

November 17, 2010

The State of our Infrastructure



AQUASM



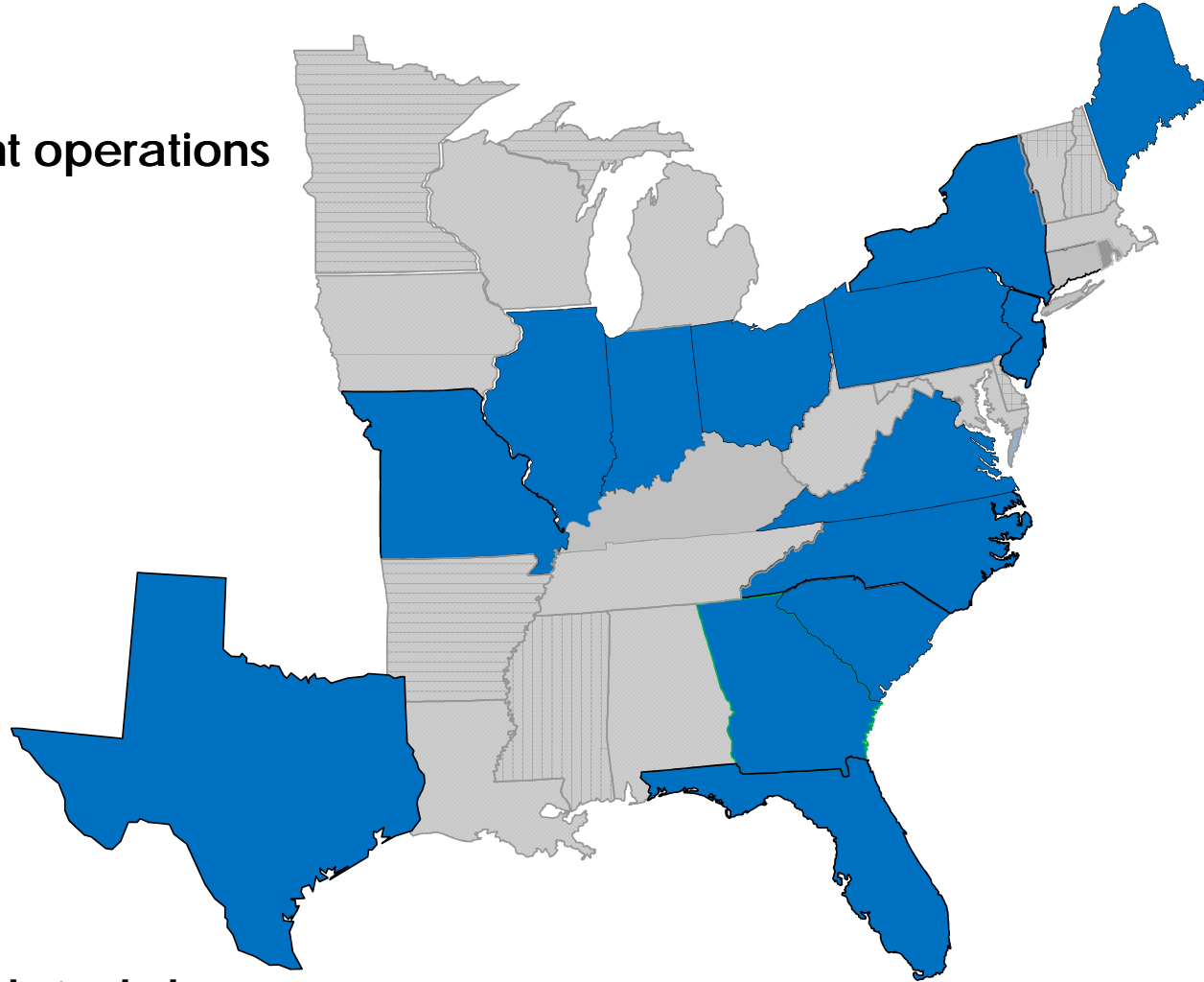
The State of our Nation's Water Infrastructure

Nick DeBenedictis
Aqua America

Aqua America Locations



 Current operations



2nd largest publicly traded company
Serves less than 1% of the country's population



Water Industry Demographics



- **Too many**
 - More than 50,000 community water systems
 - 16,000 community wastewater systems
- **Too small**
 - 84% of the water systems serve less than 3,300 people
- **Too inefficient**
 - Less than 1% of the water systems serve more than 100,000 people
 - Most water and wastewater systems are owned by municipal governments

