

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

(Mark One)

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2004

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-6659

AQUA AMERICA, INC. (formerly Philadelphia Suburban Corporation)

(Exact name of registrant as specified in its charter)

Pennsylvania

23-1702594

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania

19010 -3489

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(610)-527-8000

(Former Name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No
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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 25, 2004.

93,254,277.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In thousands of dollars, except per share amounts)

(UNAUDITED)

Assets	September 30, 2004	December 31, 2003
	-----	-----
Property, plant and equipment, at cost	\$ 2,560,276	\$ 2,302,304
Less accumulated depreciation	540,984	478,013
	-----	-----
Net property, plant and equipment	2,019,292	1,824,291
	-----	-----
Current assets:		
Cash and cash equivalents	18,640	10,757
Accounts receivable and unbilled revenues, net	70,960	62,320
Inventory, materials and supplies	7,595	5,841
Prepayments and other current assets	6,109	5,051
	-----	-----
Total current assets	103,304	83,969
	-----	-----
Regulatory assets	99,866	98,761
Deferred charges and other assets, net	52,878	34,277
Funds restricted for construction activity	23,443	28,438
	-----	-----
	\$ 2,298,783	\$ 2,069,736
	=====	=====
Liabilities and Stockholders' Equity		
Stockholders' equity:		
Common stock at \$.50 par value, authorized 300,000,000 shares, issued 93,913,343 and 93,270,424 in 2004 and 2003	\$ 46,957	\$ 46,635
Capital in excess of par value	422,669	413,008
Retained earnings	222,812	210,915
Minority interest	1,087	912
Treasury stock, 670,192 and 681,384 shares in 2004 and 2003	(12,319)	(12,611)
Accumulated other comprehensive income	-	171
	-----	-----
Total stockholders' equity	681,206	659,030
	-----	-----
Long-term debt, excluding current portion	772,225	696,666
Commitments	-	-
Current liabilities:		
Current portion of long-term debt	41,145	39,386
Loans payable	147,823	96,459
Accounts payable	15,202	32,321
Accrued interest	10,185	11,126
Accrued taxes	20,452	16,779
Dividends payable	12,209	-
Other accrued liabilities	38,772	35,930
	-----	-----
Total current liabilities	285,788	232,001
	-----	-----
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	202,616	190,395
Customers' advances for construction	73,844	72,500
Other	12,529	9,419
	-----	-----
Total deferred credits and other liabilities	288,989	272,314
	-----	-----
Contributions in aid of construction	270,575	209,725
	-----	-----
	\$ 2,298,783	\$ 2,069,736
	=====	=====

See notes to consolidated financial statements on page 6 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(In thousands, except per share amounts)

(UNAUDITED)

	Nine Months Ended September 30,	
	2004	2003
Operating revenues	\$ 326,597	\$ 266,021
Costs and expenses:		
Operations and maintenance	132,840	98,470
Depreciation	41,292	35,439
Amortization	3,096	2,251
Taxes other than income taxes	21,455	15,823
	-----	-----
	198,683	151,983
	-----	-----
Operating income	127,914	114,038
Other expense (income):		
Interest expense, net	35,584	32,985
Allowance for funds used during construction	(2,028)	(1,489)
Gain on sale of other assets	(967)	(4,414)
	-----	-----
Income before income taxes	95,325	86,956
Provision for income taxes	37,792	34,769
	-----	-----
Net income	57,533	52,187
Dividends on preferred stock	-	8
	-----	-----
Net income available to common stock	\$ 57,533	\$ 52,179
	=====	=====
Net income	\$ 57,533	\$ 52,187
Other comprehensive income (loss), net of tax:		
Unrealized gain on securities	59	156
Reclassification adjustment for gains reported in net income	(230)	(82)
	-----	-----
Comprehensive income	\$ 57,362	\$ 52,261
	=====	=====
Net income per common share:		
Basic	\$ 0.62	\$ 0.60
	=====	=====
Diluted	\$ 0.61	\$ 0.59
	=====	=====
Average common shares outstanding during the period:		
Basic	92,874	86,853
	=====	=====
Diluted	93,884	87,782
	=====	=====
Cash dividends declared per common share	\$ 0.49	\$ 0.456
	=====	=====

