



## **Largest Private U.S. Water Utilities to Exchange Subsidiaries, Each Now Largest Investor-Owned Water Utility in Respective States**

Aqua America purchases American Water's Ohio operations; American Water purchases Aqua America's New York operations

BRYN MAWR, Pa.--(BUSINESS WIRE)-- Aqua America, Inc. (NYSE: WTR) announced today an agreement with American Water Works Company, Inc. (NYSE: AWK) to purchase all of American Water's regulated operations in Ohio and to simultaneously sell Aqua's regulated operations in New York to American Water. Both companies are now the largest investor-owned water utilities in each of the two respective states.

As a result of this transaction, Aqua will acquire approximately \$98 million in additional rate base and grow its customer base in Ohio by approximately 57,280 additional customers. The transaction will allow Aqua to spread its fixed costs over more customers in Ohio, which should provide more cost efficiency to help address future rates.

Under the agreement, Aqua America will purchase from American Water 8 water systems and 1 wastewater system in Ohio, which serve approximately 50,730 water and approximately 6,550 wastewater connections for approximately \$120 million. The systems serve parts of nine counties primarily in central and northeast Ohio. The acquisition will increase the customer base of Aqua Ohio by approximately 66 percent.

In a separate agreement, Aqua America has agreed to sell its 7 water systems, which serve approximately 50,520 customers in New York to American Water's New York subsidiary for approximately \$71 million, making Long Island American Water the state's largest investor-owned water utility. Aqua America's sale of its New York operations will conclude its regulated operations in that state.

"This transaction demonstrates the success of our growth-through-acquisition strategy where we continue to plan and execute our growth efforts in states like Ohio," said Aqua America Chairman and CEO Nicholas DeBenedictis. "Being the only large water utility in Ohio will allow Aqua America to focus our efforts in a state where we already have a critical mass of customers and can also focus in an area that offers opportunities for the water-energy nexus that could have a positive impact on the future of our company."

In addition to customer growth, Ohio offers other potential business and environmental opportunities for Aqua America. Speaking before the Citi Climate Change and Water Conference earlier this month, DeBenedictis said the company is prepared to take a responsible and active role in what is becoming the next energy boom in Ohio, Pennsylvania, Texas and some other states—natural gas drilling. "Shale drilling for natural gas is a very water-intensive business that can provide an economic boost well into the future if it's done right environmentally."

Aqua's sale of its New York operations and acquisition of American Water's Ohio operations is consistent with its strategy to consolidate its customer base in fewer states to improve its economies of scale. A priority is given to states that provide a regulatory opportunity for capital investment surcharges and consolidated rates.

Both companies commended this agreement as a way to strengthen operations in their respective states, creating better economies of scale and providing additional opportunities to improve customer service. The closing on each transaction is subject to the closing on the other transaction and the purchase price in each transaction is subject to certain adjustments as of their respective closing dates. The transactions are subject to certain regulatory approvals and Aqua America and American Water expect both acquisitions to close during the first quarter of 2012.

"This transaction makes perfect business sense for both companies as Aqua America is better suited to own and operate the American Water systems in Ohio, growing its customer base to approximately 145,000 and proactively working with local communities, towns, and environmental and economic regulators. American Water, after the purchase, will grow their operations into the largest investor-owned water utility in the state," said DeBenedictis. "This opportunity will enable each of these professional companies to maximize their ability to deliver quality water and wastewater service to customers in both Ohio and New York."

This is the second transaction of this nature between Aqua America and American Water. Last December, Aqua purchased American Water's Texas operations and sold American Water Aqua's Missouri operations. The move signals Aqua America's

desire to concentrate its customer portfolio in states that demonstrate a positive regulatory environment, while leveraging greater economies of scale and customer growth.

Aqua America is one of the largest U.S.-based, publicly-traded water utilities and serves almost 3 million residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York, and Georgia. Aqua America is listed on the New York Stock Exchange under the ticker symbol WTR.

This release contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 that address, among other things, the size of the transactions, the effect of the acquisition of the Ohio operations on the Company and the benefits of the acquisition, the expected timing of the transactions and the Company's strategy to focus its growth efforts in certain states, and the potential business opportunities in those states and the possible impact of those opportunities on the Company. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: regulatory approvals for the transaction; the risk that the acquired company's business will not be successfully integrated; 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 discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which is on file with the Securities and Exchange Commission. Neither Aqua America nor American Water 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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