AQUASM



State of the nation's water infrastructure..some examples



Aqua America's Water Service: A True Value



- Only ingested utility
- EPA/PUC regulated
- High quality
- Fraction of the unit cost of bottled water

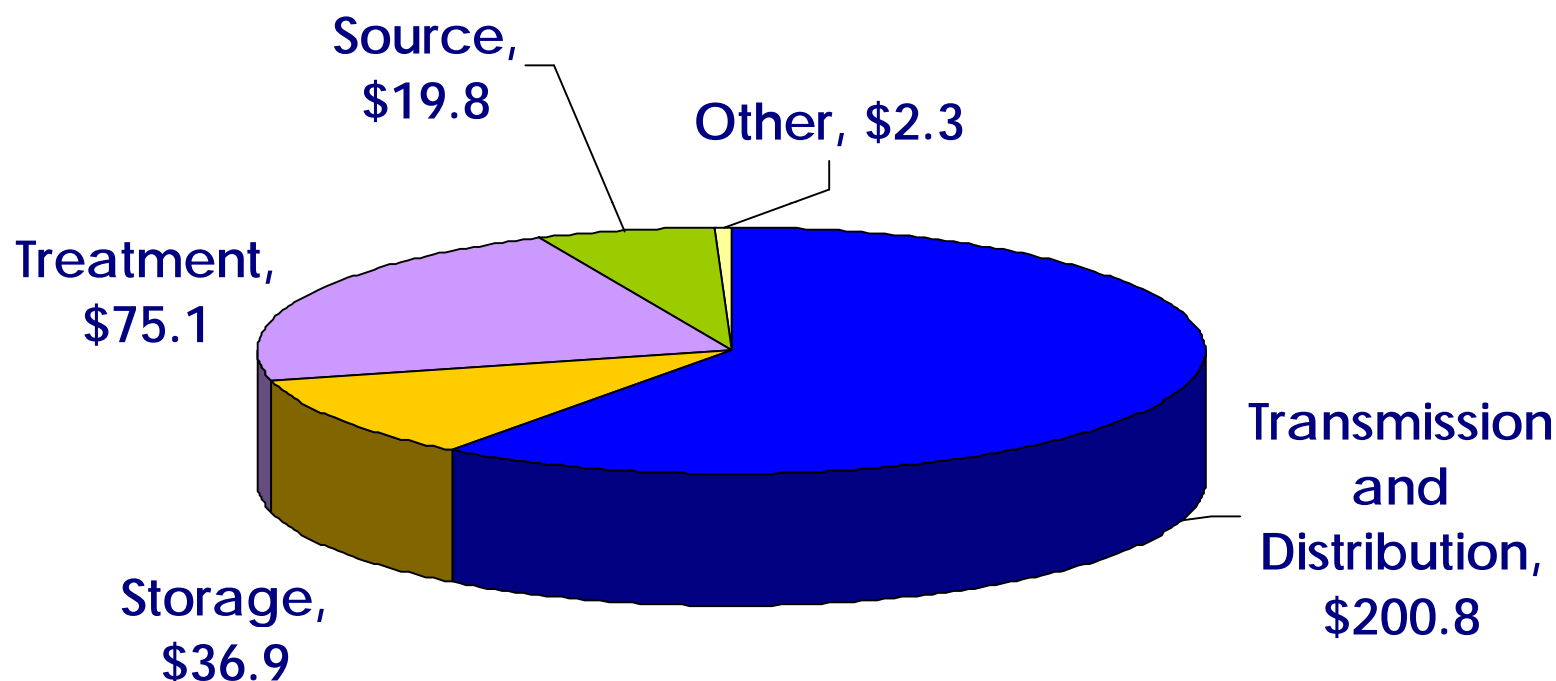




“God made water, but he didn’t make the pipes or have to comply with EPA regulations.”