See notes to consolidated financial statements on page 6 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(In thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended September 30,	
	2004	2003
Operating revenues	\$ 120,305	\$ 102,153
Costs and expenses:		
Operations and maintenance	46,526	36,777
Depreciation	14,112	12,628
Amortization	1,177	889
Taxes other than income taxes	7,493	5,557
	69,308	55,851
Operating income	50,997	46,302
Other expense (income):		
Interest expense, net	12,346	11,722
Allowance for funds used during construction	(695)	(613)
Gain on sale of other assets	(491)	(4,194)
Income before income taxes	39,837	39,387
Provision for income taxes	15,750	15,764
Net income	24,087	23,623
Dividends on preferred stock	-	3
Net income available to common stock	\$ 24,087	\$ 23,620
Net income	\$ 24,087	\$ 23,623
Other comprehensive income (loss), net of tax:		
Unrealized gain on securities	-	7
Reclassification adjustment for gains reported in net income	-	(71)
Comprehensive income	\$ 24,087	\$ 23,559
Net income per common share:		
Basic	\$ 0.26	\$ 0.26
Diluted	\$ 0.26	\$ 0.26
Average common shares outstanding during the period:		
Basic	93,065	89,528
Diluted	94,023	90,350
Cash dividends declared per common share	\$ 0.25	\$ 0.232

See notes to consolidated financial statements on page 6 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CAPITALIZATION  
(In thousands of dollars, except per share amounts)

(UNAUDITED)

	September 30, 2004	December 31, 2003
Stockholders' equity:		
Common stock, \$.50 par value	\$ 46,957	\$ 46,635
Capital in excess of par value	422,669	413,008
Retained earnings	222,812	210,915
Minority interest	1,087	912
Treasury stock	(12,319)	(12,611)
Accumulated other comprehensive income	-	171

Total stockholders' equity	681,206	659,030
Long-term debt:		
Long-term debt of subsidiaries (substantially secured by utility plant):		
Interest Rate Range		
0.00% to 2.49%	21,031	16,868
2.50% to 2.99%	25,266	18,913
3.00% to 3.49%	17,612	5,618
3.50% to 3.99%	7,191	2,800
4.00% to 4.99%	8,135	8,135
5.00% to 5.49%	137,805	110,875
5.50% to 5.99%	89,260	76,260
6.00% to 6.49%	124,360	119,360
6.50% to 6.99%	42,000	42,000
7.00% to 7.49%	44,210	46,716
7.50% to 7.99%	24,957	23,000
8.00% to 8.49%	25,090	17,500
8.50% to 8.99%	9,000	9,000
9.00% to 9.49%	53,405	53,805
9.50% to 9.99%	42,088	43,242
10.00% to 10.50%	6,000	6,000
Notes payable, 6.05%, due 2006	677,410	600,092
	960	960
Unsecured notes payable, 4.87%, maturing in various installments through 2023	135,000	135,000
Current portion of long-term debt	813,370	736,052
	41,145	39,386
Long-term debt, excluding current portion	772,225	696,666
Total capitalization	\$ 1,453,431	\$ 1,355,696

See notes to consolidated financial statements on page 6 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands of dollars)

(UNAUDITED)

	Nine Months Ended September 30,	
	2004	2003
Cash flows from operating activities:		
Net income	\$ 57,533	\$ 52,187
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	44,388	37,690
Deferred income taxes	18,318	7,526
Gain on sale of other assets	(967)	(4,414)
Net increase in receivables, inventory and prepayments	(8,592)	(2,978)
Net increase (decrease) in payables, accrued interest, accrued taxes and other accrued liabilities	(759)	6,642
Other	2,570	(4,625)
Net cash flows from operating activities	112,491	92,028
Cash flows from investing activities:		
Property, plant and equipment additions, including allowance for funds used during construction of \$2,028 and \$1,489	(125,825)	(105,948)
Acquisitions of water and wastewater systems, net	(53,586)	(196,099)
Proceeds from the sale of other assets	1,788	4,993
Net decrease in funds restricted for construction activity	4,995	13,880
Other	(412)	(403)
Net cash flows used in investing activities	(173,040)	(283,577)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	7,345	6,462
Repayments of customers' advances	(2,569)	(1,306)

Net proceeds (repayments) of short-term debt	30,160	(5,264)
Proceeds from long-term debt	98,288	145,404
Repayments of long-term debt	(40,932)	(40,467)
Proceeds from issuing common stock	10,097	131,609
Repurchase of common stock	(529)	(774)
Dividends paid on preferred stock	-	(8)
Dividends paid on common stock	(33,428)	(28,824)
Other	-	(401)
	-----	-----
Net cash flows from financing activities	68,432	206,431
	-----	-----
Net increase in cash and cash equivalents	7,883	14,882
Cash and cash equivalents at beginning of period	10,757	5,915
	-----	-----
Cash and cash equivalents at end of period	\$ 18,640	\$ 20,797
	=====	=====

See notes to consolidated financial statements on page 6 of this report.

