



Christopher H. Franklin
Chairman and Chief Executive Officer

Managing the Tension
between Infrastructure
Investment and Rates

May 17, 2018

About Aqua America

AQUASM



2nd

**2nd Largest Publicly
Traded Water Utility**



**Water Treatment & Distribution:
53,000 Systems**



**Water & Wastewater
Experience**



**Wastewater Collection
system & Treatment: 16,000
wastewater Systems**



Our Mission:

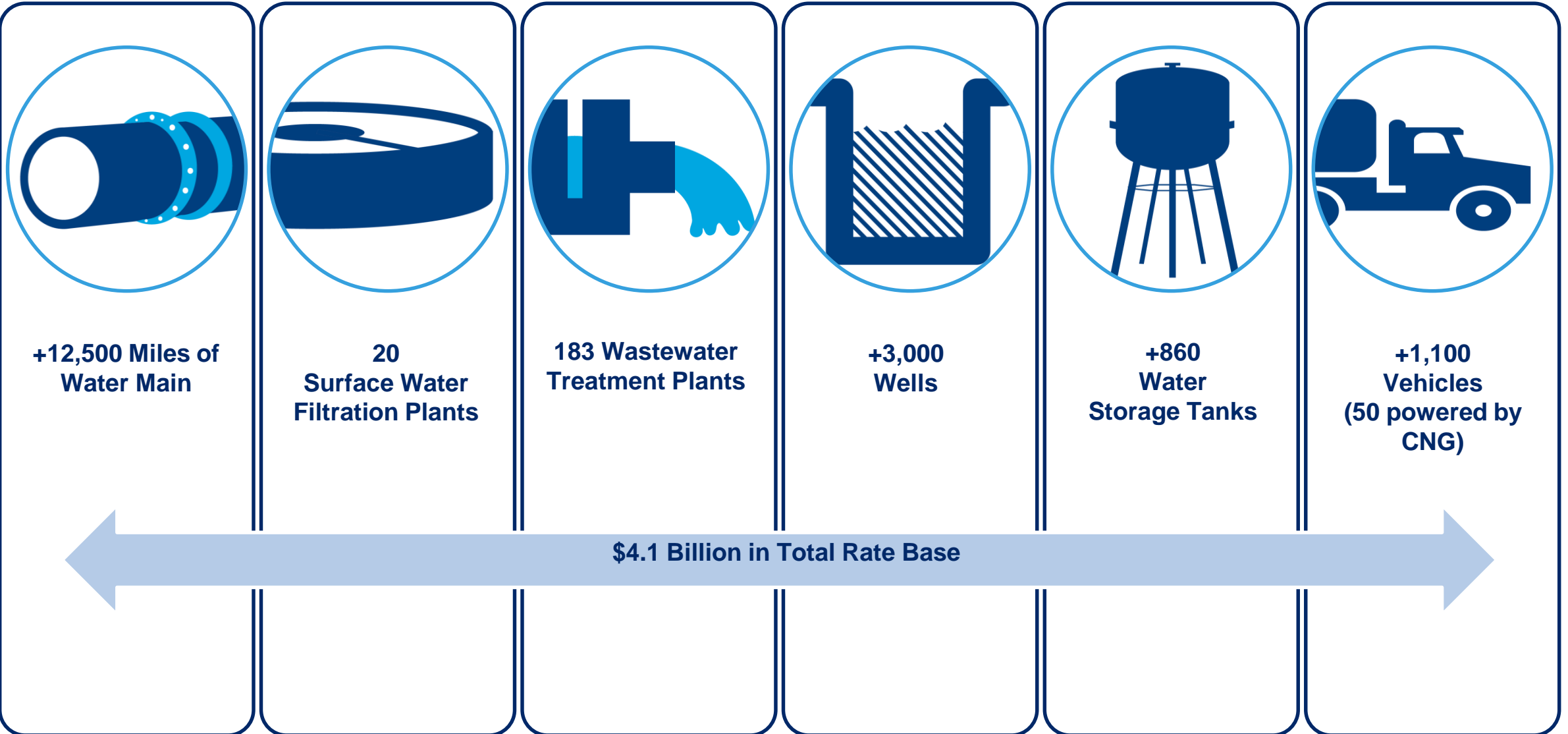
**Protecting and providing Earth's
most essential resource.**



Our Vision:

At Aqua America, we know that water is a precious resource – one that plays a critical role in **sustaining life**. We take seriously our responsibility to protect and provide this essential resource. We are committed to **sustainable business practices; excellent customer service; attracting and developing top talent**; the strategic growth of our company; **delivering shareholder value; investing in technology and infrastructure**; and **giving back to the communities** in which we operate. We do all these with **integrity and transparency**.