USA TODAY, December 27, 2007

EPA's Estimate of the National Need for Water Infrastructure Investment



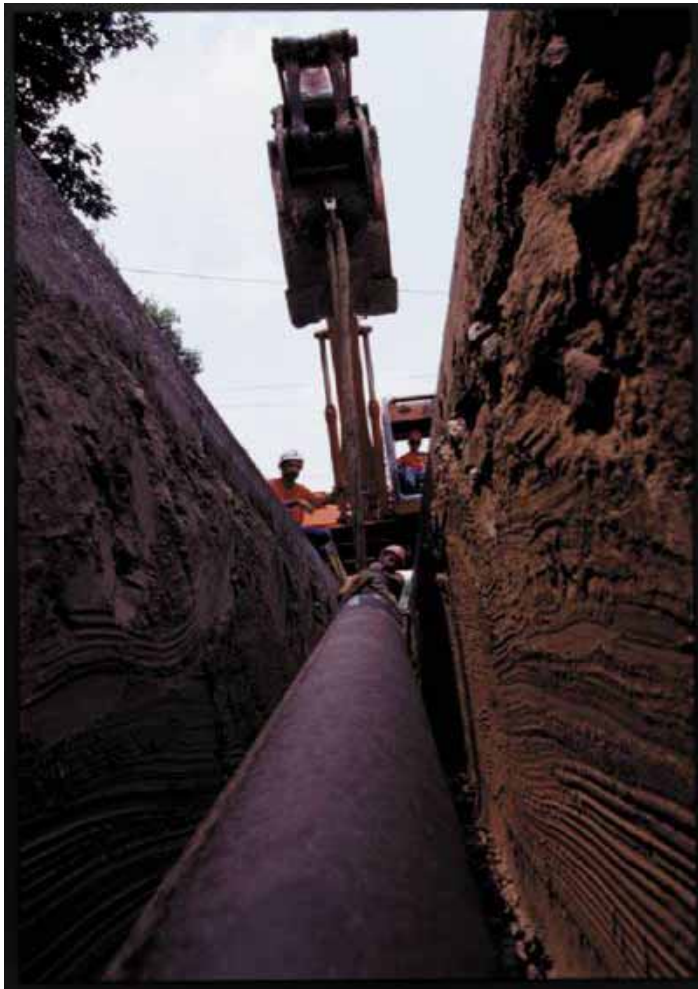
\$335 Billion Needed Over the 2007-2027 period up from \$277 from 2003 Report to Ensure Compliance with Existing and Future Water Regulations