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## AQUA AMERICA, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In thousands of dollars, except per share amounts) (UNAUDITED)

#### Note 1 Basis of Presentation

The accompanying consolidated balance sheet and statement of capitalization of Aqua America, Inc. at September 30, 2004, the consolidated statements of income and comprehensive income for the nine months and quarter ended September 30, 2004 and 2003, and the consolidated statements of cash flow for the nine months ended September 30, 2004 and 2003, are unaudited, but reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the consolidated results of operations, and the consolidated cash flow for the periods presented. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the Aqua America Annual Report on Form 10-K for the year ended December 31, 2003 and the Quarterly Reports on Form 10-Q for the quarters ended June 30, 2004 and March 31, 2004. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year.

#### Note 2 Acquisitions

Pursuant to our strategy to grow through acquisitions, on June 1, 2004, the Company completed its acquisition of the capital stock of Heater Utilities, Inc. ("Heater") for \$48,000 in cash and the assumption of long-term debt of \$19,219 and short-term debt of \$8,500. The acquired operation provides water and wastewater service to over 50,000 customers primarily in the areas of suburban Raleigh, Charlotte, Gastonia and Fayetteville, North Carolina. The results of Heater have been included in our consolidated financial statements beginning June 1, 2004. For the fiscal year ended December 31, 2003, Heater had operating revenues of \$19,489. Under the purchase method of accounting, the purchase price is allocated to the net tangible and intangible assets based upon their estimated fair values at the date of the acquisition. The Company is in the process of obtaining third-party valuations of these assets and liabilities, and thus has not completed the allocation of the purchase price. The preliminary purchase price allocation is as follows:

	June 1,
	2004
	-----
Property, plant and equipment, net	\$ 96,807

Current assets	4,133
Other long-term assets	2,864
Goodwill	18,814
	-----
Total assets acquired	122,618
	-----
Current liabilities	3,063
Loans payable	8,500
Long-term debt	19,219
Other long-term liabilities	43,836
	-----
Total liabilities assumed	74,618
	-----
Net assets acquired	\$ 48,000
	=====

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AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

The Company has recorded goodwill of \$18,814 which is reported in the consolidated balance sheet as deferred charges and other assets, and a substantial portion of the goodwill is expected to be deductible for tax purposes. The purchase price was arrived at through arms-length negotiations with the seller and is consistent with the multiples paid in other comparable transactions. Aqua America considered important regulatory, strategic and valuation considerations in arriving at the final purchase price. Through the North Carolina Utilities Commission approval process, a mechanism has been developed through which the Company could recover up to two-thirds of the goodwill through customer rates in the future upon achieving certain objectives. The Company intends to pursue these objectives to facilitate a timely recognition of this premium in customer rates. However, there can be no assurance that the Company will be able to recover such amount of goodwill, if any.

On June 30, 2004, the Company acquired certain utility assets of Florida Water Services Corporation, comprised of 63 water and wastewater systems located in central Florida for \$13,820 in cash, which is less than the book value of these assets. The results of Florida Water Services Corporation have been included in our consolidated financial statements beginning June 30, 2004. In accordance with Florida procedures, the completed acquisition remains subject to regulatory approval by the Florida Public Service Commission and it may take up to a year to obtain the necessary approval. Under the terms of the purchase agreement, the Commission's review process may result in an adjustment of the final purchase price based on the Commission's determination of plant investment for the systems. The final purchase price is not expected to result in the recognition of goodwill.

On July 31, 2003, Aqua America completed its acquisition of four operating water and wastewater subsidiaries of AquaSource, Inc. (a subsidiary of DQE, Inc.), including selected, integrated operating and maintenance contracts and related assets (individually and collectively the acquisition is referred to as "AquaSource") for \$190,717 in cash, as adjusted pursuant to the purchase agreement based on working capital at closing. On August 27, 2004, Aqua America was awarded and received \$12,289 plus interest in an arbitration related to the final purchase price, which resulted in a final purchase price of \$178,428. In the consolidated statement of cash flow for the nine months ended September 30, 2004, the \$12,289 award has been reported as proceeds on the line titled acquisitions of water and wastewater systems, net. The results of AquaSource have been included in our consolidated financial statements beginning August 1, 2003. The acquired operations of

AquaSource serve over 130,000 water and wastewater customer accounts in eleven states (including the Connecticut and Kentucky operations which were subsequently sold to other parties).

