB") accounting guidance for fair value measurements and disclosures, which defines fair value and establishes a framework for using fair value to measure assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access;
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in non-active markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: inputs that are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation techniques used to measure fair value or asset or liability transfers between the levels of the fair value hierarchy for the quarter ended March 31, 2015.

Financial instruments are recorded at carrying value in the financial statements and approximate fair value as of the dates presented. The fair value of these instruments is disclosed below in accordance with current accounting guidance related to financial instruments.

The fair value of funds restricted for construction activity and loans payable are determined based on their carrying amount and utilizing Level 1 methods and assumptions. As of March 31, 2015 and December 31, 2014, the carrying amount of the Company's funds restricted for construction activity was $15 and $47, respectively, which equates to their estimated fair value. As of March 31, 2015 and December 31, 2014, the carrying amount of the Company's loans payable was $33,062 and $18,398, respectively, which equates to their estimated fair value. The fair value of cash and cash equivalents, which is comprised of a money market fund, is determined based on the net asset value per unit utilizing Level 2 methods and assumptions. As of March 31, 2015 and December 31, 2014, the carrying amounts of the Company's cash and cash equivalents was $9,274 and $4,138, respectively, which equates to their fair value.

(In thousands of dollars, except per share amounts)

The carrying amounts and estimated fair values of the Company's long-term debt is as follows:

	March 31, 2015	December 31, 2014
Carrying Amount	$ 1,642,022	$ 1,619,270
Estimated Fair Value	1,682,623	1,694,424

The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration utilizing Level 2 methods and assumptions. The Company's customers' advances for construction have a carrying value of $75,833 as of March 31, 2015, and $78,301 as of December 31, 2014. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels, and future rate increases. Portions of these non-interest bearing instruments are payable annually through 2025 and amounts not paid by the respective contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest bearing feature.

Table of Contents

Note 7 – ***Net Income per Common Share***

Basic net income per common share is based on the weighted average number of common shares outstanding. Diluted net income per common share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted net income per common share. The dilutive effect of stock-based compensation is calculated using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation. The treasury stock method assumes that the proceeds from the exercise of stock options are used to purchase the Company's common stock at the average market price during the period. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per common share:

	Three Months Ended March 31,	
	2015	2014
Average common shares outstanding during the period for basic computation	176,888	176,839
Dilutive effect of employee stock-based compensation	904	971
Average common shares outstanding during the period for diluted computation	177,792	177,810

For the three months ended March 31, 2015 and 2014, all of the Company's employee stock options were included in the calculations of diluted net income per share as the calculated cost to exercise the stock options was less than the average market price of the Company's common stock during these periods.

Note 8 – ***Stock-based Compensation***

Under the Company's 2009 Omnibus Equity Compensation Plan, as amended as of February 27, 2014, (the "2009 Plan"), as approved by the Company's shareholders to replace the 2004 Equity Compensation Plan (the "2004 Plan"), stock options, stock units, stock awards, stock appreciation rights, dividend equivalents, and other stock-based awards may be granted to employees, non-employee directors, and consultants and advisors. The 2009 Plan authorizes 6,250,000 shares for issuance under the plan. A maximum of 3,125,000 shares under the 2009 Plan may be issued pursuant to stock awards, stock units and other stock-based awards, subject to adjustment as provided in the 2009 Plan. During any calendar year, no individual may be granted (i) stock options and stock appreciation rights under the 2009 Plan for more than 500,000 shares of Company stock in the aggregate or (ii) stock awards, stock units or other stock-based awards under the 2009 Plan for more than 500,000 shares of Company stock in the aggregate, subject to adjustment as provided in the 2009 Plan. Awards under the 2009 Plan are made by a committee of the Board of Directors of the Company, or in the case of awards to non-employee directors, by the Board of Directors of the Company. At March 31, 2015, 4,252,788 shares underlying stock-based compensation awards were still available for grants under the 2009 Plan. No further grants may be made under the 2004 Plan.

Performance Share Units – A performance share unit ("PSU") represents the right to receive a share of the Company's common stock if specified performance goals are met over the three year performance period specified in the grant, subject to exceptions through the respective vesting period, generally three years. Each grantee is granted a target award of PSUs, and may earn between 0% and 200% of the target amount depending on the Company's performance against the performance goals. The following table provides compensation costs for stock-based compensation related to PSUs:

(In thousands of dollars, except per share amounts)

	Three Months Ended March 31,	
	2015	2014
Stock-based compensation within operations and maintenance expenses	$ 1,078	$ 1,002
Income tax benefit	439	410

The following table summarizes nonvested PSU transactions for the three months ended March 31, 2015:

	Number of Share Units	Weighted Average Fair Value
Nonvested share units at beginning of period	582,644	$ 22.98
Granted	123,820	26.54
Performance criteria adjustment	5,114	25.59
Forfeited	(3,713)	25.69
Share units vested	(34,500)	26.88
Share units issued	(217,014)	18.49
Nonvested share units at end of period	456,351	$ 25.79

A portion of the fair value of PSUs was estimated at the grant date based on the probability of satisfying the market-based conditions associated with the PSUs using the Monte Carlo valuation method, which assesses probabilities of various outcomes of market conditions. The other portion of the fair value of the PSUs is based on the fair market value of the Company's stock at the grant date, regardless of whether the market-based condition is satisfied. The per unit weighted-average fair value at the date of grant for PSUs granted during the three months ended March 31, 2015 and 2014 was $26.54 and $25.31, respectively. The fair value of each PSU grant is amortized monthly into compensation expense on a straight-line basis over their respective vesting periods, generally 36 months. The accrual of compensation costs is based on our estimate of the final expected value of the award, and is adjusted as required for the portion based on the performance-based condition. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the PSUs includes dividend equivalents, no separate dividend yield assumption is required in calculating the fair value of the PSUs. The recording of compensation expense for PSUs has no impact on net cash flows.

Restricted Stock Units – A restricted stock unit ("RSU") represents the right to receive a share of the Company's common stock. RSUs are eligible to be earned at the end of a specified restricted period, generally three years, beginning on the date of grant. In some cases the right to receive the shares is subject to certain performance goals established at the time the grant is made. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the RSUs includes dividend equivalents, no separate dividend yield assumption is required in calculating the fair value of the RSUs. The following table provides compensation costs for stock-based compensation related to RSUs:

(In thousands of dollars, except per share amounts)

	Three Months Ended March 31,	
	2015	2014
Stock-based compensation within operations and maintenance expenses	$ 263	$ 236
Income tax benefit	109	98

The following table summarizes nonvested RSU transactions for the three months ended March 31, 2015:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at beginning of period	122,565	$ 22.29
Granted	37,650	26.26
Stock units vested but not paid	11,500	17.99
Stock units vested and paid	(63,387)	19.44
Forfeited	-	-
Nonvested stock units at end of period	108,328	$ 24.88

The per unit weighted-average fair value at the date of grant for RSUs granted during the three months ended March 31, 2015 and 2014 was $26.26 and $24.80, respectively.

(In thousands of dollars, except per share amounts)

Stock Options – The following table provides the income tax benefit for stock-based compensation related to stock options granted in prior periods:

	Three Months Ended March 31,	
	2015	2014
Income tax benefit	$ 104	$ 73

For the three months ended March 31, 2015 and 2014, there were no compensation costs for stock-based compensation related to stock options, as stock options were fully amortized in 2013. Additionally, there were no stock options granted during the three months ended March 31, 2015 or 2014.

The following table summarizes stock option transactions for the three months ended March 31, 2015:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Outstanding at beginning of period	1,084,992	$ 17.06		
Forfeited	-	-		
Expired	-	-		
Exercised	(170,270)	16.75		
Outstanding and exercisable at end of period	914,722	$ 17.12	3.1	$ 8,443

(In thousands of dollars, except per share amounts)

Restricted Stock – The following table provides compensation costs for stock-based compensation related to restricted stock:

	Three Months Ended March 31,	
	2015	2014
Stock-based compensation within operations and maintenance expenses	$ -	$ 92
Income tax benefit	-	38

For the three months ended March 31, 2015, there were no compensation costs for stock-based compensation related to restricted stock, as restricted stock was fully amortized in 2014. Additionally, there was no restricted stock granted during the three months ended March 31, 2015 or 2014.

The following table summarizes nonvested restricted stock transactions for the three months ended March 31, 2015:

	Number of Shares	Weighted Average Fair Value
Nonvested shares at beginning of period	31,250	$ 17.70
Granted	-	-
Vested	(31,250)	17.70
Forfeited	-	-
Nonvested shares at end of period	-	$ -

(In thousands of dollars, except per share amounts)

Note 9 – *Pension Plans and Other Postretirement Benefits*

The Company maintains a qualified defined benefit pension plan (the "Pension Plan"), a nonqualified pension plan and other postretirement benefit plans for certain of its employees. The net periodic benefit cost is based on estimated values and an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover, and medical costs. The following tables provide the components of net periodic benefit cost:

	Pension Benefits	
	Three Months Ended March 31,	
	2015	2014
Service cost	$ 925	$ 1,143
Interest cost	3,222	3,512
Expected return on plan assets	(4,674)	(4,305)
Amortization of prior service cost	43	69
Amortization of actuarial loss	1,532	500
Net periodic benefit cost	$ 1,048	$ 919

	Other Postretirement Benefits	
	Three Months Ended March 31,	
	2015	2014
Service cost	$ 406	$ 312
Interest cost	758	737
Expected return on plan assets	(730)	(683)
Amortization of prior service cost	(54)	(74)
Amortization of actuarial loss	354	82
Net periodic benefit cost	$ 734	$ 374

The Company made cash contributions of $6,878 to its Pension Plan during the first three months of 2015, and intends to make cash contributions of $6,878 to the Pension Plan during the remainder of 2015.

