

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and)
wastewater rates in Alachua, Brevard,)
DeSoto, Highlands, Lake, Lee, Marion,)
Orange, Palm Beach, Pasco, Polk, Putnam,)
Seminole, Sumter, Volusia, and Washington)
Counties by Aqua Utilities Florida, Inc.)

DOCKET NO. 080121-WS
FILED: November 26, 2008

REDACTED

**AQUA UTILITIES FLORIDA, INC.'S
MOTION FOR PROTECTIVE ORDER AND REQUEST
FOR CONFIDENTIAL CLASSIFICATION OF
INFORMATION TO BE USED AT THE FORMAL HEARING**

Aqua Utilities Florida, Inc. ("AUF"), pursuant to Section 367.156, Florida Statutes, Rule 25-22.006(6), Florida Administrative Code, and Order No. PSC-08-0447-PCO-WS hereby moves the Florida Public Service Commission (the "Commission") for a protective order and for confidential classification exempting from Section 119.07(1), Florida Statutes, confidential information that the Office of Public Counsel ("OPC") has indicated that it intends to use at the hearing in this docket, and in support thereof states:

1. The Office of Public Counsel ("OPC") requested that it be permitted to inspect and take possession of certain of AUF's confidential, proprietary business information that was responsive to OPC's Second Request for Production of Documents ("RFPODs") No. 70.

2. On July 1, 2008, AUF moved for entry of a temporary protective order with respect to the confidential, proprietary business information responsive to OPC's Second RFPODs No. 70.

3. The Prehearing Officer issued the requested Temporary Protective Order on July 14, 2008. The Temporary Protective Order requires AUF to file a motion for permanent

protective order requesting proprietary confidential treatment of the confidential information

COM 5H
ECR
GCL 4
OPC
RCP
SSC
SGA
ADM
CLK

DOCUMENT NUMBER-DATE
10998 NOV 26 08
FPSC-COMMISSION CLERK

within 14 days of being notified by OPC that it intends to use such confidential information at hearing.

4. In accordance with Rule 25-22.006(6)(c) and Order No. PSC-08-0447-PCO-WS, OPC has taken possession of AUF's confidential, proprietary business information for the purpose of determining what information is to be used in a proceeding before the Commission, subject to the Temporary Protective Order. Rule 25-22.006(6)(c) provides in pertinent part: "If the information is to be used in a proceeding before the Commission, then the utility must file a specific request for a protective order under paragraph (a) above." Fla. Admin. Code R. 25-22.006(6)(c).

5. Rule 25-22.006(6)(a) states:

In any formal proceeding before the Commission, any utility or other person may request a protective order protecting proprietary confidential business information from discovery. Upon a showing by a utility or other person and a finding by the Commission that the material is entitled to protection, the Commission shall enter a protective order limiting discovery in the manner provided for in Rule 1.280, Florida Rules of Civil Procedure. The protective order shall specify how the confidential information is to be handled during the course of the proceeding and prescribe measures for protecting information from disclosure outside the proceeding.

Fla. Admin. Code R. 25-22.006(6)(a).

6. Under Rule 1.280(c) of the Florida Rules of Civil Procedure, a protective order may be entered "to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense that justice requires, including . . . that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed in only a designated way" Fla. R. Civ. P. 1.280(c). The Order Establishing Procedure in this docket, Order No. PSC-08-0429-PCO-WS, includes procedures for use of confidential information at hearing.

7. In the Citizens' Prehearing Statement filed November 20, 2008, OPC provided notice that it intends to use the following documents, containing AUF confidential, proprietary, business information, during cross-examination at hearing:

Executive Compensation Study (produced in response to Citizens' request for production of documents number 70).

8. In accordance with Rule 25-22.006 and Order No. PSC-08-0447-PCO-WS, AUF seeks entry of a protective order and confidential classification of this confidential, proprietary business information. AUF affirms that the information for which confidential classification is sought is intended to be and has been treated by AUF and its parent and affiliated companies as private and has not been disclosed unless disclosed pursuant to a statutory provision, an order of a court or administrative body, or private agreement that provides that the information will not be released to the public.

9. Attached hereto as Exhibit "A" is a separate sealed envelope containing one copy of each of the three Executive Compensation Studies as well as three memoranda produced in response to RFPOD No. 70 on which the information for which confidential classification is being requested has been highlighted. Attached hereto as Exhibit "B" are two edited copies of the Executive Compensation Studies and three memoranda produced in response to RFPOD No. 70 on which the confidential information has been blocked out by the use of an opaque marker. The edited copies of the Executive Compensation Studies and memoranda attached as Exhibit "B" to this Motion for Protective Order and Request for Confidential Classification may be made available for public inspection.

10. The Executive Compensation Studies in Exhibit "A" to this Motion for Protective Order and Request for Confidential Classification shows the results of analyses of the executive compensation of Aqua America, Inc. ("Aqua America") compared to the utility industry and

general industry. The highlighted information in these Executive Compensation Studies for which AUF seeks confidential classification relates to how the executive or management employee compensation for specific *individuals* compares to competitive benchmarks. AUF is *not* seeking protection for information relating to how the overall executive compensation packages of Aqua America compare to the competitive benchmarks.

11. The highlighted information on the copies of the memoranda in Exhibit "A" to this Motion for Protective Order and Request for Confidential Classification shows specific information about the financial results of Aqua America's regional operations. This information is not made public by AUF or its affiliated companies. This information relates to Aqua America's competitive interests and, if disclosed, would impair the company's competitive position. Moreover, the information in the memoranda for which confidential classification is sought includes information for regions unrelated to AUF (Aqua PA, Aqua Mid-Atlantic and Aqua North) and that has no bearing on the compensation determination for AUF. AUF is *not* seeking confidential classification of the net income information for Aqua America, which is included in the annual bonus compensation determination for all of Aqua America's state operations, including AUF, and in the annual bonus compensation determination for employees of Aqua America and Aqua Services that may be allocated to AUF.

12. The highlighted information in Exhibit "A" is exempt from the Florida Public Records Act, and entitled to confidential classification, pursuant to Section 367.156(3)(e), Florida Statutes. The highlighted portions of the Executive Compensation Studies and memoranda produced in response to RFPOD No. 70 are entitled to confidential classification pursuant to Section 367.156, Florida Statutes, which provides that proprietary confidential business information is:

information, regardless of form or characteristics, which is owned or controlled by the person or company, is intended to be and is treated by the person or company as private in that the disclosure of the information would cause harm to the . . . person or company's business operations, and has not been disclosed unless disclosed pursuant to a statutory provision, an order of court or administrative body, or private agreement that provides that the information will not be released to the public.

§ 367.156(3), Fla. Stat. (2008). Section 367.156(3)(e) further provides that proprietary confidential business information includes "[i]nformation relating to the competitive interests, the disclosure of which would impair the competitive businesses of the provider of the information." § 367.156(3)(3), Fla. Stat. (2008).

13. The Executive Compensation Studies and memoranda in Exhibit "A" contain proprietary confidential business information within the meaning of that term as defined in Section 367.156(3), Florida Statutes.

14. If the information in the Executive Compensation Studies for which confidential classification is requested is disclosed, it would hamper Aqua America's ability to negotiate compensation with its executive and management personnel, by revealing how the compensation being proposed compares to similar positions with other companies. Disclosure of such information would also allow competing employers to meet or beat the compensation paid, or offered to be paid, by Aqua America to its executive and management personnel. As a result, AUF and its ratepayers could be harmed because its parent, Aqua America, could either lose valuable executive and management employees or be forced to pay increased compensation to retain the services of certain of its executive and management employees. *See In re: Petition for rate increase by Peoples Gas System*, Docket No. 020385-GU, Order No. PSC-02-1755-CFO-GU (Dec. 12, 2002) (classifying as confidential information regarding results of a study of executive and management compensation); *see also In re: Petition for rate increase by Peoples Gas System*, Docket No. 020384-GU, Order No. PSc-02-1613-PCO-GU (Nov. 21, 2002)

(granting temporary protective order with respect to information on company's compensation philosophy).

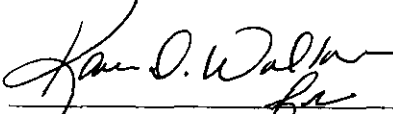
15. If the information in the memoranda relating to the financial results of Aqua America's regional operations is disclosed, it will provide the company's competitors with specific financial information that is not made public by AUF or its affiliated companies. This information could be used by Aqua America's competitors to the company's detriment which could result in harm to AUF and its ratepayers.

16. Attached here to as Exhibit "C" is a justification matrix identifying the basis upon which confidential classification is requested for the highlighted information in Exhibit "A."

17. For the foregoing reasons, AUF requests that the specified confidential information highlighted in Exhibit "A" hereto be classified by the Commission as confidential for the maximum period of 18 months. AUF also requests that the Commission enter a protective order protecting against public disclosure of the specified confidential information and requiring the parties to this docket to employ the procedures for use of confidential information at hearing as set forth in the Order Establishing Procedure, Order No. PSC-08-0429-PCO-WS, to the extent that any of the specified confidential information is used at the formal hearing in this docket.

WHEREFORE, AUF respectfully requests that the Commission classify as confidential and exempt from Chapter 119, Florida Statutes, and Article I, Section 24(a) of the Florida Constitution the information identified as confidential in Exhibit "A" hereto and enter a protective order protecting against public disclosure of any such confidential information used at the formal hearing in this docket.

Respectfully submitted this 26th day of November, 2008 by:



D. Bruce May, Jr.
Florida Bar No. 354473

Gigi Rollini
Florida Bar No. 684491
Holland & Knight, LLP
Post Office Drawer 810
Tallahassee, Florida 32302-0810
(850) 224-7000 (Telephone)
(850) 224-8832 (Facsimile)

Counsel for Aqua Utilities Florida, Inc.


CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was furnished by hand delivery on

November 26, 2008 to the following:

Charles Beck, Esq.
Stephen C. Reilly, Esq.
Office of Public Counsel
111 West Madison Street
Room 812
Tallahassee, Florida 32399-1400

Ralph Jaeger, Esq.
Katherine Fleming, Esq.
Caroline Klancke, Esq.
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850



Attorney

5835986_v2

EXHIBIT A

(CONFIDENTIAL, UNDER SEAL)

EXHIBIT B

CONFIDENTIAL



TOWERS
PERRIN

Aqua America

Executive Compensation Analysis

February 2008

Table of Contents

Section	Page
I. Introduction	2
II. Methodology	3
III. Results	11
IV. Current Long-Term Incentive Valuation	31

I. Introduction

- Towers Perrin has been retained by the Compensation Committee of Aqua America, Inc. ("Aqua America") to conduct a competitive compensation analysis of the Company's executive positions.
 - Specifically, our analysis includes an assessment of pay levels for nine senior executive positions at Aqua America.
- Our analysis focused on the competitive levels of pay for each of the following compensation components:
 - *Base salary* - the "fixed" portion of pay.
 - *Target annual incentive* - the variable portion (i.e., bonus) of cash compensation based on annual performance metrics at target award levels.
 - *Total cash compensation* - the sum of base salary and target annual incentives.
 - *Long-term incentives* - the expected value of the variable portion of pay linked to multi-year performance. This component of pay is often delivered in the form of stock-based vehicles (e.g., stock options, restricted shares, etc.).
 - *Total direct compensation* - the sum of total cash compensation plus the annualized expected value of long-term incentives.

II. Methodology

- In conducting the competitive assessment, Towers Perrin took the following steps:
 - Gathered position information and current compensation data from Aqua America's staff.
 - Established benchmark matches for each Aqua America executive position based on our understanding of each position's responsibilities within the organization.
 - A benchmark is a position commonly found in the competitive market for which significant data can be obtained.
 - We were able to find water/utility industry benchmarks and/or general industry benchmarks for all nine positions included in the analysis.
 - Reviewed our benchmark matches with Aqua America's Chief Administrative Officer and General Counsel.
 - Gathered and analyzed competitive compensation data from relevant labor markets.
 - Developed competitive compensation going rates for each benchmark position.
 - Assessed the competitiveness of Aqua America's pay levels for each position, as well as in the aggregate.

II. Methodology (continued)

- Competitive pay data were obtained from the following survey sources:
 - Towers Perrin's 2007 CDB Utility Industry Executive Compensation Database.
 - Towers Perrin's 2007 CDB Executive Compensation Database.
 - Saje Consulting Group's 2007 Investor-Owned Water Utility Compensation and Benefits Survey.
 - Watson Wyatt's 2007/2008 Industry Report on Top Management Compensation.
- All survey data were aged to February 2008 using a 3.75 percent annual update factor.
- At its December meeting, the Committee evaluated alternative approaches to reviewing competitive compensation data given that Aqua America's revenues could be viewed as under-representing the complexity and scope of the organization given its low costs of goods sold (relative to energy-based utilities).
- Of the three alternatives provided, the Committee expressed a preference to review competitive utility industry compensation data using both the Company's current reported revenues and an adjusted revenue scope.
 - The purpose of the adjusted revenue analysis is to create an apples-to-apples comparison with the utility survey data by estimating the revenue that Aqua America would earn if its costs of goods sold was in similar proportion to that of non-water utilities.

II. Methodology (continued)

- The cost of goods sold as a percentage of operating revenue is significant for non-water utilities due to fuel, gas and/or power costs. These costs are subsequently passed through to the customer, increasing the revenue scopes for these companies.
 - As a water utility, Aqua America does not have a comparable cost
- In order to determine a factor by which to adjust Aqua America's annual revenues, Towers Perrin analyzed the income statements of a sample of five delivery-focused (e.g. non-power generating) utilities to develop a "typical" cost of goods sold factor attributable to commodity costs.
- Our analysis found that the commodity/raw material portion of costs of goods sold averaged 60 percent of revenue for these companies.
 - For example, we used the computed the adjusted revenue scope for Aqua America as follows: $[(\$629 \text{ million}) / (1 - .6)] = \$1,573 \text{ million}$.

II. Methodology (continued)

- Therefore, in performing our analysis for Aqua America this year, we utilized regression analyses to size-adjust the survey data to each position's revenue responsibility using both reported and adjusted revenues, where possible.
 - Corporate positions were regressed to *corporate* level data.
 - Business unit positions were regressed to *division/unit* level data.
 - Certain business unit positions were also evaluated on customer counts as an additional scope measure.
 - Revenue responsibilities were assigned to each position based on scope estimates provided by Aqua America management for each business unit/division.
- Tabular data were used where regression data were unavailable due to insufficient correlation and/or limited sample size, and to ensure accuracy.
- Specifically, we used the following revenue scopes in conducting our analysis:
 - Aqua America, Inc: \$629 million (current) and \$1,573 (adjusted)
 - Mid-Atlantic Operations: \$398 million (current) and \$995 (adjusted)
 - Northern Operations: \$114 million (current) and \$285 (adjusted)
 - Southern Operations: \$117 million (current) and \$293 (adjusted)

II. Methodology (continued)

- Competitive “going rates” were developed on the following bases:
 - Base salary
 - Total cash compensation (TCC) – base salary plus target annual incentives.
 - Total direct compensation (TDC) – total cash compensation plus the annualized expected value of long-term incentives.
- A “going rate” represents the compensation level that would be paid to a hypothetical, seasoned performer in a job with similar responsibilities and scope, and in a company of similar size and type. It does not indicate what an incumbent *should* be paid.
- Towers Perrin considers amounts earned *within fifteen percent* (above or below) of the going rate to be competitive. Variances within this range often explained by performance, experience, and/or other factors.
 - Internal equity is not considered in determining going rates but should be considered by Aqua America in making specific pay decisions.
- All going rates in the utility industry (actual and adjusted revenues) were developed at the 50th (median) and 75th percentile levels.
 - In addition, to provide a broader frame of reference, we also developed 50th percentile going rates for the general industry based on reported revenues and blended industry rates reflecting Aqua America’s former primary competitive reference point.

II. Methodology (continued)

- This blended industry reference point comprises median utility industry (using actual revenue) base salary, median utility industry (actual revenue) annual incentive, and equally blended 50th percentile utility industry (actual revenues) and general industry LTI.
- Going rates were not developed using an adjusted revenue scope for the general industry. The general industry includes companies in many different sectors that have a wide range of costs of goods sold unlike the utility industry which is heavily weighted towards non-water utilities with a significant cost of goods sold.

II. Methodology (continued)

- With regard to the expected value of long-term incentives, Towers Perrin is continuously evaluating its approach to data in light of external developments and client feedback.
- For the first time in 2007, the SEC, as part of its new executive compensation disclosure requirements, required that companies disclose the expected value of long-term incentive awards to all proxy-named officers.
 - Further, the SEC mandated that companies use the same values for disclosing these long-term incentives in the proxy statement as those used by companies for accounting purposes.
- Accordingly, Towers Perrin has adapted and modified its compensation survey long-term incentive valuation methodology to provide a range of alternatives. For 2007, Towers Perrin's preferred methodology is using *Company-Reported FAS 123(R)* values in order to be consistent with the new SEC rules.
 - This approach reflects the values that each participating survey company uses to expense long-term incentives. Thus, LTI values under this approach will generally be exactly commensurate with a company's expense under FAS 123(R).
 - There is no adjustment for risk of forfeiture/turnover under this methodology.
 - Therefore, there will no longer be a "disconnect" between the long-term incentive values that Aqua America uses for compensation purposes and the long-term incentive values used for accounting purposes.

II. Methodology (continued)

Exhibit 1

■ **Exhibit 1** below provides the competitive benchmark matches and associated revenue scopes used for each position in our analysis.

