(In thousands of dollars, except per share amounts)

amount of the Company's loans payable was $36,740 and $80,383, respectively, which equates to their estimated fair value. The fair value of cash and cash equivalents, which is comprised of a money market fund, is determined based on the net asset value per unit utilizing level 2 methods and assumptions. As of December 31, 2013 and 2012, the carrying amounts of the Company's cash and cash equivalents were $5,058 and $5,521, which equates to their fair value.

The carrying amount and estimated fair value of the Company's long-term debt are as follows:

	December 31,	
	2013	2012
Carrying amount	$ 1,554,871	$ 1,588,992
Estimated fair value	1,540,296	1,702,997

The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration utilizing level 2 methods and assumptions. The Company's customers' advances for construction have a carrying value of $74,257 and $71,595 at December 31, 2013 and 2012, respectively. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases. Portions of these non-interest bearing instruments are payable annually through 2028 and amounts not paid by the contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest bearing feature.

Note 12 – Stockholders' Equity

At December 31, 2013, the Company had 300,000,000 shares of common stock authorized; par value $0.50. Shares outstanding and treasury shares held were as follows:

	December 31,		
	2013	2012	2011
Shares outstanding	176,750,599	175,209,082	173,518,872
Treasury shares	1,178,323	776,355	710,482

At December 31, 2013, the Company had 1,738,619 shares of authorized but unissued Series Preferred Stock, $1.00 par value.

In May 2013, the Board of Directors of the Company approved a five-for-four stock split to be effected in the form of a 25% stock distribution to shareholders of record on August 16, 2013. Common shares outstanding do not include shares held by the Company in treasury. The new shares were distributed on September 1, 2013. Aqua America's par value of $0.50 per share did not change as a result of the common stock distribution, and $17,655 was transferred from capital in excess of par value to common stock to record the stock split. All common share, per common share, stock unit, and per stock unit data, for all periods presented, has been adjusted to give effect to the stock split.

In February 2012, the Company renewed its universal shelf registration, which expired in December 2011, through a filing with the Securities and Exchange Commission ("SEC") to allow for the potential future sale by the Company, from time to time, in one or more public offerings, of an indeterminate amount of our common stock, preferred stock, debt securities and other securities specified therein at indeterminate prices.

The Company has a shelf registration statement filed with the SEC to permit the offering from time to time of shares of common stock and shares of preferred stock in connection with acquisitions. The balance remaining available for use under the acquisition shelf registration as of December 31, 2013 is 1,904,487 shares. The form and terms of any securities issued under these shelf registrations will be determined at the time of issuance.

The Company has a Dividend Reinvestment and Direct Stock Purchase Plan ("Plan") that allows reinvested dividends to be used to purchase shares of common stock at a five percent discount from the current market value. Under the direct stock purchase program, shares are purchased by investors at market price. The shares issued under the Plan are either original issue shares or shares purchased by the Company's transfer agent in the open-market. During 2013, 2012, and 2011, under the dividend reinvestment portion of the Plan, 432,894, 711,740, and 735,931 original issue shares of common stock were sold providing the Company with proceeds of $10,107, $12,921, and $12,304, respectively. In 2013, 154,900 shares of the Company were purchased under the dividend reinvestment portion of the Plan by the Company's transfer agent in the open-market for $3,693.

In October 2013, the Company's Board of Directors approved a resolution authorizing the Company to purchase, from time to time, up to 685,348 shares of its common stock in the open market or through privately negotiated transactions. This authorization renewed the number of shares that had remained, when affected for stock splits, from an existing share buy-back authorization from 1997. The specific timing, amount and other terms of repurchases will depend on market conditions, regulatory requirements and other factors. As of December 31, 2013, 685,348 shares remain available for repurchase.

The Company's accumulated other comprehensive income is reported in the stockholders' equity section of the consolidated balance sheets, the consolidated statements of equity, and the related components of other comprehensive income are reported in the consolidated statements of comprehensive income. The Company reports its unrealized gains or losses on investments as other comprehensive income and accumulated other comprehensive income. The Company recorded a regulatory asset for its underfunded status of its pension and post-retirement benefit plans that would otherwise be charged to other comprehensive income, as it anticipates recovery of its costs through customer rates.

Note 13 – Net Income per Common Share and Equity per Common Share

Basic net income per share is based on the weighted average number of common shares outstanding. Diluted net income per share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted net income per share. The dilutive effect of stock-based compensation is calculated using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per share:

	Years ended December 31,		
	2013	2012	2011
Average common shares outstanding during the period for basic computation	176,140	174,201	172,727
Effect of dilutive securities:			
Employee stock-based compensation	674	717	634
Average common shares outstanding during the period for diluted computation	176,814	174,918	173,361

For the year ended December 31, 2013, all of the Company's employee stock options were included in the calculation of diluted net income per share as the calculated cost to exercise the stock options was less than the average market price of the Company's common stock during this period.

(In thousands of dollars, except per share amounts)

For the years ended December 31, 2012, and 2011, employee stock options to purchase 534,315 and 1,157,875 shares of common stock, respectively, were excluded from the calculations of diluted net income per share as the calculated proceeds from the options' exercise were greater than the average market price of the Company's common stock during these periods.

Equity per common share was $8.68 and $7.91 at December 31, 2013 and 2012, respectively. These amounts were computed by dividing Aqua America stockholders' equity by the number of shares of common stock outstanding at the end of each year.

Note 14 – Employee Stock and Incentive Plan

Under the Company's 2009 Omnibus Equity Compensation Plan (the "2009 Plan"), as approved by the Company's shareholders to replace the 2004 Equity Compensation Plan (the "2004 Plan"), stock options, stock units, stock awards, stock appreciation rights, dividend equivalents, and other stock-based awards may be granted to employees, non-employee directors, and consultants and advisors. The 2009 Plan authorizes 6,250,000 shares for issuance under the plan. A maximum of 50% of the shares available for issuance under the 2009 Plan may be issued as stock awards or share units and the maximum number of shares that may be subject to grants under the Plan to any one individual in any one year is 250,000. Shares issued under the 2009 Plan may be original issue shares, the issuance of treasury shares, or shares purchased by the Company in the open-market. Awards under the 2009 Plan are made by a committee of the Board of Directors. At December 31, 2013, 4,680,779 shares underlying stock-based compensation awards were still available for grant under the 2009 Plan. No further grants may be made under the 2004 plan.

Performance Share Units – During 2013, 2012, and 2011, the Company granted performance share units. A performance share unit ("PSU") represents the right to receive a share of the Company's common stock if specified performance goals are met over the three year performance period specified in the grant, subject to exceptions through the respective vesting periods, generally three years. Each grantee is granted a target award of PSUs, and may earn between 0% and 200% of the target amount depending on the Company's performance against the performance goals, which consist of the following metrics for the 2012 and 2011 grants: 25% of the PSUs will be earned based on the Company's total shareholder return ("TSR") compared to the TSR for the companies listed in the Standard and Poor's Midcap Utilities Index (a market-based condition), 25% of the PSUs will be earned based on the Company's TSR compared to the TSR for a specific peer group of six other investor-owned water companies (a market-based condition), and 50% of the PSUs will be earned based on the Company's three-year compound annual growth rate ("CAGR") in earnings per share ("EPS") compared to a target EPS CAGR of 5% (a performance-based condition), and for the 2013 grant: 30% of the PSUs will be earned based on the Company's TSR compared to the TSR for a specific peer group of six other investor-owned water companies (a market-based condition), 30% of the PSUs will be earned based on the Company's TSR compared to the TSR for the companies listed in the Standard and Poor's Midcap Utilities Index (a market-based condition), 20% of the PSUs will be earned based on maintaining an average ratio of operations and maintenance expenses as a percentage of revenues at Aqua Pennsylvania compared to a target average ratio for the three year performance period (a performance-based condition), and 20% of the PSUs will be earned based on earning a cumulative total earnings before taxes for the Company operations other than Aqua Pennsylvania for the three year performance period compared to a target (a performance-based condition).

The following table provides compensation costs for PSUs:

	Years ended December 31,		
	2013	2012	2011
Stock-based compensation within operations and maintenance expense	$ 3,451	$ 2,552	$ 943
Income tax benefit	1,406	1,040	384

(In thousands of dollars, except per share amounts)

The following table summarizes nonvested PSU transactions for the year ended December 31, 2013:

	Number of Share Units	Weighted Average Fair Value
Nonvested share units at beginning of period	414,168	$ 18.82
Granted	166,641	26.88
Performance criteria adjustment	(15,165)	18.21
Forfeited	(19,552)	21.74
Vested	(18,000)	19.51
Share unit awards issued	-	-
Nonvested share units at end of period	528,092	$ 21.25

A portion of the fair value of PSUs was estimated at the grant date based on the probability of satisfying the market-based conditions associated with the PSUs using the Monte Carlo valuation method. The other portion of the fair value of the PSUs associated with performance-based conditions was based on the fair market value of the Company's stock at the grant date, regardless of whether the market-based condition is satisfied. The fair value of each PSU grant is amortized into compensation expense on a straight-line basis over their respective vesting periods, generally 36 months. The accrual of compensation costs is based on an estimate of the final expected value of the award, and is adjusted as required for the portion based on the performance-based condition. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the PSUs includes dividend equivalents, no dividend yield assumption is required in calculating the fair value of the PSUs. The recording of compensation expense for PSUs has no impact on net cash flows. The following table provides the assumptions used in the pricing model for the grant and the resulting grant date fair value of PSUs:

	Years ended December 31,		
	2013	2012	2011
Expected term (years)	3.0	3.0	3.0
Risk-free interest rate	0.36%	0.43%	1.22%
Expected volatility	20.0%	22.1%	29.7%
Weighted average fair value of PSUs granted	$ 26.88	$ 19.11	$ 19.50

As of December 31, 2013, $4,486 of unrecognized compensation costs related to PSUs is expected to be recognized over a weighted average period of approximately 1.6 years. The intrinsic value of vested PSUs for the year ended December 31, 2013 was $415. The aggregate intrinsic value of PSUs as of December 31, 2013 was $12,458. The aggregate intrinsic value of PSUs is based on the number of nonvested share units and the market value of the Company's common stock as of the period end date.

(In thousands of dollars, except per share amounts)

Restricted Stock Units – A restricted stock unit ("RSU") represents the right to receive a share of the Company's common stock and is valued based on the fair market value of the Company's stock on the date of grant. RSUs are eligible to be earned at the end of a specified restricted period, generally three years, beginning on the date of grant. In some cases, the right to receive the shares is subject to specific performance goals established at the time the grant is made. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. The following table provides compensation costs for RSUs:

	Years ended December 31,		
	2013	2012	2011
Stock-based compensation within operations and maintenance expense	$ 813	$ 634	$ 342
Income tax benefit	336	262	142

The following table summarizes nonvested RSU transactions for the year ended December 31, 2013:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at beginning of period	85,597	$ 17.89
Granted	48,133	23.28
Vested	(19,500)	17.83
Forfeited	(1,564)	20.78
Nonvested stock units at end of period	112,666	$ 20.16

The following table summarizes the value of RSUs:

	Years ended December 31,		
	2013	2012	2011
Weighted average fair value of RSUs granted	$ 23.28	$ 17.99	$ 17.77

As of December 31, 2013, $1,070 of unrecognized compensation costs related to RSUs is expected to be recognized over a weighted average period of approximately 1.6 years. The intrinsic value of vested RSUs for the years ended December 31, 2013 and 2012 was $449 and $247. The fair value of vested RSUs for the years ended December 31, 2013 and 2012 was $348 and $195. The aggregate intrinsic value of RSUs as of December 31, 2013 was $2,658. The aggregate intrinsic value of RSUs is based on the number of nonvested stock units and the market value of the Company's common stock as of the period end date.

