Keeping Systems Functioning
Keeping Systems Functioning: The Challenge of Construction, Maintenance, and Extensions in Money Constrained Times

Nicholas DeBenedictis, Chairman and CEO
U.S. Water Industry “Factoids”

- **Too many**
  - More than 50,000 community water systems
  - 16,000 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

Recent U.S. Water Industry Trends

- Electrics – exited the industry
  - Enron – Azurix
  - DQE - Aquasource

- Europeans – typically ‘contract operators’

- American Water divested by RWE

- Financial Buyers (private equity, infrastructure funds)
U.S. Water Industry: 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

Capital Invested per $1 of Revenue

<table>
<thead>
<tr>
<th>Source: 2005 AUS Utility Reports</th>
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<tbody>
<tr>
<td>Gas-Dist</td>
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<td>$0.94</td>
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U.S. Water Industry: The Lowest Depreciation Rate in the Industry

- Water industry has longest capital recovery period, which is viewed negatively by Wall Street

- Historic cost recorded is lower than replacement cost

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<td>Gas-Dist</td>
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<td>3.7%</td>
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Water is the Most Affordable Utility

Water bill is ½% of household income vs. EPA threshold of 2%.

*Source: EPA - “Drinking Water: Past, Present and Future”
Why is continued access to capital markets important?
Financial Tools

- Low interest loans
- Tax exempt financing
- Accelerated bonus tax depreciation
Aqua America’s Water Service: A True Value

Providing high quality, affordable water service that is delivered to homes at a small fraction of the unit cost of bottled water.
Thank you!