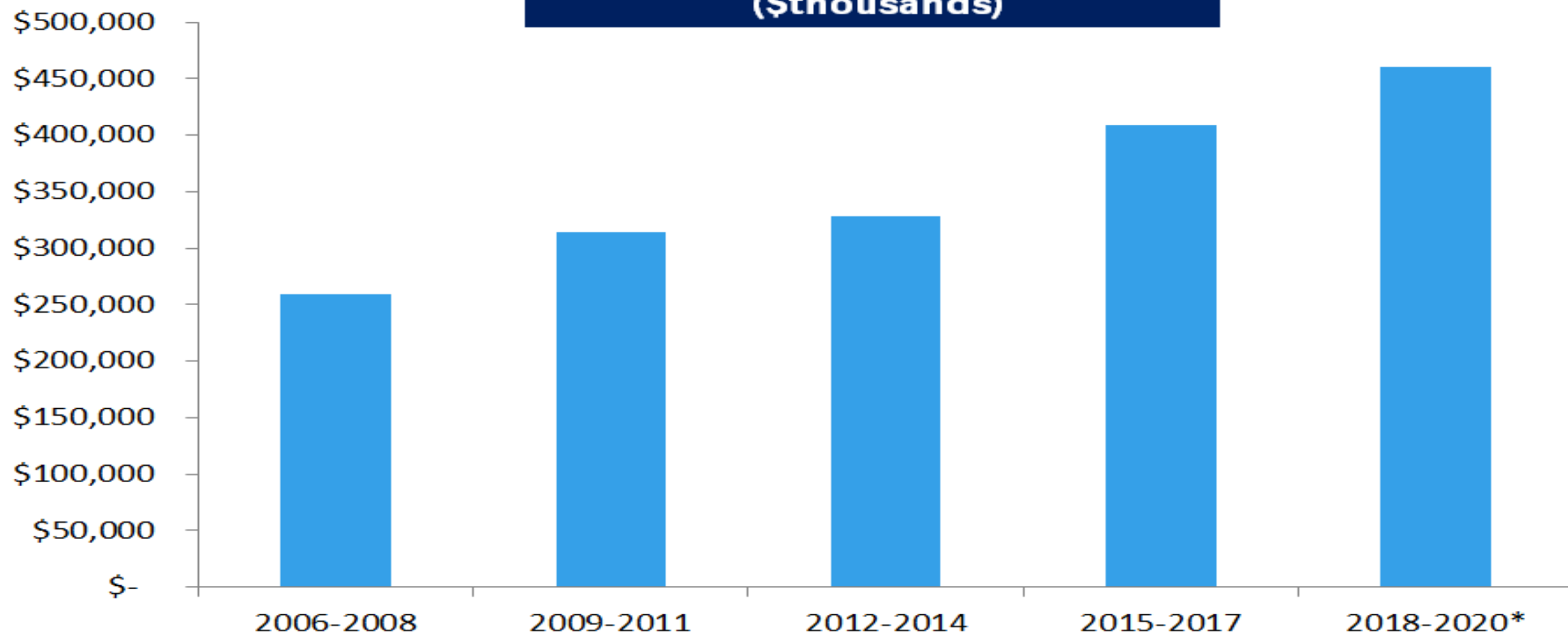
Aqua America's Infrastructure Footprint



Building for the Future