Stock Options – The following table provides compensation costs for stock options:

	Years ended December 31,		
	2013	2012	2011
Stock-based compensation within operations and maintenance expense	$ 30	$ 612	$ 1,361
Income tax benefit	461	580	673

(In thousands of dollars, except per share amounts)

There were no stock options granted during the years ended December 31, 2013, 2012, and 2011. During the second quarter of 2011, the Company changed its estimation assumptions related to its historical stock option forfeitures which resulted in a favorable adjustment to compensation expense of $644 and additional income tax expense of $52.

The Company estimates forfeitures in calculating compensation expense instead of recognizing these forfeitures and the resulting reduction in compensation expense as they occur. The estimate of forfeitures will be adjusted over the vesting period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. The recording of compensation expense for share-based compensation has no impact on net cash flows and results in the reclassification on the consolidated cash flow statements of related tax benefits from cash flows from operating activities to cash flows from financing activities to the extent these tax benefits exceed the associated compensation cost.

Options under the plans were issued at the closing market price of the stock on the day of the grant. Options are exercisable in installments of 33% annually, starting one year from the date of the grant and expire 10 years from the date of the grant. The fair value of each option was amortized into compensation expense on a straight-line basis over their respective 36 month vesting period, net of estimated forfeitures. The fair value of options was estimated at the grant date using the Black-Scholes option-pricing model, which relies on assumptions that require management's judgment.

The following table summarizes stock option transactions for the year ended December 31, 2013:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Options:				
Outstanding, beginning of year	3,121,388	$ 16.65		
Granted	-	-		
Forfeited	-	-		
Expired	(17,189)	22.84		
Exercised	(1,566,089)	16.41		
Outstanding and exercisable at end of year	1,538,110	$ 16.82	3.7	$ 10,410

The intrinsic value of stock options is the amount by which the market price of the stock on a given date, such as at the end of the period or on the day of exercise, exceeded the closing market price of stock on the date of grant. The following table summarizes the aggregate intrinsic value of stock options exercised and the fair value of stock options which became vested:

	Years ended December 31,		
	2013	2012	2011
Intrinsic value of options exercised	$ 10,410	$ 5,547	$ 3,071
Fair value of options vested	500	1,318	2,077

(In thousands of dollars, except per share amounts)

The following table summarizes information about the options outstanding and options exercisable as of December 31, 2013:

	Options Outstanding and Exercisable			
	Shares	Weighted Average Remaining Life (years)		Weighted Average Exercise Price
Range of prices:				
$12.00 - 12.99	78,471	0.2	$	12.92
$13.00 - 14.99	451,318	3.7		14.04
$15.00 - 16.99	518,231	4.5		15.71
$17.00 - 19.99	236,157	3.2		18.61
$20.00 - 23.99	253,933	2.2		23.57
	1,538,110	3.7	$	16.82

As of December 31, 2013, there was $0 of total unrecognized compensation cost related to nonvested stock options granted under the plans.

Restricted Stock – Restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. Restricted stock awards result in compensation expense which is equal to the fair market value of the stock on the date of the grant and is amortized ratably over the restriction period. The Company expects forfeitures of restricted stock to be de minimis.

The following table provides compensation costs for restricted stock:

	Years ended December 31,		
	2013	2012	2011
Stock-based compensation within operations and maintenance expense	$ 770	$ 1,739	$ 1,800
Income tax benefit	320	721	740

The following table summarizes nonvested restricted stock transactions for the year ended December 31, 2013:

	Number of Shares		Weighted Average Fair Value
Nonvested shares at beginning of period	147,160	$	15.38
Granted	16,000		25.09
Vested	(100,660)		15.49
Forfeited	-		-
Nonvested shares at end of period	62,500	$	17.70

(In thousands of dollars, except per share amounts)

The following table summarizes the value of restricted stock awards:

	Years ended December 31, 2013	2012	2011
Intrinsic value of restricted stock awards vested	$ 2,236	$ 2,384	$ 2,020
Fair value of restricted stock awards vested	1,560	1,971	1,650
Weighted average fair value of restricted stock awards granted	25.09	18.47	17.77

As of December 31, 2013, $338 of unrecognized compensation costs related to restricted stock is expected to be recognized over a weighted average period of approximately 6 months. The aggregate intrinsic value of restricted stock as of December 31, 2013 was $1,474. The aggregate intrinsic value of restricted stock is based on the number of nonvested shares of restricted stock and the market value of the Company's common stock as of the period end date.

Note 15 – Pension Plans and Other Post-retirement Benefits

The Company maintains qualified, defined benefit pension plans that cover its full-time employees who were hired prior to April 1, 2003. Retirement benefits under the plans are generally based on the employee's total years of service and compensation during the last five years of employment. The Company's policy is to fund the plans annually at a level which is deductible for income tax purposes and which provides assets sufficient to meet its pension obligations over time. To offset some limitations imposed by the Internal Revenue Code with respect to payments under qualified plans, the Company has a non-qualified Supplemental Pension Benefit Plan for Salaried Employees in order to prevent some employees from being penalized by these limitations. The Company also has non-qualified Supplemental Executive Retirement Plans for some current and retired employees. The net pension costs and obligations of the qualified and non-qualified plans are included in the tables which follow. Employees hired after April 1, 2003 may participate in a defined contribution plan that provides a Company matching contribution on amounts contributed by participants and an annual profit-sharing contribution based upon a percentage of the eligible participants' compensation.

In addition to providing pension benefits, the Company offers Post-retirement Benefits other than Pensions ("PBOPs") to employees hired before April 1, 2003 and retiring with a minimum level of service. These PBOPs include continuation of medical and prescription drug benefits, or a cash contribution toward such benefits, for eligible retirees and life insurance benefits for eligible retirees. The Company funds its gross PBOP cost through various trust accounts. The benefits of retired officers and other eligible retirees are paid by the Company and not from plan assets due to limitations imposed by the Internal Revenue Code.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

	Pension Benefits	Other Post-retirement Benefits
Years:		
2014	$ 11,601	$ 1,680
2015	12,400	1,897
2016	13,212	2,177
2017	14,048	2,464
2018	14,948	2,760
2019-2023	87,278	17,027

(In thousands of dollars, except per share amounts)

The changes in the benefit obligation and fair value of plan assets, the funded status of the plans and the assumptions used in the measurement of the company's benefit obligation are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Change in benefit obligation:				
Benefit obligation at January 1,	$ 303,077	$ 237,087	$ 63,033	$ 50,189
Service cost	5,313	4,920	1,525	1,309
Interest cost	12,660	12,728	2,579	2,482
Actuarial (gain) loss	(30,223)	34,750	(9,024)	5,218
Plan participants' contributions	-	-	190	199
Benefits paid	(10,332)	(9,329)	(1,129)	(1,160)
Plan amendments	666	-	-	(392)
Acquisition	-	23,652	-	5,188
Settlements	-	(731)	-	-
Benefit obligation at December 31,	281,161	303,077	57,174	63,033
Change in plan assets:				
Fair value of plan assets at January 1,	190,084	148,912	34,054	28,131
Actual return on plan assets	36,517	17,153	5,800	2,019
Employer contributions	16,078	15,256	1,913	1,905
Benefits paid	(10,332)	(9,329)	(927)	(941)
Acquisition	-	18,823	-	2,940
Settlements	-	(731)	-	-
Fair value of plan assets at December 31,	232,347	190,084	40,840	34,054
Funded status of plan:				
Net amount recognized at December 31,	$ 48,814	$ 112,993	$ 16,334	$ 28,979

The Company's pension plans had an accumulated benefit obligation of $246,843 and $267,400 at December 31, 2013 and 2012, respectively. The following table provides the net liability recognized on the consolidated balance sheets at December 31,:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Current liability	$ 366	$ 222	$ -	$ -
Noncurrent liability	48,448	112,771	16,334	28,979
Net liability recognized	$ 48,814	$ 112,993	$ 16,334	$ 28,979

(In thousands of dollars, except per share amounts)

At December 31, 2013 and 2012, the Company's pension plans had benefit obligations in excess of its plan assets. The following tables provide the projected benefit obligation, the accumulated benefit obligation and fair market value of the plan assets as of December 31,:

	Projected Benefit Obligation Exceeds the Fair Value of Plan Assets	
	2013	2012
Projected benefit obligation	$ 281,161	$ 303,077
Fair value of plan assets	232,347	190,084

	Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets	
	2013	2012
Accumulated benefit obligation	$ 246,843	$ 267,400
Fair value of plan assets	232,347	190,084

(In thousands of dollars, except per share amounts)

The following table provides the components of net periodic benefit costs for the years ended December 31,:

	Pension Benefits			Other Post-retirement Benefits		
	2013	2012	2011	2013	2012	2011
Service cost	$ 5,313	$ 4,920	$ 4,127	$ 1,525	$ 1,309	$ 1,092
Interest cost	12,660	12,728	12,052	2,579	2,482	2,414
Expected return on plan assets	(14,770)	(13,588)	(11,731)	(2,268)	(1,950)	(1,689)
Amortization of transition obligation	-	-	-	-	-	104
Amortization of prior service cost	228	277	253	(295)	(299)	(268)
Amortization of actuarial loss	8,169	6,568	3,578	1,479	1,024	783
Amortization of regulatory asset	-	-	-	-	69	137
Settlement loss	-	304	-	-	90	-
Capitalized costs	(4,231)	(3,696)	(3,499)	(745)	(671)	(668)
Net periodic benefit cost	$ 7,369	$ 7,513	$ 4,780	$ 2,275	$ 2,054	$ 1,905

The Company records the underfunded status of its pension and other post-retirement benefit plans on its consolidated balance sheets and records a regulatory asset for these costs that would otherwise be charged to stockholders' equity, as the Company anticipates recoverability of the costs through customer rates. The Company's pension and other post-retirement benefit plans were underfunded at December 31, 2013 and 2012. Changes in the plans' funded status will affect the assets and liabilities recorded on the balance sheet. Due to the Company's regulatory treatment, the recognition of the funded status is recorded as a regulatory asset pursuant to the FASB's accounting guidance for regulated operations.

The following table provides the amounts recognized in regulatory assets that have not been recognized as components of net periodic benefit cost as of December 31,:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Net actuarial loss	$ 46,843	$ 106,980	$ 7,280	$ 21,315
Prior service cost (credit)	1,734	1,297	(682)	(977)
Total recognized in regulatory assets	$ 48,577	$ 108,277	$ 6,598	$ 20,338

The estimated net actuarial loss, prior service cost, and transition asset for the Company's pension plans that will be amortized in 2014 from the regulatory assets into net periodic benefit cost are $2,001, $277, and $0, respectively. The estimated net actuarial loss, prior service credit, and transition obligation for the Company's other post-retirement benefit plans that will be amortized in 2014 from regulatory assets into net periodic benefit cost are $329, $295, and $0, respectively.

Accounting for pensions and other post-retirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually with assistance from the Company's actuarial consultant who provides guidance in establishing the assumptions. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other post-retirement benefit expense that the Company recognizes.