Note 10 – *Water and Wastewater Rates*

During the first three months of 2015, the Company's operating divisions in Illinois, Ohio, and Texas were granted base rate increases designed to increase total operating revenues on an annual basis by $3,347. Further, during the first three months of 2015, the Company's operating divisions in Illinois and North Carolina received approval to bill infrastructure rehabilitation surcharges designed to increase total operating revenues on an annual basis by $345.

(In thousands of dollars, except per share amounts)

Table of Contents

Note 11 – *Taxes Other than Income Taxes*

The following table provides the components of taxes other than income taxes:

	Three Months Ended March 31,	
	2015	2014
Property	$ 6,825	$ 4,824
Capital stock	540	501
Gross receipts, excise and franchise	2,442	2,779
Payroll	3,278	2,654
Regulatory assessments	653	594
Other	883	750
Total taxes other than income	$ 14,621	$ 12,102

(In thousands of dollars, except per share amounts)

Note 12 – *Segment Information*

The Company has identified ten operating segments and has one reportable segment named the "Regulated" segment. The reportable segment is comprised of eight operating segments for the Company's water and wastewater regulated utility companies which are organized by the states where we provide these services. In addition, two segments are not quantitatively significant to be reportable and are comprised of the Company's non-regulated subsidiaries: Aqua Resources, Inc. and Aqua Infrastructure, LLC. Aqua Resources, Inc. provides liquid waste hauling and disposal; water and wastewater service through operating and maintenance contracts with municipal authorities and other parties in close proximity to our utility companies' service territories; offers, through a third party, water and wastewater line repair service and protection solutions to households; inspects, cleans and repairs storm and sanitary wastewater lines; installs and tests devices that prevent the contamination of potable water; designs and builds water and wastewater systems; and provides other non-regulated water and wastewater services. Aqua Infrastructure, LLC provides non-utility raw water supply services for firms in the natural gas drilling industry. These two segments are included as a component of "Other" in the tables below. Also included in "Other" are corporate costs that have not been allocated to the Regulated segment and intersegment eliminations. Corporate costs include general and administrative expense, and interest expense.

The following table presents information about the Company's reportable segment:

	Three Months Ended March 31, 2015			Three Months Ended March 31, 2014		
	Regulated	Other	Consolidated	Regulated	Other	Consolidated
Operating revenues	$180,564	$ 9,762	$ 190,326	$178,199	$ 4,473	$ 182,672
Operations and maintenance expense	67,018	6,171	73,189	68,456	3,230	71,686
Depreciation	30,438	62	30,500	30,881	100	30,981
Operating income	68,624	2,543	71,167	66,419	351	66,770
Interest expense, net of allowance for funds used during construction	16,720	763	17,483	16,804	1,339	18,143
Income tax expense (benefit)	4,367	227	4,594	6,087	(895)	5,192
Income (loss) from continuing operations	47,705	840	48,545	43,620	(1,219)	42,401
Capital expenditures	70,111	173	70,284	59,154	665	59,819

(In thousands of dollars, except per share amounts)

	March 31, 2015		December 31, 2014	
Total assets:				
Regulated	$	5,257,843	$	5,195,191
Other		219,889		211,561
Consolidated	$	5,477,732	$	5,406,752

Note 13 – *Commitments and Contingencies*

The Company is routinely involved in various disputes, claims, lawsuits and other regulatory and legal matters, including both asserted and unasserted legal claims, in the ordinary course of business. The status of each such matter, referred to herein as a loss contingency, is reviewed and assessed in accordance with applicable accounting rules regarding the nature of the matter, the likelihood that a loss will be incurred, and the amounts involved. As of March 31, 2015, the aggregate amount of $11,994 is accrued for loss contingencies and is reported in the Company's consolidated balance sheet as other accrued liabilities and other liabilities. These accruals represent management's best estimate of probable loss (as defined in the accounting guidance) for loss contingencies or the low end of a range of losses if no single probable loss can be estimated. For some loss contingencies, the Company is unable to estimate the amount of the probable loss or range of probable losses. While the final outcome of these loss contingencies cannot be predicted with certainty, and unfavorable outcomes could negatively impact the Company, at this time in the opinion of management, the final resolution of these matters are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. Further, the Company has insurance coverage for certain of these loss contingencies, and as of March 31, 2015, estimates that approximately $1,267 of the amount accrued for these matters are probable of recovery through insurance, which amount is also reported in the Company's consolidated balance sheet as deferred charges and other assets, net.

In addition to the aforementioned loss contingencies, the Company self-insures its employee medical benefit program, and maintains stop-loss coverage to limit the exposure arising from these claims. The Company's reserve for these claims totaled $1,468 at March 31, 2015 and represents a reserve for unpaid claim costs, including an estimate for the cost of incurred but not reported claims.

Note 14 – *Income Taxes*

During the three months ended March 31, 2015, the Company utilized $5,967 of its Federal net operating loss carryforward ("NOL"). In addition, during the three months ended March 31, 2015, the Company utilized $374 of its state NOL carryforward. As of March 31, 2015, the balance of the Company's Federal NOL was $203,606. The Company believes its Federal NOL carryforward is more likely than not to be recovered and requires no valuation allowance. As of March 31, 2015, the balance of the Company's gross state NOL was $554,114, a portion of which is offset by a valuation allowance because the Company does not believe the NOLs are more likely than not to be realized. The Company's Federal and state NOL carryforwards begin to expire in 2032 and 2023, respectively. The Company has unrecognized tax positions that result in the associated tax benefit being unrecognized. The Company's Federal and state NOL carryforwards are reduced by an unrecognized tax position, on a gross basis, of $56,826 and $83,543, respectively. The amounts of the Company's Federal and state NOL carryforwards prior to being reduced by the unrecognized tax positions were $260,432 and $637,657, respectively. The Company records its unrecognized tax benefit as a reduction to its deferred income tax liability.

In accordance with a 2012 settlement agreement with the Pennsylvania Public Utility Commission, Aqua Pennsylvania expenses, for tax purposes, qualifying utility asset improvement costs, which results in a substantial reduction in income tax expense and greater net income and cash flows. The Company's effective income tax rate for the first quarter of 2015 and 2014, for its continuing operations, was 8.6% and 10.9%, respectively.

As of March 31, 2015, the total gross unrecognized tax benefit was $25,314, of which $13,419, if recognized, would affect the Company's effective tax rate as a result of the regulatory treatment afforded for qualifying infrastructure improvements in Pennsylvania. At December 31, 2014, the Company had unrecognized tax benefits of $25,292.

Accounting rules for uncertain tax positions specify that tax positions for which the timing of resolution is uncertain should be classified as long-term liabilities. Judgment is required in evaluating the Company's uncertain tax positions and determining the provision for income taxes. Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. Although the timing of income tax audit resolutions and negotiations with taxing authorities is highly uncertain, the Company does not anticipate a significant change to the total amount of unrecognized income tax benefits within the next 12 months.

Note 15 – *Recent Accounting Pronouncements*

In April 2015, the FASB issued updated accounting guidance on simplifying the presentation of debt issuance costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. Previously, debt issuance costs were presented in the balance sheet as a deferred charge. The accounting standard is effective for reporting periods beginning after December 15, 2015, and will be applied retrospectively. The Company does not expect the provisions of this accounting standard to have a material impact on its results of operations or financial position.

In August 2014, the FASB issued an accounting standard that will require management to assess an entity's ability to continue as a going concern for each annual and interim reporting period and to provide related footnote disclosures in circumstances in which substantial doubt exists. The accounting standard is effective in the first annual reporting period ending after December 15, 2016. The Company does not expect the provisions of this accounting standard to have an impact on its results of operations or financial position.

In May 2014, the FASB issued updated accounting guidance on recognizing revenue from contracts with customers, which outlines a single comprehensive model that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The updated guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. The updated guidance is proposed to be effective for reporting periods beginning after December 15, 2017, and will be applied retrospectively. The Company is currently evaluating the requirements of the updated guidance to determine the impact of adoption.

In April 2014, the FASB issued updated accounting guidance which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The updated guidance is effective prospectively for reporting periods beginning after December 15, 2014, with early adoption available. The Company adopted the provisions of the updated accounting guidance for its quarterly reporting period beginning January 1, 2015, and the adoption of the revised guidance did not have an impact on the Company's consolidated results of operations or consolidated financial position.