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AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Note 3 Dispositions

In October 2004, as a result of a settlement of a condemnation action, Aqua America's Ohio operating subsidiary entered into an agreement with the City of Geneva, Ohio for the sale of our subsidiary's water utility assets within the municipal boundaries of the City of Geneva. The agreement specifies that the City will pay approximately \$4,970, which is in excess of the book value for these assets. Closing is expected to occur by the end of the fourth quarter of 2004 and is subject to several conditions, including the Public Utilities Commission of Ohio approval and the City's ability to obtain financing. These water utility assets represent less than one-half of 1% of Aqua America's total assets, and the total number of customers included in the City of Geneva water system discussed above represents less than one-half of 1% of Aqua America's total customer base. Aqua America intends to enter into an agreement with the City to operate the water system for a period through December 2006. Despite this transaction, Aqua America's strategy continues to be to acquire additional water and wastewater systems, to maintain its existing systems where there is a business or a strategic benefit, and to actively oppose unilateral efforts by municipal governments to acquire any of its operations.

In July 2004, the Company sold its only operation located in Kentucky, which was acquired as part of the AquaSource transaction. The sale price approximates our investment in this operation. The operation represented approximately 0.2% of the operations acquired from AquaSource, Inc.

Note 4 Long-term Debt and Loans Payable

In May 2004, an unsecured note of \$70,000 was issued by Aqua America. Interest under this note is based, at the borrower's option, on either a defined base rate or an adjusted London Interbank Offered Rate corresponding to the interest period selected. The proceeds of this financing were used to fund acquisitions and to refinance existing debt. As of September 30, 2004, the interest rate on the note was 2.3%.

In May 2004, our Pennsylvania operating subsidiary issued \$87,000 of long-term debt with a weighted-average maturity of 13.7 years and a weighted-average interest rate of approximately 5.1%. The proceeds of these issuances were used to refinance short-term borrowings and to fund long-term debt maturities.

Note 5 Stockholders' Equity

In May 2004, Aqua America's shareholders approved an increase in the number of shares of common stock authorized, par value \$0.50 per share, from 100,000,000 shares to 300,000,000 shares.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Aqua America reports other comprehensive income in accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." The following table summarizes the activity of accumulated other comprehensive income:

	2004	2003
	-----	-----
Balance at January 1,	\$ 171	\$ 63
Unrealized holding gain arising during the period, net of tax of \$32 in 2004 and \$83 in 2003	59	156
Less: reclassification adjustment for gains included in net income, net of tax of \$173 in 2004 and \$44 in 2003	(230)	(82)
	-----	-----
Other comprehensive income (loss), net of tax	(171)	74
	-----	-----
Balance at September 30,	\$ -	\$ 137
	=====	=====

Note 6 Net Income per Common Share

Basic net income per common share is based on the weighted average number of common shares outstanding. Diluted net income per common share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock options is included in the computation of diluted net income per common share. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per common share:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2004	2003	2004	2003
	-----	-----	-----	-----
Average common shares outstanding during the period for basic computation	92,874	86,853	93,065	89,528
Dilutive effect of employee stock options	1,010	929	958	822
	-----	-----	-----	-----
Average common shares outstanding during the period for diluted computation	93,884	87,782	94,023	90,350
	=====	=====	=====	=====

For the quarter and nine months ended September 30, 2004, employee stock options outstanding to purchase 573,900 shares of common stock were excluded from the calculation of diluted net income per share as the options' exercise price was greater than the average market price of the Company's common stock during those periods. For the nine months ended September 30, 2003, employee stock options outstanding to purchase 119,375 shares of common stock were excluded from the calculation of diluted net income per share as the options' exercise price was greater than the average market price of the Company's common stock during this period.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Note 7 Stock-Based Compensation

Aqua America accounts for stock-based compensation using the intrinsic value method in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense related to granting of stock options has been recognized in the financial statements for stock options that have been granted. Pursuant to the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, pro forma net income available to common stock and earnings per share are presented in the following table as if compensation cost for stock-based employee compensation was determined as of the grant date under the fair value method:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2004	2003	2004	2003
Net income available to common stock, as reported:	\$ 57,533	\$ 52,179	\$ 24,087	\$ 23,620
Add: stock-based employee compensation expense included in reported net income, net of tax	217	183	49	32
Less: pro forma expense related to stock-based employee compensation, net of tax effects	(1,588)	(1,399)	(506)	(437)
Pro forma	\$ 56,162	\$ 50,963	\$ 23,630	\$ 23,215
Basic net income per share:				
As reported	\$ 0.62	\$ 0.60	\$ 0.26	\$ 0.26
Pro forma	0.60	0.59	0.25	0.26
Diluted net income per share:				
As reported	\$ 0.61	\$ 0.59	\$ 0.26	\$ 0.26
Pro forma	0.60	0.58	0.25	0.26

The fair value of options at the date of grant was estimated using the Black-Scholes option-pricing model.