(In thousands of dollars, except per share amounts)

The significant assumptions related to the Company's benefit obligations are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Weighted Average Assumptions Used to Determine Benefit Obligations as of December 31,				
Discount rate	5.12%	4.17%	5.12%	4.17%
Rate of compensation increase	4.0-4.5%	4.0-4.5%	4.0%	4.0%
Assumed Health Care Cost Trend Rates Used to Determine Benefit Obligations as of December 31,				
Health care cost trend rate	n/a	n/a	7.5%	8.0%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	n/a	n/a	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	n/a	n/a	2019	2019

n/a – Assumption is not applicable to pension benefits.

The significant assumptions related to the Company's net periodic benefit costs are as follows:

	Pension Benefits			Other Post-retirement Benefits		
	2013	2012	2011	2013	2012	2011
Weighted Average Assumptions Used to Determine Net Periodic Benefit Costs for Years Ended December 31,						
Discount rate	4.17%	5.00%	5.75%	4.17%	5.00%	5.75%
Expected return on plan assets	7.50%	7.75%	7.8%	5.00-7.50%	5.17-7.75%	5.17-7.75%
Rate of compensation increase	4.0-4.5%	4.0-4.5%	4.0-4.5%	4.0%	4.0%	4.0%
Assumed Health Care Cost Trend Rates Used to Determine Net Periodic Benefit Costs for Years Ended December 31,						
Health care cost trend rate	n/a	n/a	n/a	8.0%	8.5%	9.0%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	n/a	n/a	n/a	5.0%	5.0%	5.0%
Year that the rate reaches the ultimate trend	n/a	n/a	n/a	2019	2019	2019

n/a – Assumption is not applicable to pension benefits.

(In thousands of dollars, except per share amounts)

Assumed health-care trend rates have a significant effect on the expense and liabilities for other post-retirement benefit plans. The health care trend rate is based on historical rates and expected market conditions. A one-percentage point change in the assumed health-care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on the health-care component of the accrued other post-retirement benefit obligation	$ 3,690	$ (3,490)
Effect on aggregate service and interest cost components of net periodic post-retirement health-care benefit cost	$ 308	$ (285)

The Company's discount rate assumption was determined by selecting a hypothetical portfolio of high quality corporate bonds appropriate to provide for the projected benefit payments of the plan. The selected bond portfolio was derived from a universe of Aa-graded corporate bonds, all of which were noncallable (or callable with make-whole provisions), and have at least $50,000 in outstanding value. The discount rate was then developed as the single rate that equates the market value of the bonds purchased to the discounted value of the plan's benefit payments. The Company's pension expense and liability (benefit obligations) increases as the discount rate is reduced. A 25 basis-point reduction in this assumption would have increased 2013 pension expense by $898 and the pension liabilities by $10,270.

The Company's expected return on assets is determined by evaluating the asset class return expectations with its advisors as well as actual, long-term, historical results of our asset returns. The Company's market related value of plan assets is equal to the fair value of the plan assets as of the last day of its fiscal year, and is a determinant for the expected return on assets which is a component of net pension expense. The Company's pension expense increases as the expected return on assets decreases. A 25 basis-point reduction in this assumption would have increased 2013 pension expense by $492. For 2013, the Company used a 7.50% expected return on assets assumption which will remain unchanged for 2014. The Company believes its actual long-term asset allocation on average will approximate the targeted allocation. The Company's investment strategy is to earn a reasonable rate of return while maintaining risk at acceptable levels through the diversification of investments across and within various asset categories. Investment returns are compared to benchmarks that include the S&P 500 Index, the Barclays Capital Intermediate Government/Credit Index, and a combination of the two indices. The Pension Committee meets semi-annually to review plan investments and management monitors investment performance quarterly through a performance report prepared by an external consulting firm.

The Company's pension plan asset allocation and the target allocation by asset class are as follows:

		Percentage of Plan Assets at December 31,	
	Target Allocation	2013	2012
Asset Class:			
Domestic equities	25 to 75%	65%	55%
International equities	0 to 10%	7%	8%
Fixed income	25 to 50%	24%	22%
Alternative investments	0 to 5%	1%	2%
Cash and cash equivalents	0 to 20%	3%	13%
Total	100%	100%	100%

(In thousands of dollars, except per share amounts)

The fair value of the Company's pension plans' assets at December 31, 2013 by asset class are as follows:

Asset Class:	Total	Level 1	Level 2	Level 3
Domestic equities (1)				
Common stocks	$ 149,456	$ 149,456	$ -	$ -
Mutual funds	2,215	2,215	-	-
International equities (2)	16,256	16,256	-	-
Fixed income (3)				
U.S. Treasury and government agency bonds	24,750	-	24,750	-
Corporate and foreign bonds	6,459	-	6,459	-
Mutual funds	24,640	24,640	-	-
Alternative investments (4)				
Real estate	1,950	1,950	-	-
Commodity funds	1,291	1,291	-	-
Cash and cash equivalents (5)	5,330	-	5,330	-
Total pension assets	$ 232,347	$ 195,808	$ 36,539	$ -

The fair value of the Company's pension plans' assets at December 31, 2012 by asset class are as follows:

Asset Class:	Total	Level 1	Level 2	Level 3
Domestic equities (1)				
Common stocks	$ 105,381	$ 105,381	$ -	$ -
International equities (2)	14,531	14,531	-	-
Fixed income (3)				
U.S. Treasury and government agency bonds	12,156	-	12,156	-
Corporate and foreign bonds	5,975	-	5,975	-
Mutual funds	23,226	23,226	-	-
Alternative investments (4)				
Real estate	2,890	2,890	-	-
Commodity funds	1,700	1,700	-	-
Cash and cash equivalents (5)	24,225	-	24,225	-
Total pension assets	$ 190,084	$ 147,728	$ 42,356	$ -

(1) Investments in common stocks are valued using unadjusted quoted prices obtained from active markets. Investments in mutual funds, which invest in common stocks, are valued using the net asset value per unit as obtained from quoted market prices for the mutual funds.
(2) Investments in international equities are valued using unadjusted quoted prices obtained from active markets.
(3) Investments in U.S. Treasury and government agency bonds and corporate and foreign bonds are valued by a pricing service which utilizes pricing models that incorporate available trade, bid, and other market information to value the fixed income securities. Investments in mutual funds, which invest in bonds, are valued using the net asset value per unit as obtained from quoted market prices in active markets for the mutual fund.
(4) Investments in real estate are comprised of investments in real estate funds and real estate investment trusts and are valued using unadjusted quoted prices obtained from active markets. Investments in commodity funds are valued using unadjusted quoted prices obtained from active markets.

(In thousands of dollars, except per share amounts)

(5) Cash is comprised of money market funds, which are valued utilizing the net asset value per unit based on the fair value of the underlying assets as determined by the fund's investment managers.

Equity securities include Aqua America, Inc. common stock in the amounts of $14,983 or 6.5% and $12,596 or 6.6% of total pension plans' assets as of December 31, 2013 and 2012, respectively.

The asset allocation for the Company's other post-retirement benefit plans and the target allocation by asset class are as follows:

		Percentage of Plan Assets at December 31,	
	Target Allocation	2013	2012
Asset Class:			
Domestic equities	25 to 75%	58%	40%
International equities	0 to 10%	5%	6%
Fixed income	25 to 50%	24%	26%
Alternative investments	0 to 5%	1%	1%
Cash and cash equivalents	0 to 20%	12%	27%
Total	100%	100%	100%

The fair value of the Company's other post-retirement benefit plans' assets at December 31, 2013 by asset class are as follows:

Asset Class:	Total	Level 1	Level 2	Level 3
Domestic equities (1)				
Common stocks	$ 12,811	$ 12,811	$ -	$ -
Mutual funds	10,977	10,977	-	-
International equities (2)	2,061	2,061	-	-
Fixed income (3)				
U.S. Treasury and government agency bonds	4,679	-	4,679	-
Corporate and foreign bonds	3,933	-	3,933	-
Mutual funds	1,393	1,393	-	-
Alternative investments (4)	162	162	-	-
Cash and cash equivalents (5)	4,824	-	4,824	-
Total other post-retirement assets	$ 40,840	$ 27,404	$ 13,436	$ -

(In thousands of dollars, except per share amounts)

The fair value of the Company's other post-retirement benefit plans' assets at December 31, 2012 by asset class are as follows:

Asset Class:	Total	Level 1	Level 2	Level 3
Domestic equities (1)				
Common stocks	$ 8,219	$ 8,219	$ -	$ -
Mutual funds	5,378	5,378	-	-
International equities (2)	1,895	1,895	-	-
Fixed income (3)				
U.S. Treasury and government agency bonds	4,751	-	4,751	-
Corporate and foreign bonds	2,735	-	2,735	-
Mutual funds	1,398	1,398	-	-
Alternative investments (4)	143	143	-	-
Cash and cash equivalents (5)	9,535	-	9,535	-
Total other post-retirement assets	$ 34,054	$ 17,033	$ 17,021	$ -

(1) Investments in common stocks are valued using unadjusted quoted prices obtained from active markets. Investments in mutual funds, which invest in common stocks, are valued using the net asset value per unit as obtained from quoted market prices for the mutual funds.
(2) Investments in international equities are valued using unadjusted quoted prices obtained from active markets.
(3) Investments in U.S. Treasury and government agency bonds and corporate and foreign bonds are valued by a pricing service which utilizes pricing models that incorporate available trade, bid, and other market information to value the fixed income securities. Investments in mutual funds, which invest in bonds, are valued using the net asset value per unit as obtained from quoted market prices in active markets for the mutual fund.
(4) Investments in alternative investments are comprised of investments in real estate funds and real estate investment trusts and are valued using unadjusted quoted prices obtained from active markets.
(5) Cash is comprised of money market funds, which are valued utilizing the net asset value per unit based on the fair value of the underlying assets as determined by the fund's investment managers.

Funding requirements for qualified defined benefit pension plans are determined by government regulations and not by accounting pronouncements. In accordance with funding rules and the Company's funding policy, during 2014 our pension contribution is expected to be approximately $17,875. The Company's funding of its PBOP cost during 2014 is expected to approximate $2,763.

The Company has 401(k) savings plans that cover substantially all employees. The Company makes matching contributions that are initially invested in Aqua America, Inc. common stock based on a percentage of an employee's contribution, subject to specific limitations. Participants may diversify their Company matching account balances into other investments offered under the 401(k) savings plans. The Company's matching contribution and annual profit-sharing contribution, recorded as compensation expense, was $2,790, $2,741, and $2,496, for the years ended December 31, 2013, 2012, and 2011, respectively.

Note 16 – Water and Wastewater Rates

In August 2013, the Company's operating subsidiary in North Carolina filed an application with the North Carolina Utilities Commission designed to increase water and wastewater rates by $8,611, or 19.2%, on an annual basis. The amount of the final rate aware that might be granted by the North Carolina Utilities Commission can vary significantly from the amount requested. The Company anticipates a final order to be issued by May 2014.