Incumbent	Position	Competitive Benchmark		Notes	Actual Revenue	Adjusted Revenue
		Utility Industry	General Industry		Scope (\$M)	Scope (\$M)
N. DeBenedictis	Chairman and CEO	Chief Executive Officer	Chief Executive Officer		\$629	\$1,573
R. Stahl	CAO, General Counsel and Secretary	Top Legal Executive (+15%)	Top Administrative Executive (Major Function)	(1)	\$629	\$1,573
D. Smeltzer	Chief Financial Officer	Top Financial Executive	Top Financial Executive		\$629	\$1,573
R. Riegler	VP, Engineering and Environ. Affairs	Top Engineering Executive (+15%)	No Benchmark	(2)	\$629	\$1,573
K. Kyriass	President, Mid-Atlantic Operations	Reg. Bus. Unit Head (-10%)/Top Ops. Exec.	Single Profit Center Head (-10%) - w/ manuf.	(3)	\$398	\$995
M. Kropiak	SVP, Corp. Devel. & Corp. Counsel	Top Business Development Executive	Top Business Development Executive		\$629	\$1,573
C. Franklin	Pres., So. Ops. and SVP Public Affairs	Reg. Bus. Unit Head/Top Ops. Exec. (+10%)	Single Profit Center Head - w/ manuf.	(4)	\$117	\$293
R. Liptak	Pres., Northern Ops.	Reg. Bus. Unit Head (-10%)/Top Ops. Exec.	Single Profit Center Head (-10%) - w/ manuf.	(3)	\$114	\$285
R. Rubin	VP, Controller and Chief Acct. Officer	Controller	Controller		\$629	\$1,573

Notes:

- (1) A 15% premium was applied to the Top Legal Executive benchmark to account additional human resource and information technology responsibilities.
- (2) A 15% premium was applied to account for additional environmental responsibilities.
- (3) A 10% discount was applied to account for a lack of full functional responsibilities.
- (4) A 10% premium was applied to account for public affairs and customer relations responsibilities.

III. Results

Summary of Overall Results

- The table below summarizes the overall results of our competitive compensation analysis; details are provided on the following pages.

Aqua America Variance from the Competitive 50th Percentile			
Market Reference	Base Salary	Total Cash Compensation	Total Direct Compensation
Utility Industry (Actual Revenues)	-10%	-12%	4%
Utility Industry (Adjusted Revenues)	-20%	-24%	-17%
Blended ⁽¹⁾	-10%	-12%	-6%
General Industry	-21%	-27%	-28%

Notes:

(1) Blended reflects the utility industry (actual revenues) 50th%ile base salary, utility industry (actual revenues) 50th%ile annual incentive, and average of the utility industry (actual revenues) and general industry 50th%ile LTI.

- In general, Aqua America's base salaries, total cash compensation, and total direct compensation levels are within the competitive range (+/- 15 percent) versus the utility industry 50th percentile data based on reported revenues and on a blended basis.
 - Relative to the utility industry data based on adjusted revenue figures, Aqua America is below the 50th percentile competitive range.
 - Aqua America is also below the general industry 50th percentile data.

III. Results

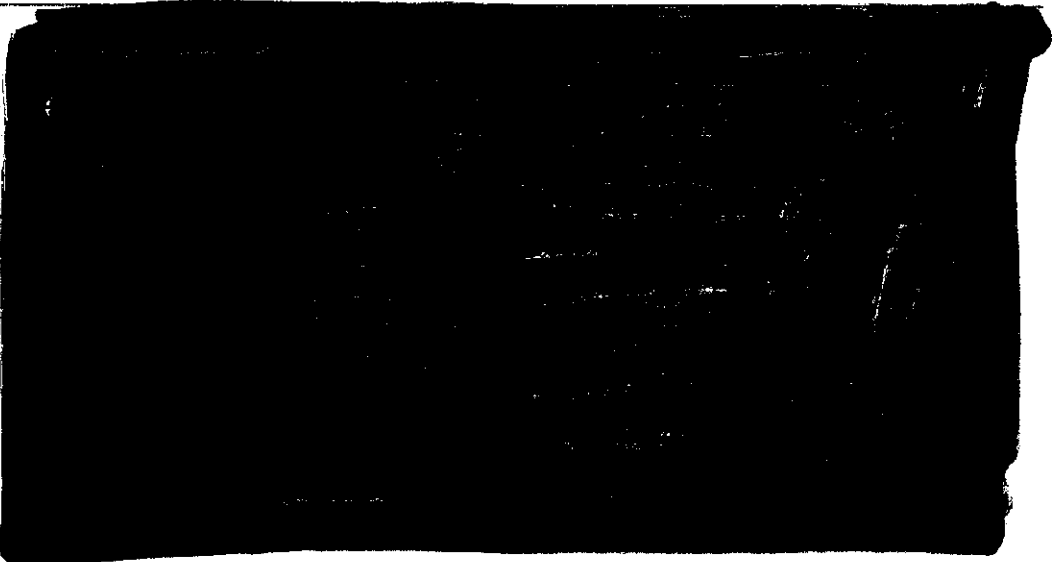
Base Salary Observations

- Overall, Aqua America's *base salaries* are within but somewhat low in the +/-15 percent competitive 50th percentile range of the utility industry using Aqua's actual revenues. Specifically, Aqua America is ten percent below the median of this reference point in the aggregate.
 - [REDACTED] is the only individual position below the competitive range
- However, Aqua America's base salaries are 20 percent below the median of the utility industry when using the Company's adjusted revenue scope.
- Exhibit 2 on the following page compares Aqua America's base salaries to both utility industry data points and to general industry data.

**III. Results
Base Salary**

Exhibit 2

<i>Incumbent</i>	<i>Title</i>	Current Base Salary
N. DeBenedictis	Chairman and CEO	\$465,000
R. Stahl	CAO, General Counsel and Secretary	262,270
D. Smeltzer	Chief Financial Officer	242,000
R. Riegler	VP, Engineering and Environ. Affairs	190,473
K. Kyriess	President, Mid-Atlantic Operations	210,000
M. Kropilak	SVP, Corp. Devel. & Corp. Counsel	196,000
C. Franklin	Pres., So. Ops. and SVP Public Affairs	190,000
R. Liptak	Pres., Northern Ops.	171,820
R. Rubin	VP, Controller and Chief Acct. Officer	151,000



Overall Average:	-10%	-20%	-21%
-------------------------	------	------	------

Notes:

(1) All data have been aged to February 2008 using an annual update factor of 3.75 percent.

III. Results

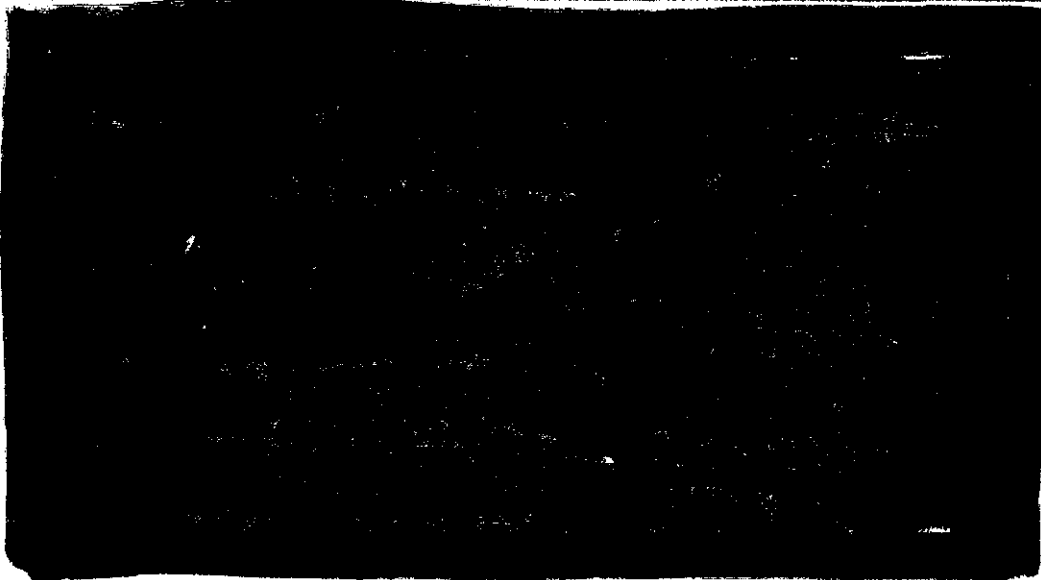
Annual Incentive (AI) Observations

- Overall, Aqua America's target *annual incentives* (as a percent of base salary) are generally within five percent of salary of the utility industry 50th percentile based on Aqua America's actual revenues.
 - Exceptions include [REDACTED] who each have target bonus opportunities that are ten percent below market rates
- Aqua America's target annual incentives are somewhat (five to 15 percent of salary) below the utility industry when an adjusted revenue scope is used to develop the competitive data.
- Exhibit 3 on the following page compares Aqua America's target annual incentives to both utility and general industry data.

**III. Results
Annual Incentive**

Exhibit 3

<i>Incumbent</i>	<i>Title</i>	<i>Current AI%</i>
N. DeBenedictis	Chairman and CEO	70%
R. Stahl	CAO, General Counsel and Secretary	40%
D. Smeltzer	Chief Financial Officer	40%
R. Riegler	VP, Engineering and Environ. Affairs	25%
K. Kyriss	President, Mid-Atlantic Operations	30%
M. Kropilak	SVP, Corp. Devel. & Corp. Counsel	30%
C. Franklin	Pres., So. Ops. and SVP Public Affairs	30%
R. Liptak	Pres., Northern Ops.	20%
R. Rubin	VP, Controller and Chief Acct. Officer	20%



III. Results

Total Cash Compensation (TCC) Observations

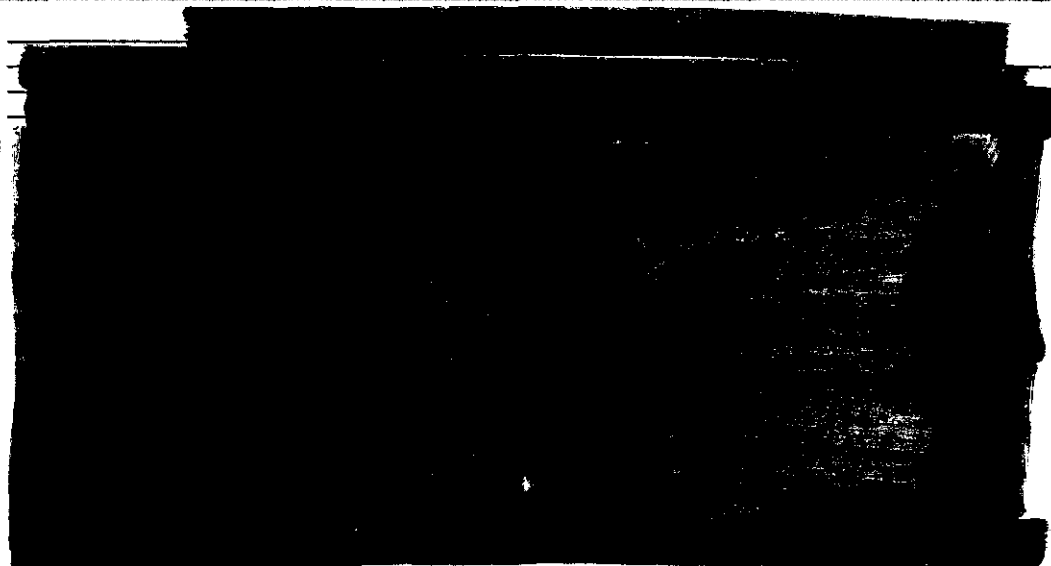
- Overall, Aqua America's *total cash compensation* is twelve percent below the utility industry data using actual revenues.
- [REDACTED] remains the only position to fall below the competitive range.
- Aqua America is 24 percent below the utility industry when adjusted revenues are used to develop the market rates.
- Aqua America's competitive position is somewhat lower on a total cash compensation basis than on a base salary basis because the Company's annual incentives are generally equal to or below 50th percentile levels.
- Exhibit 4 on the following page compares Aqua America's total cash compensation to both the utility and general industry data.

III. Results

Target Total Cash Compensation (TCC)

Exhibit 4

<i>Incumbent</i>	<i>Title</i>	<i>Current TCC</i>
N. DeBenedictis	Chairman and CEO	\$790,500
R. Stahi	CAO, General Counsel and Secretary	367,178
D. Smeltzer	Chief Financial Officer	338,800
R. Riegler	VP, Engineering and Environ. Affairs	238,091
K. Kyriss	President, Mid-Atlantic Operations	273,000
M. Kropilak	SVP, Corp. Devel. & Corp. Counsel	254,800
C. Franklin	Pres., So. Ops. and SVP Public Affairs	247,000
R. Liptak	Pres., Northern Ops.	206,184
R. Rubin	VP, Controller and Chief Acct. Officer	181,200



Overall Average:	-12%	-24%	-27%
------------------	------	------	------

Notes:

(1) Total cash compensation is equal to the sum of base salary and target annual incentives.

III. Results

Long-Term Incentive (LTI) Observations

- Overall, Aqua America's *long-term incentives* are generally equal to or above the 75th percentile of both utility industry reference points (actual and adjusted revenues).
 - This is because the Company has generally targeted long-term incentive awards to be between utility and general industry rates.
 - Accordingly, in most cases, Aqua America's executives are close to but slightly above the blended utility and general industry rates.
- Aqua is at or below the 50th percentile of the general industry, which relies on equity-based pay to a much greater degree than similarly sized companies in the utility industry.
- Exhibit 5 on the following page compares Aqua America's long-term incentives to the utility and general industry data.

**III. Results
Long-Term Incentive**

Exhibit 5

<i>Incumbent</i>	<i>Title</i>	<i>Current LTI% ⁽¹⁾</i>
N. DeBenedictis	Chairman and CEO	162%
R. Stahl	CAO, General Counsel and Secretary	92%
D. Smeltzer	Chief Financial Officer	94%
R. Riegler	VP, Engineering and Environ. Affairs	37%
K. Kyris	President, Mid-Atlantic Operations ⁽³⁾	54%
M. Kropilak	SVP, Corp. Devel. & Corp. Counsel ⁽³⁾	57%
C. Franklin	Pres., So. Ops. and SVP Public Affairs ⁽³⁾	59%
R. Liptak	Pres., Northern Ops.	34%
R. Rubin	VP, Controller and Chief Acct. Officer	44%



Notes:

(1) Aqua's current long-term incentive value as a percentage of base salary is based on accounting values of 2/22/07 LTI awards: \$5.52 per share for stock option grants, \$1.84 for each dividend equivalent and \$23.38 per restricted share.

(2) Blended reflects the average of the utility industry (actual revenues) and general industry 50th %ile LTI data.

(3) Includes one-third of the 2/22/07 restricted stock grant, since restricted stock grants are intended to be made once every three years for these executives

III. Results

Total Direct Compensation (TDC) Observations

- Aqua America's overall *total direct compensation* is positioned within the +/- 15 percent competitive range at four percent above the utility industry 50th percentile data developed using actual revenues
 - Aqua America is seventeen percent below the utility industry median when adjusted revenues are used.
- Aqua America's competitiveness improves on a total direct compensation basis due to long-term incentives that are generally in the upper quartile of utility industry rates.
- Exhibit 6 on the following page compares Aqua America's total direct compensation levels to the utility and general industry data.
 - Exhibit 6 also compares Aqua's current total direct compensation to blended industry rates (Aqua's former primary reference point) comprising median utility industry (actual revenue) base salary and annual incentive, and blended 50th percentile utility industry (actual revenues) and general industry LTI.
 - We observe that Aqua is, in the aggregate, in the competitive range relative to the blended reference point at six percent below median market rates.
- The graphs following Exhibit 6 show individual compensation information for each of Aqua America's senior executives.