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(In thousands of dollars, except per share amounts)

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things: the projected impact of various legal proceedings; the projected effects of recent accounting pronouncements; prospects, plans, objectives, expectations and beliefs of management, as well as information contained in this report where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans," "future," "potential," "probably," "predictions," "intends," "will," "continue" or the negative of such terms or similar expressions. Forward-looking statements are based on a number of assumptions concerning future events, and are subject to a number of risks, uncertainties and other factors, many of which are outside our control, which could cause actual results to differ materially from those expressed or implied by such statements. These risks and uncertainties include, among others: the effects of regulation, abnormal weather, changes in capital requirements and funding, acquisitions, changes to the capital markets, and our ability to assimilate acquired operations, as well as those risks, uncertainties and other factors discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in such report. As a result, readers are cautioned not to place undue reliance on any forward-looking statements. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

General Information

Aqua America, Inc. ("we", "us", "our" or the "Company"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to what we estimate to be almost three million people in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, and Virginia. Our largest operating subsidiary, Aqua Pennsylvania, Inc., provides water or wastewater services to approximately one-half of the total number of people we serve, who are located in the suburban areas in counties north and west of the City of Philadelphia and in 26 other counties in Pennsylvania. Our other regulated utility subsidiaries provide similar services in seven other states. In addition, the Company's non-regulated subsidiary, Aqua Resources, Inc., provides liquid waste hauling and disposal; water and wastewater service through operating and maintenance contracts with municipal authorities and other parties close to our utility companies' service territories; offers, through a third party, water and wastewater line repair service and protection solutions to households; inspects, cleans and repairs storm and sanitary wastewater lines; installs and tests devices that prevent the contamination of potable water; designs and builds water and wastewater systems; and provides other non-regulated water and wastewater services. Lastly, the Company's non-regulated subsidiary, Aqua Infrastructure, LLC, provides non-utility raw water supply services for firms in in the natural gas drilling industry.

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)
(In thousands of dollars, except per share amounts)

Aqua America, Inc., which prior to its name change in 2004 was known as Philadelphia Suburban Corporation, was formed in 1968 as a holding company for its primary subsidiary, Aqua Pennsylvania, formerly known as Philadelphia Suburban Water Company. Since the early 1990s, we have embarked on a growth-through-acquisition strategy focused on water and wastewater operations. Our most significant transactions to date have been the merger with Consumers Water Company in 1999, the acquisition of the regulated water and wastewater operations of AquaSource, Inc. in 2003, the acquisition of Heater Utilities, Inc. in 2004, and the acquisition of American Water Works Company, Inc.'s regulated operations in Ohio in 2012. Since the early 1990s, our business strategy has been primarily directed toward the regulated water and wastewater utility industry, where we have more than quadrupled the number of regulated customers we serve, and has extended our regulated operations from southeastern Pennsylvania to include operations in seven other states.

Beginning in 2010, and substantially completed in 2013, we pursued a portfolio rationalization strategy to focus our operations in areas where we have critical mass and economic growth potential and to divest operations where limited customer growth opportunities exist, or where we are unable to achieve favorable operating results or a return on equity that we consider acceptable. In 2014, we sold our operation in Georgia; in 2013, we sold our operations in Florida; in 2012, we sold our operations in Maine and New York; in 2011, we sold our operations in Missouri; and in 2010, we sold our operations in South Carolina. In connection with the sale of our New York and Missouri operations, we acquired additional utility systems (and customers) in Ohio and Texas, two of the larger states in our portfolio.

In December 2014, we completed the sale of our water utility system in southwest Allen County, Indiana to the City of Fort Wayne, Indiana. The completion of this sale settled the dispute concerning the City of Fort Wayne's valuation of the northern portion of our water and wastewater utility systems, which were acquired by the City of Fort Wayne in February 2008, by eminent domain. In addition, as a result of this transaction, Aqua Indiana will expand its sewer customer base by accepting new wastewater flows from the City of Fort Wayne.

We have accounted for the sale of our operation in Georgia and disposition of our water utility system in southwest Allen County, Indiana as discontinued operations.

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes.

Financial Condition

During the first three months of 2015, we had $70,284 of capital expenditures, issued $52,629 of long-term debt, and repaid debt and made sinking fund contributions and other loan repayments of $29,800. The capital expenditures were related to improvements to treatment plants, new and rehabilitated water mains, tanks, hydrants, and service lines, well and booster improvements, and other enhancements and improvements. The issuance of long-term debt was comprised principally of the funds borrowed under our revolving credit facility of $51,000.

At March 31, 2015 we had $9,274 of cash and cash equivalents compared to $4,138 at December 31, 2014. During the first three months of 2015, we used internally generated funds and the proceeds from the issuance of long-term debt to fund the cash requirements discussed above and to pay dividends.

At March 31, 2015, our $200,000 unsecured revolving credit facility, which expires in March 2017, had $65,440 available for borrowing. At March 31, 2015, we had short-term lines of credit of $160,500, of which $127,438 was available for borrowing. One of our short-term lines of credit is an Aqua Pennsylvania $100,000 364-day unsecured revolving credit facility with four banks, which is used to provide working capital, and as of March 31, 2015, $71,678 was available for borrowing.

Our short-term lines of credit of $160,500 are subject to renewal on an annual basis. Although we believe we will be able to renew these facilities, there is no assurance that they will be renewed, or what the terms of any such renewal will be.

The Company's consolidated balance sheet historically has had a negative working capital position whereby routinely our current liabilities exceed our current assets. Management believes that internally generated funds along with existing credit facilities and the proceeds from the issuance of long-term debt will be adequate to provide sufficient working capital to maintain normal operations and to meet our financing requirements for at least the next twelve months.

On June 7, 2012, Aqua Pennsylvania reached a settlement agreement in its rate filing with the Pennsylvania Public Utility Commission, which in addition to a water rate increase, provided for a reduction in current income tax expense as a result of the recognition of qualifying income tax benefits upon Aqua Pennsylvania changing its tax accounting method to permit the expensing of qualifying utility asset improvement costs that have historically been capitalized and depreciated for book and tax purposes. In December 2012, Aqua Pennsylvania implemented this change, which resulted in a substantial reduction in income tax expense and greater net income and cash flow, and as a result allowed Aqua Pennsylvania to suspend its Distribution System Improvement Charges in 2013 and lengthen the amount of time until the next Aqua Pennsylvania rate case is filed. During 2013 and 2014, our non-Pennsylvania regulated operating divisions implemented this change. These divisions currently do not employ a method of accounting that provides for a reduction in current income taxes as a result of the recognition of income tax benefits, and as such the change in the Company's tax method of accounting in these other operating divisions has no impact on our effective income tax rate.

Results of Operations

Analysis of First Quarter of 2015 Compared to First Quarter of 2014

Unless specifically noted, the following discussion of the Company's results of operations for the first quarter of 2015 refers to the Company's results of operations from continuing operations.

Revenues increased by $7,654 or 4.2%, primarily due to an increase in non-regulated revenues of $4,785 associated with acquisitions in Aqua Resources, an increase in water and wastewater rates of $2,877, and additional water and wastewater revenues of $918 associated with a larger customer base due to acquisitions, offset by a decrease in customer water consumption and a decrease in infrastructure rehabilitation surcharges of $869.

Operations and maintenance expenses increased by $1,503 or 2.1%, primarily due to additional operating costs associated with acquired utility systems and other growth ventures of $4,362 and an increase in water production costs of $785, offset by a decrease in pension benefits expense of $1,209, reduced operating costs of $1,017 associated with severe winter weather conditions experienced in many of our service territories in the first quarter of 2014, and a decrease in the Company's self-insured employee medical benefit program expense of $929. The increase in water production costs is primarily due to an increase in energy costs resulting from the extreme cold temperatures experienced in many of our service territories in the first quarter of 2015.

Depreciation expense decreased by $481 or 1.6%, primarily due to the implementation of new depreciation rates for our Pennsylvania operating subsidiary.

Amortization expense decreased by $284, primarily due to the completion of the recovery of our costs associated with various completed rate filings.

Taxes other than income taxes increased by $2,519 or 20.8%, primarily due to an increase in property taxes of $2,001 primarily due to the effect of a non-recurring reduction in property taxes for our Ohio operating subsidiary which occurred in the first quarter of 2014.

Interest expense decreased by $645 or 3.3%, primarily due to a decrease in the effective interest rate on average borrowings as compared to the first quarter of 2014, offset by an increase in average borrowings.

In the first quarter of 2015 we recognized a gain on sale of other assets of $169 and in the first quarter of 2014 we recognized a loss on sale of other assets of $348. The change of $517 is primarily due to the effect of the write-off in the first quarter of 2014 of a marketable security of $443.

Our effective income tax rate was 8.6% in the first quarter of 2015 and 10.9% in the first quarter of 2014. The effective income tax rate decreased due to the effect of additional tax deductions recognized in the first quarter of 2015 for certain qualifying infrastructure improvements for Aqua Pennsylvania.