On June 7, 2012, the Pennsylvania Public Utility Commission granted Aqua Pennsylvania a water rate increase designed to increase total operating revenues by $16,700, on an annualized basis. The rates in effect at the time of the filing included $27,449 in Distribution System Improvement Charges ("DSIC") or 7.5% above prior base rates. Consequently, the total base rates increased by $44,149 since the last base rate increase and the DSIC was reset to zero. In addition, the rate case settlement provides for flow-through accounting treatment of qualifying income tax benefits if the Company changes its tax accounting method to permit the expensing of qualifying utility asset improvement costs that were previously being capitalized and depreciated for tax purposes. In December 2012, Aqua Pennsylvania implemented the Repair Change which resulted in the net recognition of 2012 income tax benefits of $33,565 which reduced the Company's Federal and state income tax expense as it was flowed-through to net income in the fourth quarter of 2012. In addition, the Company recognized a tax deduction on its 2012 Federal tax return of $380,000 for qualifying capital expenditures made prior to 2012, and, based on the settlement agreement, in 2013, the Company began to amortize 1/10th of the catch-up adjustment. In accordance with the settlement agreement, the amortization is expected to reduce income tax expense during periods when qualifying parameters are met. During 2013, the Company amortized its catch-up adjustment and recognized $15,766 of deferred income tax benefits, which reduced income tax expense and increased the Company's net income. As a result of the Repair Change, the fourth quarter 2012 DSIC of 2.82% for Aqua Pennsylvania's water customers was reset to zero beginning January 1, 2013, and Aqua Pennsylvania did not file a water base rate case or a DSIC in 2013.

In February 2012, two of the Company's operating subsidiaries in Texas began to bill interim rates in accordance with authorization from the Texas Commission on Environmental Quality ("TCEQ"). The additional revenue billed and collected prior to the TCEQ's final ruling was subject to refund based on the outcome of the rate case. The rate case concluded with the issuance of an order on June 3, 2013, and no refunds of revenue previously billed and collected were required.

The Company's operating subsidiaries, excluding the 2012 Pennsylvania water award discussed above, were allowed annual rate increases of $9,431 in 2013, $17,923 in 2012, and $6,311 in 2011, represented by six, nine, and twelve rate decisions, respectively. Revenues from these increases realized in the year of grant were approximately $8,169, $13,754, and $3,312 in 2013, 2012, and 2011, respectively.

Five states in which the Company operates permit water utilities, and in three states wastewater utilities, to add a surcharge to their water or wastewater bills to offset the additional depreciation and capital costs related to infrastructure system replacement and rehabilitation projects completed and placed into service between base rate filings. Currently, Pennsylvania, Illinois, Ohio, New Jersey, and Indiana allow for the use of infrastructure rehabilitation surcharges, and in 2013, North Carolina legislators passed a law allowing for an infrastructure rehabilitation surcharge for regulated water and wastewater utilities; as a result, the Company's operating subsidiary in North Carolina has filed a request to implement an infrastructure rehabilitation surcharge for 2014, which is subject to approval by the North Carolina Utilities Commission. These surcharge mechanisms typically adjust periodically based on additional qualified capital expenditures completed or anticipated in a future period. The infrastructure rehabilitation surcharge is capped as a percentage of base rates, generally at 5% to 12.75% of base rates, and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. In 2013, the infrastructure rehabilitation surcharge was suspended for Aqua Pennsylvania's water customers as a result of the implementation of the repair tax accounting change. Infrastructure rehabilitation surcharges provided revenues in 2013, 2012, and 2011 of $3,205, $15,911, and $15,937, respectively.

(In thousands of dollars, except per share amounts)

Note 17 – Segment Information

The Company has ten operating segments and one reportable segment. The Regulated segment, the Company's single reportable segment, is comprised of eight operating segments representing our water and wastewater regulated utility companies which are organized by the states where we provide water and wastewater services. These operating segments are aggregated into one reportable segment since each of these operating segments has the following similarities: economic characteristics, nature of services, production processes, customers, water distribution or wastewater collection methods, and the nature of the regulatory environment.

Two operating segments are included within the other category below. These segments are not quantitatively significant and are comprised of the Company's businesses that provide water and wastewater services through operating and maintenance contracts with municipal authorities and other parties in close proximity to our utility companies' service territories as well as offers, through a third party, water and sewer line repair service and protection solutions to households, liquid waste hauling and disposal, backflow prevention, construction, and other non-regulated water and wastewater services, and non-utility raw water supply services for firms, with which we enter into a water supply contract, in the natural gas drilling industry. In addition to these segments, other is comprised of other business activities not included in the reportable segment, including corporate costs that have not been allocated to the Regulated segment and intersegment eliminations. Corporate costs include general and administrative expenses, and interest expense.

The following table presents information about the Company's reportable segment:

	2013			2012		
	Regulated	Other and Eliminations	Consolidated	Regulated	Other and Eliminations	Consolidated
Operating revenues	$ 751,277	$ 17,366	$ 768,643	$ 740,030	$ 17,730	$ 757,760
Operations and maintenance expense	272,758	12,582	285,340	259,847	11,996	271,843
Depreciation	119,436	(178)	119,258	113,139	(1,372)	111,767
Operating income	302,961	2,281	305,242	316,602	4,915	321,517
Interest expense, net of AFUDC	69,103	5,939	75,042	67,433	6,182	73,615
Income tax (benefit)	25,578	(2,888)	22,690	66,821	60	66,881
Income (loss) from continuing operations	208,481	(3,488)	204,993	182,769	1,318	184,087
Capital expenditures	307,295	876	308,171	346,676	1,309	347,985
Total assets	4,897,752	154,065	5,051,817	4,566,327	292,190	4,858,517
Goodwill	24,102	4,121	28,223	24,031	4,121	28,152

	2011		
	Regulated	Other and Eliminations	Consolidated
Operating revenues	$ 674,927	$ 12,364	$ 687,291
Operations and maintenance expense	243,137	13,606	256,743
Depreciation	104,681	(1,269)	103,412
Operating income (loss)	282,587	(1,788)	280,799
Interest expense, net of AFUDC	64,990	5,664	70,654
Income tax (benefit)	72,336	(3,225)	69,111
Income (loss) from continuing operations	145,493	(3,810)	141,683
Capital expenditures	324,433	1,375	325,808
Total assets	4,183,758	164,662	4,348,420
Goodwill	22,823	4,121	26,944

Selected Quarterly Financial Data (Unaudited)
Aqua America, Inc. and Subsidiaries
(In thousands of dollars, except per share amounts)

2013	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Operating revenues	$ 180,035	$ 195,655	$ 204,345	$ 188,608	$ 768,643
Operations and maintenance expense	68,311	70,858	72,065	74,106	285,340
Operating income	67,561	80,665	87,380	69,636	305,242
Income from continuing operations	41,231	53,548	63,484	46,730	204,993
Income from discontinuing operations	5,334	38	133	10,802	16,307
Net income attributable to common shareholders	46,565	53,586	63,617	57,532	221,300
Basic income from continuing operations per common share	0.24	0.30	0.36	0.26	1.16
Diluted income from continuing operations per common share	0.23	0.30	0.36	0.26	1.16
Basic income from discontinued operations per common share	0.03	0.00	0.00	0.06	0.09
Diluted income from discontinued operations per common share	0.03	0.00	0.00	0.06	0.09
Basic net income per common share	0.27	0.30	0.36	0.33	1.26
Diluted net income per common share	0.26	0.30	0.36	0.32	1.25
Dividend paid per common share	0.140	0.140	0.152	0.152	0.584
Dividend declared per common share	0.140	0.292	-	0.152	0.584
Price range of common stock					
- high	25.17	26.62	28.12	25.78	28.12
- low	20.61	23.52	24.01	22.69	20.61

2012	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Operating revenues	$ 164,024	$ 191,690	$ 214,565	$ 187,481	$ 757,760
Operations and maintenance expense	64,825	63,571	71,268	72,179	271,843
Operating income	61,839	87,032	100,535	72,111	321,517
Income from continuing operations	26,889	41,780	50,284	65,134	184,087
Income/(loss) from discontinuing operations	11,015	(335)	375	1,421	12,476
Net income attributable to common shareholders	37,904	41,445	50,659	66,555	196,563
Basic income from continuing operations per common share	0.16	0.24	0.29	0.37	1.06
Diluted income from continuing operations per common share	0.15	0.24	0.29	0.37	1.05
Basic income from discontinued operations per common share	0.06	0.00	0.00	0.01	0.07
Diluted income from discontinued operations per common share	0.06	0.00	0.00	0.01	0 07
Basic net income per common share	0.22	0.24	0.29	0.38	1.13
Diluted net income per common share	0.22	0.24	0.29	0.38	1.12
Dividend paid per common share	0.132	0.132	0.132	0.140	0.536
Dividend declared per common share	0.132	0.132	0.272	-	0.536
Price range of common stock					
- high	18.20	20.14	21.54	20.75	21.54
- low	16.85	17.22	19.25	19.32	16.85

All per share data presented above has been adjusted for the 2013 5-for-4 common stock split effected in the form of a 25% stock distribution.

High and low prices of the Company's common stock are as reported on the New York Stock Exchange Composite Tape. The cash dividend paid in September 2013 of $0.152 was declared in May 2013, and the cash dividend paid in December 2012 of $0.140 was declared in August 2012.

Summary of Selected Financial Data (Unaudited)
Aqua America, Inc. and Subsidiaries
(In thousands of dollars, except per share amounts)

Years ended December 31,	2013	2012	2011	2010	2009
PER COMMON SHARE:					
Income from continuing operations					
Basic	$ 1.16	$ 1.06	$ 0.82	$ 0.68	$ 0.58
Diluted	1.16	1.05	0.82	0.68	0.58
Income from discontinuing operations					
Basic	0.09	0.07	0.01	0.04	0.03
Diluted	0.09	0.07	0.01	0.04	0.03
Net income					
Basic	1.26	1.13	0.83	0.72	0.61
Diluted	1.25	1.12	0.83	0.72	0.61
Cash dividends declared and paid	0.58	0.54	0.50	0.47	0.44
Return on Aqua America stockholders' equity	14.4%	14.2%	11.4%	10.6%	9.4%
Book value at year end	$ 8.68	$ 7.91	$ 7.21	$ 6.82	$ 6.50
Market value at year end	23.59	20.34	17.64	17.98	14.01
INCOME STATEMENT HIGHLIGHTS:					
Operating revenues	$ 768,643	$ 757,760	$ 687,291	$ 660,186	$ 609,897
Depreciation and amortization	124,793	116,996	108,300	111,716	107,118
Interest expense, net (1)	77,316	77,757	77,804	73,393	66,345
Income from continuing operations before income taxes	227,683	250,968	210,794	191,319	162,066
Provision for income taxes	22,690	66,881	69,111	74,940	63,626
Income from continuing operations	204,993	184,087	141,683	116,379	98,440
Income from discontinued operations	16,307	12,476	1,386	7,596	5,913
Net income attributable to common shareholders	221,300	196,563	143,069	123,975	104,353
BALANCE SHEET HIGHLIGHTS:					
Total assets	$ 5,051,817	$ 4,858,517	$ 4,348,420	$ 4,072,466	$ 3,749,862
Property, plant and equipment, net	4,167,293	3,936,163	3,530,942	3,276,517	3,032,916
Aqua America stockholders' equity	1,534,835	1,385,704	1,251,313	1,174,254	1,108,904
Long-term debt, including current portion	1,554,871	1,588,992	1,475,886	1,519,457	1,404,930
Total debt	1,591,611	1,669,375	1,583,657	1,609,125	1,432,361
ADDITIONAL INFORMATION:					
Operating cash flows from continuing operations	$ 366,720	$ 377,485	$ 352,041	$ 244,717	$ 244,318
Capital additions	308,171	347,985	325,808	308,134	266,190
Net cash expended for acquisitions of utility systems and other	14,997	121,248	8,515	8,625	3,373
Dividends on common stock	102,889	93,423	87,133	80,907	74,729
Number of utility customers served (2)	941,008	968,357	966,136	962,970	953,437
Number of shareholders of common stock	25,833	26,216	26,744	27,274	27,984
Common shares outstanding (000)	176,751	175,209	173,519	172,219	170,607
Employees (full-time) (2)	1,553	1,619	1,615	1,632	1,632

All per share data presented above has been adjusted for the 2013 5-for-4 common stock split effected in the form of a 25% stock distribution.