Regulated Operations

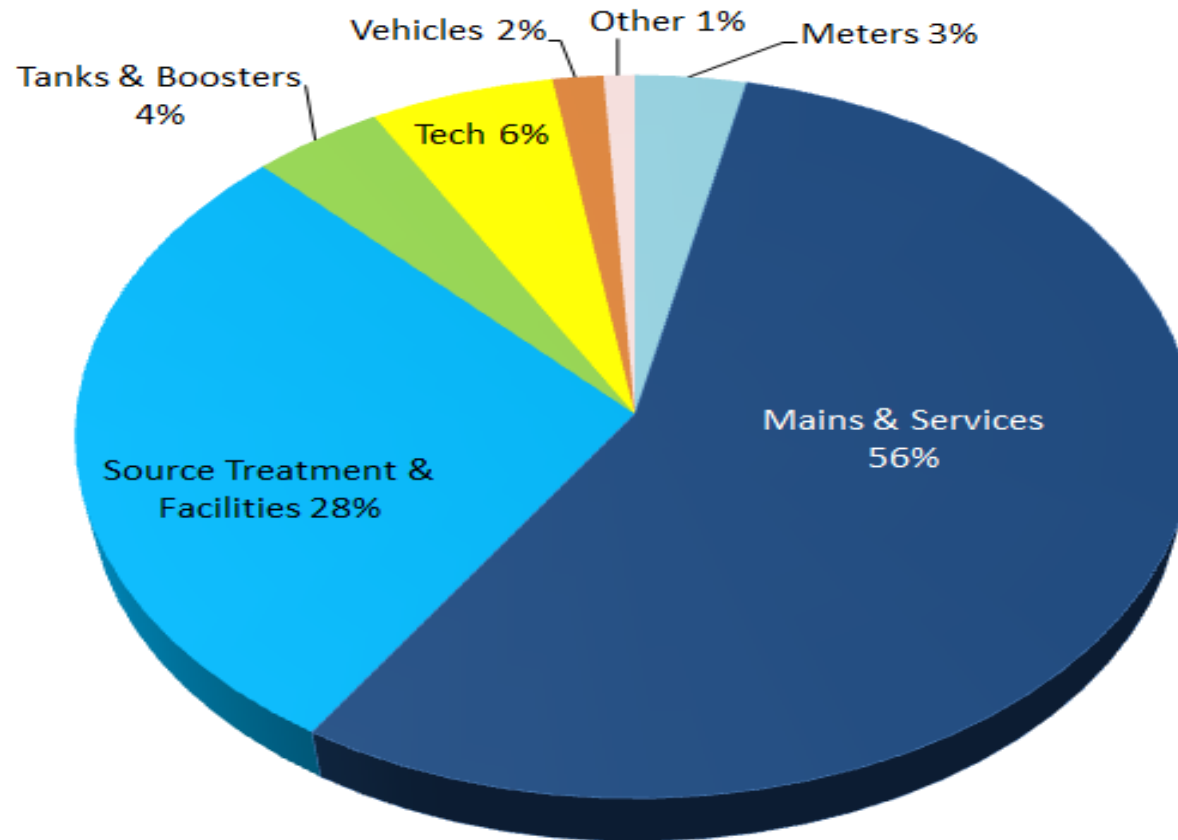
Average Annual Capital Investment (\$thousands)