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AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Note 8 Pension Plans and Other Postretirement Benefits

The Company maintains a qualified, defined benefit plan, nonqualified pension plans and other postretirement benefit plans for certain of its employees. The net periodic benefit cost is based on estimated values provided by independent actuaries. The following tables provide the components of net periodic benefit costs:

	Pension Benefits			
	Nine Months Ended September 30,		Three Months Ended September 30,	
	2004	2003	2004	2003
Service cost	\$ 3,265	\$ 2,359	\$ 1,004	\$ 754
Interest cost	7,203	5,854	2,215	1,872
Expected return on plan assets	(6,943)	(5,058)	(2,135)	(1,617)
Amortization of transition obligation (asset)	(158)	(136)	(49)	(44)
Amortization of prior service cost	331	257	102	82
Amortization of actuarial loss	764	834	235	267
Capitalized costs	(816)	(190)	(292)	(76)

Net periodic benefit cost	\$ 3,646	\$ 3,920	\$ 1,080	\$1,238
	Other Postretirement Benefits			
	Nine Months Ended September 30,		Three Months Ended September 30,	
	2004	2003	2004	2003
Service cost	\$ 783	\$ 724	\$ 261	\$ 236
Interest cost	1,293	1,249	431	406
Expected return on plan assets	(754)	(673)	(251)	(219)
Amortization of transition obligation (asset)	558	589	186	192
Amortization of prior service cost	(39)	(42)	(13)	(14)
Amortization of actuarial loss	87	45	29	15
Amortization of regulatory asset	102	102	34	34
Capitalized costs	(485)	(461)	(164)	(158)
Net periodic benefit cost	\$ 1,545	\$ 1,533	\$ 513	\$ 492

Aqua America previously disclosed in its financial statements for the year ended December 31, 2003 that it expected to contribute \$5,371 to Aqua America's defined benefit pension plan. The 2004 contribution required to fund the plan was reduced to \$4,949 based on revised estimates provided by our actuary. Aqua America contributed \$4,071 during the first nine months of 2004 and expects to contribute the remaining contribution of \$878 in 2005. We evaluated the impact of the Pension Funding Equity Act enacted in April 2004 and concluded it had no material impact on our required funding. See Footnote 10 for a discussion of the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

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AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Note 9 Water and Wastewater Rates

On August 5, 2004, the Pennsylvania Public Utility Commission granted the Company's operating subsidiary in Pennsylvania a \$13,800 base rate increase. The rates in effect at the time of the filing included \$11,200 in Distribution System Improvement Charges ("DSIC") or 5.0% above the prior base rates. Consequently, the total base rates increased by \$25,000 and the DSIC was reset to zero.

In May 2004, the Company's operating subsidiary in Texas filed an application with the Texas Commission on Environmental Quality to increase rates by \$11,920 over a multi-year period. The application seeks to increase annual revenues in phases and is accompanied by a plan to defer and amortize a portion of the Company's depreciation, operating and other tax expenses over a similar multi-year period, such that the annual impact on operating income approximates the requested amount. The application is currently pending before the Commission and a final ruling is anticipated by May 2005. The Company commenced billing for the requested rates and implemented the deferral plan in August 2004, in accordance with authorization from the Texas Commission on Environmental Quality in July 2004. The additional revenue billed and collected prior to the final ruling are subject to refund based on the outcome of the ruling. The revenue recognized and the expenses deferred by the Company reflect an estimate of the final outcome of the ruling. Two other rate filings, which in aggregate represent \$4,758 in annualized revenues, are in process in North Carolina and Illinois.

In April 2004, the Company's operating subsidiary in Illinois was granted a rate increase intended to increase annual revenues by approximately \$2,261. In June 2004, the Company's operating subsidiary in New Jersey was granted a rate increase intended to increase annual revenues by approximately \$1,047. During the first nine months of 2004, other operating subsidiaries were granted rate increases intended to increase total revenues by approximately \$2,287 on an annual basis.

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AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)  
(UNAUDITED)

Note 10 Recent Accounting Pronouncements

In May 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." FSP 106-2 supersedes FSP 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which was issued in January 2004 and permitted a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Act until more authoritative guidance on the accounting for the federal subsidy was issued. The Company had elected the one-time deferral allowed under FSP 106-1 and as a result any measures of the accumulated postretirement benefit obligation and net periodic postretirement benefit cost in the consolidated financial statements and footnotes for the prior periods did not reflect the effects of the Act. The adoption of FSP 106-2 as required beginning in the quarter ended September 30, 2004 did not have a material impact on the Company's results of operations or financial position.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In thousands of dollars, except per share amounts)

Forward-looking Statements  
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This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things: our use of cash; projected capital expenditures; liquidity; possible acquisitions and other growth ventures; the completion of various construction projects; the projected effects of recent accounting pronouncements; the regulatory approval of the Florida Water Services acquisition and the City of Geneva, Ohio water system sale; the deductibility for tax purposes of goodwill associated with the Heater

