



Philadelphia Suburban Corporation to Acquire AquaSource's Investor-owned Water Utilities and Select Integrated O&M Contracts

Acquisition expected to be accretive, expands southeast US territory

BRYN MAWR, Pa., Jul 30, 2002 (BUSINESS WIRE) --

Philadelphia Suburban Corporation (NYSE:PSC), the nation's second largest investor-owned water utility holding company, has reached an agreement with DQE, Inc. (NYSE:DQE) and its subsidiary AquaSource, Inc. (AquaSource) to purchase AquaSource's investor-owned water and wastewater systems. PSC will also assume selected integrated operating and maintenance contract operations in seven states in which the water and wastewater operations being acquired are located. The purchase agreement provides for a target cash purchase price of approximately \$205 million. The final purchase price could vary from \$180 to \$215 million, as various purchase price adjustments are applied.

These adjustments relate to the achievement of certain specific operating performance metrics, involving revenue, rate base and projected customer connections.

When this transaction is completed, the states where AquaSource's investor-owned utilities operate will represent approximately 20 percent of the customer base of PSC. PSC will have approximately 785,000 customer accounts serving two-and-a-half million residents in 16 states. The closing is not expected to occur before the second half of 2003 and is contingent upon receipt of regulatory approvals.

The acquisition is expected to be accretive to PSC earnings on an ongoing basis after closing.

The AquaSource operations being purchased by PSC accounts for approximately 130,000 customer accounts with an additional 40,000 customers being served through the integrated operations and maintenance contracts. The vast majority of these customers are in Texas, Florida, Virginia, Indiana, North Carolina, New Jersey and Missouri with a smaller number of customers in five other states.

Combined with PSC's existing service territory, this acquisition will give PSC greater geographic and regulatory diversity and provide new service areas in the southern, mid-Atlantic and mid-western United States.

PSC Chairman Nicholas DeBenedictis said, "This acquisition presents a unique opportunity for us to expand our quality service to customers in new areas of the country. Many of the new, larger states in which we will be doing business--Texas, Florida, Indiana, and Virginia in particular--have fast-growing populations. These states contain more than 80 percent of the customers of the AquaSource facilities we are purchasing."

DeBenedictis also indicated that AquaSource shares a similar philosophy as PSC when it comes to capital expenditures. He said the amount of capital AquaSource has spent in recent years on infrastructure improvements indicates that they, like PSC, understand and recognize the importance of investing to improve the water system. "Last year, AquaSource spent \$40 million in capital improvements--predominantly on their investor-owned water systems--and they have plans to spend approximately \$50 million by the end of this year and approximately \$25 million on capital investments through the end of 2003 on their investor-owned properties. This level of spending compares favorably with the \$120 million PSC's operating subsidiaries spent last year on capital for our existing customer base of 615,000," DeBenedictis added.

DQE Executive Vice President and President of AquaSource Frank Hoffmann said, "We are pleased to have the bulk of our water and wastewater utility operations and customers entrusted to one of the best managed water utilities in the country--PSC. I am confident that our customers, employees and communities will be well served by this water utility, which has a history of more than 115 years of excellence in water utility operations."

PSC will host a teleconference today discussing the acquisition. The call will be held at 10:00 a.m. Eastern Daylight Time. Interested parties may participate by calling (973) 582-2713.

PSC is currently the second largest, investor-owned water utility in the country, serving approximately two million residents in six states: Pennsylvania, Ohio, Illinois, New Jersey, North Carolina and Maine.

This press release contains forward-looking statements. These forward-looking statements are found in various places throughout this press release and include, without limitation, statements regarding the expected timing and benefits of the acquisition, including the amount and type of consideration to be paid by PSC, anticipated levels of capital spending and the effect of the transaction on PSC's earnings.

While these forward-looking statements represent our judgments and future expectations concerning the development of our business and the timing and benefits of the acquisition, a number of risks, uncertainties, and other important factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, regulatory approvals for the transaction; the risk that the acquired company's business will not be successfully integrated into PSC; the costs related to the transaction; the inability to obtain or meet conditions imposed for governmental approvals for the transaction; the risk that anticipated benefits will not be obtained or will not be obtained within the time anticipated; and other key factors that we have indicated could adversely affect our business and financial performance contained in our past and future filings and reports, including those filed with the Securities and Exchange Commission.

Neither PSC nor DQE is under any obligation (and each expressly disclaims any such obligation) to update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

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