*2018 to 2020: forecasted annual capital investments

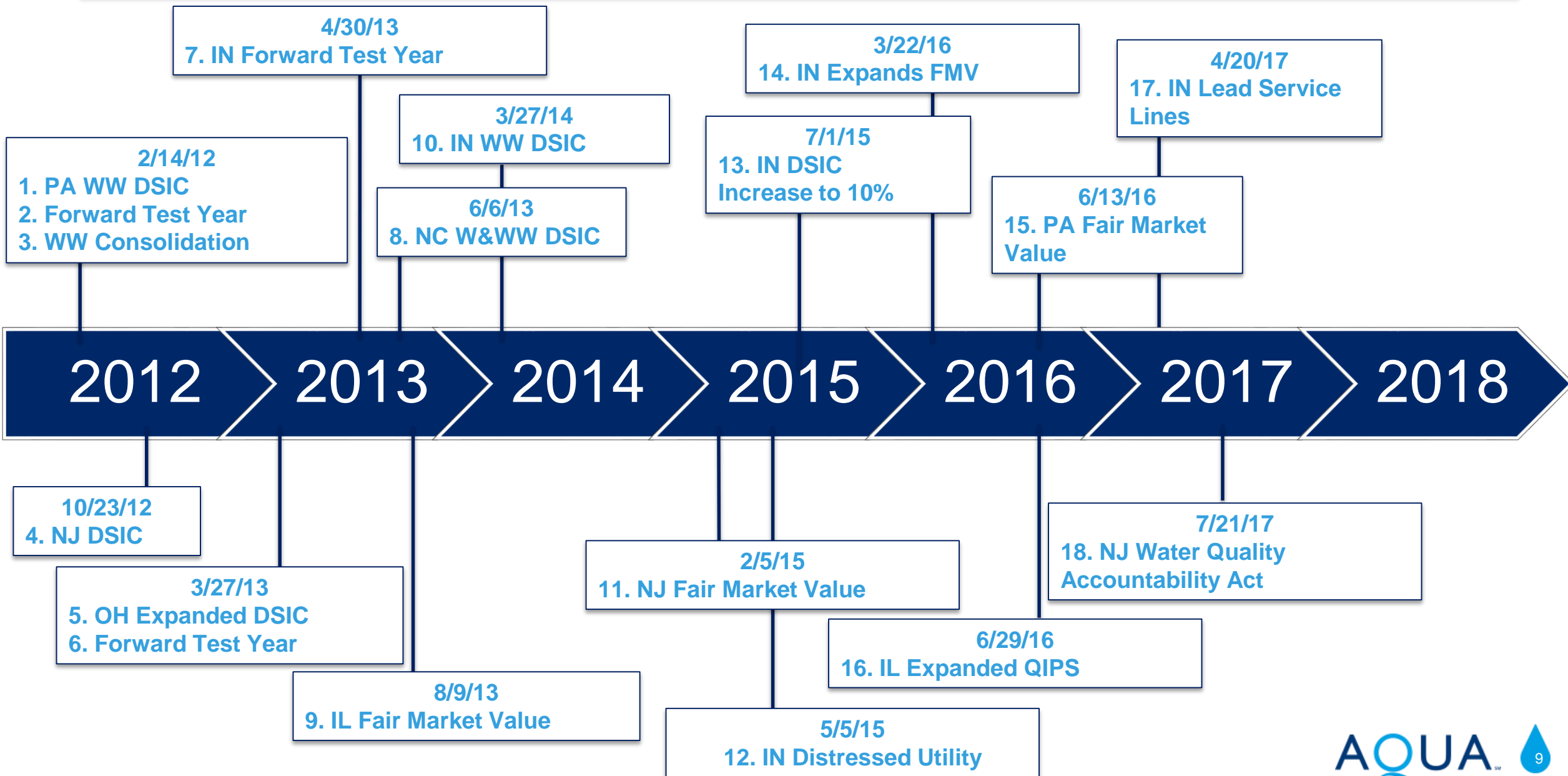
Infrastructure Investment Regulated Operations

Capital Investment Breakdown 2018 - 2020



3 YEAR TOTAL= \$1.4 billion

Lots of Progress in Aqua states



Distribution System Improvement Charge

- First implemented in PA in 1996 – allows for small rate increases, outside of a base rate case, for non-revenue producing investments to replace aging infrastructure.
- Allows utilities to **accelerate rehabilitation of the infrastructure** that serves our customers, while **encouraging gradualism** and **reducing the need for frequent rate cases**.
- **At Aqua** - \$2.1 Billion in DSIC spending in PA since implementation of DSIC in 1997
- Approximately 60% of Aqua's capital outlay in PA since 1997 has been DSIC-eligible



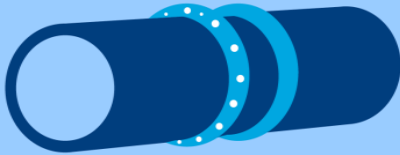
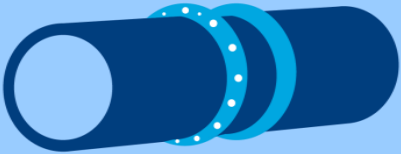