Aqua has been **cash negative** for the past 18 years

Aging Infrastructure

AQUA™

Proactive

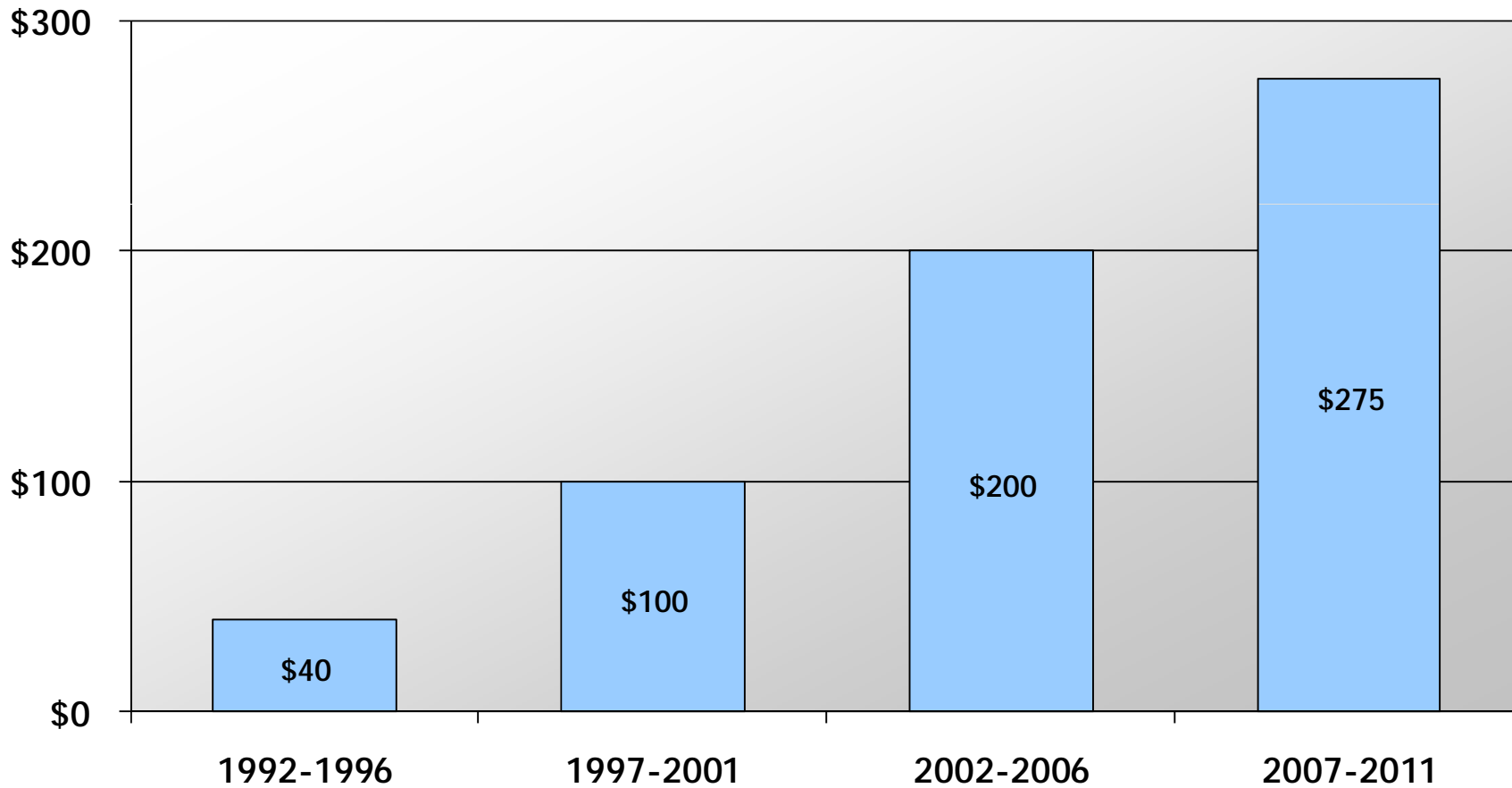


Reactive



Annual Capital Investment

Building for the Future

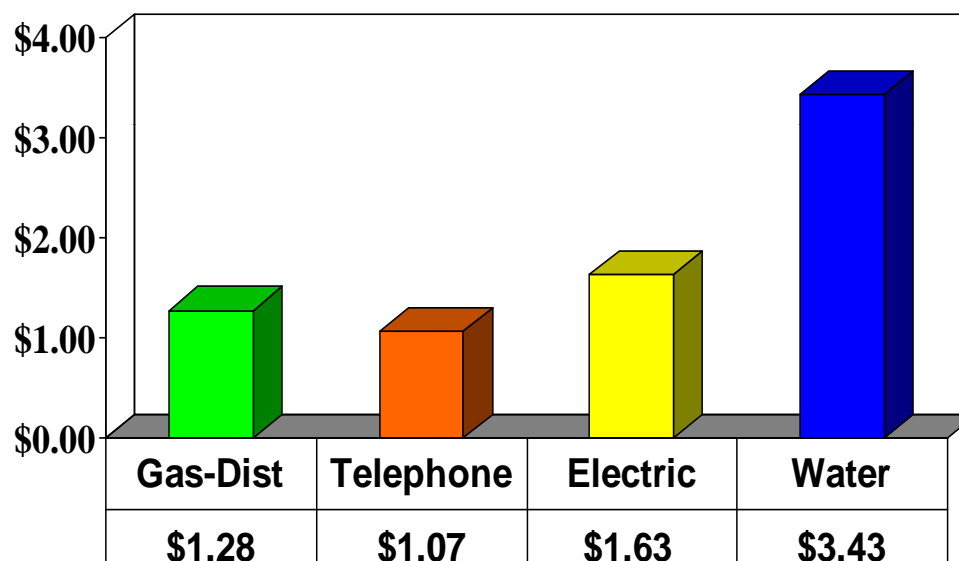


Water is the Most Capital Intensive Industry



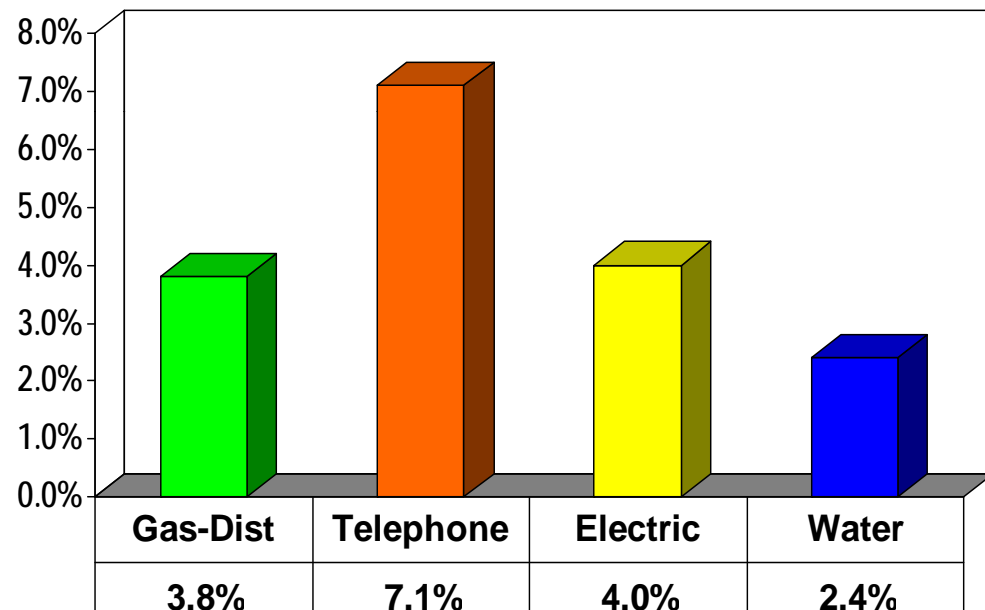
- EPA rules require large investment in filtration plants
- Immense investment needed for distribution system and road repair
- More capital per revenue than all other utilities and manufacturing industries