(1) Net of allowance for funds used during construction and interest income.

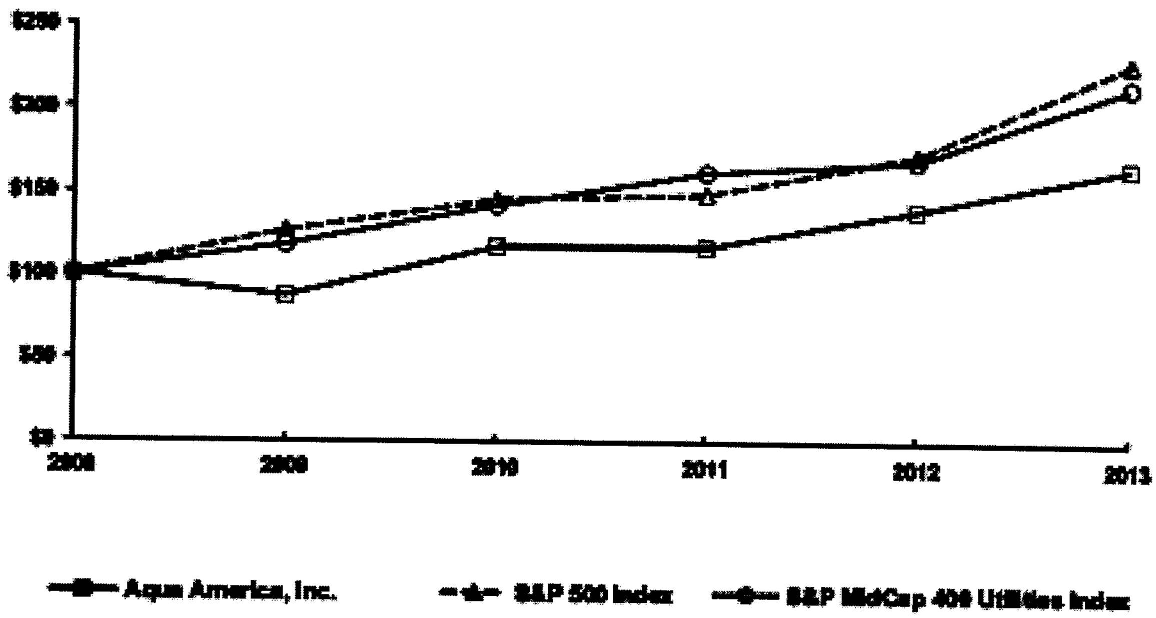
(2) Includes continuing and discontinued operations.

Stock Price Performance

The graph below matches the cumulative 5-Year total return to shareholders of Aqua America, Inc.'s common stock with the cumulative total returns of the S&P 500 Index and the S&P MidCap 400 Utilities Index, a customized peer group of seventeen companies that includes: Alliant Energy Corp., Aqua America Inc., Atmos Energy Corp., Black Hills Corp., Cleco Corp., Great Plains Energy Inc., Hawaiian Electric Industries Inc., Idacorp Inc., MDU Resources Group Inc., National Fuel Gas Company, OGE Energy Corp., PNM Resources Inc., Questar Corp., UGI Corp., Vectren Corp., Westar Energy Inc. and WGL Holdings Inc. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was $100 on 12/31/2008 and tracks it through 12/31/2013.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL SHAREHOLDER RETURN*

Among Aqua America, Inc., the S&P 500 Index, and S&P MidCap 400 Utilities Index



*$100 invested on 12/31/08 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	Years as of December 31,					
	2008	2009	2010	2011	2012	2013
Aqua America, Inc.	100.00	87.77	116.28	117.29	139.10	165.20
S&P 500 Index	100.00	126.46	145.51	148.59	172.37	228.19
S&P MidCap 400 Utilities Index	100.00	118.01	141.79	162.03	168.86	213.17
The stock price performance included in this graph is not necessarily indicative of future stock price performance.						

Financial Reports and Investor Relations
Copies of the company's public financial reports, including annual reports and Forms 10-K and 10-Q, are available online and can be downloaded from the Investor Relations section of our Website at www.aquaamerica.com. You may also obtain these reports by writing to us at:

Investor Relations Department
Aqua America, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489

Corporate Governance
We are committed to maintaining high standards of corporate governance and are in compliance with the corporate governance rules of the Securities and Exchange Commission (SEC) and the New York Stock Exchange. Copies of our key corporate governance documents, including our Corporate Governance Guidelines, Code of Ethical Business Conduct, and the charters of each committee of our Board of Directors can be obtained from the corporate governance portion of the Investor Relations section of our Website, www.aquaamerica.com. Amendments to the Code, and in the event of any grant of waiver from a provision of the Code requiring disclosure under applicable SEC rules will be disclosed on our Website.

Annual Meeting
8:30 a.m. Eastern Daylight Time
Wednesday, May 7, 2014
Drexelbrook Banquet Facility and Corporate Center
4700 Drexelbrook Drive
Drexel Hill, PA 19026

Transfer Agent and Registrar
Computershare Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078
800.205.8314 or 781.575.3100
www.computershare.com

Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP
Two Commerce Square
Suite 1700
2001 Market Street
Philadelphia, PA 19103-7042

Stock Exchange
The Common Stock of the company is listed on the New York Stock Exchange and under the ticker symbol **WTR**.

Dividend Reinvestment and Direct Stock Purchase Plan
The company's Dividend Reinvestment and Direct Stock Purchase Plan ("Plan") enables shareholders to reinvest all, or a designated portion of, dividends paid on up to 100,000 shares of Common Stock in additional shares of Common Stock at a 5 percent discount from a price based on the market value of the stock. In addition, shareholders may purchase additional shares of Aqua America Common Stock at any time with a minimum investment of $50, up to a maximum of $250,000 annually. Individuals may become shareholders by making an initial investment of at least $500. A Plan prospectus may be obtained by calling Computershare Trust Company at 800.205.8314 or by visiting www.computershare.com/investor. Please read the prospectus carefully before you invest.

IRA, Roth IRA, Education IRA
An IRA, Roth IRA or Coverdell Education Savings Account may be opened through the Plan to hold shares of Common Stock of the company and to make contributions to the IRA to purchase shares of Common Stock. Participants in the Plan may roll over an existing IRA or other qualified plan distribution in cash into an IRA under the Plan to purchase the company's Common Stock. Participants may also transfer the company's Common Stock from an existing IRA into an IRA under the Plan. A prospectus, IRA forms and a disclosure statement may be obtained by calling Computershare Trust Company at 800.597.7736. Please read the prospectus carefully before you invest.

Direct Deposit
With direct deposit, Aqua America cash dividends are deposited automatically on the dividend payment date of each quarter. Shareholders will receive confirmation of their deposit in the mail. Shareholders interested in direct deposit should call the company's transfer agent at 800.205.8314.

Delivery of Voting Materials to Shareholders Sharing an Address
The SEC's rules permit the Company to deliver a Notice of Internet Availability of Proxy Materials or a single set of proxy materials to one address shared by two or more of the Company's shareholders. This is intended to reduce the printing and postage expense of delivering duplicate voting materials to our shareholders who have more than one Aqua America stock account. A separate Notice of Internet Availability or proxy card is included for each of these shareholders. If you received a Notice of Internet Availability you will not receive a printed copy of the proxy materials unless you request it by following the instructions in the notice for requesting printed proxy materials.

How to Obtain a Separate Set of Voting Materials
If you are a registered shareholder who shares an address with another registered shareholder and have received only one Notice of Internet Availability of Proxy Materials or set of proxy materials and wish to receive a separate copy for each shareholder in your household for the 2014 annual meeting, you may write or call us to request a separate copy of this material at no cost to you at Attn: Investor Relations, Aqua America, Inc., 762 W. Lancaster Avenue, Bryn Mawr, PA, 19010 or 610.645.1196. For future annual meetings, you may request separate voting material by calling Broadridge at 800.542.1061, or by writing to Broadridge Financial Solutions, Inc., Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

Account Access
Aqua America shareholders may access their account by visiting www.computershare.com/investor. Shareholders may view their account, purchase additional shares, and make changes to their account. To learn more, visit www.computershare.com/investor or call 800.205.8314.

Dividends
Aqua America has paid dividends for 69 consecutive years. The normal Common Stock dividend dates for 2014 and the first six months of 2015 are:

Declaration Date	Ex-Dividend Date	Record Date	Payment Date
February 3, 2014	February 13, 2014	February 18, 2014	March 1, 2014
May 1, 2014	May 14, 2014	May 16, 2014	June 1, 2014
August 1, 2014	August 13, 2014	August 15, 2014	September 1, 2014
November 3, 2014	November 12, 2014	November 14, 2014	December 1, 2014
February 2, 2015	February 11, 2015	February 13, 2015	March 1, 2015
May 1, 2015	May 13, 2015	May 15, 2015	June 1, 2015

To be an owner of record, and therefore eligible to receive the quarterly dividend, shares must have been purchased before the ex-dividend date. Owners of any share(s) on or after the ex-dividend date will not receive the dividend for that quarter. The previous owner—the owner of record—will receive the dividend.

Only the Board of Directors may declare dividends and set record dates. Therefore, the payment of dividends and these dates may change at the discretion of the Board.

Dividends paid on the company's Common Stock are subject to Federal and State income tax.

Lost Dividend Checks and Stock Certificates
Dividend checks lost by shareholders, or those that might be lost in the mail, will be replaced upon notification of the lost or missing check. All inquiries concerning lost or missing dividend checks should be made to the company's transfer agent, Computershare, at 800.205.8314. Shareholders should call or write Computershare to report a lost certificate. Appropriate documentation will be prepared and sent to the shareholder with instructions.

Safekeeping of Stock Certificates
Under the Direct Stock Purchase Plan, shareholders may have their stock certificates deposited with the transfer agent for safekeeping free of charge. Stock certificates and written instructions should be forwarded to: Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078.