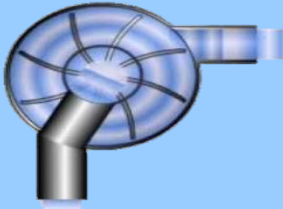
Aqua States with Infrastructure Surcharges

State	Allowed Surcharge
IL	2.5% Avg. Annual Increase
IN	10%
NC	5%
NJ**	5%
OH	12.75% water 9% wastewater
PA	7.5% water 5% wastewater

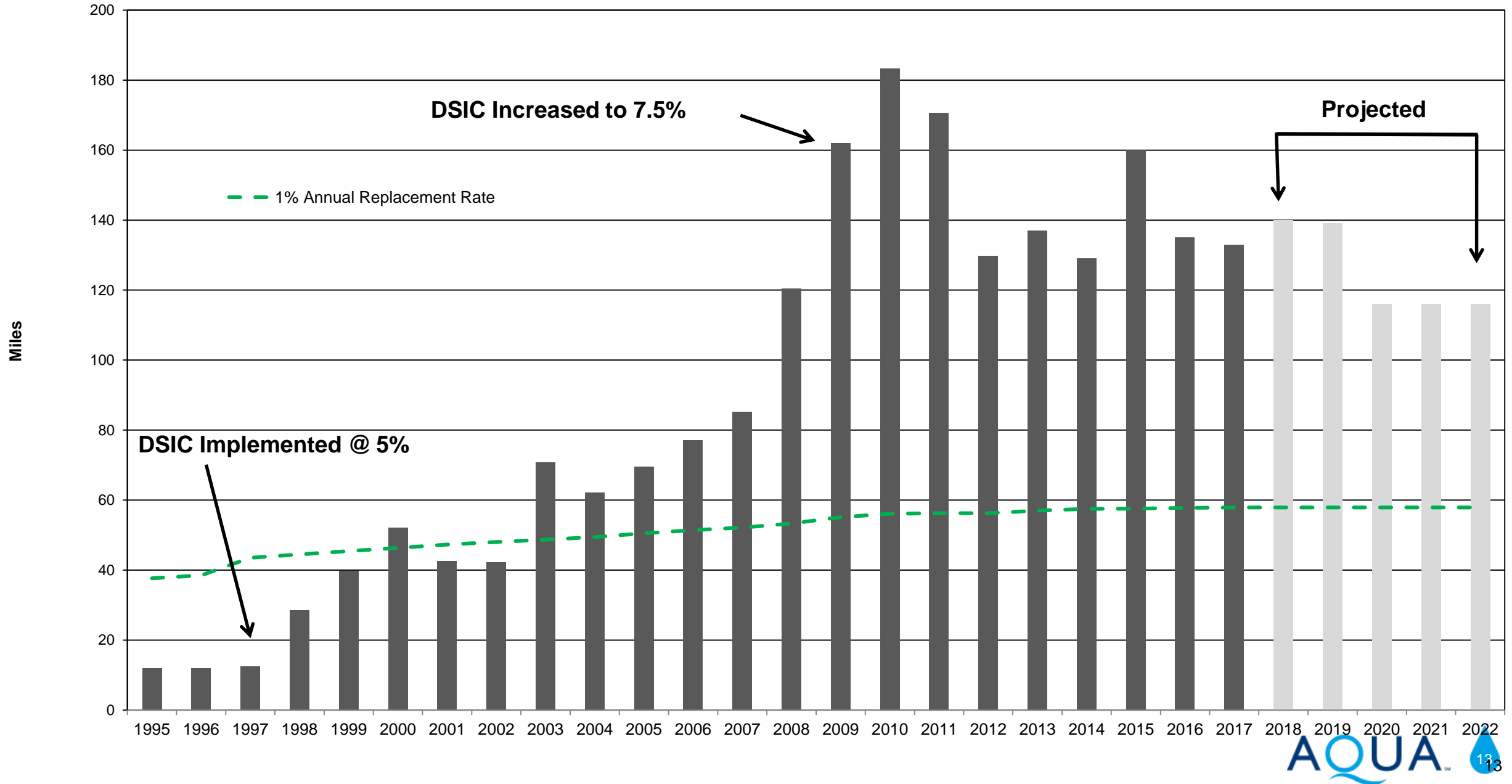
* 16 additional states have water infrastructure surcharges