Capital Invested per \$1 of Revenue



Water Industry has the Lowest Depreciation Rate

- Water industry has longest capital recovery period, which is viewed negatively by Wall Street
- Historic cost recorded is lower than replacement cost





AQUA PA - Avg Residential Monthly Usage (000's)





How does it all work?

The Regulatory compact →

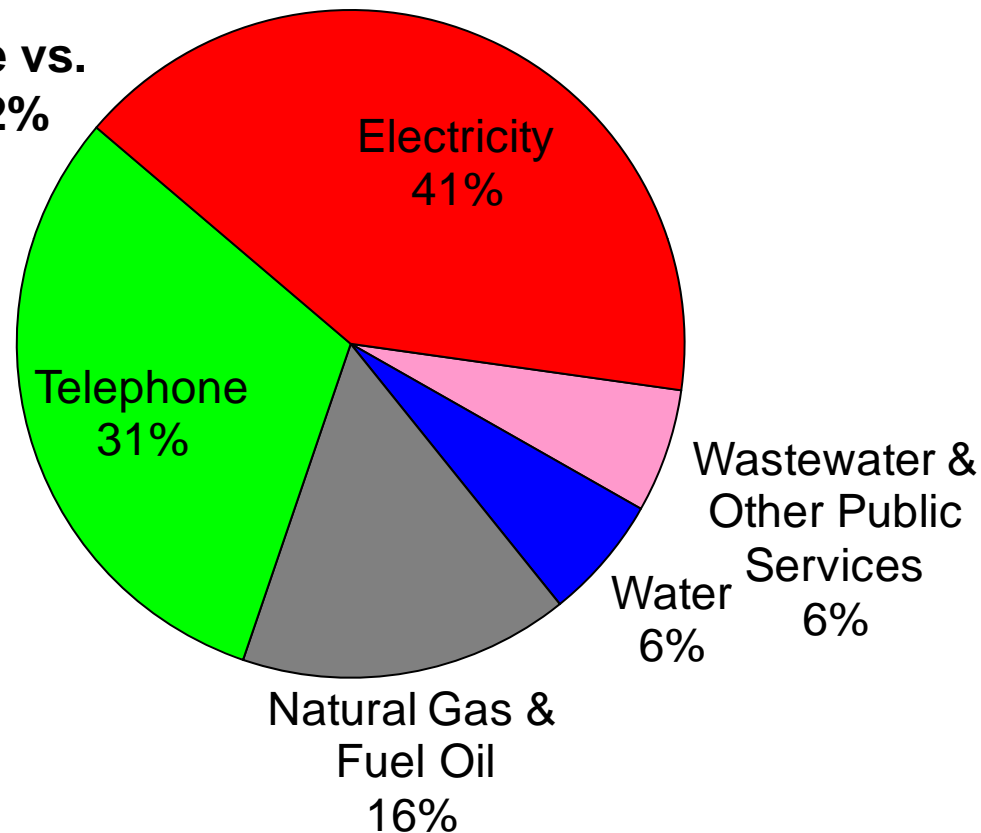
- Quality service to customers
 - Water quality and public health
 - 100% reliability and fire protection
- Just and reasonable costs
- Fair & timely return on investment