Income from continuing operations increased by $6,144 or 14.5%, primarily as a result of the factors described above. On a diluted per share basis, income from continuing operations increased by $0.03, reflecting the change in income from continuing operations.

Income from discontinued operations decreased by $458, primarily as a result of the sale of our water utility system in southwest Allen County, Indiana completed in the fourth quarter of 2014.

Net income attributable to common shareholders increased by $5,686 or 13.3%, primarily as a result of the factors described above. On a diluted per share basis, earnings increased by $0.03 reflecting the change in net income attributable to common shareholders.

Impact of Recent Accounting Pronouncements

We describe the impact of recent accounting pronouncements in Note 15, *Recent Accounting Pronouncements*, of the consolidated financial statements in this report.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. There have been no significant changes in our exposure to market risks since December 31, 2014. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for additional information.

Item 4 – Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are effective such that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1 – Legal Proceedings

We are party to various legal proceedings. Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which we or any of our subsidiaries is a party or to which any of our properties is the subject that we believe are material or are expected to have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A – Risk Factors

There have been no material changes to the risks disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014 under "Part 1, Item 1A – Risk Factors."

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the Company's purchases of its common stock for the quarter ended March 31, 2015:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs (2)
January 1-31, 2015	18,488	$ 27.30	-	1,125,348
February 1-28, 2015	122,496	$ 26.52	-	1,125,348
March 1-31, 2015	-	$ -	-	1,125,348
Total	140,984	$ 26.62	-	1,125,348

(1) These amounts consist of the following: (a) shares we acquired from employees associated with the withholding of shares to pay certain withholding taxes upon the vesting of PSUs, RSUs, or restricted stock; and (b) shares we acquired from employees who elected to pay the exercise price of their stock options (and then hold shares of the stock), upon exercise, by delivering to us shares of our common stock in accordance with the terms of our equity compensation plan that were previously approved by our shareholders and disclosed in our proxy statements. These features of our equity compensation plan are available to all employees who receive stock-based compensation under the plan. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the day of vesting of the PSU, RSU, or restricted stock awards or on the day prior to the option exercise.

(2) On October 4, 2013, our Board of Directors approved a resolution authorizing the purchase of up to 685,348 shares. This authorization renewed the number of shares that had remained, when affected for stock splits, from an existing buy-back authorization from 1997. As of March 31, 2015, 125,348 shares remain available for purchase under this program. The program has no fixed expiration date. In December 2014, our Board of Directors authorized a share buyback program of up to 1,000,000 shares to minimize share dilution through timely and orderly share repurchases. This program expires on the earliest of December 31, 2015 or when all authorized repurchases have been made.

Item 6 – Exhibits

The information required by this Item is set forth in the Exhibit Index hereto which is incorporated herein by reference.

SIGNATURES

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

May 6, 2015

Aqua America, Inc.
Registrant

/s/ Nicholas DeBenedictis
Nicholas DeBenedictis
Chairman, President and
Chief Executive Officer

/s/ David P. Smeltzer
David P. Smeltzer
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
10.36	Form of Performance Share Unit Grant Agreement
10.37	Performance-Based Share Unit Grant Terms and Conditions
10.40	Form of Restricted Stock Unit Grant Agreement
10.41	Restricted Stock Unit Grant Terms and Conditions
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRES	XBRL Taxonomy Extension Presentation Linkbase Document

PERFORMANCE-BASED SHARE UNIT GRANT

February 23, 2015

Dear:

Pursuant to the terms and conditions of the Aqua America Inc. 2009 Omnibus Equity Compensation Plan, as amended and restated (the "Plan"), you have been granted performance-based share units as outlined below and in the attached Performance-Based Share Unit Grant Terms and Conditions.

Granted To:	______________________________
Grant Date:	February 23, 2015
Target Award:	______________shares
Vesting Date:	February 23, 2018
Performance Period:	Period beginning on January 1, 2015 and ending on December 31, 2017
Vesting Schedule and Performance Goals:	The Target Award is subject to vesting based on continued service and achievement of performance goals, as set forth in the Performance-Based Share Unit Grant Terms and Conditions, including Schedule A attached thereto.

By my signature below, I hereby acknowledge and accept the award of this Performance-Based Share Unit Grant and the Performance-Based Share Unit Grant Terms and Conditions attached hereto and incorporated herein, and I agree to be bound by the terms of the Performance-Based Share Unit Grant, the Performance-Based Share Unit Grant Terms and Conditions and the Plan. I hereby agree that all decisions and determinations of the Committee (as defined in the Plan) with respect to the performance-based share units shall be final and binding.

Signature: ____ Date:
____

Note: If there are any discrepancies in the name or address shown above, please make the appropriate corrections on this form.

DB1/ 73876958.2

AQUA AMERICA, INC.
2009 OMNIBUS EQUITY COMPENSATION PLAN

PERFORMANCE-BASED SHARE UNIT GRANT
TERMS AND CONDITIONS

1. Grant of Performance Units.

These Performance-Based Share Unit Grant Terms and Conditions (the "Grant Conditions") shall apply and be part of the grant made by Aqua America, Inc., a Pennsylvania corporation (the "Company"), to the Grantee named in the Performance-Based Share Unit Grant (the "Performance-Based Unit Grant") to which these Grant Conditions are attached (the "Grantee"), under the terms and provisions of the Aqua America, Inc. 2009 Omnibus Equity Compensation Plan, as amended and restated (the "Plan"). The applicable provisions of the Plan are incorporated into the Grant Conditions by reference, including the definitions of terms contained in the Plan (unless such terms are otherwise defined herein). The Grantee is an employee of the Company, its subsidiaries or its Affiliates (collectively, the "Employer").

Subject to the terms and vesting conditions hereinafter set forth, the Company, with the approval and at the direction of the Executive Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board"), has granted to the Grantee a target award (the "Target Award") of performance-based share units as specified in the Performance-Based Share Unit Grant (the "Performance Units"). The Performance Units are contingently awarded and shall be earned, vested and payable if and to the extent that the total shareholder return and earnings per share performance goals described on Schedule A (the "Performance Goals"), employment conditions and other conditions of these Grant Conditions are met. The Performance Units are granted with Dividend Equivalents (as defined in Section 6).

2. Vesting.

(a) Except as otherwise set forth in these Grant Conditions, the Grantee shall earn and vest in a number of Performance Units based on the attainment of the Performance Goals as of the end of the Performance Period, provided that the Grantee continues to be employed by the Employer through the Vesting Date stated on the Performance-Based Share Unit Grant (the "Vesting Date"). The "Performance Period" is the performance period beginning and ending on the applicable dates stated on the Performance-Based Share Unit Grant. The "Vesting Period" is the period beginning on the Grant Date and ending on the Vesting Date.

(b) Except as otherwise set forth in these Grant Conditions, at the end of the Performance Period, the Committee will determine whether and to what extent the Performance Goals have been met and the amount earned with respect to the Performance Units. The Grantee can earn up to two hundred percent (200%) of the Target Award based on the attainment of the Performance Goals.

(c) Except as described in Section 3 below, the Grantee must continue to be employed by the Employer throughout the Vesting Period in order for the Grantee to vest and receive payment with respect to the earned Performance Units.

(d) Except as specifically provided below, no Performance Units shall vest prior to the Vesting Date, and if the Performance Goals are not attained at the end of the Performance Period, the Performance Units shall be immediately forfeited and shall cease to be outstanding.

3. Termination of Employment on Account of Retirement, Death, or Disability.

(a) Except as described below, if the Grantee ceases to be employed by the Employer prior to the Vesting Date, the Performance Units shall be forfeited as of the termination date and shall cease to be outstanding.

(b) If the Grantee ceases to be employed by the Employer during the Vesting Period on account of the Grantee's death or Disability, the Grantee's outstanding Performance Units shall remain outstanding through the Vesting Period and the Grantee shall earn Performance Units based on the attainment of the Performance Goals described on Schedule A, as determined following the end of the Performance Period (or as described in Section 4, if applicable). The earned Performance Units shall be paid as described in Section 5.

(c) If the Grantee ceases to be employed by the Employer during the Vesting Period on account of Retirement (defined below), the Grantee shall earn a pro-rata portion of the outstanding Performance Units based on attainment of the Performance Goals described on Schedule A, as determined following the end of the Performance Period (or as described in Section 4, if applicable). The pro-rated portion shall be determined based on the number of Performance Units earned based on the attainment of the Performance Goals during the Performance Period, multiplied by a fraction, the numerator of which is the number of completed full months following the Grant Date and prior to the Retirement Date in which the Grantee was employed by the Employer and the denominator of which is thirty-six (36). The pro-rated earned Performance Units shall be paid as described in Section 5.

(d) For purposes of these Grant Conditions, "Retirement" shall mean the Grantee's voluntary termination of employment after the Grantee has attained age fifty-five (55) and has a combination of age and full years of service with the Employer that is equal to or greater than seventy (70).

4. Change in Control.

(a) If a Change in Control occurs during the Vesting Period, the Grantee shall earn outstanding Performance Units as of the date of the Change in Control (the "Change in Control Date") as follows:

(i) If the Change in Control occurs more than one (1) year after the Grant Date and before the end of the Performance Period, the Grantee shall earn the greater of (x) the number of Performance Units earned based on the attainment of the Performance Goals from the beginning of the Performance Period to the Change in Control Date, or (y) the Target Award.