Corporate Information

Board of Directors

Nicholas DeBenedictis
Chairman, President and Chief Executive Officer
Aqua America, Inc.
Director since 1992

Michael L. Browne
President and Chief Operating Officer
Harleysville Insurance
Director since 2013

Mary C. Carroll
Non-profit Advisor and Civic Volunteer
Director since 1981

Richard H. Glanton
Chairman
Philadelphia Television Network
Director since 1995

Lon R. Greenberg
Chairman
UGI Corporation
Director since 2005

William P. Hankowsky
Chairman, President and Chief Executive Officer
Liberty Property Trust
Director since 2004

Wendell F. Holland, Esq.
Partner
CFSD Group, LLC
Director since 2011

Mario Mele
President
Fidelio Insurance Company and Dental Delivery Systems, Inc.
Director since 2009

Ellen T. Ruff
Partner
McGuireWoods LLP
Director since 2006

Andrew J. Sordoni, III
Chairman
Sordoni Construction Services, Inc.
Director since 2006

Officers

Nicholas DeBenedictis
Chairman, President and Chief Executive Officer

Christopher H. Franklin
Executive Vice President
President and Chief Operating Officer, Regulated Operations

Karl M. Kyriss
Executive Vice President
President, Aqua Capital Ventures

Christopher P. Luning
Senior Vice President, General Counsel and Secretary

William C. Ross
Senior Vice President, Engineering and Environmental Affairs

Robert A. Rubin
Senior Vice President
Controller and Chief Accounting Officer

David P. Smeltzer
Executive Vice President
Chief Financial Officer

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AQUA

Aqua America, Inc.
762 W. Lancaster Avenue
Bryn Mawr, Pennsylvania 19010
877.987.2782
AquaAmerica.com
NYSE: WTR

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C013980

AQUA TEXAS, INC.
Unanimous Consent of Directors
November 14, 2013

THE UNDERSIGNED, constituting all of the members of the Board of Directors of Aqua Texas, Inc. (the "Aqua Texas"), a Texas corporation, in accordance with the authority contained in the Bylaws of Aqua Texas and the laws of the State of Texas, do hereby consent in writing that the following Resolutions shall have the same force and effect as if adopted at a Special Meeting of the Board of Directors of Aqua Texas, duly called and held in accordance with the law and the Bylaws of Aqua Texas:

WHEREAS, Aqua Texas entered into a Plan and Agreement of Transfer, dated April 29, 2010 ("2010 Agreement"), by which it obtained certain used or useful water and wastewater utility assets in the State of Texas from Aqua Utilities, Inc. ("Aqua Utilities");

WHEREAS, after entering into the 2010 Agreement, Aqua Utilities entered into a separate agreement to purchase the used or useful water and wastewater assets of Gray Utility Service, LLC ("Gray") and, consequently, the assets acquired from Gray were not included in the assets transferred pursuant to the 2010 Agreement;

WHEREAS, Aqua Utilities now desires to transfer to Aqua Texas, and Aqua Texas desires to acquire from Aqua Utilities, all of the assets acquired from Gray that are used or useful in the provision of water service ("Water Service Business") within the State of Texas (the "Water Service Territory");

WHEREAS, Aqua Utilities now desires to transfer to Aqua Texas, and Aqua Texas desires to acquire from Aqua Utilities, all of the assets acquired from Gray that are used or useful in the provision of wastewater service ("Wastewater Business") within the State of Texas (the "Wastewater Service Territory"); and

WHEREAS, Aqua Texas is agreeing to assume sole and complete responsibility for the provision of water and wastewater utility services associated with the use of the Assets;

NOW, THEREFORE, BE IT

RESOLVED, the Plan and Agreement of Asset Transfer between Aqua Utilities and Aqua Texas, which is attached hereto as Exhibit A as a "Plan of Reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and the regulations there under, is approved and Aqua Texas is authorized to take such action that will cause the transfer to qualify as a reorganization under Section 368(a)(1)(A) of the Code; and it is

FURTHER RESOLVED, that the Officers Aqua Texas are hereby authorized and empowered to do all things necessary to carry out the actions authorized by these

Resolutions including, but not limited to, the execution of all necessary and required documents including, without limitation, the execution of the Plan and Agreement of Asset Transfer and a Bill of Sale.

IN WITNESS WHEREOF, this Unanimous Consent of the Directors has been executed as of the day and year set forth above.

AQUA TEXAS, INC.

By:____________________________
Nicholas DeBenedictis, Chairman

By:____________________________
Christopher H. Franklin

By:____________________________
Christopher P. Luning

By:____________________________
David P. Smeltzer

By: R. L. Laughman
Robert L. Laughman

FILED with the undersigned as Secretary of Aqua Texas, Inc. as of the day and year set forth above.

Maria Gordiany
Maria Gordiany, Secretary

EXHIBIT 'A'

Utilities.

2. Aqua Texas hereby agrees to acquire from Aqua Utilities all of the assets which are used and useful in Water Service Business within the Water Service Territory, to assume all liabilities incurred in connection with such Water Service Business and to fully perform all of the obligations of Aqua Utilities related to the Water Service Business.

3. In consideration of Aqua Texas' assuming all of Aqua Utilities' liabilities incurred in connection with the Wastewater Service Business and its agreement to fully perform all of the obligations of Aqua Utilities related to the Wastewater Service Business, Aqua Utilities will grant, convey, assign, transfer and deliver to Aqua Texas all of the assets (whether real or personal, tangible or intangible) which are located within the State of Texas and which are used or useful in the Wastewater Service Business, as further described in a Bill of Sale, an Assignment and Assumption Agreement and quitclaim deeds to be executed by Aqua Utilities.

4. Aqua Texas hereby agrees to acquire from Aqua Utilities all of the assets that are used and useful in the Wastewater Service Business within the Wastewater Service Territory, to assume all liabilities incurred in connection with such Wastewater Service Business and to fully perform all of the obligations of Aqua Utilities related to the Wastewater Service Business.

5. Each party shall execute and deliver, upon request, any further documentation and instruments, including but not limited to the Bill of Sale, Assignment and Assumption Agreement and the quitclaim deeds ("Closing Documents"), and shall do and perform any such acts, as may be reasonably necessary to give full effect to the intent of this Plan of Transfer.

6. This transaction shall be effective upon the date of its execution, but shall be contingent upon; 1) final approval of transactions covered within this Plan of Transfer by the Texas Commission on Environmental Quality; and 2) the approval of the Board of Directors of both Parties to this Plan of Transfer; and 3) the consent of the Sole Shareholder of both Parties to this Plan of Transfer.

7. The transactions necessary to execute this Plan of Transfer shall not become effective until after: (I) the. Texas Commission on Environmental Quality ("TCEQ") provides approval to complete the transactions in accordance with TEX. WATER CODE §13.301; and (2) the Closing documents are formally executed. The effective date of the transactions shall be the date the Closing Documents are finally executed, but all the transactions shall be contingent upon final TCEQ approval in accordance with TEX. WATER CODE § 13.301. Further, the effectiveness of the transactions necessary to execute this Plan of Transfer shall be contingent upon Aqua Texas' receipt of all appropriate regulatory approvals required by law and necessary to effectively transfer the Company's permits and all assets that are used and useful in the Water Service Business and Wastewater Business.

8. This Plan and Agreement of Transfer shall be governed by the laws of the State of Texas and shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

9. This Plan and Agreement of Transfer may be executed in any number of counterparts, and all such counterparts and copies shall be and constitute one original instrument.

AQUA UTILITIES, INC.

By: ______________

Name: Robert L. Laughman, President

AQUA TEXAS, INC.

By: ______________

Name: Robert L Laughman, President

documents including without limitation the Plan and Agreement of Asset Transfer and a Bill of Sale;

IN WITNESS WHEREOF, this Unanimous Consent of the Sole Shareholder has been executed as of the day and year set forth above.

AQUA AMERICA, INC.

Nicholas DeBenedictis, Chairman

FILED with the undersigned as Secretary of the Aqua Texas, Inc. as of the day and year set forth above.

Maria Gordiany, Secretary

PLAN AND AGREEMENT OF ASSET TRANSFER
between
AQUA UTILITIES, INC.
and
AQUA TEXAS, INC.
November 14, 2013

THIS Plan and Agreement of Asset Transfer ("Plan of Transfer"), dated as of the 14th day of November, 2013 is made by and between, **Aqua Utilities, Inc.**, a Texas corporation ("Aqua Utilities"), and **Aqua Texas, Inc.**, a Texas corporation ("Aqua Texas")(collectively the "Parties").

WHEREAS, both Aqua Utilities and Aqua Texas are wholly owned subsidiaries of Aqua America, Inc., ("Ultimate Parent"), a Pennsylvania Corporation;

WHEREAS, by agreement dated April 29, 2010 ("2010 Agreement") Aqua Utilities agreed to transfer all the used or useful water and wastewater assets it then held to Aqua Texas and Aqua Texas agreed to accept those assets;

WHEREAS, after entering into the 2010 Agreement Aqua Utilities entered into a separate agreement to purchase the used or useful water and wastewater assets of Gray Utility Service, LLC ("Gray") and, consequently, the assets acquired from Gray were not included in the assets transferred pursuant to the 2010 Agreement;

WHEREAS, Aqua Utilities now desires to transfer to Aqua Texas, and Aqua Texas desires to acquire from Aqua Utilities, all of the assets acquired from Gray that are used or useful in the provision of water service ("Water Service Business") within the State of Texas (the "Water Service Territory"); and

WHEREAS, Aqua Utilities now desires to transfer to Aqua Texas, and Aqua Texas desires to acquire from Aqua Utilities all of the assets acquired from Gray that are used or useful in the provision of wastewater service ("Wastewater Business") within the State of Texas (the "Wastewater Service Territory");

WHEREAS, Aqua Texas will assume all of the liabilities of both the Water Service Business and the Wastewater Business (collectively "Assumed Liabilities") in exchange for the transfer of all of Aqua Utilities' assets within the Water Service Territory and the Wastewater Service Territory;

NOW THEREFORE, in consideration of the covenants made herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto, intending to be legally bound hereby, agree as follows:

1. In consideration of Aqua Texas' assuming all of Aqua Utilities' liabilities incurred in connection with the Water Service Business and to fully perform all of the obligations of Aqua Utilities related to the Water Service Business, Aqua Utilities will grant, convey, assign, transfer and deliver to Aqua Texas all of the assets (whether real or personal, tangible or intangible) which are located within the State of Texas and which are used or useful in the Water Service Business, as further described in a Bill of Sale, Assignment and Assumption Agreement and Quitclaim Deeds to be executed by Aqua

8. This Plan and Agreement of Transfer shall be governed by the laws of the State of Texas and shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

9. This Plan and Agreement of Transfer may be executed in any number of counterparts, and all such counterparts and copies shall be and constitute one original instrument.

AQUA UTILITIES, INC.	**AQUA TEXAS, INC.**
By: R. L. Laughman	By: R. L. Laughman
Name: Robert L. Laughman, President	Name: Robert L Laughman, President

documents including, without limitation, the Plan and Agreement of Asset Transfer and a Bill of Sale;

IN WITNESS WHEREOF, this Unanimous Consent of the Sole Shareholder has been executed as of the day and year set forth above.

AQUA AMERICA, INC.

Nicholas DeBenedictis, Chairman

FILED with the undersigned as Secretary of the Aqua Utilities, Inc. as of the day and year set forth above.