Water is the Most Affordable Utility



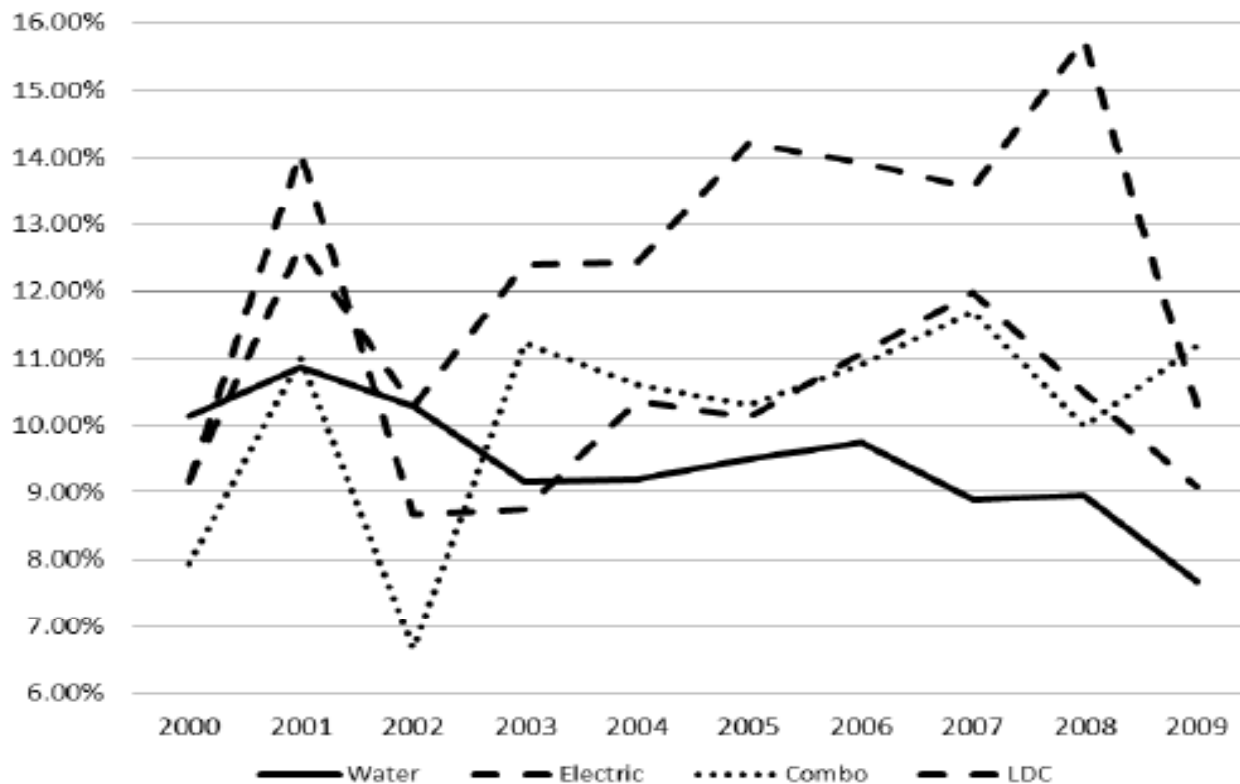
Water bill is 1/2% of household income vs. EPA threshold of 2% for affordability.



***Source: EPA - "Drinking Water: Past, Present and Future"**



Earned Returns on Common Equity for the AUS Utility Reports Cos. 2000 - 2009



Source of Information: SEC Edgar I-Metrix Online Database

What Investors Are Asking?



- Required capital spending for infrastructure means a continued negative cash flow
- Inability to achieve authorized ROE
- Utilities have little or no natural customer growth
- Declining consumption
- Threat of tax on dividends will negatively impact cost of capital

Environmentally and Socially
Responsible