III. Results

Total Direct Compensation

Exhibit 6

<i>Incumbent</i>	<i>Title</i>	<i>Current TDC</i>
N. DeBenedictis	Chairman and CEO	\$1,543,800
R. Stahl	CAO, General Counsel and Secretary	608,466
D. Smeltzer	Chief Financial Officer	566,280
R. Riegler	VP, Engineering and Environ. Affairs	308,566
K. Kyriis	President, Mid-Atlantic Operations	386,400
M. Kropilak	SVP, Corp. Devel. & Corp. Counsel	366,520
C. Franklin	Pres., So. Ops. and SVP Public Affairs	359,100
R. Liptak	Pres., Northern Ops.	264,603
R. Rubin	VP, Controller and Chief Acct. Officer	247,640



Overall Average: 4% -17% -6% -28%

Notes:

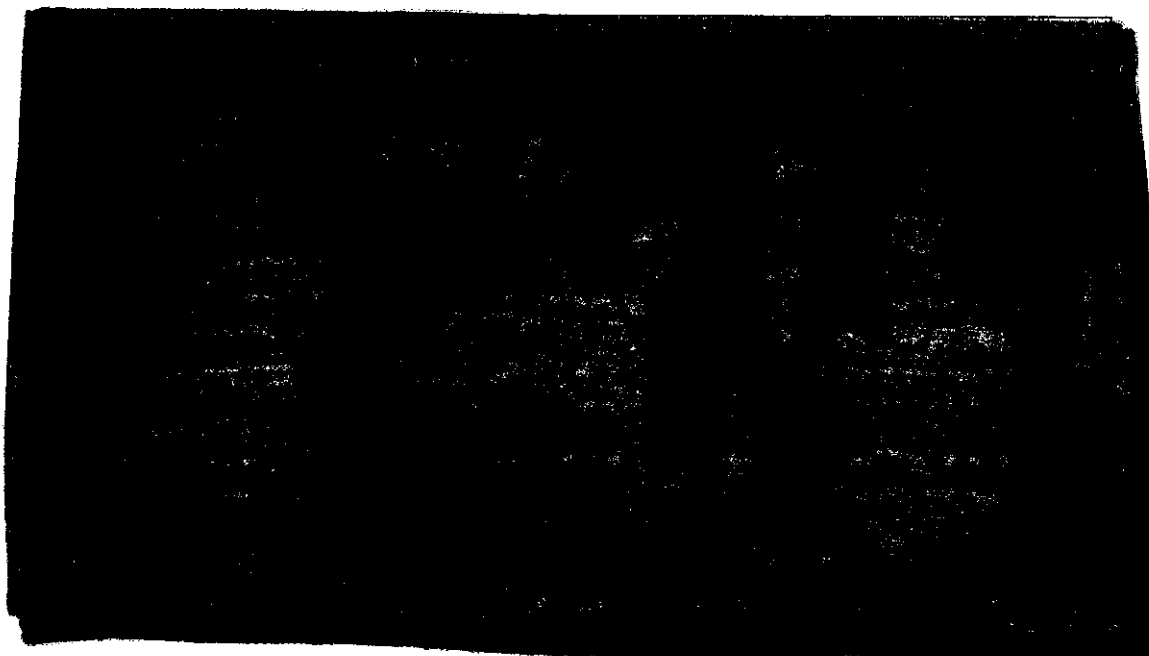
- (1) Total direct compensation is equal to the sum of the expected value of long-term incentives and total cash compensation.
- (2) Blended reflects the utility industry (actual revenues) 50th%ile base salary, utility industry (actual revenues) 50th%ile annual incentive, and average of the utility industry (actual revenues) and general industry 50th%ile LTI.

III. Results

Chairman, President and Chief Executive Officer – N. DeBenedictis

Utility Industry Chief Executive Officer
 General Industry Chief Executive Officer

Current Compensation				
Base Salary	Target Bonus %	TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$465,000	70%	\$780,500	162%	\$1,543,800



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the accounting value of long-term incentives.
- (3) All competitive data were aged to February 2008 using a 3.75 percent annual update factor.
- (4) Blended reflects the utility industry (actual revenues) 50th%ile base salary, utility industry (actual revenues) 50th%ile annual incentive, and average of the utility industry (actual revenues) and general industry 50th%ile LTI.

III. Results

Chief Administrative Officer, General Counsel and Secretary – R. Stahl

Utility Industry Top Legal Executive (+15%)
 General Industry Top Administrative Executive (Major Function)

Current Compensation				
Base Salary	Target Bonus %	TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$262,270	40%	\$367,178	92%	\$608,466



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

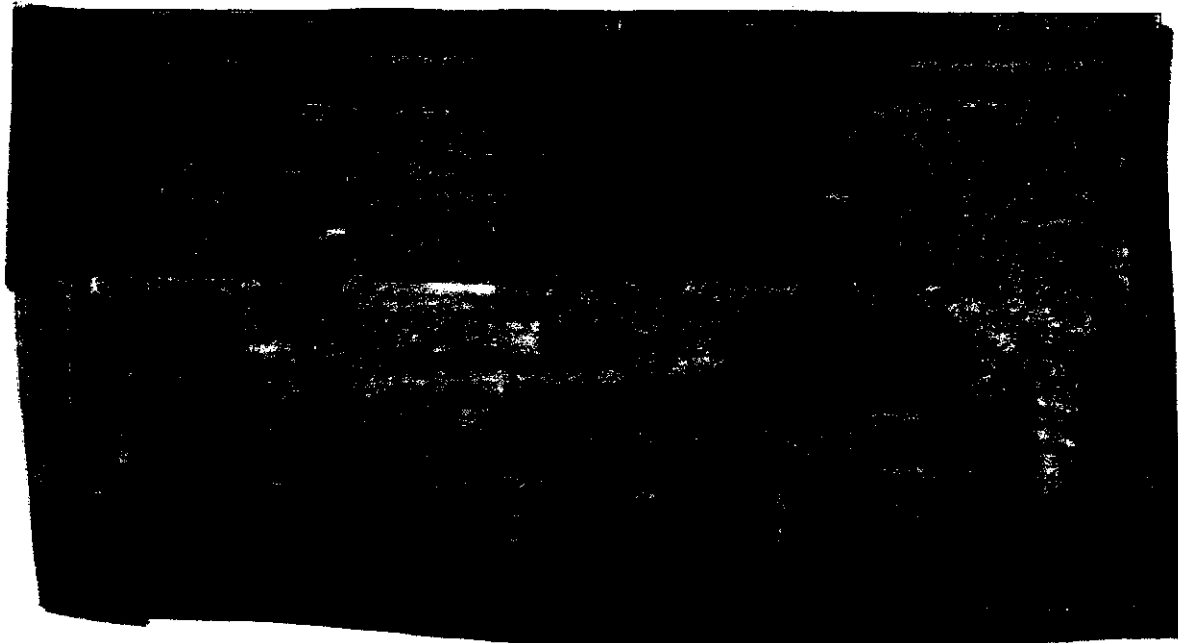
- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the accounting value of long-term incentives.
- (3) All competitive data were aged to February 2008 using a 3.75 percent annual update factor.
- (4) Blended reflects the utility industry (actual revenues) 50th%ile base salary, utility industry (actual revenues) 50th%ile annual incentive, and average of the utility industry (actual revenues) and general industry 50th%ile LTI.

III. Results

Chief Financial Officer – D. Smeltzer

Utility Industry Top Financial Executive
 General Industry Top Financial Executive

Current Compensation				
Base Salary	Target Bonus %	TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$242,000	40%	\$338,800	94%	\$566,280



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

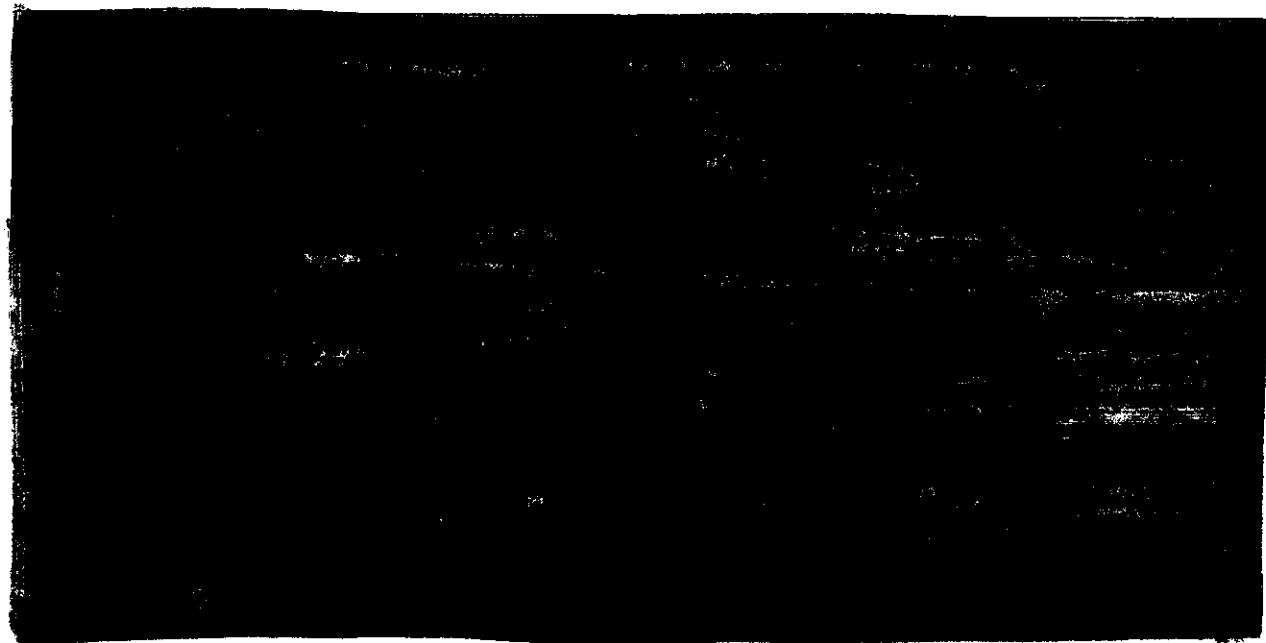
- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the accounting value of long-term incentives.
- (3) All competitive data were aged to February 2008 using a 3.75 percent annual update factor.
- (4) Blended reflects the utility industry (actual revenues) 50th%ile base salary, utility industry (actual revenues) 50th%ile annual incentive, and average of the utility industry (actual revenues) and general industry 50th%ile LTI.

III. Results

VP-Engineering and Environmental Affairs – R. Riegler

Utility Industry Top Engineering Executive (+ 15%)
 General Industry Non Benchmark

Current Compensation				
Base Salary	Target Bonus %	TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$190,473	25%	\$238,091	37%	\$308,566



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the accounting value of long-term incentives.
- (3) All competitive data were aged to February 2008 using a 3.75 percent annual update factor.

III. Results

Regional President—Mid-Atlantic Operations – K. Kyriess

Utility Industry Regulated Business Unit Head (-10%)/Top Operations Executive
 General Industry Single Profit Center Head (-10%) - w/ manufacturing

Base Salary	Target Bonus %	Current Compensation		
		TCC ⁽¹⁾	Incentive % ⁽²⁾	TDC ⁽³⁾
\$210,000	30%	\$273,000	54%	\$388,400



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

- Notes:*
- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
 - (2) Represents annualized value of 2007 restricted stock grant and option grant
 - (3) Total Direct Compensation (TDC) is the sum of total cash compensation and the accounting value of long-term incentives.
 - (4) All competitive data were aged to February 2008 using a 3.75 percent annual update factor.
 - (5) Blended reflects the utility industry (actual revenues) 50th%ile base salary, utility industry (actual revenues) 50th%ile annual incentive, and average of the utility industry (actual revenues) and general industry 50th%ile LTI.

III. Results

SVP-Corporate Development & Corporate Counsel – M. Kropilak

Utility Industry Top Business Development Executive
 General Industry Top Business Development Executive

Base Salary	Target Bonus %	Current Compensation		TDC ⁽³⁾
		TCC ⁽¹⁾	Long-Term Incentive % ⁽²⁾	
\$195,000	30%	\$254,800	57%	\$366,520



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

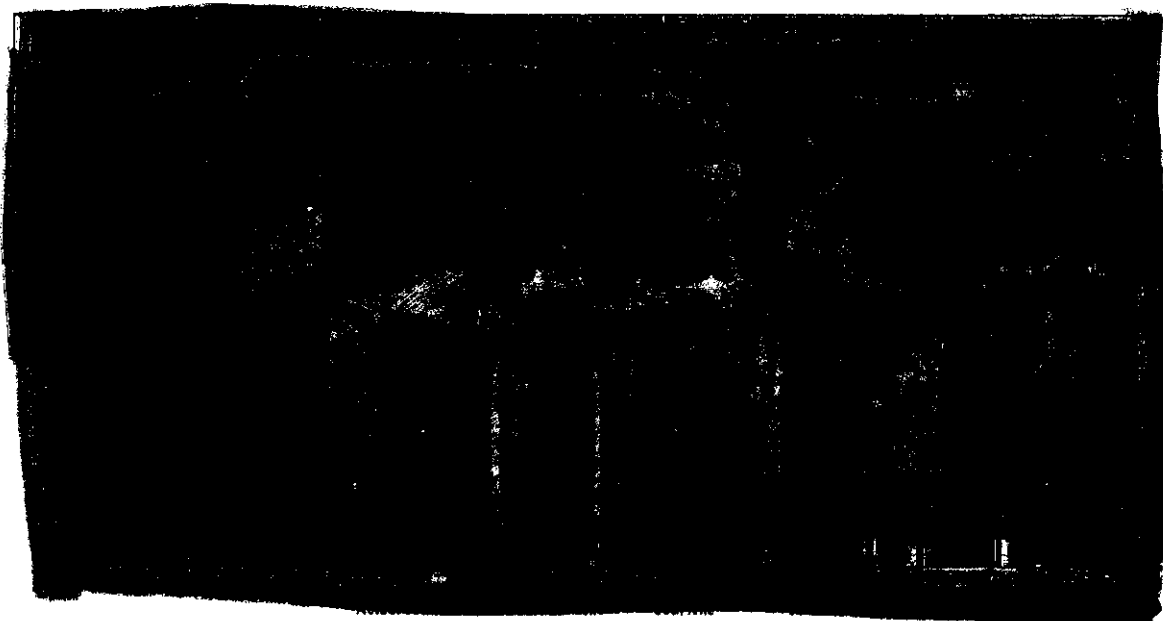
- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Represents annualized value of 2007 restricted stock grant and option grant
- (3) Total Direct Compensation (TDC) is the sum of total cash compensation and the accounting value of long-term incentives.
- (4) All competitive data were aged to February 2008 using a 3.75 percent annual update factor.
- (5) Blended reflects the utility industry (actual revenues) 50th%ile base salary, utility industry (actual revenues) 50th%ile annual incentive, and average of the utility industry (actual revenues) and general industry 50th%ile LTI.

III. Results

President-So. Ops. and SVP Public Affairs – C. Franklin

Utility Industry Regulated Business Unit Head/Top Operations, Executive (+10%)
 General Industry Single Profit Center Head - w/ manufacturing

Current Compensation				
Base Salary	Target Bonus %	TCC ⁽¹⁾	Long-Term Incentive % ⁽²⁾	TDC ⁽³⁾
\$190,000	30%	\$247,000	59%	\$359,100



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

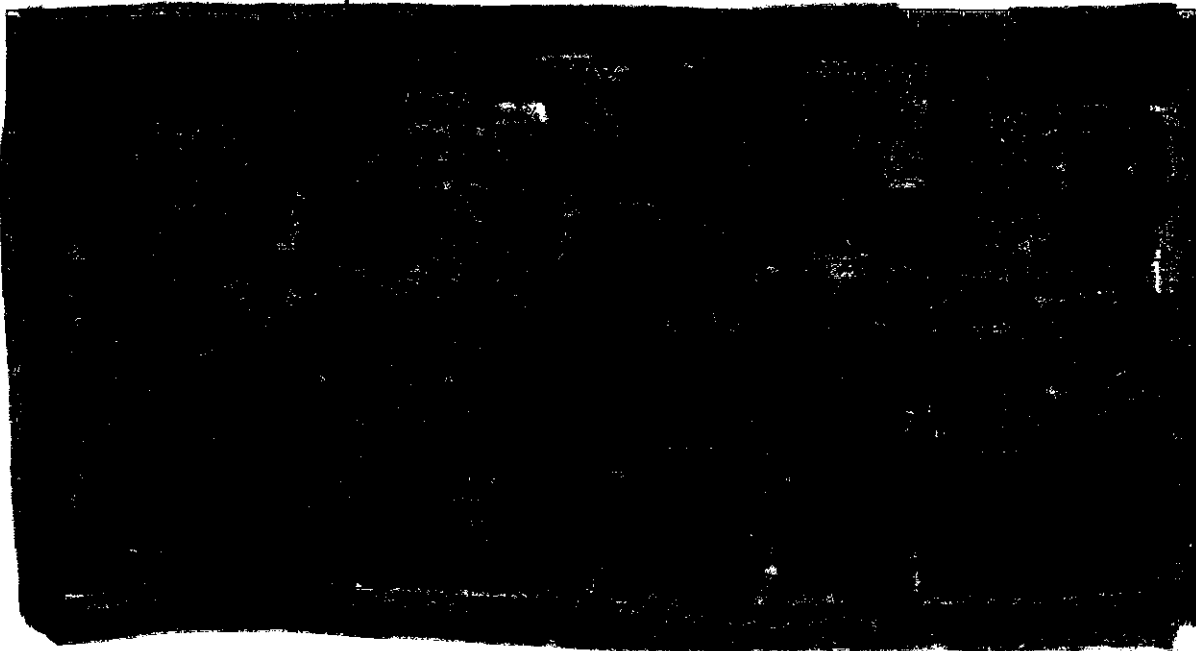
- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Represents annualized value of 2007 restricted stock grant and option grant.
- (3) Total Direct Compensation (TDC) is the sum of total cash compensation and the accounting value of long-term incentives.
- (4) All competitive data were aged to February 2008 using a 3.75 percent annual update factor.
- (5) Blended reflects the utility industry (actual revenues) 50th%ile base salary, utility industry (actual revenues) 50th%ile annual incentive, and average of the utility industry (actual revenues) and general industry 50th%ile LTI.