** Water only

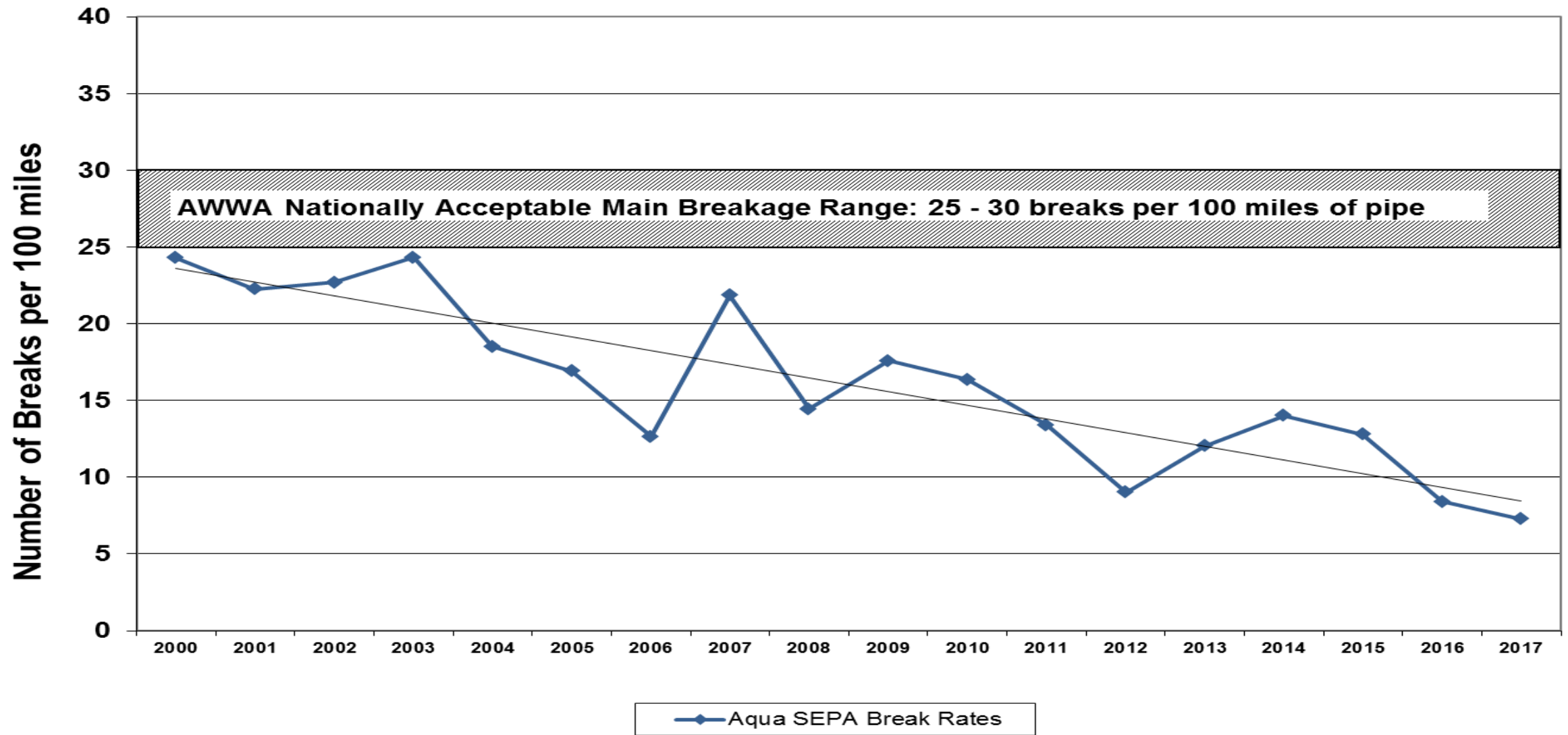
DSIC Applications

Then	Now		
 <p>Water Mains</p>	 <p>Water Mains</p>	 <p>Hydrants</p>	 <p>Meters</p>
 <p>Hydrants</p>	 <p>Filters</p>	 <p>Equipment Supporting Water Quality</p>	 <p>Valves</p>
 <p>Meters</p>	 <p>Wastewater Infrastructure</p>	 <p>Pumps</p>	