Maria Gordiany

Maria Gordiany, Secretary

PLAN AND AGREEMENT OF ASSET TRANSFER
between
AQUA UTILITIES, INC.
and
AQUA TEXAS, INC.
November 14, 2013

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WHEREAS, both Aqua Utilities and Aqua Texas are wholly owned subsidiaries of Aqua America, Inc., ("Ultimate Parent"), a Pennsylvania Corporation;

WHEREAS, by agreement dated April 29, 2010 ("2010 Agreement") Aqua Utilities agreed to transfer all the used or useful water and wastewater assets it then held to Aqua Texas and Aqua Texas agreed to accept those assets;

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WHEREAS, Aqua Utilities now desires to transfer to Aqua Texas, and Aqua Texas desires to acquire from Aqua Utilities all of the assets acquired from Gray that are used or useful in the provision of wastewater service ("Wastewater Business") within the State of Texas (the "Wastewater Service Territory");

WHEREAS, Aqua Texas will assume all of the liabilities of both the Water Service Business and the Wastewater Business (collectively "Assumed Liabilities") in exchange for the transfer of all of Aqua Utilities' assets within the Water Service Territory and the Wastewater Service Territory;

NOW THEREFORE, in consideration of the covenants made herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto, intending to be legally bound hereby, agree as follows:

1. In consideration of Aqua Texas' assuming all of Aqua Utilities' liabilities incurred in connection with the Water Service Business and to fully perform all of the obligations of Aqua Utilities related to the Water Service Business, Aqua Utilities will grant, convey, assign, transfer and deliver to Aqua Texas all of the assets (whether real or personal, tangible or intangible) which are located within the State of Texas and which are used or useful in the Water Service Business, as further described in a Bill of Sale, Assignment and Assumption Agreement and Quitclaim Deeds to be executed by Aqua

8. This Plan and Agreement of Transfer shall be governed by the laws of the State of Texas and shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

9. This Plan and Agreement of Transfer may be executed in any number of counterparts, and all such counterparts and copies shall be and constitute one original instrument.

AQUA UTILITIES, INC.	**AQUA TEXAS, INC.**
By: ______________________	By: ______________________
Name: Robert L. Laughman, President	Name: Robert L Laughman, President

IN WITNESS WHEREOF, this Unanimous Consent of the Director has been executed as of the day and year set forth above.

AQUA UTILITIES, INC.

By: ______________________
Nicholas DeBenedictis, Chairman

FILED with the undersigned as Secretary of Aqua Utilities, Inc. as of the day and year set forth above.

Maria Gordiany

____
Maria Gordiany, Secretary

PLAN AND AGREEMENT OF ASSET TRANSFER
between
AQUA UTILITIES, INC.
and
AQUA TEXAS, INC.
November 14, 2013

THIS Plan and Agreement of Asset Transfer ("Plan of Transfer"), dated as of the 14th day of November, 2013 is made by and between, **Aqua Utilities, Inc.**, a Texas corporation ("Aqua Utilities"), and **Aqua Texas, Inc.**, a Texas corporation ("Aqua Texas")(collectively the "Parties").

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WHEREAS, after entering into the 2010 Agreement Aqua Utilities entered into a separate agreement to purchase the used or useful water and wastewater assets of Gray Utility Service, LLC ("Gray") and, consequently, the assets acquired from Gray were not included in the assets transferred pursuant to the 2010 Agreement;

WHEREAS, Aqua Utilities now desires to transfer to Aqua Texas, and Aqua Texas desires to acquire from Aqua Utilities, all of the assets acquired from Gray that are used or useful in the provision of water service ("Water Service Business") within the State of Texas (the "Water Service Territory"); and

WHEREAS, Aqua Utilities now desires to transfer to Aqua Texas, and Aqua Texas desires to acquire from Aqua Utilities all of the assets acquired from Gray that are used or useful in the provision of wastewater service ("Wastewater Business") within the State of Texas (the "Wastewater Service Territory");

WHEREAS, Aqua Texas will assume all of the liabilities of both the Water Service Business and the Wastewater Business (collectively "Assumed Liabilities") in exchange for the transfer of all of Aqua Utilities' assets within the Water Service Territory and the Wastewater Service Territory;

NOW THEREFORE, in consideration of the covenants made herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto, intending to be legally bound hereby, agree as follows:

1. In consideration of Aqua Texas' assuming all of Aqua Utilities' liabilities incurred in connection with the Water Service Business and to fully perform all of the obligations of Aqua Utilities related to the Water Service Business, Aqua Utilities will grant, convey, assign, transfer and deliver to Aqua Texas all of the assets (whether real or personal, tangible or intangible) which are located within the State of Texas and which are used or useful in the Water Service Business, as further described in a Bill of Sale, Assignment and Assumption Agreement and Quitclaim Deeds to be executed by Aqua

8. This Plan and Agreement of Transfer shall be governed by the laws of the State of Texas and shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

9. This Plan and Agreement of Transfer may be executed in any number of counterparts, and all such counterparts and copies shall be and constitute one original instrument.

AQUA UTILITIES, INC.	**AQUA TEXAS, INC.**
By: ______________________	By: ______________________
Name: Robert L. Laughman, President	Name: Robert L Laughman, President

WATER UTILITY TARIFF
FOR
Southeast Region - Gray

Aqua Texas, Inc. and Aqua Utilities, Inc.
dba Aqua Texas
(Utility Name)

1106 Clayton Lane, Suite 400W
(Business Address)

Austin, Texas 78723
(City, State, Zip Code)

(512) 990-4400
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

11157 and 13203

This tariff is effective in the following counties:

Chambers, Liberty and Jefferson

The following is a list of cities where Aqua Texas – Southeast Region Gray water systems provide service:

City of Old-River Winfree, and City of Beach City

The rates set or approved by the city for the systems entirely within its corporate boundary are not presented in this tariff. Those rates are not under the original jurisdiction of the TCEQ and will have to be obtained from the city or utility. This tariff applies to outside city customers of systems that provide service inside and outside of a city's corporate boundary.

This tariff is effective in the following subdivisions/service areas and for the following public water systems:

See attached Table for Southeast Region – Gray

TABLE OF CONTENTS

The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

This tariff is effective for the following systems, subdivisions, and areas:

PWS #	TCEQ System Name	SUBDIVISION/ AREA SERVED	COUNTY	RATE REGION
0360005	Gray Utility Service	Cove at Cotton Creek Creekside at Cotton Creek Cotton Creek Lanai Maley Woods The Veranda Gas Station Strip Center Commercial Development Travel Park	Chambers	SE/Gray
0360081	Leaning Oaks Water Association	Leaning Oaks Water Association	Chambers, Liberty	SE/Gray
0360084	Trinity Cove Subdivision	Trinity Cove	Chambers	SE/Gray
0360093	Carriage Trail Subdivision	Carriage Trail	Chambers	SE/Gray
0360100	Hackberry Creek Subdivision	Hackberry Creek	Chambers	SE/Gray
***0360122	Barrow Ranch	Barrow Ranch Barrow Ranch Estates Legends Bay Southwind	Chambers	SE/Gray
1230083	Sunchase Subdivision	South Fork Sunchase Estates	Jefferson	SE/Gray
1460096	Oak Meadows II Subdivision	Oak Meadows II	Liberty	SE/Gray
1460100	Oak Meadows III Subdivision	Oak Meadows III	Liberty	SE/Gray
1460137	Webb Way Subdivision	Webb Way	Liberty	SE/Gray
1460145	Towering Oaks I	Towering Oaks I Towering Oaks II Cedar Lane	Liberty	SE/Gray

***Note:** All the customers served by the Barrow Ranch water system (PWS ID 0360122) are currently located entirely within the corporate limits of the City of Beach City. Therefore, these rates are not applicable to these current customers within the city limits. If Aqua Texas has any Barrow Ranch water system customer connections in the future that are located outside the city limits of the City of Beach City, the rates shown in this tariff will apply to those connections.

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

Meter Size	Monthly Minimum Charge
5/8" x 3/4"	$31.00 (Includes 0 gallons)
3/4"	$46.50
1"	$87.50
1 ½"	$175.00
2"	$280.00
3"	$560.00
4"	$875.00
6"	$1,750.00
8"	$2,800.00
10"	$4,025.00
12"	$8,750.00

Monthly minimum charge for any water meter size larger than 12" meter will be calculated using American Water Works Association approved meter equivalency factors.

Charges per 1,000 gallons used:

Gallonage Charge: $3.70

Regional Pass through Gallonage Charge: $0.00
The calculation for the regional pass through gallonage charge must comply with the formula set out in Section 1.02 of this tariff.

REGULATORY ASSESSMENT 1.0%
TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X (If in person at designated locations), Check X , Money Order X , Credit Card X,
Other (specify) Electronic Billing & Payment (See Section 2.06 – Billing)

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN $1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

UNAFFILIATED THIRD PARTIES WHO ACCEPT AND PROCESS CASH, CREDIT CARD, OR ELECTRONIC PAYMENTS FOR UTILITY BILLS MAY REQUIRE PAYMENT OF AN ADDITIONAL CONVENIENCE CHARGE FOR THIS SERVICE.

RATES LISTED ARE EFFECTIVE ONLY
IF THIS PAGE HAS TCEQ APPROVAL STAMP

SECTION 1.0 -- RATE SCHEDULE (Continued)

Section 1.02 - Miscellaneous Fees

TAP FEE.. $750.00

THE TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" x 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Unique costs).. Actual Cost

FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE A SUBDIVISION IS A UNIQUE COST. UNIQUE COSTS WILL BE DETERMINED ON A CASE-BY-CASE BASIS.

TAP FEE (Large meter).. Actual Cost

THIS TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METERS LARGER THAN STANDARD 5/8" x 3/4" METERS. UNIQUE COSTS, SUCH AS ROAD BORES, WILL BE CHARGED IN ADDITION TO THIS TAP FEE AT THEIR ACTUAL COST OF INSTALLATION.

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

a) Non-payment of bill (Maximum $25.00).. $25.00
b) Customer's request that service be disconnected $75.00

TRANSFER FEE $50.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE .... 10% of bill

TCEQ RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE.. $25.00

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT - RESIDENTIAL $50.00

CUSTOMER DEPOSIT – COMMERCIAL AND NON-RESIDENTIAL............... 1/6th of estimated annual bill

METER TEST FEE $25.00

THIS FEE, WHICH SHOULD REFLECT THE UTILITY'S COST, MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED $25.

RATES LISTED ARE EFFECTIVE ONLY
IF THIS PAGE HAS TCEQ APPROVAL STAMP

TEXAS COMM. ON ENVIRONMENTAL QUALITY
37696-R, CCNs 11157 & 13203, APRIL 1, 2014
APPROVED TARIFF BY __________

SECTION 1.0 -- RATE SCHEDULE (Continued)

METER/SERVICE RELOCATION FEE (Customer's Request) .... Actual Cost
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

STANDARD METER INSTALLATION FEE... $150.00
TO BE CHARGED WHEN UNMETERED SERVICE EXISTS ON THE SYSTEM THAT SHOULD BE METERED TO BE IN COMPLIANCE WITH THE UTILITY'S TARIFF BUT THE CONVERSION OF THE SERVICE WOULD NOT REQUIRE A FULL TAP AND ALL OF ITS COSTS. THIS FEE WILL BE A SHARING OF COSTS BETWEEN THE CUSTOMER AND THE UTILITY. THE CUSTOMER MAY HAVE THE OPTION OF PAYING THE FEE OVER NO MORE THAN THREE (3) MONTHS.