III. Results

Regional President-Northern Operations – R. Liptak

Utility Industry Regulated Business Unit Head (-10%)/Top Operations Executive
 General Industry Single Profit Center Head (-10%) - w/ manufacturing

		Current Compensation		
Base Salary	Target Bonus %	TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$171,820	20%	\$206,184	34%	\$264,603



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

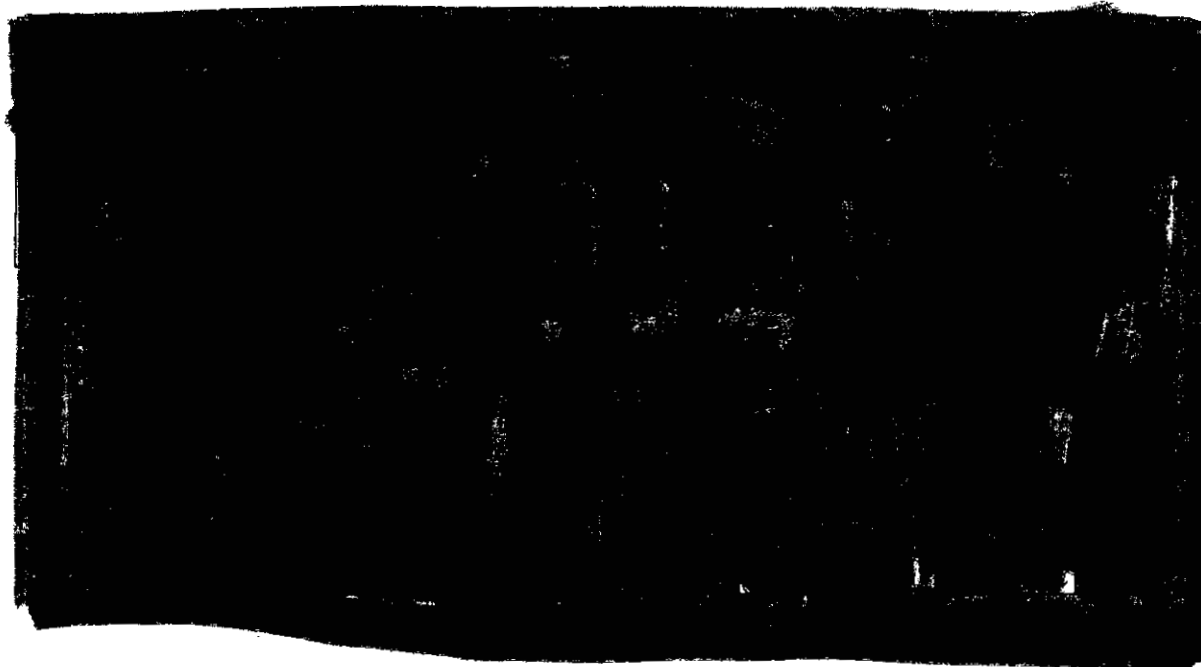
- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the accounting value of long-term incentives.
- (3) All competitive data were aged to February 2008 using a 3.75 percent annual update factor.
- (4) Blended reflects the utility industry (actual revenues) 50th%ile base salary, utility industry (actual revenues) 50th%ile annual incentive, and average of the utility industry (actual revenues) and general industry 50th%ile LTI.

III. Results

VP, Controller and Chief Accounting Officer—R. Rubin

Utility Industry Controller
 General Industry Controller

Current Compensation				
Base Salary	Target Bonus %	TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$151,000	20%	\$181,200	44%	\$247,640



■ Base Salary ■ Annual Incentive Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the accounting value of long-term incentives.
- (3) All competitive data were aged to February 2008 using a 3.75 percent annual update factor.
- (4) Blended reflects the utility industry (actual revenues) 50th%ile base salary, utility industry (actual revenues) 50th%ile annual incentive, and average of the utility industry (actual revenues) and general industry 50th%ile LTI.

IV. Current Long-Term Incentive Vehicle Valuation

- The Black-Scholes model was used to determine the estimated accounting value of an Aqua America stock option as of January 25, 2008 for purposes of calibrating 2008 LTI grants.
- Based on the following assumptions, we calculated a **per-option** value of \$3.93 (based on a ratio of 20.8%) for Aqua America:

■ Volatility (based on 36 months of historical data):	24.2%
■ Dividend Yield (based on 12 months of historical data):	2.2%
■ Risk-Free Rate (based on U.S Treasury Strip rate):	2.9%
■ Fair Market Value at time of Grant:	\$18.91
■ Expected life:	5.2 years
- We valued Aqua America's **restricted shares** at \$18.91 per share, which is the face value of the Company's closing stock price as of January 25th.
- We valued Aqua America's **dividend equivalents** at \$2.00 which represents the Company's current annual dividend rate of \$.50 per share multiplied by the dividend accumulation period of 4 years.

CONFIDENTIAL

TOWERS
PERRIN

Aqua America

Executive Compensation Analysis

February 2007

AUF - 006429
Confidential

CONFIDENTIAL

Table of Contents

Section	Page
I. Introduction	3
II. Methodology	4
III. Results	9
IV. Current Long-Term Incentive Valuation	30

AUF - 006430
Confidential

I. Introduction

- Towers Perrin has been retained by the Compensation Committee of Aqua America, Inc. (“Aqua America”) to conduct a competitive compensation analysis of the Company’s executive positions. Specifically, our analysis includes an assessment of pay levels for 10 executive positions at Aqua America.
- Our analysis focused on the competitive levels of pay, or “how much,” for each of the following pay components:
 - *Base salary* - the “fixed” portion of pay.
 - *Target annual incentive* - the variable portion (i.e., bonus) of cash compensation based on annual performance metrics at target award levels.
 - *Total cash compensation* - the sum of base salary and target annual incentives.
 - *Long-term incentives* - the expected value of the variable portion of pay linked to multi-year performance. This component of pay is often delivered in the form of stock-based vehicles (e.g., stock options, restricted shares, etc.).
 - *Total direct compensation* - the sum of total cash compensation plus the annualized expected value of long-term incentives.

AUF - 006431
Confidential

II. Methodology

- In conducting the competitive assessment, Towers Perrin took the following steps:
 - Gathered position information and current compensation data from Aqua America's staff.
 - Established benchmark matches for each Aqua America executive position based on our understanding of each position's responsibilities within the organization.
 - A benchmark is a position commonly found in the competitive market for which significant data can be obtained.
 - We were able to find water/utility industry benchmarks and/or general industry benchmarks for all 10 positions included in the analysis.
 - Reviewed our benchmark matches with Aqua America's EVP and General Counsel.
 - Gathered and analyzed competitive compensation data from relevant labor markets.
 - Developed competitive compensation going rates for each benchmark position.
 - Assessed the competitiveness of Aqua America's pay levels for each position, as well as in the aggregate.

AUF - 006432
Confidential

II. Methodology (continued)

- Competitive pay data were obtained from the following survey sources:
 - Towers Perrin's 2006 CDB Utility Industry Executive Compensation Database.
 - Towers Perrin's 2006 CDB Executive Compensation Database.
 - Towers Perrin's 2006 Long-Term Term Incentive Plan Report.
 - Saje Consulting Group's 2006 Investor-Owned Water Utility Compensation and Benefits Survey.
 - Watson Wyatt's 2006/2007 Industry Report on Top Management Compensation.
- All survey data were aged to February 2007 using a 3.75 percent annual update factor.
- Regression analyses were performed to size-adjust the survey data to each position's revenue responsibility, where possible.
 - Corporate positions were regressed to *corporate* level data.
 - Business unit positions were regressed to *division/unit* level data.
 - Revenue responsibilities were assigned to each position based on scope estimates provided by Aqua America management for each business unit/division.

AUF - 006433
Confidential

II. Methodology (continued)

- Specifically, we used the following revenue and customer scopes in conducting our analysis:
 - Aqua America, Inc: \$608 Million
 - Mid-Atlantic Operations: \$369 Million and 930,000 customers, including:
 - New Jersey: \$24 Million and 50,000 customers
 - New York: \$24 Million and 46,000 customers
 - Northern Operations: \$125 Million and 212,816 customers
 - Southern Operations: \$114 Million and 198,868 customers
 - Tabular data were used only where regression data were unavailable due to insufficient correlation and/or limited sample size and to ensure accuracy.

II. Methodology (continued)

- Competitive “going rates” were developed on the following bases:
 - Base salary
 - Total cash compensation (TCC) – base salary plus target annual incentives.
 - Total direct compensation (TDC) – total cash compensation plus the annualized expected value of long-term incentives.
- Each “going rate” represents the compensation level which would be paid to a hypothetical, seasoned performer in a job having similar responsibilities and scope, and in an organization of similar size and type. It does not indicate what the incumbent *should* be paid.
- Towers Perrin considers amounts earned *within fifteen percent* (above or below) of the going rate to be competitive. Variances within this range often explained by performance, experience, and/or other factors.
 - Internal equity is not considered in determining going rates but should be considered by Aqua America in making specific pay decisions.
- All going rates were developed at the 50th (median) and 75th percentile levels.
- In addition, Towers Perrin also provided values for Aqua America’s stock option, dividend equivalents and restricted shares as of February 5, 2007 for long-term incentive grants to be made in February 2007. These values can be found in Section IV.

AUF - 006435
Confidential

II. Methodology (continued)

Exhibit 1

Exhibit 1 below provides the competitive benchmark matches and associated revenue scopes used for each position in our analysis.

Incumbent	Position	Competitive Benchmark		Notes	Revenue Scope (\$M)
		Utility Industry	General Industry		
N. DeBenedictis	Chairman and Chief Executive Officer	Chief Executive Officer	Chief Executive Officer		\$608
R. Stahl	Executive V.P. and General Counsel	Top Legal Executive (+15%)	Top Administrative Executive (Major Function)	(1)	608
D. Smeltzer	Sr. V.P. Finance and CFO	Top Financial Executive	Top Financial Executive		608
R. Riegler	Sr. V.P. - Engineering and Environ. Affairs	Top Engineering Executive (+15%)	Non Benchmark	(2)	608
K. Kyrijs	President - Mid-Atlantic Operations	Regulated Business Unit Head (-10%)/Top Operations Executive	Single Profit Center Head (-10%) - with manufacturing	(3)	359
M. Kropilak	V.P. Corp. Development & Corp. Counsel	Top Mergers and Acquisitions Executive	Top Mergers and Acquisitions Executive		608
C. Franklin	President - Southern Operations	Regulated Business Unit Head (-10%)/Top Operations Executive (+10%)	Single Profit Center Head (-10%) - with manufacturing	(3)	114
K. Pape	V.P. Treasurer and Rates Counsel	Treasurer/Rates and Revenue (+15%)	Treasurer (+15%)	(4)	608
R. Liptak	President - Northern Operations	Regulated Business Unit Head (-10%)/Top Operations Executive	Single Profit Center Head (-10%) - with manufacturing	(3)	125
R. Rubin	Controller - Aqua America	Controller	Controller		608

Notes:

- (1) A 15% premium was applied to the Top Legal Executive benchmark to account additional human resource and information technology responsibilities.
 (2) A 15% premium was applied to account for additional environmental responsibilities.
 (3) A 10% discount was applied to account for a lack of full functional responsibilities.
 (4) A 15% premium was applied to account for additional rates and regulatory responsibilities.

AUF - 006436
Confidential

III. Results

Summary of Overall Results



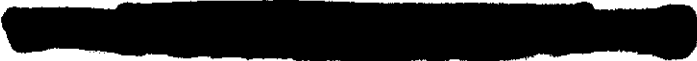
- The table below summarizes the overall results of our competitive compensation analysis; details are provided on the following pages.

Aqua America Variance from the Competitive 50th Percentile			
Market Reference	Base Salary	Total Cash Compensation	Total Direct Compensation
Utility Industry	-13%	-14%	-5%
General Industry	-23%	-29%	-32%

- In general, Aqua America's base salaries, target total cash compensation, and total direct compensation levels are within the competitive range (+/- 15 percent) versus the utility industry 50th percentile data (although below full median rates) and below the competitive range versus the general industry 50th percentile.

III. Results

Base Salary Observations

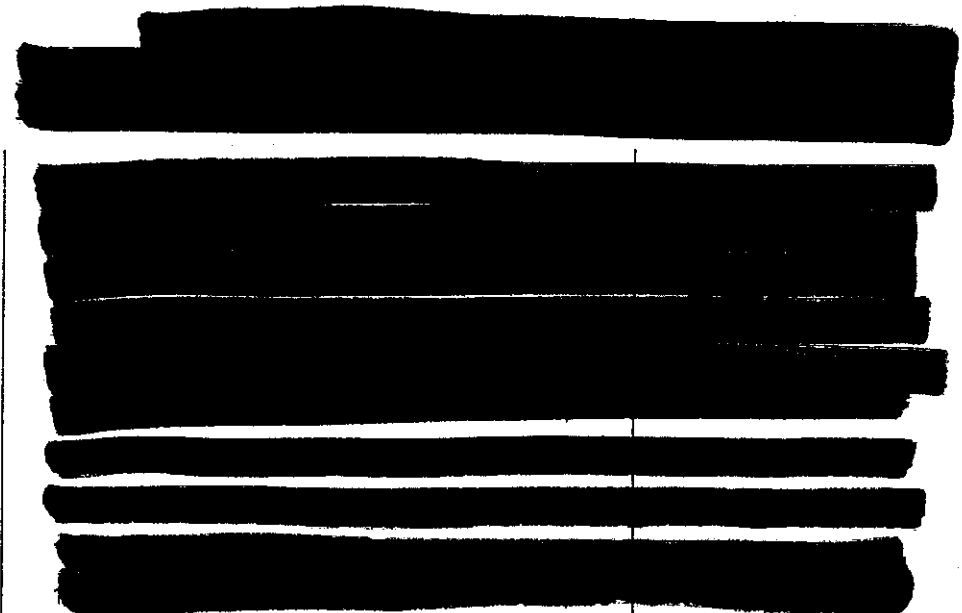
- Overall, Aqua America's *base salaries* are within but somewhat low in the competitive 50th percentile range for the utility industry at 13 percent below the median and are 23 percent below the general industry median.
- Relative to the utility industry, three positions are *below* the competitive range:



- However, relative to the general industry, the majority of positions had base salaries that are below market.
- Exhibit 2 on the following page compares Aqua America's base salaries to both utility and general industry data.

AUF - 006438
Confidential

**III. Results
Base Salary**

Exhibit 2

<i>Incumbent</i>	<i>Title</i>	<i>Current Base Salary</i>
N. DeBenedictis	Chairman and Chief Executive Officer	\$423,576
R. Stahl	Executive V.P. and General Counsel	250,377
D. Smeltzer	Sr. V.P. Finance and CFO	220,639
R. Riegler	Sr. V.P. - Engineering and Environ. Affairs	184,031
K. Kyriss	President - Mid-Atlantic Operations	193,347
M. Kropilak	V.P. Corp. Development & Corp. Counsel	178,018
C. Franklin	President - Southern Operations	170,419
K. Pape	V.P. Treasurer and Rates Counsel	177,538
R. Liptak	President - Northern Operations	167,629
R. Rubin	Controller - Aqua America	140,940



Overall Average	-13%	-23%
-----------------	------	------

Notes:

- (1) All data have been aged to February 2007 using an annual update factor of 3.75 percent.
- (2) Due to insufficient data, a competitive rate was not available.

AUF - 006439
Confidential

III. Results

Annual Incentive (AI) Observations

- Overall, Aqua America's target *annual incentives* (as a percent of base salary) are within 5 percent of salary of the utility industry 50th percentile but somewhat lower compared to the general industry.
- Only Aqua America's [REDACTED] has a target bonus that is greater than the 50th percentile of the utility industry.
- Exhibit 3 on the following page compares Aqua America's target annual incentives to both utility and general industry data.

**III. Results
Annual Incentive**

Exhibit 3

<i>Incumbent</i>	<i>Title</i>	<i>Current AI%</i>	[REDACTED]
N. DeBenedictis	Chairman and Chief Executive Officer	70%	[REDACTED]
R. Stahl	Executive V.P. and General Counsel	40%	[REDACTED]
D. Smeltzer	Sr. V.P. Finance and CFO	35%	[REDACTED]
R. Riegler	Sr. V.P. - Engineering and Environ. Affairs	25%	[REDACTED]
K. Kyriss	President - Mid-Atlantic Operations	30%	[REDACTED]
M. Kropilak	V.P. Corp. Development & Corp. Counsel	25%	[REDACTED]
C. Franklin	President - Southern Operations	25%	[REDACTED]
K. Pape	V.P. Treasurer and Rates Counsel	25%	[REDACTED]
R. Liptak	President - Northern Operations	20%	[REDACTED]
R. Rubin	Controller - Aqua America	20%	[REDACTED]

Notes:

(1) Due to insufficient data, a competitive rate was not available.

AUF - 006441
Confidential

III. Results

Total Cash Compensation (TCC) Observations

- Overall, Aqua America's *total cash compensation* is 14 percent below the utility industry median but well below (29 percent) the general industry median.
- When compared to the utility industry, total cash compensation results are slightly below base salary results because Aqua America's annual incentives are equal to or slightly below 50th percentile levels.
- When compared to the utility industry, four positions fell below the competitive range:

[REDACTED]

[REDACTED]

[REDACTED]

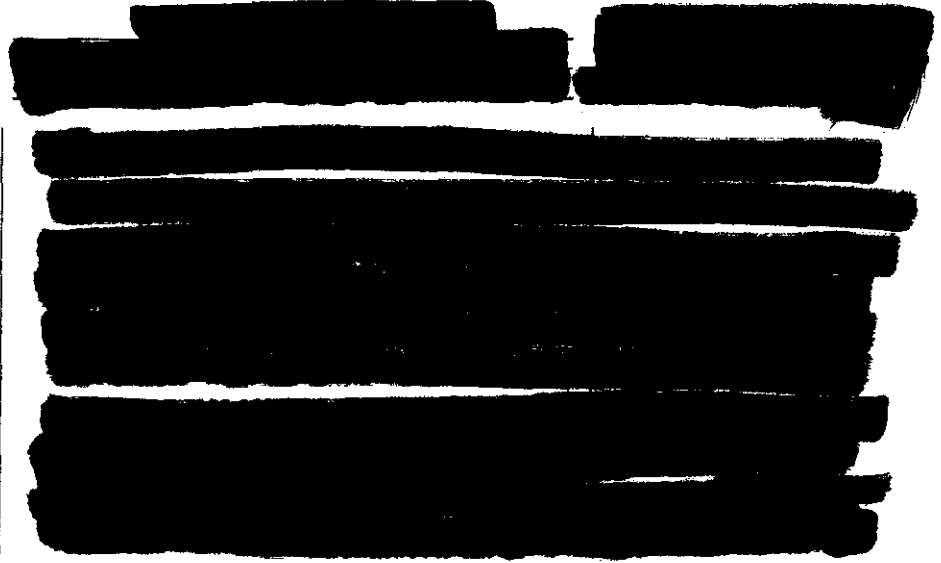
[REDACTED]

- When compared to the general industry, all of the executives were positioned below the competitive range.
- Exhibit 4 on the following page compares Aqua America's total cash compensation to both the utility and general industry data.