Aqua PA - Miles of Pipe Replaced and Rehabilitated

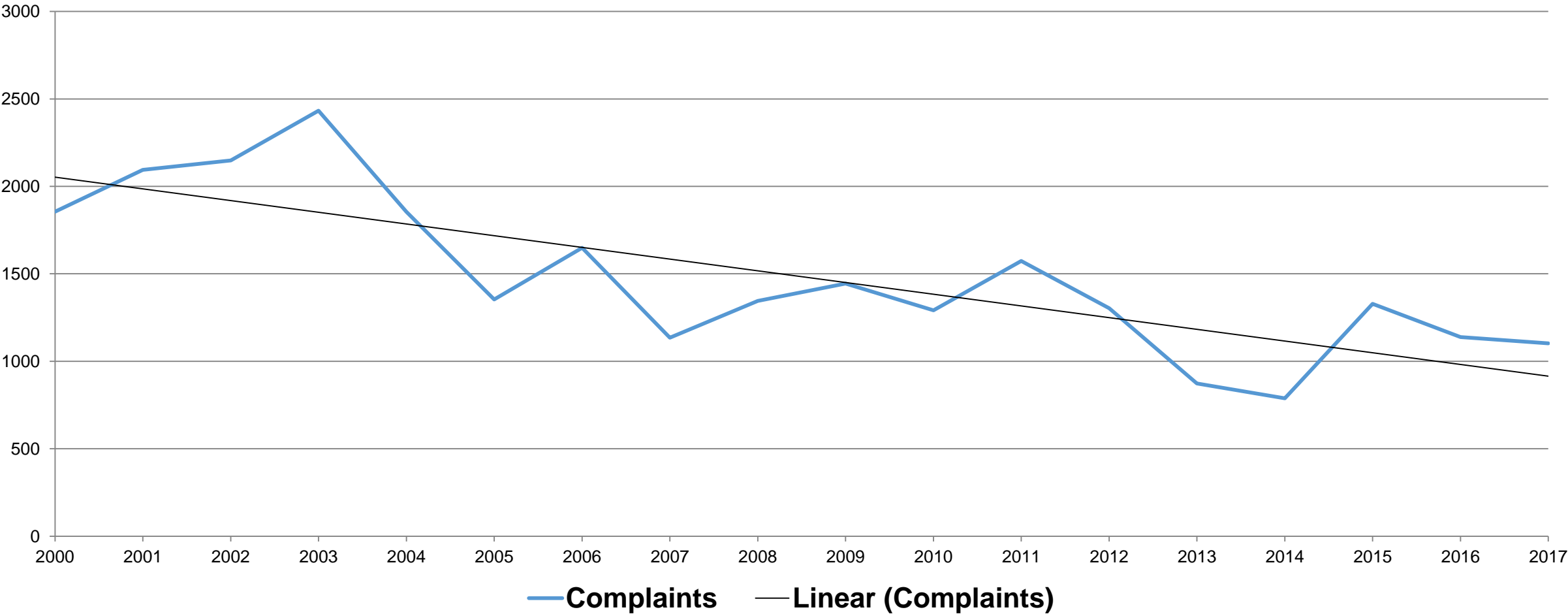


Aqua SE PA Main Break Averages



Customer Complaints on Water Quality Since 2000

2000 - 2017 SEPA Taste, Odor, and Discoloration Complaints



Consolidation and Single Tariff Pricing

State	Rate Divisions
PA	4
VA	4
NC	5
OH	6
NJ	6
TX	7
IL	10
IN	11

- Economies of scale
- Increased reliability
- Capital planning/management
- Technological expertise
- Rate consolidation smooths increases for customers over time

Small water system





Ready For Your Questions