(ii) If a Change in Control occurs within one year after the Grant Date, the Grantee shall earn a pro-rata portion of the outstanding Performance Units. The pro-rated portion shall be determined based on the greater of (x) the number of Performance Units earned based on the attainment of the Performance Goals from the beginning of the Performance Period to the Change in Control Date, or (y) the Target Award, multiplied by a fraction, the numerator of which is the number of completed full months following the Grant Date until the Change in Control Date and the denominator of which is thirty-six (36).

(iii) If a Change in Control occurs after the end of the Performance Period but before the Vesting Date, the Grantee shall earn Performance Units based on the attainment of the Performance Goals as of the end of the Performance Period.

Performance Units earned as of the Change in Control Date, as described above in subsection (a)(i), (ii) or (iii), are referred to as the "CIC Earned Units." All reference in this Agreement to "Performance Units" includes CIC Earned Units on and after a Change in Control.

(b) The Grantee shall vest in the CIC Earned Units on the Vesting Date if the Grantee continues to be employed by the Employer through the Vesting Date. Except as described below, the CIC Earned Units shall only vest if the Grantee continues to be employed by the Employer through the Vesting Date.

(c) If prior to the Vesting Date, a Change in Control occurs and the Grantee ceases to be employed by the Employer upon or following a Change in Control on account of (i) the Grantee's Retirement, (ii) the Grantee's termination by the Company without Cause, or (iii) the Grantee's Disability or death, the CIC Earned Units shall vest as of the termination date.

(d) If the Grantee ceases to be employed by the Employer for any other reason before the Vesting Date, the Grantee shall forfeit the CIC Earned Units as of the date of termination.

5. Payment with Respect to Performance Units.

(a) Except as otherwise set forth in Section 4, if the Committee certifies that the Performance Goals and other conditions to payment of the Performance Units have been met, shares of Company Stock equal to the vested earned Performance Units shall be issued to the Grantee on the Vesting Date, subject to applicable tax withholding and Section 17 below.

(b) If, prior to the Vesting Date, a Change in Control occurs and the Grantee continues to be employed by the Employer through the Vesting Date, shares of Company Stock (or other consideration, as described below) equal to the vested CIC Earned Units shall be issued to the Grantee on the Vesting Date, subject to applicable tax withholding and Section 17 below.

(c) If, prior to the Vesting Date, a Change in Control occurs and the Grantee ceases to be employed by the Employer on or after the Change in Control on account of (i) the Grantee's Retirement, (ii) the Grantee's termination by the Employer without Cause, or (iii) the Grantee's Disability or death, shares of Company Stock (or other consideration, as described below) equal to the vested CIC Earned Units shall be issued to the Grantee within sixty (60) days following the Grantee's date of termination, subject to applicable tax withholding and Section 17 below.

(d) If the Grantee terminates employment on account of Retirement before a Change in Control, any outstanding Performance Units under Section 3(c) may be earned as CIC Earned Units pursuant to Section 4(a), but in all cases prorated by applying the fraction in Section 3(c), and such CIC Earned Units shall vest on the date of the Change in Control. Shares of Company

Stock (or such other consideration, as described below) equal to the vested CIC Earned Units shall be issued to the Grantee within sixty (60) days after the Change in Control, subject to applicable tax withholding and Section 17 below.

(e) If, in connection with a Change in Control, shares of Company Stock are converted into the right to receive a cash payment or other form of consideration, the vested CIC Earned Units shall be payable in such form of consideration, as determined by the Committee.

(f) Any fractional shares with respect to vested earned Performance Units shall be paid to the Grantee in cash.

6. Dividend Equivalents with Respect to Performance Units.

(a) Dividend Equivalents shall accrue with respect to Performance Units and shall be payable subject to the same vesting terms and other conditions as the Performance Units to which they relate. Dividend Equivalents shall be credited when dividends are declared on shares of Company Stock from the Grant Date until payment date for the vested earned Performance Units. If, and to the extent that the underlying Performance Units are forfeited, all related Dividend Equivalents shall also be forfeited.

(b) While the Performance Units are outstanding, the Company will keep records in a bookkeeping account for the Grantee. On each date on which a dividend is declared by the Company on Company Stock, the Company shall credit to the Grantee's account an amount equal to the Dividend Equivalents associated with the Performance Units held by the Grantee on the record date for the dividend. No interest will be credited to any such account.

(c) Dividend Equivalents shall be paid in cash at the same time as the underlying vested earned Performance Units are paid.

(d) Notwithstanding the foregoing, if shares of Company Stock are converted to cash as described in Section 5(e) above in connection with a Change in Control, Dividend Equivalents shall cease to be credited with respect to the Performance Units.

7. Certain Corporate Changes.

If any change is made to the Company Stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, or exchange of shares or any other change in capital structure made without receipt of consideration), then unless such event or change results in the termination of all the Performance Units, the Committee shall adjust, in an equitable manner and as provided in the Plan, the number and class of shares underlying the Performance Units to reflect the effect of such event or change in the Company's capital structure in such a way as to preserve the value of the Performance Units, and the Committee shall adjust the Performance Goals as necessary to reflect the effect of such event or change in the Company's capital structure. Any adjustment that occurs under the terms of this Section 8 or the Plan will not change the timing or form of payment with respect to any Performance Units.

8. No Stockholder Rights.

No shares of Company Stock shall be issued to the Grantee at the time the grant is made, and the Grantee shall not be, nor have any of the rights or privileges of, a shareholder of the Company with respect to any Performance Units recorded in the account, including no voting rights and no rights to receive dividends (other than Dividend Equivalents).

9. No Right to Continued Employment.

Neither the award of Performance Units, nor any other action taken with respect to the Performance Units, shall confer upon the Grantee any right to continue to be employed by the Employer or shall interfere in any way with the right of the Employer to terminate the Grantee's employment at any time.

10. Termination or Amendment.

These Grant Conditions and the award made hereunder may be terminated or amended by the Committee, in whole or in part, in accordance with the applicable terms of the Plan.

11. Notice.

Any notice to the Company provided for in these Grant Conditions shall be addressed to it in care of the Company's Vice President for Human Resources, and any notice to the Grantee shall be addressed to the Grantee at the current address shown on the payroll system of the Company, or to such other address as the Grantee may designate to the Company in writing. Any notice provided for hereunder shall be delivered by hand, sent by telecopy or electronic mail or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage and registry fee prepaid in the United States mail or other mail delivery service. Notice to the Company shall be deemed effective upon receipt. By receipt of these Grant Conditions, the Grantee hereby consents to the delivery of information (including without limitation, information required to be delivered to the Grantee pursuant to the applicable securities laws) regarding the Company, the Plan, and the Performance Units via the Company's electronic mail system or other electronic delivery system.

12. Incorporation of Plan by Reference.

The Performance-Based Share Unit Grant and these Grant Conditions are made pursuant to the terms of the Plan, the terms of which are incorporated herein by reference, and shall in all respects be interpreted in accordance therewith. The decisions of the Committee shall be conclusive upon any question arising hereunder. The Grantee's receipt of the Performance Units constitutes such the Grantee's acknowledgment that all decisions and determinations of the Committee with respect to the Plan, these Grant Conditions, and/or the Performance Units shall be final and binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest in the Performance Units. The settlement of any award with respect to the Performance Units is subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan as established from time to time by the Committee in accordance with the provisions of the Plan. A copy of the Plan will be furnished to each Grantee upon request.

13. Income Taxes; Withholding Taxes.

The Grantee is solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the award or settlement of Performance Units pursuant to these Grant Conditions. At the time of taxation, the Employer shall have the right to deduct from other compensation, or to withhold shares of Company Stock, in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the Performance Units, provided that any share withholding shall not exceed the Grantee's minimum applicable withholding tax rate for federal (including FICA), state, local and foreign tax liabilities.

14. Governing Law.

The validity, construction, interpretation and effect of the Performance-Based Share Unit Grant and these Grant Conditions shall exclusively be governed by, and determined in accordance with, the applicable laws of the Commonwealth of Pennsylvania, excluding any conflicts or choice of law rule or principle.

15. Assignment.

The Performance-Based Share Unit Grant and these Grant Conditions shall bind and inure to the benefit of the successors and assignees of the Company. The Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Performance Units, except to a successor grantee in the event of the Grantee's death.