III. Results
Total Cash Compensation (TCC)

Exhibit 4

<i>Incumbent</i>	<i>Title</i>	<i>Current TCC</i>
N. DeBenedictis	Chairman and Chief Executive Officer	\$720,079
R. Stahl	Executive V.P. and General Counsel	350,528
D. Smeltzer	Sr. V.P. Finance and CFO	297,863
R. Riegler	Sr. V.P. - Engineering and Environ. Affairs	230,039
K. Kyriess	President - Mid-Atlantic Operations	251,351
M. Kropilak	V.P. Corp. Development & Corp. Counsel	222,522
C. Franklin	President - Southern Operations	213,024
K. Pape	V.P. Treasurer and Rates Counsel	221,922
R. Liptak	President - Northern Operations	201,155
R. Rubin	Controller - Aqua America	169,128



Overall Average	-14%	-29%
-----------------	------	------

Notes:

- (1) Total cash compensation is equal to the sum of base salary and target annual incentives.
- (2) Due to insufficient data, a competitive rate was not available.

AUF - 006443
 Confidential

III. Results

Long-Term Incentive (LTI) Observations

- Overall, Aqua America's *long-term incentives* are close to, and in a few cases above, the 75th percentile of the utility industry.
- In most cases, Aqua America's more senior executives are closely aligned with the 75th percentile of the utility industry but are positioned at or below the 50th percentile of the general industry which relies on equity-based pay to a much greater degree than similarly sized companies the utility industry.
- Aqua America's less senior executives are consistently close to 75th percentile of the utility industry and, in many cases, closer to the 50th percentile of the general industry.
- Exhibit 5 on the following pages compares Aqua America's long-term incentives to both the utility and general industry data.

AUF - 006444
Confidential

**III. Results
Long-Term Incentive**

Exhibit 5

<i>Incumbent</i>	<i>Title</i>	<i>Current LTI%</i>
N. DeBenedictis	Chairman and Chief Executive Officer	141%
R. Stahl	Executive V.P. and General Counsel	73%
D. Smeltzer	Sr. V.P. Finance and CFO	64%
R. Riegler	Sr. V.P. - Engineering and Environ. Affairs	41%
K. Kyriess	President - Mid-Atlantic Operations	30%
M. Kropilak	V.P. Corp. Development & Corp. Counsel	33%
C. Franklin	President - Southern Operations	34%
K. Pape	V.P. Treasurer and Rates Counsel	33%
R. Liptak	President - Northern Operations	35%
R. Rubin	Controller - Aqua America	42%



Notes:

(1) Due to insufficient data, a competitive rate was not available.

AUF - 006445
Confidential

III. Results

Total Direct Compensation (TDC) Observations

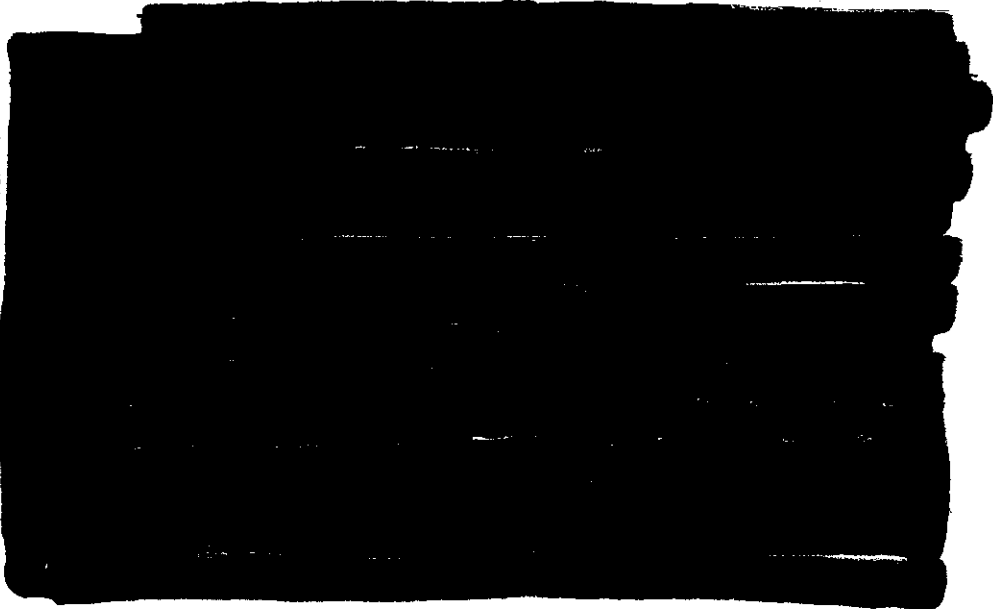
- Aqua America's overall *total direct compensation* is positioned within the +/- 15 percent competitive range at five percent below the utility industry median but well below (32 percent) the general industry median.
- When compared to the utility industry, Aqua America's aggregate compensation levels increased from approximately 14 percent below market on a total cash basis to five percent below market on a total direct compensation basis. This increase is due to LTI levels that are above the utility industry 50th percentile.
 - Only the [REDACTED] is below the competitive range
- When compared to the general industry, nearly all positions remain below the competitive range.
- Exhibit 6 on the following page compares Aqua America's total direct compensation levels to both the utility and general industry data. The graphs following Exhibit 6 show individual compensation information for each of Aqua America's senior executives.

AUF - 006446
Confidential

III. Results
Total Direct Compensation

Exhibit 6

<i>Incumbent</i>	<i>Title</i>	<i>Current TDC</i>
N. DeBenedictis	Chairman and Chief Executive Officer	\$1,317,321
R. Stahl	Executive V.P. and General Counsel	533,303
D. Smeltzer	Sr. V.P. Finance and CFO	439,072
R. Riegler	Sr. V.P. - Engineering and Environ. Affairs	305,492
K. Kyriss	President - Mid-Atlantic Operations	309,355
M. Kropilak	V.P. Corp. Development & Corp. Counsel	281,268
C. Franklin	President - Southern Operations	270,967
K. Pape	V.P. Treasurer and Rates Counsel	280,509
R. Liptak	President - Northern Operations	259,825
R. Rubin	Controller - Aqua America	228,323



Overall Average	-5%	-32%
-----------------	-----	------

Notes:

(1) Total direct compensation is equal to the sum of the expected value of long-term incentives and total cash compensation.

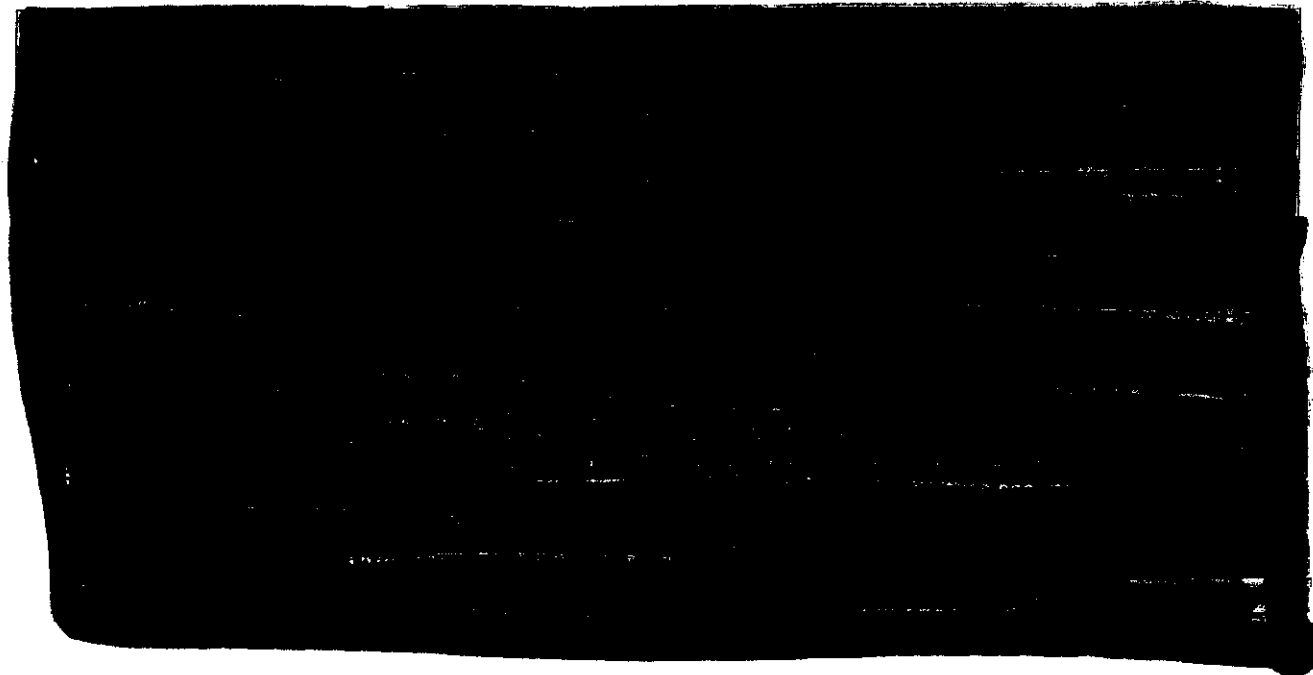
AUF - 006447
Confidential

III. Results

Chairman and Chief Executive Officer – N. DeBenedictis

Utility Industry Chief Executive Officer
 General Industry Chief Executive Officer

Base Salary	Target Bonus %	Current Compensation		TDC ⁽²⁾
		TCC ⁽¹⁾	Long-Term Incentive %	
\$423,576	70%	\$720,079	141%	\$1,317,321



■ Base Salary ■ Annual Incentive Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2007 using a 3.75 percent annual update factor.

AUF - 006448
 Confidential

III. Results

Executive Vice President and General Counsel – R. Stahl

Utility Industry Top Legal Executive (+15%)
 General Industry Top Administrative Executive (Major Function)

Current Compensation				
Base Salary	Target Bonus %	TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$250,377	40%	\$350,528	73%	\$533,303



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2007 using a 3.75 percent annual update factor.

AUF - 006449
 Confidential

III. Results

SVP-Finance and CFO – D. Smeltzer

Utility Industry Top Financial Executive
 General Industry Top Financial Executive

Base Salary	Target Bonus %	Current Compensation		
		TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$220,639	35%	\$297,863	64%	\$439,072



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2007 using a 3.75 percent annual update factor.

AUF - 006450
 Confidential

III. Results

SVP-Engineering and Environmental Affairs – R. Riegler

Utility Industry Top Engineering Executive (+15%)
 General Industry Non Benchmark

Base Salary	Target Bonus %	Current Compensation		TDC ⁽²⁾
		TCC ⁽¹⁾	Long-Term Incentive %	
\$184,031	25%	\$230,039	41%	\$305,492



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2007 using a 3.75 percent annual update factor.

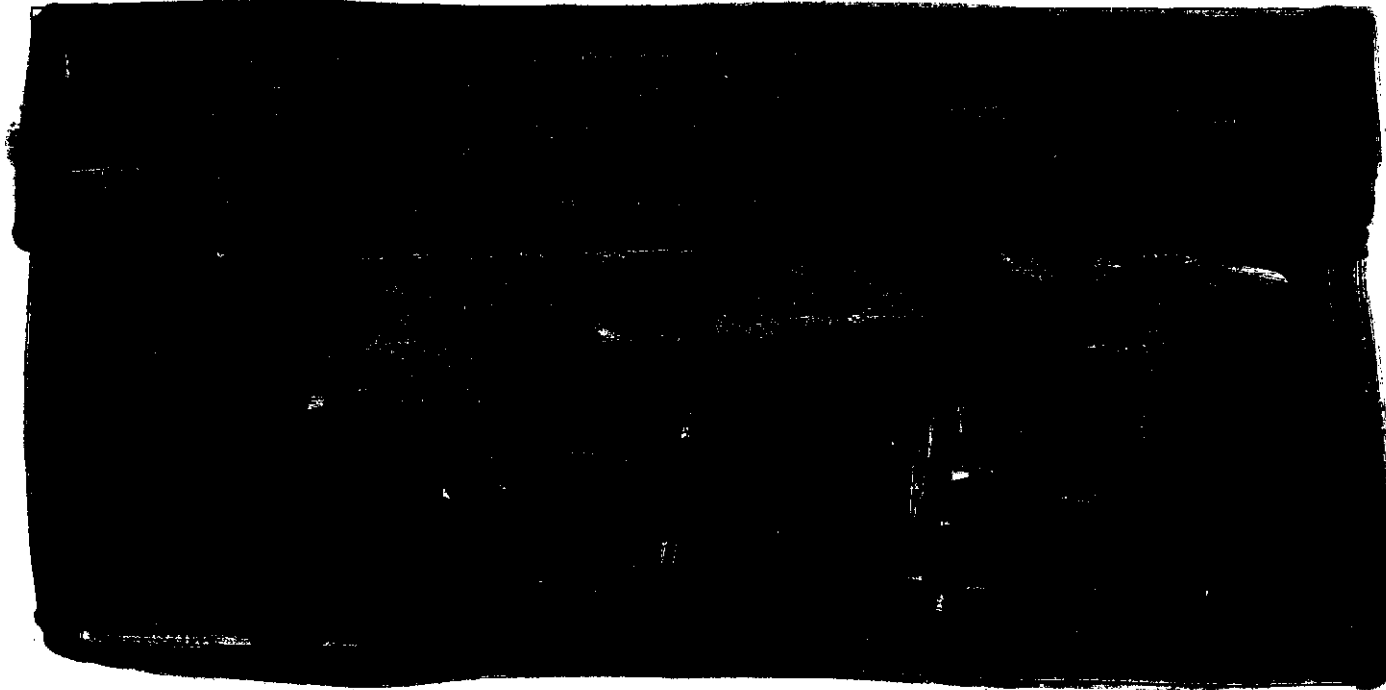
AUF - 006451
 Confidential

III. Results

President-Mid-Atlantic Operations – K. Kyriss

Utility Industry Regulated Business Unit Head (-10%)/Top Operations Executive
 General Industry Single Profit Center Head (-10%) - with manufacturing

		Current Compensation		
Base Salary	Target Bonus %	TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$193,347	30%	\$251,351	30%	\$309,355



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2007 using a 3.75 percent annual update factor.

AUF - 006452
 Confidential

III. Results

VP-Corporate Development & Corporate Counsel – M. Kropilak

Utility Industry
General Industry

Top Mergers and Acquisitions Executive
Top Mergers and Acquisitions Executive

Base Salary	Target Bonus %	Current Compensation		TDC ⁽²⁾
		TCC ⁽¹⁾	Long-Term Incentive %	
\$178,018	25%	\$222,522	33%	\$281,268



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2007 using a 3.75 percent annual update factor.

