



Aqua America Chairman Tells Global Water Conference That Industry Needs Prudent Investment Models to Address Infrastructure Crisis

LONDON, Nov 21, 2006 (BUSINESS WIRE) -- Aqua America, Inc. (NYSE:WTR) Chairman and Chief Executive Officer Nicholas DeBenedictis today stressed the importance of financially sound investment models in the U.S. water industry to address the nation's mounting water infrastructure crisis. In his speech at "European Water Congress 2006" in London, DeBenedictis continued to raise concerns about business models that fail to instill long-term stewardship of water resources.

The U.S. Environmental Protection Agency (EPA) reports that investments totaling \$277 billion are needed over the next 20 years to upgrade and maintain the nation's water systems. DeBenedictis said new EPA regulations affecting water treatment facilities require major, ongoing investment, as will the need to replace old, leaking pipes and subsequent road repair. However, the regulated water business has one of the longest capital recovery periods among U.S. industry.

"With our aging infrastructure requiring massive capital spending to maintain the quality and availability of drinking water, we need ownership models that realize the return on those investments will not be immediate," said DeBenedictis, the only presenter from a U.S.-based water utility at this global conference. "The U.S. regulatory model can be cash-negative, and as such, requires a long-term commitment to the industry, customers and communities."

In the past decade or so, DeBenedictis said, the U.S. water industry has witnessed shifting ownership models involving electric utilities and European multi-utility conglomerates. The electric companies exited the water business after a few short years, and today, many of the European firms have decided to leave the U.S. market.

"Now, private-equity funds are the latest entry in the regulated water utility business," he said, noting that German utility giant RWE recently sold its Thames Water subsidiary to a private-equity firm. "There is concern that some of these financial buyers need an unacceptable amount of leverage to deliver the kind of returns that their investors expect - and in a shorter amount of time compared to the typical utility investment cycle. As a former regulator and someone who's been involved in these issues for more than 30 years, I am very skeptical about putting our precious water resources into the hands of financial entities that are highly leveraged and typically bring a short-term investment horizon."

DeBenedictis said prudent capital investment can grow earnings under the regulated business model. In 2006, Aqua America anticipates spending nearly \$255 million for capital improvements to the water and wastewater systems it operates in 13 states. He also advocated public policy initiatives that reward companies that acquire troubled water systems and improve failing infrastructure.

Aqua America, Inc. is the largest U.S.-based publicly-traded water and wastewater utility holding company, serving more than 2.5 million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, Florida, New Jersey, Indiana, Virginia, Maine, Missouri, New York, and South Carolina. Aqua America is listed on both the New York and Philadelphia Stock Exchanges under the ticker symbol WTR.

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SOURCE: Aqua America, Inc.

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