16. Section 409A.

The Performance-Based Share Unit Grant and these Grant Conditions are intended to comply with Code Section 409A or an exemption, and payments may only be made under these Grant Conditions upon an event and in a manner permitted by Code Section 409A, to the extent applicable. Notwithstanding anything in these Grant Conditions to the contrary, if required by Code Section 409A, if the Grantee is considered a "specified employee" for purposes of Code Section 409A and if any payment under these Grant Conditions is required to be delayed for a period of six (6) months after separation from service pursuant to Code Section 409A, such payment shall be delayed as required by Code Section 409A, and the accumulated payment amounts shall be paid in a lump sum payment within ten (10) days after the end of the six (6)-month period. If the Grantee dies during the postponement period prior to payment, the amounts withheld on account of Code Section 409A shall be paid to the personal representative of the Grantee's estate within sixty (60) days after the date of the Grantee's death. Notwithstanding anything in these Grant Conditions to the contrary, if the Performance Units are subject to Code Section 409A and if required by Code Section 409A, any payments to be made upon a termination of employment under these Grant Conditions may only be made upon a "separation from service" under Code Section 409A. In no event may the Grantee, directly or indirectly, designate the calendar year of a payment, except in accordance with Code Section 409A. Notwithstanding anything in these Grant Conditions to the contrary, if required by Code Section 409A, if CIC Earned Units are subject to Code Section 409A, and if a Change in Control is not a "change in control event" under Code Section 409A or the payment event does not occur upon or within two years following a "change in control event" under Code Section 409A, any vested CIC Earned Units shall be paid to the Grantee upon the Vesting Date and not on account of an earlier termination of employment.

*

Schedule A

Performance Goals

1. Performance Goals.

The Performance Units shall be earned based on Aqua America's (the Company's) achievement of four Performance Goals, as follows:

- 30% of the Target Award shall be earned based on the TSR (as defined below) as compared to the TSR of the companies in the peer group described in Section 3 below.
- 30% of the Target Award shall be earned based on the Company's TSR as compared to the TSR of the reference companies in described in Section 4 below.
- 20% of the Target Award shall be earned based on maintaining an average ratio of operations and maintenance expenses as a percentage of revenues at Aqua Pennsylvania, as described in Section 5 below.
- 20% of the Target Award will be earned based on earning a cumulative total earnings before taxes for the Company's operations other than Aqua Pennsylvania, as described in Section 6 below.

2. Calculation of TSR.

(a) Relative total shareholder return ("TSR") means the Company's TSR relative to the TSR of each Peer Company in the Peer Group (as defined below) or each Reference Company (as defined below), as applicable. At the end of the Performance Period, the TSR for the Company, each Peer Company in the Peer Group and each Reference Company shall be calculated by dividing the Closing Average Share Value (as defined below) by the Opening Average Share Value (as defined below).

(b) The term "Closing Average Share Value" means the average value of the common stock for the trading days during the two calendar months ending on the last trading day of the Performance Period, which shall be calculated as follows: (i) determine the closing price of the common stock on each trading date during the two-month period, (ii) multiply each closing price as of that trading date by the applicable share number described below, and (iii) average the amounts so determined for the two-month period. The Closing Average Share Value shall take into account any dividends on the common stock for which the ex-dividend date occurred during the Performance Period, as if the dividend amount had been reinvested in common stock at the closing price on the ex-dividend date. The share number in clause (ii) above, for a given trading day, is the sum of one share plus the cumulative number of shares deemed purchased with such dividends. Notwithstanding the foregoing, if the Closing Average Share Value is calculated as of a Change in Control, then the Closing Average Share Value shall be based on the two-month period ending immediately prior to the Change in Control.

(c) The term "Opening Average Share Value" means the average value of the common stock for the trading days during the two calendar months ending on the last trading day prior to the beginning of the Performance Period, which shall be calculated as follows: (i) determine the closing price of the common stock on each trading date during the two-month period, (ii) multiply each closing price as of that trading date by the applicable share number described below, and (iii) average the amounts so determined for the two-month period. The Opening Average Share Value shall take into account any dividends on the common stock for which the ex-dividend date occurred during the two-month period, as if the dividend amount had been reinvested in common stock at the closing price on the ex-dividend date. The share number in clause (ii) above, for a given trading day, is the sum of one share plus the cumulative number of shares deemed purchased with such dividends.

3. <u>Performance Units Earned Based on Comparative TSR to the Peer Group</u>. Thirty percent of the Target Award of Performance Units (the "Peer Group Portion") shall be earned based on the Company's TSR as compared to the TSR of the companies in the Peer Group for the Performance Period, in accordance with the following:

(a) The Peer Group for this purpose consists of American Water Works Company (AWK), American States Water Company (AWR), Aqua America, Inc. (WTR), Connecticut Water Service, Inc. (CTWS), California Water Service Group (CWT), Middlesex Water Company (MSEX) and SJW Corporation (SJW) (each a "Peer Company" and collectively, the "Peer Group").

(b) The Peer Group shall be subject to change as follows:

(i) In the event of a merger, acquisition or business combination transaction of a Peer Company in which the Peer Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Company.

(ii) In the event of a merger, acquisition or business combination transaction of a Peer Company, a "going private" transaction or similar event involving a Peer Company or the liquidation of a Peer Company, in each case where the Peer Company is not the surviving entity or is no longer publicly traded, the company shall no longer be a Peer Company.

(c) The Peer Group Portion shall be earned based on how the Company's TSR ranks in comparison to the TSRs of the Peer Group in accordance with the following schedule, depending on how many companies remain in the Peer Group at the end of the Performance Period:

(d)

Ordinal Ranking of the Company (including the Company) Versus Peer Group	Payout as a % of Target Award (7 Peer Companies)	Payout as a % of Target Award (6 Peer Companies)	Payout as a % of Target Award (5 Peer Companies)	Payout as a % of Target Award (4 Peer Companies)	Payout as a % of Target Award (3 Peer Companies)
1st	200%	200%	200%	200%	200%
2nd	170%	160%	150%	125%	100%
3rd	130%	125%	100%	50%	0%
4th	100%	75%	50%	0%	N/A
5th	50%	25%	0%	N/A	N/A
6th	0%	0%	N/A	N/A	N/A
7th	0%	N/A	N/A	N/A	N/A

4. <u>Performance Units Earned Based on Comparative TSR to the S&P MidCap Utilities Index</u>. Thirty percent of the Target Award of the Performance Units (the "S&P Index Portion") shall be earned based on the Company's TSR as compared to the TSR of the companies in the S&P MidCap Utilities Index, in accordance with the following:

Ordinal Ranking of the Company (including the Company) Versus Peer Group	Pmt as a % of Target Award (18 Peer Co's)	Pmt as a % of Target Award (17 Peer Co's)	Pmt as a % of Target Award (16 Peer Co's)	Pmt as a % of Target Award (15 Peer Co's)	Pmt as a % of Target Award (14 Peer Co's)
Rank	Payout	Payout	Payout	Payout	Payout
1	200.0%	200.0%	200.0%	200.0%	200.0%
2	197.2%	195.6%	193.8%	191.7%	189.3%
3	183.3%	180.9%	178.1%	175.0%	171.4%
4	169.4%	166.2%	162.5%	158.3%	153.6%
5	155.6%	151.5%	146.9%	141.7%	135.7%
6	141.7%	136.8%	131.3%	125.0%	117.9%
7	127.8%	122.1%	115.6%	108.3%	100.0%
8	113.9%	107.4%	100.0%	91.7%	82.1%
9	100.0%	92.6%	84.4%	75.0%	64.3%
10	86.1%	77.9%	68.8%	58.3%	0.0%
11	72.2%	63.2%	53.1%	0.0%	0.0%
12	58.3%	0.0%	0.0%	0.0%	0.0%
13	0.0%	0.0%	0.0%	0.0%	0.0%
14	0.0%	0.0%	0.0%	0.0%	0.0%
15	0.0%	0.0%	0.0%	0.0%	
16	0.0%	0.0%	0.0%		
17	0.0%	0.0%			
18	0.0%				

(a) The companies in the S&P MidCap Utilities Index will be determined on the first day of the Performance Period for purposes of the TSR calculation and will be changed only in accordance with Section 4(c) below. No company shall be added to the S&P MidCap Utilities Index during the Performance Period for purposes of the TSR calculation.

(b) The term "Reference Company" means a company in the S&P MidCap Utilities Index as of the first day of the Performance Period and will be subject to change as follows:

(i) In the event of a merger, acquisition or business combination transaction of a Reference Company in which the Reference Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Reference Company.

(ii) In the event of a merger, acquisition or business combination transaction of a Reference Company, a "going private" transaction or similar event involving a Reference Company or the liquidation of a Reference Company, in each case where the Reference Company is not the surviving entity or is no longer publicly traded, the company shall no longer be a Reference Company.