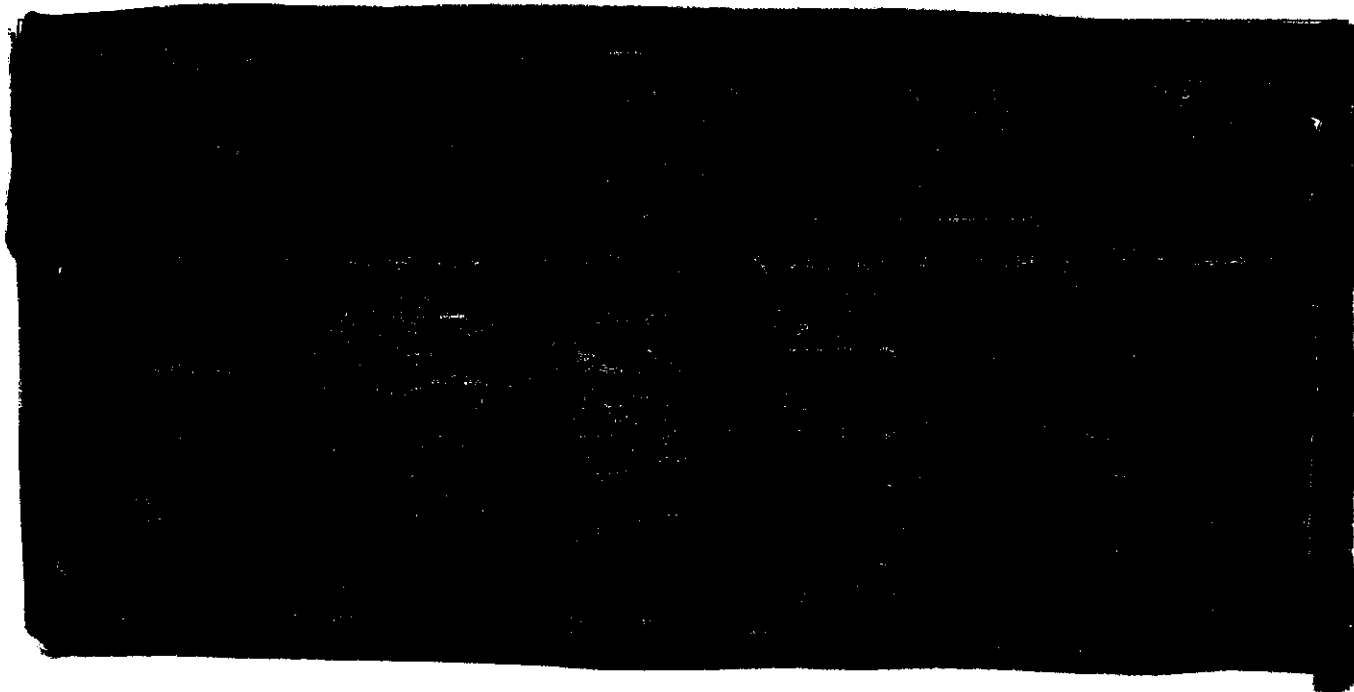
AUF - 006453
Confidential

III. Results

President-Southern Operations – C. Franklin

Utility Industry Regulated Business Unit Head (-10%)/Top Operations Executive (+10%)
 General Industry Single Profit Center Head (-10%) - with manufacturing

Base Salary	Target Bonus %	Current Compensation		
		TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$170,419	25%	\$213,024	34%	\$270,967



■ Base Salary ■ Annual Incentive Long-Term Incentives

Notes:

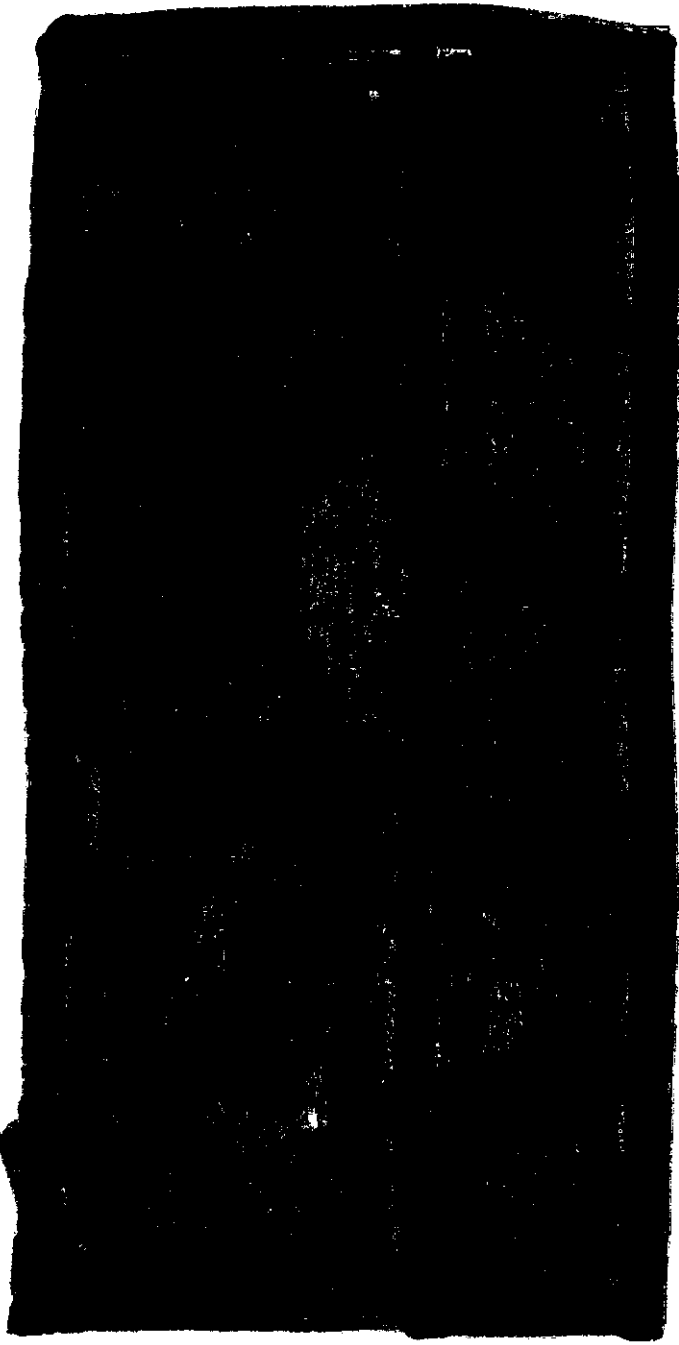
- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2007 using a 3.75 percent annual update factor.

AUF - 006454
 Confidential

III. Results VP-Treasurer and Rates Counsel - K. Pape

Utility Industry Treasurer/Rates and Revenue (+15%)
General Industry Treasurer (+15%)

Current Compensation			
Base Salary	Target Bonus %	TCC (1)	Long-Term Incentive % TDC (2)
\$177,538	25%	\$221,922	33% \$280,509



- Base Salary
- Annual Incentive
- Long-Term Incentives

Notes:
(1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
(2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
(3) All comparative data were aged to February 2007 using a 3.75 percent annual update factor.

III. Results

President-Northern Operations – R. Liptak

Utility Industry
General Industry

Regulated Business Unit Head (-10%)/Top Operations Executive
Single Profit Center Head (-10%) - with manufacturing

Base Salary	Target Bonus %	Current Compensation		
		TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$167,629	20%	\$201,155	35%	\$259,825



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

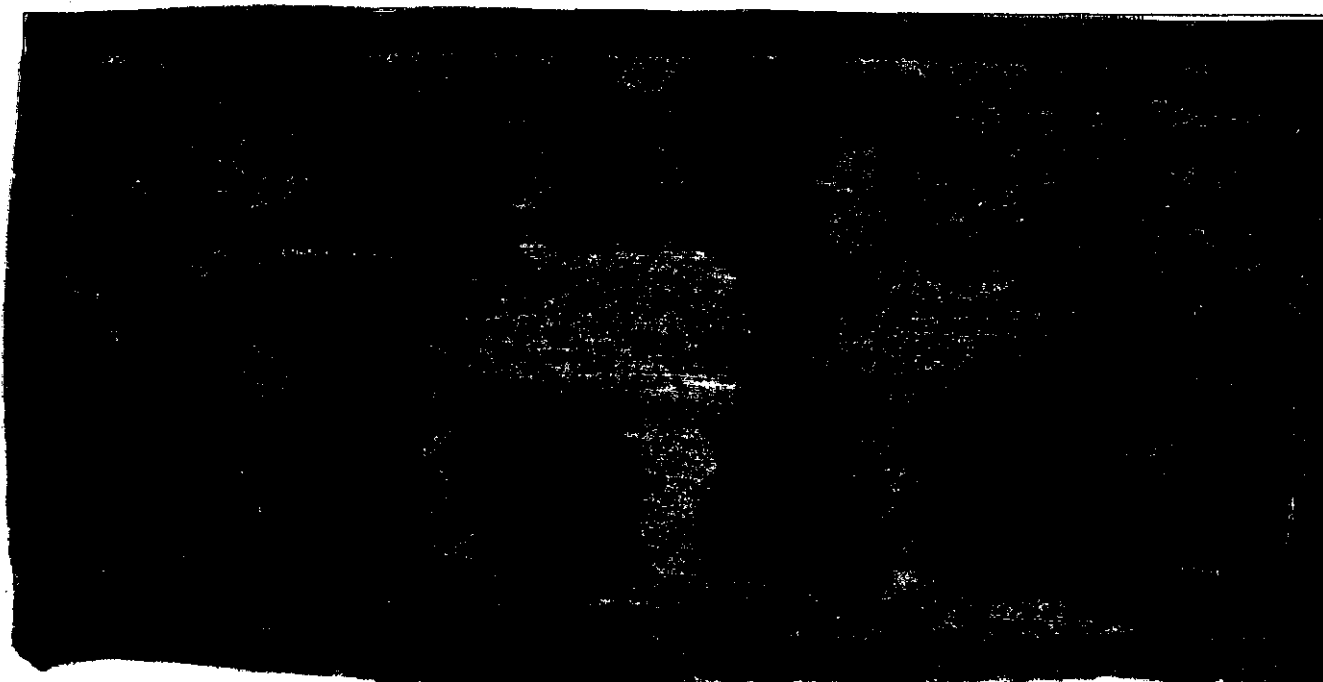
- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2007 using a 3.75 percent annual update factor.

AUF - 006456
Confidential

III. Results Controller-R. Rubin

Utility Industry Controller
General Industry Controller

Base Salary	Target Bonus %	Current Compensation	
		TCC ⁽¹⁾	Long-Term Incentive %
\$140,940	20%	\$169,128	42%
			TDC ⁽²⁾
			\$228,323



■ Base Salary ■ Annual Incentive Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2007 using a 3.75 percent annual update factor.

AUF - 006457
Confidential

IV. Current Long-Term Incentive Vehicle Valuation

- The modified binomial model was used to determine the expected value of an Aqua America stock option as of February 5, 2007 for purposes of calibrating 2007 LTI grants.
- Based on the following assumptions, we calculated a per-option modified binomial value of \$5.28 (based on a modified binomial ratio of 22.99%) for Aqua America:
 - Volatility (based on 36 months of historical data): 21.66%
 - Dividend Yield (based on 12 months of historical data): 1.83%
 - Risk-Free Rate (based on U.S Treasury Strip rate): Yield Curve
 - Fair Market Value at time of Grant (pre-split): \$22.96
 - Option Term: 10 years
 - Risk of Forfeiture Discount (5% per year over three years): 90.33%
- Restricted shares were valued at \$20.74 per share using the following assumptions:
 - Fair Market Value at time of Grant: \$22.96
 - Risk of Forfeiture Discount (5% per year over three years): 90.33%

AUF - 006458
Confidential

IV. Current Long-Term Incentive Vehicle Valuation

- Dividend equivalents were valued at \$1.51 by calculating the present value of the cumulative distribution equivalents, adjusted for risk-of-forfeiture over an estimated four-year vesting period. Towers Perrin used the following assumptions:
 - 4-Year Cumulative Distribution: \$2.16
 - Risk Free Rate (assumes payout in 2009): 4.0%
 - Risk of Forfeiture Discount (5% annually): 81.45%
- It is important to note that the option valuation used for compensation purposes may be different than the valuation used for accounting purposes due to differences in assumptions.

AUF - 006459
Confidential

CONFIDENTIAL

TOWERS
PERRIN

HR SERVICES

Aqua America

Executive Compensation Analysis

February 17, 2006

AUF - 006468
Confidential

Table of Contents

Section	Page
I. Introduction	2
II. Methodology	3
III. Results	11

I. Introduction

- Towers Perrin has been retained by the Compensation Committee of Aqua America, Inc. ("Aqua America") to conduct a competitive compensation analysis of the Company's executive positions. Specifically, our analysis includes an assessment of pay levels for 27 executive positions at Aqua America.
- Our analysis focused on the competitive levels of pay, or "how much," for each of the following pay components:
 - *Base salary* - the "fixed" portion of pay.
 - *Target annual incentive* - the variable portion (i.e., bonus) of cash compensation based on annual performance metrics at target award levels.
 - *Total cash compensation* - the sum of base salary and target annual incentives.
 - *Long-term incentives* - the expected value of the variable portion of pay linked to multi-year performance. This component of pay is often delivered in the form of stock-based vehicles (e.g., stock options, restricted shares, etc.).
 - *Total direct compensation* - the sum of total cash compensation plus the annualized expected value of long-term incentives.

II. Methodology

- In conducting the competitive assessment, Towers Perrin took the following steps:
 - Gathered position information and current compensation data from Aqua America's staff.
 - Established benchmark matches for each Aqua America executive position based on our understanding of each position's responsibilities within the organization.
 - A benchmark is a position commonly found in the competitive market for which significant data can be obtained.
 - We were able to find water/utility industry benchmarks for 25 of the 27 Aqua America positions and general industry benchmarks for 15 of the 27 positions included in the analysis.
 - Reviewed our benchmark matches with Aqua America's EVP and General Counsel.
 - Gathered and analyzed competitive compensation data from relevant labor markets.
 - For staff jobs and senior executives, we collected water/utility industry and general industry data.
 - For utility-specific/line operations positions, we collected water/utility industry data only.
 - Developed competitive compensation going rates for each benchmark position.
 - Assessed the competitiveness of Aqua America's pay levels for each position, as well as in the aggregate.

II. Methodology (continued)

- Competitive pay data were obtained from the following survey sources:
 - Towers Perrin's 2005 CDB Utility Industry Executive Compensation Database.
 - Towers Perrin's 2005 CDB Executive Compensation Database.
 - Towers Perrin's 2005 Long-Term Term Incentive Plan Report.
 - Saje Consulting Group's 2005 Investor-Owned Water Utility Compensation and Benefits Survey.
 - Watson Wyatt's 2004/2005 Industry Report on Top Management Compensation.
- All survey data were aged to February 2006 using a 3.75 percent annual update factor.
- Regression analyses were performed to size-adjust the survey data to each position's revenue responsibility, where possible.
 - Corporate positions were regressed to *corporate* level data.
 - Business unit positions were regressed to *division/unit* level data.
 - Revenue responsibilities were assigned to each position based on scope estimates provided by Aqua America management for each business unit/division.

II. Methodology (continued)

- Specifically, we used the following revenue and customer scopes in conducting our analysis:
 - Aqua America, Inc: \$493 Million
 - Pennsylvania Operations: \$297 Million and 461,329 customers, including:
 - New Jersey: \$22 Million and 48,660 customers
 - Northern Operations: \$102 Million and 210,445 customers, including:
 - Illinois: \$53 Million and 110,505 customers
 - Ohio: \$40 Million and 83,929 customers
 - Maine: \$9 Million and 16,011 customers
 - Southern Operations: \$90 Million and 193,120 customers, including:
 - North Carolina: \$37 Million and 101,999 customers
- Tabular data were used only where regression data were unavailable due to insufficient correlation and/or limited sample size and to ensure accuracy.

II. Methodology (continued)

- Competitive “going rates” were developed on the following bases:
 - Base salary
 - Total cash compensation (TCC) – base salary plus target annual incentives.
 - Total direct compensation (TDC) – total cash compensation plus the annualized expected value of long-term incentives.
- Each “going rate” represents the compensation level which would be paid to a hypothetical, seasoned performer in a job having similar responsibilities and scope, and in an organization of similar size and type. It does not indicate what the incumbent *should* be paid.
- Towers Perrin considers amounts earned *within fifteen percent* (above or below) of the going rate to be competitive. Variances within this range often explained by performance, experience, and/or other factors.
 - Internal equity is not considered in determining going rates but should be considered by Aqua America in making specific pay decisions.
- All going rates were developed at the 50th (median) and 75th percentile levels.

II. Methodology (continued)

- It is important to note that Towers Perrin changed its long-term incentive valuation methodology to better align the methodology used for valuing LTI for compensation purposes with the FASB's preferred valuation approach under the new accounting rules for equity-based compensation.
- The new methodology includes features such as:
 - Using a modified binomial model for valuing options and shares
 - Calculating the expected life, rather than using the full term, for options (as determined by the SAB 107 "safe harbor" formula)
 - Using a one-year, rather than three-year, historical dividend to better reflect changes in dividend policy
 - Applying certain discount factors to adjust long-term performance share/unit/cash based on the full range of payout opportunities (from threshold to maximum) and company volatilities
 - Revising our annual turnover assumption from 3% to 5% per year based on empirical data.

II. Methodology (continued)

- The modified binomial model was used to determine the expected value of an Aqua America stock option as of the Company's most recent grant date (February 28, 2005).
- Based on the following assumptions, we calculated a per-option modified binomial value of \$3.56 (based on a modified binomial ratio of 14.56%) for Aqua America:
 - Volatility (based on 36 months of historical data): 15.37%
 - Dividend Yield (based on 12 months of historical data): 2.34%
 - Risk-Free Rate (based on U.S Treasury Strip rate): Yield Curve
 - Fair Market Value at time of Grant (pre-split): \$24.445
 - Option Term: 10 years
 - Risk of Forfeiture Discount (5% per year over three years): 90.33%
- It is important to note that the option valuation used for compensation purposes may be different than the valuation used for accounting purposes due to differences in assumptions.
- **However, all companies in our *compensation databases* have been valued using the methodology stated above for purposes of determining their long-term incentive values.**

II. Methodology (continued)

- Restricted shares were valued at \$22.08 per share using the following assumptions:
 - Fair Market Value at time of Grant: \$24.445
 - Risk of Forfeiture Discount (5% per year over three years): 90.33%
- Dividend equivalents were valued at \$1.66 by calculating the present value of the cumulative distribution equivalents, adjusted for risk-of-forfeiture over an estimated four-year vesting period. Towers Perrin used the following assumptions:
 - 4-Year Cumulative Distribution: \$2.32
 - Risk Free Rate (assumes payout in 2009): 3.25%
 - Risk of Forfeiture Discount (5% annually): 81.45%
- **Exhibit 1** on the following slide provides the competitive benchmark matches and associated revenue scopes used for each position in our analysis.