Utilities, Inc. acquisition; the projected annual value of rate increases, as well as information contained elsewhere in this report where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans" or similar expressions. These statements are based on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside our control. Actual results may differ materially from such statements for a number of reasons, including the effects of regulation, abnormal weather, changes in capital requirements and funding, acquisitions, and our ability to assimilate acquired operations. In addition to these uncertainties or factors, our future results may be affected by the factors and risk factors set forth in our annual report on Form 10-K for the fiscal year ended December 31, 2003. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

#### General Information

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Name Change - On January 16, 2004, Philadelphia Suburban Corporation changed its corporate name to Aqua America, Inc. In addition, we have changed our ticker symbol from PSC to WTR on the New York Stock Exchange and Philadelphia Stock Exchange effective as of the opening of trading on January 20, 2004.

Nature of Operations - Aqua America, Inc. ("we" or "us"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to more than 2.5 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, Virginia, Maine, Missouri, New York and South Carolina. Our largest operating subsidiary, Aqua Pennsylvania, Inc. - formerly Pennsylvania Suburban Water Company - provides water or wastewater services to approximately 1.3 million people in the suburban areas north and west of the City of Philadelphia and in 21 other counties in Pennsylvania. Our other subsidiaries provide similar services in 12 other states. In addition, we provide water and wastewater service through operating and maintenance contracts with municipal authorities and other parties close to our operating companies' service territories. We are the largest U.S.-based publicly-traded water utility based on number of people served.

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#### AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

#### Financial Condition

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During the first nine months of 2004, we had \$125,825 of capital expenditures, acquired water and wastewater systems for \$65,875, repaid \$2,569 of customer advances for construction and repaid debt and made sinking fund contributions and other loan repayments of \$40,932. The capital expenditures were related to improvements to treatment plants, new and rehabilitated water mains, tanks, hydrants, and service lines, in addition to well and booster improvements.

During the first nine months of 2004, the proceeds from the issuance of long-term debt, the proceeds of \$12,289 from the arbitration award over the final purchase price for the AquaSource acquisition, the proceeds from the issuance of common stock, internally generated funds and available working capital were used to fund the cash requirements discussed above and to pay dividends. In May 2004, an unsecured note of \$70,000 was issued by Aqua America and the proceeds of this financing were used to fund acquisitions and to refinance existing debt. In May 2004, our Pennsylvania operating subsidiary issued \$87,000 of long-term debt with a weighted-average maturity of 13.7 years and a weighted-average interest rate of 5.1%. The proceeds of these issuances were used to refinance short-term borrowings and to fund long-term debt maturities.

At various times during the first nine months of 2004, our operating subsidiaries issued long-term notes payable in aggregate of \$11,972 at various interest rates. In connection with the Heater acquisition completed in June

2004, \$19,219 of long-term debt was assumed with a weighted-average interest rate of 7.7% that is due in various years. At September 30, 2004, we had short-term lines of credit of \$259,000, of which \$117,642 was available. On August 3, 2004, Aqua America's Board of Directors increased the quarterly cash dividend on common stock from \$0.12 per share to \$0.13 per share effective upon the December 1, 2004 payment.

On June 1, 2004, the Company completed its acquisition of the capital stock of Heater Utilities, Inc. for \$48,000 in cash and the assumption of long-term debt of \$19,219 and short-term debt of \$8,500 which resulted in a preliminary recognition of goodwill of \$18,814. Through the North Carolina Utilities Commission approval process, a mechanism has been developed through which the Company could recover up to two-thirds of the goodwill through customer rates in the future upon achieving certain objectives. The Company intends to pursue these objectives to facilitate a timely recognition of this premium in customer rates. However, there can be no assurance that the Company will be able to recover such amount of goodwill, if any. The acquired operation provides water and wastewater service to over 50,000 customers primarily in the areas of suburban Raleigh, Charlotte, Gastonia and Fayetteville, North Carolina. On June 30, 2004, the Company acquired certain utility assets of Florida Water Services Corporation, comprised of 63 water and wastewater systems located in central Florida for \$13,820 in cash, which is less than the book value of these assets. In accordance with Florida procedures, the completed acquisition remains subject to regulatory approval by the Florida Public Service Commission and may take up to a year to obtain the necessary approval. Under the terms of the purchase agreement, the Commission's review process may result in an adjustment of the final purchase price based on the Commission's determination of plant investment for the system. The final purchase price is not expected to result in the recognition of goodwill.

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AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

Management believes that internally generated funds along with existing credit facilities and the proceeds from the issuance of long-term debt and common stock will be adequate to meet our financing requirements for the balance of the year and beyond.