5. <u>Performance Units Earned Based on the Aqua Pennsylvania O&M Ratio.</u> Twenty percent of the Target Award of the Performance Units (the "O&M Ratio Portion") shall be earned based on maintaining an average of the annual ratios of the consolidated operations and maintenance expenses to revenue for Aqua Pennsylvania and its subsidiaries over the three-year Performance Period. The O&M Ratio Portion shall be calculated according to the following schedule:

2015 - 2017 O&M Ratio Metric	
Aqua PA O&M Ratio 3 YR Avg	Rating (% of 20% PSU's Earned)
31.8	50%
31.6	60%
31.4	70%
31.2	80%
31.0	90%
30.8	100%
30.6	110%
30.4	120%
30.2	130%
30.0	140%
29.8	150%
29.6	160%
29.4	170%
29.2	180%
29.0	190%
28.8	200%

6. Performance Units Earned Based on the Earnings Before Taxes for the Company's operations other than Aqua Pennsylvania (Non-PA EBT). Twenty percent of the Target Award of the Performance Units (the "Non-PA EBT") shall be earned based on the Company's total cumulative income from continuing operations before income taxes plus the Company's income from discontinued operations before income taxes, less the corresponding amounts from Aqua

Pennsylvania, over the three-year Performance Period. The Non-PA EBT Portion shall be calculated according to the following schedule:

2015 - 2017 Non PA EBT	
Non-Pennsylvania 3 Year EBT	**Percent of 20% of Performance Shares Earned**
$235,200	50%
$240,200	60%
$245,200	70%
$250,200	80%
$255,200	90%
$260,200	100%
$262,700	110%
$265,200	120%
$267,700	130%
$270,200	140%
$272,700	150%
$275,200	160%
$277,700	170%
$280,200	180%
$282,700	190%
$285,200	200%

7. General Terms. Any portion of the Performance Units that is not earned as of the end of the Performance Period shall be forfeited as of the end of the Performance Period (or as provided above upon an earlier Change in Control). In no event shall the maximum number of Performance Units that may be payable pursuant to these Grant Conditions exceed 200% of the Target Award.

RESTRICTED STOCK UNIT GRANT

February 23, 2015

Dear:

Pursuant to the terms and conditions of the Aqua America Inc. 2009 Omnibus Equity Compensation Plan, as amended and restated (the "Plan"), you have been granted restricted stock units as outlined below and in the attached Restricted Stock Unit Grant Terms and Conditions.

Granted To:	______________________
Grant Date:	February 23, 2015
Number of Restricted Stock Units Granted:	______________________
Vesting Date:	February 23, 2018
Vesting Schedule:	100% on February 23, 2018

By my signature below, I hereby acknowledge and accept the award of this Restricted Stock Unit Grant and the Restricted Stock Unit Grant Terms and Conditions attached hereto and incorporated herein, and I agree to be bound by the terms of the Restricted Stock Unit Grant, the Restricted Stock Unit Grant Terms and Conditions and the Plan. I hereby agree that all decisions and determinations of the Committee (as defined in the Plan) with respect to the restricted stock units shall be final and binding.

Signature: ____ Date: ___________________________

Note: If there are any discrepancies in the name or address shown above, please make the appropriate corrections on this form.

DB1/ 74007686.1

Exhibit 10.41

AQUA AMERICA, INC.
2009 EQUITY OMNIBUS COMPENSATION PLAN

RESTRICTED STOCK UNIT GRANT
TERMS AND CONDITIONS

1. Grant of Restricted Units.

These Restricted Stock Unit Grant Terms and Conditions (the "Grant Conditions") shall apply and be part of the grant made by Aqua America, Inc., a Pennsylvania corporation (the "Company"), to the Grantee named in the Restricted Stock Unit Grant (the "Restricted Stock Unit Grant") to which these Grant Conditions are attached (the "Grantee"), under the terms and provisions of the Aqua America, Inc. 2009 Equity Omnibus Compensation Plan, as amended and restated (the "Plan"). The applicable provisions of the Plan are incorporated into these Grant Conditions by reference, including the definitions of terms contained in the Plan (unless such terms are otherwise defined herein). The Grantee is an employee of the Company, its subsidiaries or its Affiliates (collectively, the "Employer").

Subject to the terms and vesting conditions hereinafter set forth, the Company, with the approval and at the direction of the Executive Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board"), has granted to the Grantee the number of restricted stock units specified in the Restricted Stock Unit Grant (the "Restricted Units"). The Restricted Units shall become vested as set forth in these Grant Conditions. The Restricted Units are granted with Dividend Equivalents (as defined in Section 8).

2. Restricted Unit Account.

Restricted Units represent hypothetical shares of common stock of the Company ("Company Stock"), and not actual shares of Company Stock. The Company shall establish and maintain a Restricted Unit account, as a bookkeeping account on its records, for the Grantee and shall record in such account the number of Restricted Units granted to the Grantee. No shares of Company Stock shall be issued to the Grantee at the time the grant is made, and the Grantee shall not be, nor have any of the rights or privileges of, a shareholder of the Company with respect to any Restricted Units recorded in the account, including no voting rights and no rights to receive dividends (other than Dividend Equivalents). The Grantee shall not have any interest in any fund or specific assets of the Company by reason of this award or the Restricted Unit account established for the Grantee.

3. Vesting.

(a) Except as otherwise set forth in these Grant Conditions, the Grantee shall vest in the Restricted Units on the Vesting Dates specified in the Restricted Stock Unit Grant (the

"Vesting Date"), provided that the Grantee continues to be employed by the Employer through the Vesting Date.

(b) Except as described in Section 3 below, the Grantee must continue to be employed by the Employer on the Vesting Date in order for the Grantee to vest and receive payment with respect to Restricted Units.

4. Termination of Employment on Account of Retirement, Death, or Disability.

(a) Except as described below, if the Grantee ceases to be employed by the Employer prior to the Vesting Date, the Restricted Units shall be forfeited as of the termination date.

(b) If the Grantee ceases to be employed by the Employer prior to the Vesting Date on account of the Grantee's Retirement (defined below), the Grantee shall earn a pro-rata portion of the unvested Restricted Units. The pro-rated portion shall be determined based the number of unvested Restricted Units, multiplied by a fraction, the numerator of which is the number of completed full months following the Grant Date and prior to the Retirement Date in which the Grantee was employed by the Employer and the denominator of which is thirty-six (36). Shares of Company Stock equal to the pro-rata portion of the Restricted Units shall be issued to the Grantee within sixty (60) days following the Grantee's Retirement date, subject to applicable tax withholding and subject to Section 19 below.

(c) If the Grantee ceases to be employed by the Employer prior to the Vesting Date on account of the Grantee's death or Disability, the Grantee's Restricted Units shall fully vest and shares of Company Stock equal to the vested Restricted Units shall be issued to the Grantee within sixty (60) days after the Grantee's date of termination, subject to applicable tax withholding and subject to Section 19 below.

5. Change in Control.

(a) Except as described below, if a Change in Control occurs prior to the Vesting Date, the Grantee's Restricted Units shall remain outstanding and shall vest on the Vesting Date if the Grantee continues to be employed by the Employer through the Vesting Date. Shares of Company Stock (or other consideration, as described below) equal to the vested Restricted Units shall be issued to the Grantee on the Vesting Date, subject to applicable tax withholding and Section 19 below.

(b) If the Grantee ceases to be employed by the Employer upon or following a Change in Control on account of (i) the Grantee's Retirement, (ii) termination by the Employer without Cause, (iii) termination by the Grantee for Good Reason (defined below), or (iv) the Grantee's Disability or death, the Grantee's outstanding unvested Restricted Units shall fully vest. Shares of Company Stock (or such other consideration, as described below) equal to the Grantee's vested Restricted Units shall be issued to the Grantee within sixty (60) days after the Grantee's date of termination, subject to applicable tax withholding and Section 19 below.

(c) If the Grantee terminates employment for any other reason prior to the Vesting Date, the Restricted Units shall be forfeited as of the date of termination.

(d) If, in connection with the Change in Control, shares of Company Stock are converted into the right to receive a cash payment or other form of consideration, the vested Restricted Units shall be payable in such form of consideration, as determined by the Committee.

6. Definitions.

(a) For purposes of these Grant Conditions, "Good Reason" shall have the meaning given that term in the Grantee's existing Change in Control Agreement with the Company as in effect on the Grant Date.

(b) For purposes of these Grant Conditions, "Retirement" shall mean the Grantee's voluntary termination of employment after the Grantee has attained age fifty-five (55) and has a combination of age and full years of service with the Employer that is equal to or greater than seventy (70).

7. Payment with Respect to Restricted Units.

Except as otherwise set forth in Section 4 and 5 above, shares of Company Stock equal to the vested Restricted Units shall be issued to the Grantee on the Vesting Date, subject to applicable tax withholding and subject to Section 19. Any fractional Restricted Units shall be paid to the Grantee in cash.

8. Dividend Equivalents with Respect to Restricted Units.

(a) Dividend Equivalents shall accrue with respect to Restricted Units and shall be payable subject to the same vesting terms and other conditions as the Restricted Units to which they relate. Dividend Equivalents shall be credited when dividends are declared on shares of Company Stock from the Grant Date until the payment date for the vested Restricted Units. If, and to the extent that the underlying Restricted Units are forfeited, all related Dividend Equivalents shall also be forfeited.

(b) While the Restricted Units are outstanding, the Company will keep records in a bookkeeping account for the Grantee. On each date on which a dividend is declared by the Company on Company Stock, the Company shall credit to the Grantee's account an amount equal to the Dividend Equivalents associated with the Restricted Units held by the Grantee on the record date for the dividend. No interest will be credited to any such account.

(c) Dividend Equivalents will be paid in cash at the same time as the underlying vested Restricted Units are paid.