II. Methodology (continued)

Exhibit 1

Incumbent	Position	Competitive Benchmark		Notes	Revenue Scope (\$M)
		Utility Industry	General Industry		
N. DeBenedictis	Chairman and Chief Executive Officer	Chief Executive Officer	Chief Executive Officer		\$493
R. Stahl	Executive VP and General Counsel	Top Legal Executive (+15%)	Top Administration Executive (Major Functions)	(1)	493
K. Kyriess	President - Pennsylvania Operations	Regulated Business Unit Head (-10%)/Top Operations Executive	Single Profit Center Head (-10%) (with manufacturing)	(2)	297
R. Riegler	VP - Engineering & Environmental Affairs	Top Engineering Executive (+15%)	Non Benchmark	(3)	493
D. Smeltzer	SVP - Finance and CFO	Top Financial Executive	Top Financial Executive		493
R. Hugus	President - Southern Operations	Regulated Business Unit Head (-10%)/Top Operations Executive	Single Profit Center Head (with manufacturing) (-10%)	(4)	90
R. Liptak	President - Northern Operations	Regulated Business Unit Head (-10%)/Top Operations Executive	Single Profit Center Head (with manufacturing) (-10%)	(5)	102
M. Kropilak	VP - Corporate Development & Corporate Counsel	Top Mergers and Acquisitions Executive	Top Mergers and Acquisitions Executive		493
C. Franklin	VP - Public Affairs and Customer Operations	Top Corporate Affairs Executive (+15%)	Top Corporate Affairs Executive (+15%)	(6)	493
K. Pape	VP - Treasurer and Rates Counsel	Treasurer/Rates and Revenue (+15%)	Treasurer (+15%)	(7)	493
T. Rakocy	President - Aqua Illinois	Regional/Division Executive/ Area Manager	Non Benchmark		53
W. Piskur	President - Aqua Ohio	Regional/Division Executive/ Area Manager	Non Benchmark		40
S. Schulman	President - Aqua New Jersey	Regional/Division Executive/ Area Manager	Non Benchmark		22
J. Kelley	President - Aqua Maine	Regional/Division Executive/ Area Manager	Non Benchmark		9
R. Rubin	VP - Chief Accounting Officer & Controller	Controller (Corporate)	Controller (Corporate)		493
L. Chain	Controller - Aqua Pennsylvania	Controller (Unit)	Controller (Division)		287
T. Roberts	VP - Network	Top Distribution Executive	Non Benchmark		493
B. Piszker	VP - Information Services	Top Information Technology Executive	Top Information Technology Executive		493
S. Broussard	VP - Human Resources	Top Human Resources Executive (-15%)	Top Human Resources Executive (-15%)	(8)	493
W. Ross	VP - Engineering and Planning	Top Engineering Executive	Non Benchmark		493
P. Luitweiler	VP - Water Resources	Top Water Quality Executive	Non Benchmark		493
A. Donatoni	VP - Regional General Manager	Non Benchmark	Non Benchmark		34
R. Cocco	VP - Administrative Services	Non Benchmark	Non Benchmark		493
C. Luning	VP - Deputy General Counsel	Deputy General Counsel	Deputy General Counsel		493
N. Phillips	President and COO - Aqua North Carolina	Regional/Division Executive/ Area Manager	Non Benchmark		37
R. Fox	VP - Customer Services	Top Customer Service Executive	Top Customer Service Executive		493
S. Tagert	VP - Production - Aqua Pennsylvania	Production Manager	Non Benchmark		297

Notes:

- (1) A 15% premium was applied to the Top Legal Executive benchmark to account additional human resource and information technology responsibilities.
- (2) A 10% discount was applied to account for a lack of full functional responsibilities.
- (3) A 15% premium was applied to account for additional environmental responsibilities.
- (4) A 10% discount was applied to account for a lack of full functional responsibilities.
- (5) A 10% discount was applied to account for a lack of full functional responsibilities.
- (6) A 15% premium was applied to account for additional customer service responsibilities.
- (7) A 15% premium was applied to account for additional rates and regulatory responsibilities.
- (8) A 10% discount was applied to account for a lack of executive compensation and strategic HR responsibilities.

III. Results

Summary of Overall Results


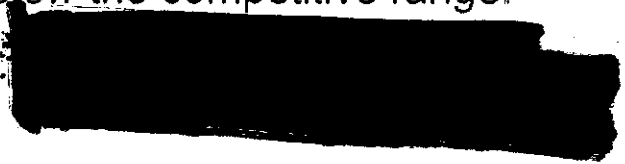


- The table below summarizes the overall results of our competitive compensation analysis; details are provided on the following pages.

Aqua America Variance from the Competitive 50th Percentile			
Market Reference	Base Salary	Total Cash Compensation	Total Direct Compensation
Utility Industry	-7%	-8%	1%
General Industry	-21%	-28%	-28%

- In general, Aqua America's base salaries, target total cash compensation, and total direct compensation levels are well within the competitive range (+/- 15 percent) versus the utility industry 50th percentile data but below the competitive range versus the general industry 50th percentile.

III. Results

Base Salary Observations

- Overall, Aqua America's *base salaries* are generally aligned with 50th percentile of the utility industry market rates at 7 percent below the median but are 21 percent below the general industry median.
- Relative to the utility industry, five positions are *below* the competitive range:
 
- However, relative to the general industry, the majority (approximately 70 percent) of positions had base salaries that are below market.
- Due to the current regulatory environment, the market rates of 
 have increased sharply relative to the broader market. As a result, Aqua America's rates are generally below market for these jobs.
- Exhibit 2 on the following page compares Aqua America's base salary to both utility and general industry data.

III. Results Base Salary

Exhibit 2

<i>Incumbent</i>	<i>Title</i>	<i>Current Base Salary</i>
N. DeBenedictis	Chairman and Chief Executive Officer	\$399,600
R. Stahl	Executive VP and General Counsel	238,454
K. Kyriss	President - Pennsylvania Operations	179,025
R. Riegler	VP - Engineering & Environmental Affairs	196,112
D. Smeltzer	SVP - Finance and CFO	210,132
R. Hugus	President - Southern Operations	184,246
R. Liptak	President - Northern Operations	164,342
M. Kropilak	VP - Corporate Development & Corporate Counsel	169,541
C. Franklin	VP - Public Affairs and Customer Operations	160,773
K. Pape	VP - Treasurer and Rates Counsel	169,083
T. Rakocy	President - Aqua Illinois	149,968
W. Piskur	President - Aqua Ohio	153,927
S. Schulman	President - Aqua New Jersey	137,301
J. Kelley	President - Aqua Maine	126,662
R. Rubin	VP - Chief Accounting Officer & Controller	130,500
L. Chain	Controller - Aqua Pennsylvania	120,091
T. Roberts	VP - Network	118,272
B. Piszker	VP - Information Services	124,800
S. Broussard	VP - Human Resources	118,563
W. Ross	VP - Engineering and Planning	131,688
P. Luitweiler	VP - Water Resources	124,131
A. Donatoni	VP - Regional General Manager	130,000
R. Cocco	VP - Administrative Services	128,000
C. Luning	VP - Deputy General Counsel	125,210
N. Phillips	President and COO - Aqua North Carolina	118,000
R. Fox	VP - Customer Services	118,092
S. Tagert	VP - Production - Aqua Pennsylvania	118,000

Notes:

- (1) All data have been aged to February 2006 using an annual update factor of 3.75 percent.
 (2) Due to insufficient data, a competitive rate was not available.

Overall Average

-7% -21%

AUF - 006481
 Confidential

III. Results

Annual Incentive (AI) Observations

- Overall, Aqua America's target *annual incentives* (as a percent of base salary) are generally close to the 50th percentile of the utility industry but are consistently below the 50th percentile when compared to the general industry or the utility industry's 75th percentile.
- All but two of the positions have target bonus levels that are within five percent of base salary of the 50th percentile of the utility industry.
- More specifically, senior executives have target bonus levels that are generally at or slightly below the market bonus percentages, while less senior executives tend to be positioned closer to full market annual incentive levels.
- Exhibit 3 on the following page compares Aqua America's target annual incentives to both utility and general industry data.

III. Results Annual Incentive

Exhibit 3

<i>Incumbent</i>	<i>Title</i>	<i>Current AI%</i>
N. DeBenedictis	Chairman and Chief Executive Officer	70%
R. Stahl	Executive VP and General Counsel	40%
K. Kyriass	President - Pennsylvania Operations	25%
R. Riegler	VP - Engineering & Environmental Affairs	25%
D. Smeltzer	SVP - Finance and CFO	35%
R. Hugus	President - Southern Operations	25%
R. Liptak	President - Northern Operations	20%
M. Kropilak	VP - Corporate Development & Corporate Counsel	25%
C. Franklin	VP - Public Affairs and Customer Operations	25%
K. Pape	VP - Treasurer and Rates Counsel	25%
T. Rakocy	President - Aqua Illinois	20%
W. Piskur	President - Aqua Ohio	20%
S. Schulman	President - Aqua New Jersey	15%
J. Kelley	President - Aqua Maine	15%
R. Rubin	VP - Chief Accounting Officer & Controller	15%
L. Chain	Controller - Aqua Pennsylvania	15%
T. Roberts	VP - Network	15%
B. Piszker	VP - Information Services	15%
S. Broussard	VP - Human Resources	15%
W. Ross	VP - Engineering and Planning	15%
P. Luitweiler	VP - Water Resources	15%
A. Donatoni	VP - Regional General Manager	15%
R. Cocco	VP - Administrative Services	15%
C. Luning	VP - Deputy General Counsel	15%
N. Phillips	President and COO - Aqua North Carolina	15%
R. Fox	VP - Customer Services	15%
S. Tagert	VP - Production - Aqua Pennsylvania	15%

Notes:

(1) Due to insufficient data, a competitive rate was not available.

AUF - 006483
Confidential

III. Results

Total Cash Compensation (TCC) Observations

- Overall, Aqua America's *total cash compensation* is eight percent below the utility industry median but well below (28 percent) the general industry median.
- When compared to the utility industry, total cash compensation results are similar to base salary results because Aqua America's annual incentives are also close to 50th percentile levels.
 - However, there are cases where some executives, who were close to the 50th percentile on a base salary basis, fell lower in the range due to annual incentive levels that were below market [REDACTED]
 - Further, we note that Aqua America's more senior executives tend to be farther below market than the more junior members of the management team.
- When compared to the utility industry, seven positions fell below the competitive range:

[REDACTED]

- Two positions were positioned slightly above the competitive range:

[REDACTED]

III. Results

Total Cash Compensation (TCC) Observations (continued)

- When compared to the general industry, the majority of the positions were positioned below the competitive range.
 - Similar to base salary, approximately 10 positions fell below the range.
- Exhibit 4 on the following page compares Aqua America's total cash compensation to both the utility and general industry data.

III. Results

Total Cash Compensation (TCC)

Exhibit 4

<i>Incumbent</i>	<i>Title</i>	<i>Current TCC</i>
N. DeBenedictis	Chairman and Chief Executive Officer	\$679,320
R. Stahl	Executive VP and General Counsel	333,836
K. Kyriss	President - Pennsylvania Operations	223,781
R. Riegler	VP - Engineering & Environmental Affairs	245,140
D. Smeltzer	SVP - Finance and CFO	283,678
R. Hugus	President - Southern Operations	230,308
R. Liptak	President - Northern Operations	197,210
M. Kropilak	VP - Corporate Development & Corporate Counsel	211,926
C. Franklin	VP - Public Affairs and Customer Operations	200,966
K. Pape	VP - Treasurer and Rates Counsel	211,354
T. Rakocy	President - Aqua Illinois	179,962
W. Piskur	President - Aqua Ohio	184,712
S. Schulman	President - Aqua New Jersey	157,896
J. Kelley	President - Aqua Maine	145,661
R. Rubin	VP - Chief Accounting Officer & Controller	150,075
L. Chain	Controller - Aqua Pennsylvania	138,105
T. Roberts	VP - Network	136,013
B. Piszker	VP - Information Services	143,520
S. Broussard	VP - Human Resources	136,347
W. Ross	VP - Engineering and Planning	151,441
P. Luitweiler	VP - Water Resources	142,751
A. Donatoni	VP - Regional General Manager	149,500
R. Cocco	VP - Administrative Services	147,200
C. Luning	VP - Deputy General Counsel	143,992
N. Phillips	President and COO - Aqua North Carolina	135,700
R. Fox	VP - Customer Services	135,806
S. Tagert	VP - Production - Aqua Pennsylvania	135,700

Overall Average	-8%	-28%
-----------------	-----	------

Notes:

- (1) Total cash compensation is equal to the sum of base salary and target annual incentives.
 (2) Due to insufficient data, a competitive rate was not available.

AUF - 006486
 Confidential

III. Results

Long-Term Incentive (LTI) Observations

- Overall, Aqua America's *long-term incentives* are close to, and in many cases above, the 75th percentile of the utility industry.
- In most cases, Aqua America's more senior executives are closely aligned with the 75th percentile of the utility industry but are positioned at or below the 50th percentile of the general industry which relies on equity-based pay to a much greater degree than similarly sized companies the utility industry.
- Aqua America's less senior executives are consistently above the 75th percentile of the utility industry and, in many cases, are closer to the 50th percentile of the general industry.
- Exhibit 5 on the following pages compares Aqua America's long-term incentives to both the utility and general industry data.

III. Results

Long-Term Incentive

Exhibit 5

<i>Incumbent</i>	<i>Title</i>	<i>Current LTI%</i>
N. DeBenedictis	Chairman and Chief Executive Officer	163%
R. Stahl	Executive VP and General Counsel	90%
K. Kyriss	President - Pennsylvania Operations	29%
R. Riessler	VP - Engineering & Environmental Affairs	27%
D. Smeltzer	SVP - Finance and CFO	79%
R. Hugus	President - Southern Operations	28%
R. Liptak	President - Northern Operations	25%
M. Kropilak	VP - Corporate Development & Corporate Counsel	31%
C. Franklin	VP - Public Affairs and Customer Operations	32%
K. Pape	VP - Treasurer and Rates Counsel	31%
T. Rakocy	President - Aqua Illinois	24%
W. Piskur	President - Aqua Ohio	24%
S. Schulman	President - Aqua New Jersey	19%
J. Kelley	President - Aqua Maine	21%
R. Rubin	VP - Chief Accounting Officer & Controller	32%
L. Chain	Controller - Aqua Pennsylvania	22%
T. Roberts	VP - Network	22%
B. Piszker	VP - Information Services	21%
S. Broussard	VP - Human Resources	22%
W. Ross	VP - Engineering and Planning	32%
P. Luitweiler	VP - Water Resources	34%
A. Donatoni	VP - Regional General Manager	20%
R. Cocco	VP - Administrative Services	20%
C. Luning	VP - Deputy General Counsel	21%
N. Phillips	President and COO - Aqua North Carolina	22%
R. Fox	VP - Customer Services	22%
S. Tagert	VP - Production - Aqua Pennsylvania	22%

Notes:

(1) Due to insufficient data, a competitive rate was not available.

AUF - 006488
Confidential

III. Results

Total Direct Compensation (TDC) Observations

- Aqua America's overall *total direct compensation* is positioned within the +/- 15 percent competitive range at one percent above the utility industry median but well below (28 percent) the general industry median.
- When compared to the utility industry, Aqua America's aggregate compensation levels increased from approximately eight percent below market on a total cash basis to one percent above market on a total direct compensation basis. This increase is due to LTI levels that are at or above the utility industry 75th percentile.
 - Such an increase is not surprising since Aqua America has traditionally targeted total direct compensation levels at the 62.5 percentile until 2005.
 - The following positions are positioned above the competitive range of the utility industry; often due to above-industry LTI rates.

[REDACTED]

- However, we note that all of these positions are at or below utility industry 75th percentile levels.

III. Results

Total Direct Compensation (TDC) Observations (continued)

- When compared to the general industry, nearly all positions are below the competitive range.
- Exhibit 6 on the following page compares Aqua America's total direct compensation levels to both the utility and general industry data. The graphs following Exhibit 6 show individual compensation information for each of Aqua America's senior executives.

III. Results

Total Direct Compensation

Exhibit 6

<i>Incumbent</i>	<i>Title</i>	<i>Current TDC</i>
N. DeBenedictis	Chairman and Chief Executive Officer	\$1,330,668
R. Stahl	Executive VP and General Counsel	548,445
K. Kyriss	President - Pennsylvania Operations	275,698
R. Riegler	VP - Engineering & Environmental Affairs	298,090
D. Smeltzer	SVP - Finance and CFO	449,682
R. Hugus	President - Southern Operations	281,897
R. Liptak	President - Northern Operations	238,296
M. Kropilak	VP - Corporate Development & Corporate Counsel	264,484
C. Franklin	VP - Public Affairs and Customer Operations	252,413
K. Pape	VP - Treasurer and Rates Counsel	263,770
T. Rakocy	President - Aqua Illinois	215,954
W. Piskur	President - Aqua Ohio	221,654
S. Schulman	President - Aqua New Jersey	183,983
J. Kelley	President - Aqua Maine	172,260
R. Rubin	VP - Chief Accounting Officer & Controller	191,835
L. Chain	Controller - Aqua Pennsylvania	164,525
T. Roberts	VP - Network	162,033
B. Piszker	VP - Information Services	169,728
S. Broussard	VP - Human Resources	162,431
W. Ross	VP - Engineering and Planning	193,581
P. Luitweiler	VP - Water Resources	184,956
A. Donatoni	VP - Regional General Manager	175,500
R. Cocco	VP - Administrative Services	172,800
C. Luning	VP - Deputy General Counsel	170,286
N. Phillips	President and COO - Aqua North Carolina	161,660
R. Fox	VP - Customer Services	161,786
S. Tagert	VP - Production - Aqua Pennsylvania	161,660

Notes:

- (1) Total direct compensation is equal to the sum of the expected value of long-term incentives and total cash compensation.
 (2) Due to insufficient data, a competitive rate was not available.