Results of Operations  
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Analysis of First Nine Months of 2004 Compared to First Nine Months of 2003  
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Revenues for the first nine months increased \$60,576 or 22.8% primarily due to additional water and sewer revenues of \$48,100 associated with a larger customer base due to acquisitions, principally the AquaSource acquisition which closed in July 2003, the Heater acquisition which closed in June 2004, and the Florida Water acquisition which closed in June 2004; and additional revenues of \$6,800 resulting from increased water rates granted to our operating subsidiaries in Pennsylvania and five other states. Additional water revenues were generated by the infrastructure rehabilitation surcharge in Pennsylvania of \$1,851.

Operations and maintenance expenses increased by \$34,370 or 34.9% primarily due to the additional operating costs associated with acquisitions, principally the AquaSource and Heater acquisitions, increased pension costs, additional professional services fees, and higher water production expenses.

Depreciation expense increased \$5,853 or 16.5% reflecting the utility plant placed in service since the third quarter of 2003, including the assets acquired through system acquisitions.

Amortization increased \$845 due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by \$5,632 or 35.6% due to the additional taxes associated with the AquaSource acquisition and an increase in state taxes

other than income.

Interest expense increased by \$2,599 or 7.9% primarily due to additional borrowings to finance the AquaSource acquisition and capital projects, offset partially by decreased interest rates on borrowings due to the refinancing of certain existing debt issues.

Allowance for funds used during construction ("AFUDC") increased by \$539 primarily due to an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied. The increase in construction work in progress is associated with additional capital projects in progress, including projects associated with the AquaSource acquisition.

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AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
(In thousands of dollars, except per share amounts)

Gain on sale of other assets totaled \$967 in the first nine months of 2004 and \$4,414 in the first nine months of 2003. The decrease is due to a decrease in the gain on sale of land realized of \$3,718 partially offset by an increase in the gain on sale of marketable securities of \$271.

Our effective income tax rate was 39.6% in the first nine months of 2004 and 40.0% in the first nine months of 2003. The change was due to an increase in our tax-deductible expenses.

Net income available to common stock for the first nine months increased by \$5,354 or 10.3%, in comparison to the same period in 2003 primarily as a result of the factors described above. On a diluted per share basis, earnings increased \$.02 or 3.4% reflecting the change in net income and a 7.0% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the 6,868,750 additional shares issued in the May and August 2003 share offerings.

Analysis of Third Quarter of 2004 Compared to Third Quarter of 2003  
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Revenues for the quarter increased \$18,152 or 17.8% primarily due to additional water and sewer revenues of \$12,900 associated with a larger customer base due to acquisitions, principally the Heater acquisition which closed in June 2004, the AquaSource acquisition which closed in July 2003, and the Florida Water acquisition which closed in June 2004; and the effect of increased rates granted to our operating subsidiaries in Pennsylvania and five other states of \$4,846.

Operations and maintenance expenses increased by \$9,749 or 26.5% primarily due to the additional operating costs associated with acquisitions, principally the AquaSource and Heater acquisitions, and increased pension costs, offset partially by lower insurance claims.

Depreciation expense increased \$1,484 or 11.8% reflecting the utility plant placed in service since the third quarter of 2003, including the assets acquired through system acquisitions.

Amortization increased \$288 due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by \$1,936 or 34.8% due to the additional taxes associated with the AquaSource acquisition and an increase in state taxes other than income.

Interest expense increased by \$624 or 5.3% primarily due to additional borrowings to finance acquisitions and capital projects, offset partially by decreased interest rates on borrowings due to the refinancing of certain existing debt issues and \$532 of interest income in connection with the arbitration award related to the final purchase price for the AquaSource acquisition received during the third quarter of 2004.

## AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
 FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
 (In thousands of dollars, except per share amounts)

Allowance for funds used during construction ("AFUDC") increased by \$82 primarily due to an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied. The increase in construction work in progress is associated with additional capital projects in progress, including projects associated with the AquaSource acquisition.

Gain on sale of other assets totaled \$491 in the third quarter of 2004 and \$4,194 in the third quarter of 2003. The decrease is primarily due to a decrease in the gain on sale of land as compared to the second quarter of 2003.

Our effective income tax rate was 39.5% in the third quarter of 2004 and 40.0% in the third quarter of 2003. The change was due to an increase in our tax-deductible expenses.

Net income available to common stock for the quarter increased by \$467 or 2.0%, in comparison to the same period in 2003 primarily as a result of the factors described above. On a diluted per share basis, earnings equaled the amount reported in the third quarter of 2003 due to the increase in net income and a 4.1% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the 5,000,000 additional shares issued in the August 2003 share offerings.