(d) Notwithstanding the foregoing, if shares of Company Stock are converted to cash as described in Section 5(d) above in connection with a Change in Control, Dividend Equivalents shall cease to be credited with respect to Restricted Units.

9. Non-Competition.

(a) In consideration for the grant of Restricted Units made to the Grantee under the terms of these Grant Conditions, the Grantee agrees that while the Grantee is employed by the

Employer and for a twelve (12) month period beginning on the date that the Grantee ceases to be employed by the Employer for any reason (the “Restriction Period”), the Grantee shall not, directly or indirectly, (i) accept employment with, (ii) own, manage, operate, join, control, solicit, finance, or participate in the ownership, management, operation, acquisition, control or financing of, (iii) be connected as a partner, principal, agent, representative, consultant or otherwise with, or (iv) use or permit the Grantee’s name to be used in connection with, any business or enterprise engaged directly or indirectly in any business or enterprise engaged in a geographic area within fifty (50) miles of any location from which the Employer is operating on the termination date (the "Geographic Area"), in any business that is competitive to a business from which the Employer, taken as a whole from all geographic areas, derived at least ten percent (10%) of its respective annual gross revenues for the twelve (12) months preceding the termination date.

(b) In consideration for the grant of Restricted Units made to the Grantee under the terms of these Grant Conditions, the Grantee agrees that during the Restriction Period, the Grantee shall not:

(i) directly or indirectly solicit, entice, broker or induce an agreement with any person or entity that had a contractual agreement with the Employer during the term of the Grantee’s employment to enter into an agreement or arrangement with the Grantee or any third party that would preclude the person or entity, either contractually or practically, from working with the Employer; or

(ii) directly or indirectly solicit, recruit or hire any employee (full-time or part-time) of the Employer to work for a third party other than the Employer.

(c) **The Grantee acknowledges, agrees and represents that the type and periods of restrictions imposed in these Grant Conditions are fair and reasonable, and that such restrictions are intended solely to protect the legitimate interests of the Employer, rather than to prevent the Grantee from earning a livelihood. The Grantee recognizes that the Employer competes or may compete in the Geographic Area and that the Grantee’s access to confidential information makes it necessary for the Employer to restrict the Grantee’s post-employment activities in the Geographic Area. The Grantee further represents that: (i) the Grantee is familiar with the covenants not to compete and not to solicit set forth in these Grant Conditions, (ii) the Grantee is fully aware of his or her obligations hereunder, including, without limitation, the length of time, scope and geographic coverage of these covenants, (iii) the Grantee finds the length of time, scope and geographic coverage of these covenants to be reasonable, and (iv) the Grantee is receiving valuable and sufficient consideration for the Grantee’s covenants not to compete and not to solicit.**

(d) The parties to these Grant Conditions acknowledge and agree that any breach by the Grantee of any of the covenants or agreements contained in this Section 9 will result in irreparable injury to the Employer for which money damages could not adequately compensate the Employer and therefore, in the event of any such breach, the Employer shall be entitled (in addition to any other rights and remedies which it may have at law or in equity) to have an injunction issued by any competent court enjoining and restraining the Grantee and any other person involved therein from continuing such breach without posting a bond. The existence of any claim or cause of action which the Grantee may have against the Employer or any other person shall not constitute a defense or bar to the enforcement of such covenants. If any portion of the covenants or agreements contained in this Section 9 is construed to be invalid or unenforceable, the other portions of such covenants or agreements shall not be affected and shall be given full force and effect without regard to the invalid or unenforceable portion to the fullest extent possible. If any covenant or agreement in this Section 9 is held to be unenforceable because of the duration or scope thereof, then the court making such determination shall have the power to reduce the duration and limit the scope thereof, and the covenant or agreement shall then be enforceable in its reduced form. In addition to other actions that may be taken by the Employer, if the Grantee breaches any of the covenants or agreements contained in this Section 9, the Grantee will forfeit all outstanding Restricted Units, and all outstanding Restricted Units (whether or not vested), shall immediately terminate.

10. Certain Corporate Changes.

If any change is made to the Company Stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, or exchange of shares or any other change in capital structure made without receipt of consideration), then unless such event or change results in the termination of all the Restricted Units, the Committee shall adjust, in an equitable manner and as provided in the Plan, the number and class of shares underlying the Restricted Units. Any adjustment that occurs under the terms of this Section 10 or the Plan will not change the timing or form of payment with respect to any Restricted Units.

11. No Right to Continued Employment.

Neither the award of Restricted Units, nor any other action taken with respect to the Restricted Units, shall confer upon the Grantee any right to continue to be employed by the Employer or shall interfere in any way with the right of the Employer to terminate the Grantee's employment at any time.

12. Termination or Amendment.

These Grant Conditions and the award made hereunder may be terminated or amended by the Committee, in whole or in part, in accordance with the applicable terms of the Plan.

13. Notice.

Any notice to the Company provided for in these Grant Conditions shall be addressed to it in care of the Company's Vice President for Human Resources, and any notice to the Grantee shall be addressed to the Grantee at the current address shown on the payroll system of the

Company, or to such other address as the Grantee may designate to the Company in writing. Any notice provided for hereunder shall be delivered by hand, sent by telecopy or electronic mail or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage and registry fee prepaid in the United States mail or other mail delivery service. Notice to the Company shall be deemed effective upon receipt. By receipt of these Grant Conditions, the Grantee hereby consents to the delivery of information (including without limitation, information required to be delivered to the Grantee pursuant to the applicable securities laws) regarding the Company, the Plan, and the Restricted Units via the Company's electronic mail system or other electronic delivery system.

14. Incorporation of Plan by Reference.

The Restricted Stock Unit Grant and these Grant Conditions are made pursuant to the terms of the Plan, the terms of which are incorporated herein by reference, and shall in all respects be interpreted in accordance therewith. The decisions of the Committee shall be conclusive upon any question arising hereunder. The Grantee's receipt of the Restricted Units constitutes the Grantee's acknowledgment that all decisions and determinations of the Committee with respect to the Plan, these Grant Conditions, and/or the Restricted Units shall be final and binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest in the Restricted Units. The settlement of any award with respect to the Restricted Units is subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan as established from time to time by the Committee in accordance with the provisions of the Plan. A copy of the Plan will be furnished to each Grantee upon request.

15. Income Taxes; Withholding Taxes.

The Grantee is solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the award or settlement of Restricted Units pursuant to these Grant Conditions. At the time of taxation, the Employer shall have the right to deduct from other compensation, or to withhold shares of Company Stock, in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the Restricted Units, provided that any share withholding shall not exceed the Grantee's minimum applicable withholding tax rate for federal (including FICA), state, local and foreign tax liabilities.

16. Company Policies.

This Restricted Unit Grant and all shares issued pursuant to this grant shall be subject to any applicable recoupment or clawback policies and other policies implemented by the Board, as in effect from time to time.

17. Governing Law.

The validity, construction, interpretation and effect of the Restricted Stock Unit Grant and these Grant Conditions shall exclusively be governed by, and determined in accordance with, the applicable laws of the Commonwealth of Pennsylvania, excluding any conflicts or choice of law rule or principle.

18. Assignment.

The Restricted Stock Unit Grant and these Grant Conditions shall bind and inure to the benefit of the successors and assignees of the Company. The Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Restricted Units, except to a successor grantee in the event of the Grantee's death.

19. Code Section 409A.

The Restricted Stock Unit Grant and these Grant Conditions are intended to comply with Code Section 409A or an exemption, and payments may only be made under these Grant Conditions upon an event and in a manner permitted by Code Section 409A, to the extent applicable. Notwithstanding anything in these Grant Conditions to the contrary, if required by Code Section 409A, if the Grantee is considered a "specified employee" for purposes of Code Section 409A and if any payment under these Grant Conditions is required to be delayed for a period of six (6) months after separation from service pursuant to Code Section 409A, such payment shall be delayed as required by Code Section 409A, and the accumulated payment amounts shall be paid in a lump sum payment within ten (10) days after the end of the six (6)-month period. If the Grantee dies during the postponement period prior to payment, the amounts withheld on account of Code Section 409A shall be paid to the personal representative of the Grantee's estate within sixty (60) days after the date of the Grantee's death. Any payments to be made upon a termination of employment under these Grant Conditions may only be made upon a "separation from service" under Code Section 409A. In no event may the Grantee, directly or indirectly, designate the calendar year of a payment, except in accordance with Code Section 409A.

* * *

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER, PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

I, Nicholas DeBenedictis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting, and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/Nicholas DeBenedictis
Nicholas DeBenedictis
Chairman, President and Chief Executive Officer
May 6, 2015

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER, PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

I, David P. Smeltzer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting, and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/David P. Smeltzer
David P. Smeltzer
Executive Vice President and Chief Financial Officer
May 6, 2015

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2015 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas DeBenedictis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Nicholas DeBenedictis
Nicholas DeBenedictis
Chairman, President and Chief Executive Officer
May 6, 2015

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2015 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Smeltzer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/David P. Smeltzer
David P. Smeltzer
Executive Vice President and Chief Financial Officer
May 6, 2015