Overall Average	1%	-28%
-----------------	----	------

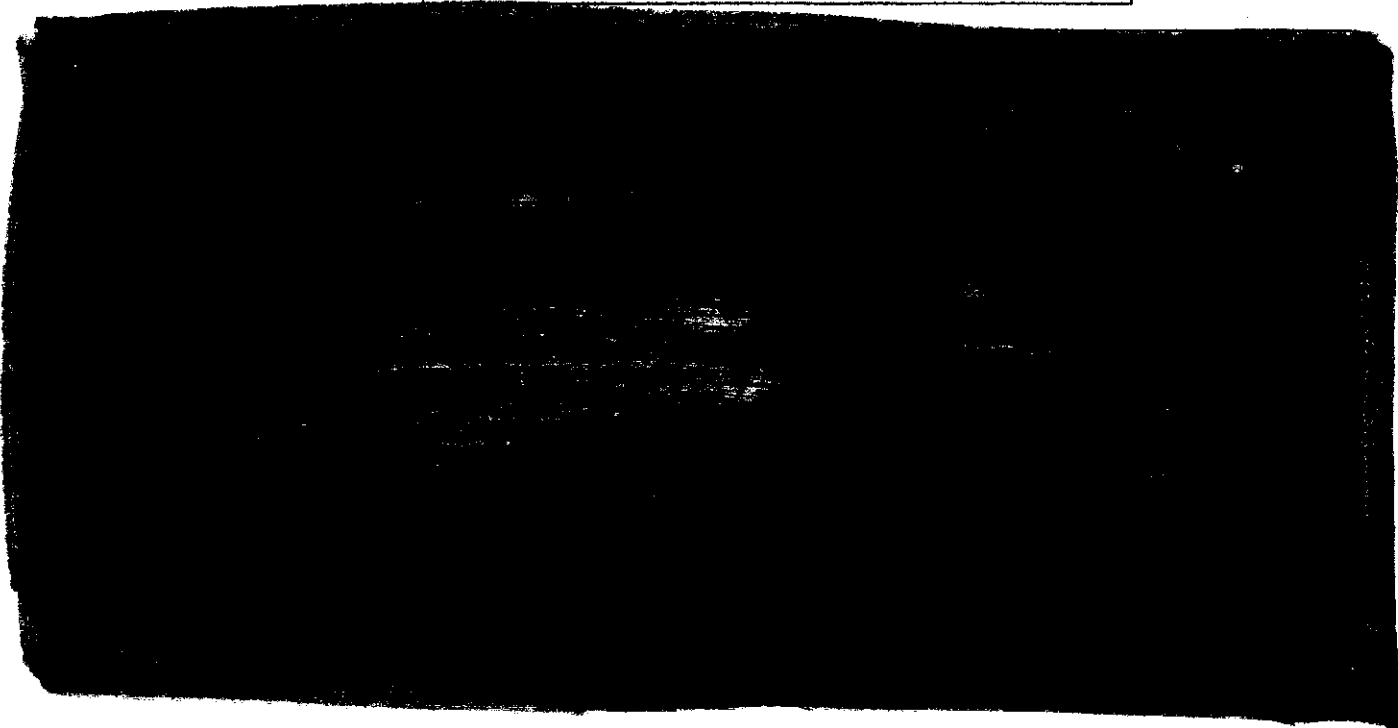
AUF - 006491
 Confidential

III. Results

Chairman and Chief Executive Officer – N. DeBenedictis

Utility Industry Chief Executive Officer
 General Industry Chief Executive Officer

Base Salary	Target Bonus %	Current Compensation		TDC ⁽²⁾
		TCC ⁽¹⁾	Long-Term Incentive %	
\$399,600	70%	\$679,320	163%	\$1,330,668



■ Base Salary ■ Annual Incentive Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2006 using a 3.75 percent annual update factor.



III. Results

Executive Vice President and General Counsel – R. Stahl

Utility Industry Top Legal Executive (+15%)
 General Industry Top Administration Executive (Major Functions)

Base Salary	Target Bonus %	Current Compensation		TDC ⁽²⁾
		TCC ⁽¹⁾	Long-Term Incentive %	
\$238,454	40%	\$333,836	90%	\$548,445



■ Base Salary ■ Annual Incentive Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2006 using a 3.75 percent annual update factor.

III. Results

President – Pennsylvania Operations – K. Kyriss

Utility Industry Regulated Business Unit Head (-10%)/Top Operations Executive
 General Industry Single Profit Center Head (-10%) (with manufacturing)

Base	Current Compensation			Long-Term
	Target	TCC ⁽¹⁾	Incentive %	
Salary	Bonus %			
\$179,025	25%	\$223,781	29%	\$275,698



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2006 using a 3.75 percent annual update factor.

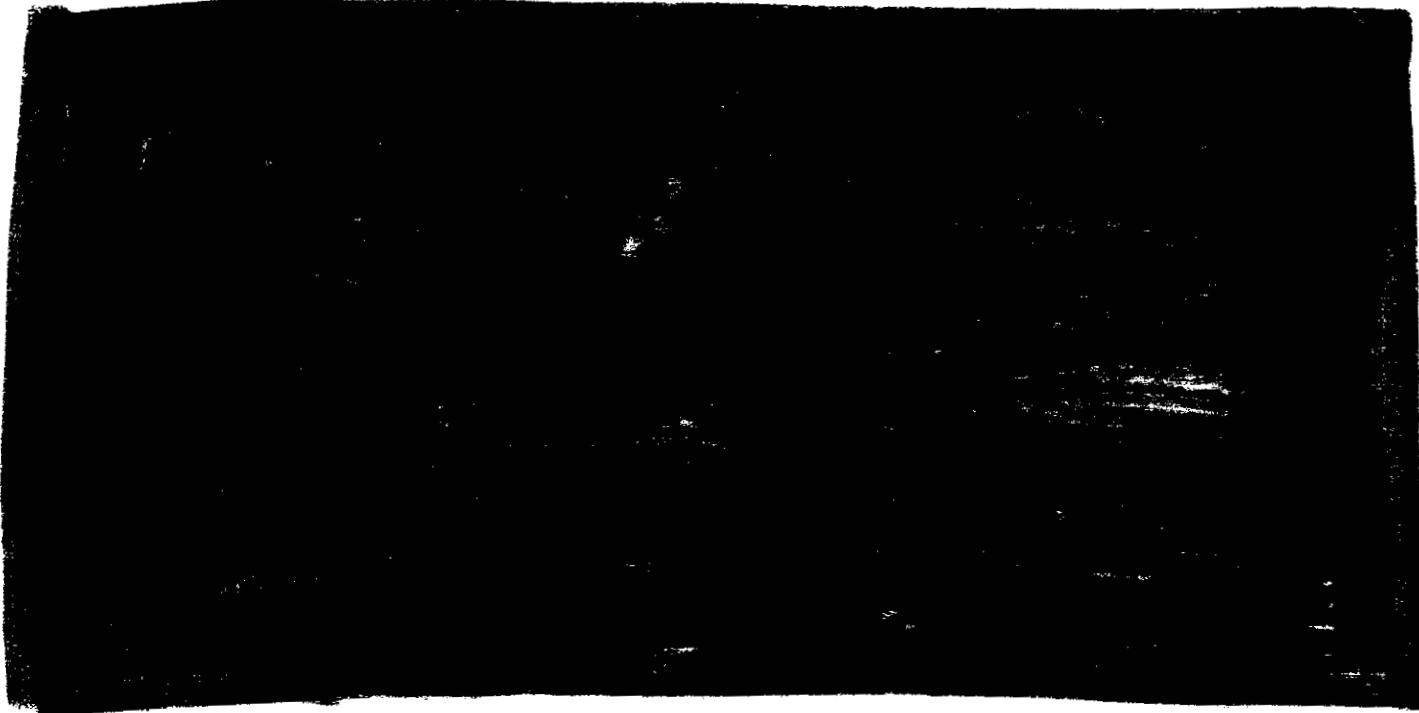
AUF - 006494
 Confidential

III. Results

SVP – Engineering and Environmental Affairs – R. Riegler

Utility Industry Top Engineering Executive (+15%)
 General Industry Non Benchmark

Base Salary	Target Bonus %	Current Compensation		TDC ⁽²⁾
		TCC ⁽¹⁾	Long-Term Incentive %	
\$196,112	25%	\$245,140	27%	\$298,090



■ Base Salary ■ Annual Incentive Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2006 using a 3.75 percent annual update factor.

III. Results
SVP – Finance and CFO – D. Smeltzer

Utility Industry Top Financial Executive
 General Industry Top Financial Executive

Base Salary	Target Bonus %	Current Compensation		TDC ⁽²⁾
		TCC ⁽¹⁾	Long-Term Incentive %	
\$210,132	35%	\$283,678	79%	\$449,682



■ Base Salary ■ Annual Incentive Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2006 using a 3.75 percent annual update factor.

AUF - 006496
 Confidential



III. Results

President – Southern Operations – R. Hugus

Utility Industry Regulated Business Unit Head (-10%)/Top Operations Executive
 General Industry Single Profit Center Head (with manufacturing) (-10%)

Base Salary	Target Bonus %	Current Compensation		TDC ⁽²⁾
		TCC ⁽¹⁾	Long-Term Incentive %	
\$184,246	25%	\$230,308	28%	\$281,897



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2006 using a 3.75 percent annual update factor.

AUF - 006497
 Confidential

III. Results

President – Northern Operations – R. Liptak

Utility Industry
General Industry

Regulated Business Unit Head (-10%)/Top Operations Executive
Single Profit Center Head (with manufacturing) (-10%)

Base Salary	Target Bonus %	Current Compensation		
		TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$164,342	20%	\$197,210	25%	\$238,296



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2006 using a 3.75 percent annual update factor.

AUF - 006498
Confidential

III. Results

VP – Corporate Development & Corporate Counsel – M. Kropilak

Utility Industry Top Mergers and Acquisitions Executive
General Industry Top Mergers and Acquisitions Executive

Base Salary	Target Bonus %	Current Compensation		
		TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$169,541	25%	\$211,926	31%	\$264,484



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2006 using a 3.75 percent annual update factor.

AUF - 006499
Confidential

III. Results

VP – Public Affairs and Customer Operations – C. Franklin

Utility Industry Top Corporate Affairs Executive (+15%)
 General Industry Top Corporate Affairs Executive (+15%)

Base Salary	Target Bonus %	Current Compensation		
		TCC ⁽¹⁾	Long-Term Incentive %	TDC ⁽²⁾
\$160,773	25%	\$200,966	32%	\$252,413



■ Base Salary ■ Annual Incentive ■ Long-Term Incentives

Notes:

- (1) Total Cash Compensation (TCC) is the sum of base salary and target bonus.
- (2) Total Direct Compensation (TDC) is the sum of total cash compensation and the expected value of long-term incentives.
- (3) All competitive data were aged to February 2006 using a 3.75 percent annual update factor.

AUF - 006500
 Confidential

EXHIBIT C

EXHIBIT "C"

JUSTIFICATION MATRIX

Executive Compensation Analysis February 2008

Page	Lines	Justification
AUF-006401 (page 12)	First bullet, first sub-bullet	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006402 (page 13)	Everything to the right of Current Base Salary column with the exception of the overall average and the footnote	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006403 (page 14)	First bullet, first sub-bullet	The highlighted information is proprietary confidential business information as defined in Section 367.156(3),

		Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF006404 (Page 15)	Everything to the right of the Current AI% column with the exception of the footnote	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006405 (Page 16)	First bullet, first sub-bullet	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006406 (Page 17)	Everything to the right of the Current TCC column with the exception of the overall average and the footnote	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The

		highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006408 (Page 19)	Everything to the right of the Current LTI% column with the exception of the footnotes	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006410 (Page 21)	Everything to the right of the Current TDC column with the exception of the overall average and the footnotes	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006411 through AUF-006419 (Pages 22-30)	Everything below the Current Compensation box with the exception of the footnotes	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates

		to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
--	--	---

February 14, 2008 Memorandum To Nick DeBenedictis From David P. Smeltzer

Page	Lines	Justification
AUF-006422	EBITD figures under columns entitled Actual Results, Adjustments, Adjusted Results, and Target Results for Aqua PA, Aqua Mid-Atlantic, Aqua North and Aqua South	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of AUF because it contains specific financial results of Aqua America's regional operations that is not made publicly available and could be of interest to competitors. The highlighted information also includes financial results for regions of Aqua America wholly unrelated to any compensation determinations for AUF. If the information is disclosed it could impair the competitive business of AUF because it could give an advantage to competitors of AUF's parent and affiliates.

Executive Compensation Analysis February 2007

Page	Lines	Justification
AUF-006438 (page 10)	Second bullet, three sub-bullets	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006439 (page 11)	Everything to the right of Current Base Salary column with the exception of the overall average and the footnote	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006440 (page 12)	Second bullet	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it

		would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF006441 (Page 13)	Everything to the right of the Current AI% column with the exception of the footnote	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006442 (Page 14)	Third bullet, four sub-bullets	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006443 (Page 15)	Everything to the right of the Current TCC column with the exception of the overall average and the footnote	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive

		business of AUF because it would give an advantage to competing employers.
AUF-006445 (Page 17)	Everything to the right of the Current LTI% column with the exception of the footnotes	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006446 (Page 18)	Second bullet, first sub-bullet	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006447 (Page 19)	Everything to the right of the Current TDC column with the exception of the overall average and the footnotes	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it

		would give an advantage to competing employers.
AUF-006448 through AUF-006457 (Pages 20-29)	Everything below the Current Compensation box with the exception of the footnotes	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.

February 21, 2007 Memorandum To Nick DeBenedictis From David P. Smeltzer

Page	Lines	Justification
AUF-006461	EBITD figures under columns entitled Actual Results, Adjustments, Adjusted Results, and Target Results for Aqua PA, Aqua Mid-Atlantic, Aqua North and Aqua South	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of AUF because it contains specific financial results of Aqua America's regional operations that is not made publicly available and could be of interest to competitors. The highlighted information also includes financial results for regions of Aqua America wholly unrelated to any compensation determinations for AUF. If the information is disclosed it could impair the competitive business of AUF

		because it could give an advantage to competitors of AUF's parent and affiliates.
--	--	---

Executive Compensation Analysis February 17, 2006

Page	Lines	Justification
AUF-006480 (page 12)	Second bullet, five sub-bullets Fourth bullet	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006481 (page 13)	Everything to the right of Current Base Salary column with the exception of the overall average and the footnotes	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006483 (Page 15)	Everything to the right of the Current AI% column with the exception of the footnote	The highlighted information is proprietary confidential business information as defined in Section 367.156(3),

		Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006484 (Page 16)	Second bullet, first sub-bullet Third bullet, seven sub-bullets Fourth bullet, two sub-bullets	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006486 (Page 18)	Everything to the right of the Current TCC column with the exception of the overall average and the footnotes	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006488 (Page 20)	Everything to the right of the Current LTI% column with the exception of the footnote	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The

		highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006489 (Page 21)	Second bullet, second sub-bullet, five sub-sub bullets	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006491 (Page 23)	Everything to the right of the Current TDC column with the exception of the overall average and the footnotes	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
AUF-006492 through AUF-006500 (Pages 24-32)	Everything below the Current Compensation box with the exception of the footnotes	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates

		to the competitive interests of Aqua America in hiring and retaining its executive and management personnel. If the information is disclosed it would impair the competitive business of AUF because it would give an advantage to competing employers.
--	--	---

February 22, 2006 Memorandum To Nick DeBenedictis From David P. Smeltzer

Page	Lines	Justification
AUF-006506	EBITD figures under columns entitled Actual Results, Adjustments, Adjusted Results, and Target Results for Aqua PA, Aqua Mid-Atlantic, Aqua North and Aqua South	The highlighted information is proprietary confidential business information as defined in Section 367.156(3), Florida Statutes. The highlighted information relates to the competitive interests of AUF because it contains specific financial results of Aqua America's regional operations that is not made publicly available and could be of interest to competitors. The highlighted information also includes financial results for regions of Aqua America wholly unrelated to any compensation determinations for AUF. If the information is disclosed it could impair the competitive business of AUF because it could give an advantage to competitors of AUF's parent and affiliates.

COMMISSIONERS:
MATTHEW M. CARTER II, CHAIRMAN
LISA POLAK EDGAR
KATRINA J. MCMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

STATE OF FLORIDA



OFFICE OF COMMISSION CLERK
ANN COLE
COMMISSION CLERK
(850) 413-6770

Public Service Commission

ACKNOWLEDGEMENT

DATE: December 1, 2008

TO: Bruce May, Holland & Knight

FROM: Ruth Nettles, Office of Commission Clerk

RE: Acknowledgement of Receipt of Confidential Filing

This will acknowledge receipt of a CONFIDENTIAL DOCUMENT filed in Docket Number 080121 or, if filed in an undocketed matter, concerning RFPODs No. 70, and filed on behalf of Aqua Utilities Florida, Inc. The document will be maintained in locked storage.

If you have any questions regarding this document, please contact Marguerite Lockard, Deputy Clerk, at (850) 413-6770.

DOCUMENT NO. DATE
10994-08 11/24/08
FPSC - COMMISSION CLERK

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD • TALLAHASSEE, FL 32399-0850
An Affirmative Action/Equal Opportunity Employer

PSC Website: <http://www.floridapsc.com>

Internet E-mail: contact@psc.state.fl.us