



## **Aqua America Chairman Suggests That Regulators Closely Analyze Financial Investors as Owners of Water Utility Systems**

BRYN MAWR, Pa., Nov 03, 2005 (BUSINESS WIRE) -- Aqua America, Inc. (NYSE:WTR) Chairman and Chief Executive Officer Nicholas DeBenedictis cautioned regulators to be wary of the investment horizon and a possible lack of transparency of private-equity investors who pursue water utility company acquisitions. DeBenedictis expressed concerns over the potential long-term effect on the regulated water utility industry, because "these are the exact issues that the Sarbanes-Oxley Act was created to address in the post-Enron era.

"Financial investors typically form organizational structures that are controlled by one or two general partners who could have significant influence over the funding that's available for investing in infrastructure improvements," DeBenedictis told leaders of the water utility industry attending the Third Annual National Drinking Water Symposium co-sponsored by the U.S. Environmental Protection Agency (EPA), National Association of Regulatory Utility Commissioners, and National Association of Water Companies, meeting this week in Colorado.

"It is my belief that utilities should be governed ultimately by independent boards of directors and professional water utility managers who are driven by a long-term commitment to customers," he said. "This means they must be committed to the industry, their company, their employees and capital investment plans - and not to maximizing short-term profit.

"It is unwise to put our precious water supply resources in the hands of strictly financial buyers who bring no operating experience and an ownership horizon that sometimes is as little as five years," said DeBenedictis, noting that the EPA reported this year that \$277 billion will need to be invested over the next 20 years to upgrade and maintain the nation's water infrastructure.

He referenced two cases this year in which state regulators rejected planned acquisitions by financial buyers of electric utilities. The Oregon Public Utility Commission (OPUC) denied the proposed takeover of Portland General Electric Company by a group of private investors. The OPUC found that the transaction was not in the public interest because of short-term ownership, lack of transparency and excessive debt. Meanwhile, the Arizona Corporation Commission (ACC) turned down the acquisition of Tucson Electric Power Company by a different group of private investors. The ACC found that oversight and corporate governance would have been weakened by the proposed holding structure, and the reorganized entity as a whole would have had greater debt.

"Proper corporate governance standards and a commitment to the utility industry are needed to ensure that the interests of the customers, employees and communities are being addressed," he stated. "As regulators, you should demand that companies acquiring water utilities demonstrate a track record of environmental professionalism and efficient capital investment plans that bring long-term dedication to the communities and customers they serve."

DeBenedictis also urged regulators to closely analyze the transparency and organization of financial investing entities that have shown interest in the water market. "Given their sometimes complex organizational structures, these financial/legal entities could lack the transparency that you expect from a traditional utility holding company."

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. 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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