Impact of Recent Accounting Pronouncements  
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In May 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." FSP 106-2 supersedes FSP 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which was issued in January 2004 and permitted a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Act until more authoritative guidance on the accounting for the federal subsidy was issued. The Company had elected the one-time deferral allowed under FSP 106-1 and as a result any measures of the accumulated postretirement benefit obligation and net periodic postretirement benefit cost in the consolidated financial statements and footnotes for the prior periods did not reflect the effects of the Act. The adoption of FSP 106-2 as required beginning in the quarter ended September 30, 2004 did not have a material impact on the Company's results of operations or financial position.

## AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
 FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)  
 (In thousands of dollars, except per share amounts)

Recent Events  
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In April 2000, the gasoline additive Methyl tert-Butyl Ether ("MtBE") was discovered in a production well in one of our operating subsidiaries at levels exceeding the state drinking water standard. The well was immediately taken out of service and alternate water supplies were obtained. Pursuant to a legal settlement reached with the company believed to be responsible for the contamination, we received the settlement amount in September 2004 and it was sufficient to cover our costs to develop a permanent replacement well and to cover our purchased water costs incurred on an interim basis. The replacement



well was completed and placed in service in October 2004.

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. There have been no significant changes in our exposure to market risks since December 31, 2003. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2003 for additional information.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

There are no pending legal proceedings to which we or any of our subsidiaries is a party or to which any of their properties is the subject that are expected to have a material effect on our financial position, results of operations or cash flows.

## AQUA AMERICA, INC. AND SUBSIDIARIES

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes Aqua America's purchases of its common stock for the quarter ending September 30, 2004:

## Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs (2)
	-----	-----	-----	-----
July 1-31, 2004	502	\$ 20.10	-	411,209
August 1-31, 2004	16,996	\$ 20.18	-	411,209
September 1-30, 2004	6,399	\$ 21.85	-	411,209
Total	23,897	\$ 20.62	-	411,209
	=====	=====	=====	=====

- (1) These amounts consist of shares we purchased from our employees who elected to pay the exercise price of their stock options upon exercise by delivering to us (and, thus, selling) shares of Aqua America common stock in accordance with the terms of our equity compensation plans that were previously approved by our shareholders and disclosed in our proxy statements. This feature of our equity compensation plan is available to all employees who receive option grants under the plan. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the day prior to the option exercise.
- (2) On August 5, 1997, our Board of Directors authorized a common stock repurchase program that was publicly announced on August 7, 1997, for up to 870,282 shares. No repurchases have been made under this program since 2000. The program has no fixed expiration date. The number of shares authorized for purchase was adjusted as a result of the stock splits effected in the form of stock distributions since the authorization date.

## AQUA AMERICA, INC. AND SUBSIDIARIES

## Item 6. Exhibits

## (a) Exhibits

Exhibit No.	Description
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31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the

Securities and Exchange Act of 1934.

- 32.1 Certification of Chief Executive Officer,  
pursuant 18 U.S.C. Section 1350.
- 32.2 Certification of Chief Financial Officer,  
pursuant to 18 U.S.C. Section 1350.

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SIGNATURES  
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Pursuant to the requirements of the Securities Exchange Act of 1934,  
the registrant has duly caused this report to be executed on its behalf by the  
undersigned thereunto duly authorized.

November 5, 2004

AQUA AMERICA, INC.  
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Registrant

NICHOLAS DEBENEDICTIS  
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Nicholas DeBenedictis  
Chairman and President

DAVID P. SMELTZER  
-----

David P. Smeltzer  
Senior Vice President - Finance  
and Chief Financial Officer

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## Certification

I, Nicholas DeBenedictis, Chairman, President and Chief Executive Officer of Aqua America, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2004

NICHOLAS DEBENEDICTIS

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Nicholas DeBenedictis  
Chairman, President and Chief Executive Officer

Certification

I, David P. Smeltzer, Senior Vice President - Finance and Chief Financial Officer of Aqua America, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2004

DAVID P. SMELTZER

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David P. Smeltzer  
Senior Vice President - Finance  
and Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2004 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas DeBenedictis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

NICHOLAS DEBENEDICTIS

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Nicholas DeBenedictis  
Chairman, President and Chief Executive Officer  
November 5, 2004

The foregoing certification shall not be deemed to be filed for purposes of Section 18 of the Securities and Exchange Act of 1934 or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent this Exhibit 32.1 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to Aqua America, Inc. and will be retained by Aqua America, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2004 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Smeltzer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DAVID P. SMELTZER  
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David P. Smeltzer  
Senior Vice President - Finance and Chief Financial Officer  
November 5, 2004

The foregoing certification shall not be deemed to be filed for purposes of Section 18 of the Securities and Exchange Act of 1934 or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent this Exhibit 32.2 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to Aqua America, Inc. and will be retained by Aqua America, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.