



## **Aqua America Chairman Says Water Infrastructure Needs Long-Term Investment Strategy**

BRYN MAWR, Pa., Jun 15, 2005 (BUSINESS WIRE) -- Aqua America, Inc. (NYSE:WTR) Chairman and Chief Executive Officer Nicholas DeBenedictis today highlighted the need for the U.S. water industry to adopt long-term business models that help improve the nation's water infrastructure. He made the remarks today to the 28th annual National Conference of Regulatory Attorneys, which is meeting in Baltimore.

According to the Environmental Protection Agency, nearly 47,000 small water systems, each serving less than 3,300 people, operate in the United States today. "These small systems are very problematic for the EPA and public utility commissioners, who view many systems as risky due to years of deferred maintenance," said DeBenedictis. "They simply don't have the means to upgrade their systems and meet the tighter water quality standards being issued from the EPA and state regulatory agencies."

To ensure the safety of the nation's drinking water, the EPA said yesterday that utilities will need to invest an estimated \$277 billion in infrastructure improvements over the next 20 years. DeBenedictis noted that EPA rules require the construction of new water treatment plants, plus major investments to upgrade distribution systems and to repair roadways torn up to replace antiquated water mains.

"There's a real need for larger companies to buy small, troubled water systems, institute higher professional standards and gain economies of scale by consolidating the operations into their larger management systems. Customers will benefit from the economies of scale and by the investment in needed resources to address this infrastructure crisis and protect safe drinking water," he said.

However, he sounded a note of caution about the type of organizations eyeing the regulated water market. "As a former regulator, I'm concerned with the business model of some of the prospective water utility system buyers," said DeBenedictis, who served as Pennsylvania's Secretary of Environmental Resources from 1983-1986.

-- "After deregulation, we saw electric utilities enter and then exit the water business.

-- "More recently, multi-utility conglomerates based in Europe, where they operate under different economic regulation than U.S.-based utilities, have purchased some of the larger investor-owned water companies here. A great deal of the European companies' experience is in the contract operations model, which is focused on managing water services versus owning the assets.

-- "The latest entities showing interest are financial-oriented buyers, who often bring a shorter term investment horizon. Without a long-term commitment to the company, the industry and the U.S. regulatory model, they are less inclined to make the ongoing investments that are needed to upgrade the nation's water infrastructure."

In 2005, Aqua America's subsidiaries in 13 states will invest approximately \$262.4 million for capital improvements, such as main replacement projects, main cleaning and lining, and plant upgrades.

Aqua America, Inc. is the largest U.S.-based publicly-traded water utility, 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.

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others, the Company's growth-through-acquisition strategy, expected capital investment spending, the potential for additional customer growth from acquired operations, increased opportunities for economies of scale through acquisitions, and increased opportunities to invest and earn on infrastructure improvements. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including: general economic business conditions, unfavorable weather conditions, the success of certain cost containment initiatives, changes in regulations or regulatory treatment, availability and the cost of capital, the success of growth initiatives, and other factors discussed in our filings with the Securities and Exchange Commissions.

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