CUSTOMER SERVICE INSPECTION FEE – RESIDENTIAL.. $100.00

CUSTOMER SERVICE INSPECTION FEE – ....Actual cost not to exceed $150.00
COMMERCIAL AND NON-RESIDENTIAL
SERVICE APPLICANTS MAY CHOOSE TO HAVE CUSTOMER SERVICE INSPECTIONS REQUIRED BY TCEQ RULE 290.46(J) PERFORMED BY ANY STATE-LICENSED INSPECTOR OF THEIR CHOICE.UNLESS THE SERVICE APPLICANT CHOOSES TO ARRANGE FOR AND PAY FOR THE INSPECTION INDEPENDENTLY, THE UTILITY MAY CHARGE SERVICE APPLICANTS THE CUSTOMER SERVICE INSPECTION FEE AT THE TIME THEY APPLY FOR SERVICE. IF A RE-INSPECTION IS REQUIRED TO BRING THE PLUMBING INTO COMPLIANCE WITH APPLICABLE REQUIREMENTS OR IF AN EXTRA INSPECTION APPOINTMENT IS REQUIRED BECAUSE A CUSTOMER DOES NOT PERMIT PERFORMANCE OF AN INSPECTION AT A PREVIOUSLY AGREED UPON APPOINTMENT TIME, THE CUSTOMER MAY CHOOSE TO HAVE ANY STATE-LICENSED INSPECTOR OF THEIR CHOICE PERFORM THE INSPECTION. IF THE CUSTOMER CHOOSES TO HAVE THE UTILITY PERFORM THE INSPECTION OR RE-INSPECTION, THE CUSTOMER WILL BE CHARGED $100.00 FOR EACH REQUIRED INSPECTION, RE-INSPECTION OR AGREED UPON INSPECTION APPOINTMENT AND WILL PAY THE UTILITY THE TOTAL AMOUNT OWED AT THE TIME AN INSPECTION OR RE-INSPECTION IS PERFORMED. THE UTILITY MAY, AT ITS OPTION, INCLUDE THE ADDITIONAL CHARGE OR CHARGES ON THE NEXT MONTH'S UTILITY BILL RATHER THAN REQUIRING PAYMENT AT THE TIME OF THE INSPECTION OR RE-INSPECTION. THE UTILITY MAY USE UTILITY EMPLOYEES OR MAY HAVE THE INSPECTION PERFORMED BY A LICENSED THIRD PARTY CONTRACTOR.

ILLEGAL RECONNECTION, LOCK REMOVAL OR DAMAGE FEE.................................. $85.00
IN ORDER TO REIMBURSE THE UTILITY WITHOUT BURDENING OTHER CUSTOMERS WITH HIGHER RATES FOR THE ADDITIONAL COST OF SERVICE TRIPS TO DISCONNECT A CUSTOMER/ACCOUNT HOLDER WHO HAS BEEN DISCONNECTED FOR NONPAYMENT AND TO PAY FOR THE COST OF BROKEN OR CUT LOCKS AND SERVICE TIME, THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NONPAYMENT BY VALVING OFF, LOCKING OR REMOVING THE METER WHEN SERVICE TO THE PERMISES IS SUBSEQUENTLY RECONNECTED BY NON-UTILITY PERSONNEL BY CUTTING OR REMOVING THE LOCK, REOPENING THE VALVE, OR REMOVING OR BYPASSING THE METER WITHOUT AUTHORIZATION BY THE UTILITY. THIS FEE MAY BE CHARGED EACH TIME AN EVENT OCCURS AND SERVICE WILL NOT BE RECONNECTED UNTIL THIS FEE IS PAID IN ADDITION TO ANY OTHER BALANCES AND RECONNECT FEES. THIS FEE SHALL NOT BE CHARGED IF A FEE FOR A DAMAGED METER IS CHARGED OR IF THE ACCOUNT HOLDER OR HIS/HER REPRESENTATIVE INFORMS THE UTILITY WITHIN 24 HOURS AFTER DISCOVERING THAT SERVICE HAS BEEN RESTORED WITHOUT AUTHORIZATION OF THE UTILITY: (1) THAT SERVICE WAS RECONNECTED WITHOUT THE ACCOUNT HOLDER'S PERMISSION; AND (2) THE ACCOUNT HOLDER AGREES TO PAY FOR ALL WATER USED.

RATES LISTED ARE EFFECTIVE ONLY
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SECTION 1.0 -- RATE SCHEDULE (Continued)

DAMAGED METER AND APPURTENANCES FEE .... Actual cost

THIS FEE SHALL BE ASSESSED TO THE ACCOUNT HOLDER OF ANY DELINQUENT ACCOUNT THAT HAS BEEN DISCONNECTED FOR NONPAYMENT BY VALVING OFF OR LOCKING THE METER WHEN THE METER AND/OR METER APPURTENANCES SUCH AS AN AMR UNIT OR CURB STOP ARE DAMAGED IN ORDER TO RESTORE WATER SERVICE TO THE ACCOUNT HOLDER'S ORIGINAL PLACE OF SERVICE REQUIRING THE UTILITY TO REPAIR OR REPLACE THEM. THE ACCOUNT HOLDER SHALL BE CHARGED THE FULL COST OF REPAIRING AND/OR REPLACING ALL DAMAGED PARTS AS THE UTILITY DEEMS NECESSARY, INCLUDING LABOR AND VEHICLE COSTS. THIS WILL INCLUDE REPLACEMENT OF VALVES OR CURB STOPS THAT HAVE HAD THEIR LOCKING EYES BROKEN OFF THE FLANGES.

GOVERNMENTAL TESTING, INSPECTION, AND COSTS SURCHARGE:

WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 291.21(K)(2)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

REGIONAL TEMPORARY WATER RATE:

UNLESS OTHERWISE SUPERSEDED BY TCEQ ORDER OR RULE, IF THE UTILITY IS ORDERED BY A COURT OR GOVERNMENTAL BODY OF COMPETENT JURISDICTION TO REDUCE ITS PUMPAGE, PRODUCTION OR WATER SALES, AQUA TEXAS SHALL BE AUTHORIZED TO INCREASE ITS APPROVED LINE ITEM CHARGES PER 1,000 GALLONS USED (GALLONAGE CHARGE & REGIONAL PASS-THROUGH GALLONAGE CHARGE) BY THE AMOUNT OF THE REGIONAL TEMPORARY WATER RATE INCREASE ("RTWR") CALCULATED ACCORDING TO THE FORMULA:

$$RTWR = (((PRR)(CGC)(R))/(1-R))*((APV)/(RPV))$$

Where:

RTWR	=	Regional Temporary Water Rate increase per 1,000 gallons
CGC	=	current total volume charge per 1,000 gallons used (Gallonage Charge + Regional Pass-Through Gallonage Charge)
R	=	water use reduction expressed as a decimal fraction (the pumping restriction)
PRR	=	percentage of revenues to be recovered expressed as a decimal fraction; for this tariff PRR shall equal 0.5.
APV	=	Annual Pumped and Purchased volume from the most recent 12 months; and
RPV	=	Annual Pumped and Purchased volume for Region from the most recent 12 months

To implement the Regional Temporary Water Rate, Aqua Texas must comply with all notice and other requirements of 30 T.A.C. 291.21(l).

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TEXAS COMM. ON ENVIRONMENTAL QUALITY
37696-R, CCNs 11157 & 13203, APRIL 1, 2014
APPROVED TARIFF BY ___________

SECTION 1.0 -- RATE SCHEDULE (Continued)

REGIONAL PASS-THROUGH GALLONAGE CHARGE ADJUSTMENT:

INCREASES OR DECREASES IN COSTS, FEES, RATES AND CHARGES IMPOSED BY GOVERNMENTAL ENTITIES, WATER AUTHORITIES OR DISTRICTS HAVING JURISDICTION OVER AQUA TEXAS OR ITS OPERATIONS OR BY NON-AFFILIATED THIRD PARTY WATER SUPPLIERS OR WATER RIGHTS HOLDERS SELLING WATER OR WATER RIGHTS TO AQUA TEXAS SHALL BE PASSED THROUGH ON A REGIONAL BASIS AS A LINE ITEM REGIONAL PASS-THROUGH GALLONAGE CHARGE OR AN ADJUSTMENT TO THE EXISTING REGIONAL PASS-THROUGH GALLONAGE CHARGE USING THE FOLLOWING FORMULA:

NRPTGC = ORPTGC (+/-) CRPTGC

Where:

NRPTGC = New Regional Pass-Through Gallonage Charge;
ORPTGC = Original Regional Pass-Through Gallonage Charge from last rate application or pass-through adjustment application;
CRPTGC = Change in Regional Pass-Through Gallonage Charge; and,

CRPTGC = ((NVC+(VC*APV))/(RPV))/(1-WL)

Sum of all changes (all increases or decreases) since last adjustment in costs, fees, rates and charges divided by the Regional Pumped and Purchased Volume divided by one minus water loss;

APV = Annual Pumped and/or Purchased Volume from the most recent rate application for the system or systems where the changes in costs, fees, rates and charges occurred; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed;

RPV = Annual Pumped and/or Purchased Volume for Region from the most recent rate application; or the most recent 12 months if more than 3 years have passed since the most recent rate application was filed;

WL = Annual water loss average for Region in most recent rate application not to exceed 0.15; or water loss, not to exceed 0.15, for the most recent 12 months if more than 3 years have passed since the most recent application was filed;

NVC = Annual non-volumetric cost change = annual increases or decreases in costs, fees, rates and charges that are not based on water purchased, pumped and/or billed;

VC = Volumetric cost change = volumetric cost increases or decreases from costs, fees, rates and charges based on water purchased, pumped and/or billed.

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SECTION 1.0 -- RATE SCHEDULE (Continued)

To implement a new Regional Pass-Through Gallonage Charge, Aqua Texas shall take the following actions:

1. Prior to the beginning of the billing period in which the revision takes place, submit written notice to the TCEQ Executive Director with documentation supporting the line item Regional Pass-Through Gallonage Charge adjustment; and

2. Mail notice to affected customers separately at the beginning of the billing period or include written notice to affected customers with the billing sent out at the beginning of the billing period in which the new Regional Pass-Through Gallonage Charge becomes effective. The notice must contain: (a) the effective date of the change, (b) the then-present calculation of the line item Regional Pass-

   Through Gallonage Charge, (c) the new calculation of the line item Regional Pass-Through Gallonage Charge, and (d) the change in costs, fees, rates or charges to Aqua Texas prompting the adjustment to the line item Regional Pass-Through Gallonage Charge.

3. The notice will include the following language:

   "This tariff change is being implemented in accordance with Aqua Texas' approved Regional Pass-Through Gallonage Charge Adjustment provision to recognize (increases)(decreases) in the (costs), (fees), (rates) and (charges) imposed by (governmental entities), (water authorities) or (districts) (having jurisdiction over Aqua Texas or its operations) or (by non-affiliated third-party) (water suppliers) or (water rights holders) (selling water) or (water rights) to Aqua Texas. The cost of these charges to customers will not exceed the (increased) (decreased) cost of the (costs), (fees), (rates) and (charges) to Aqua Texas."

The process of implementing the Regional Pass-Through Gallonage Charge Adjustment provision and the Executive Director's review of a proposed revision to Aqua Texas' line item Regional Pass-Through Gallonage Charge is an informal proceeding and not a contested case hearing. Only the Commission, the Executive Director, or Aqua Texas may request a hearing on the proposed revision. It shall not be considered a rate case under the Texas Water Code or TCEQ rules, and Texas Water Code § 13.187 shall not apply.

SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 - Texas Commission on Environmental Quality Rules

The utility will have the most current Texas Commission on Environmental Quality (TCEQ) Rules, Chapter 291, Water Rates, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.02 - Application for and Provision of Water Service

All applications for standard residential service will be made on the utility's standard application (attached in the Appendix to this tariff) and will be signed by the applicant before water service is provided by the utility. A separate application or contract will be made for each service at each separate location. The application process for non-standard or non-residential water service will require completion of other forms and agreements to be provided by the utility.

After the applicant has met all the requirements, conditions and regulations for service, the utility will install a tap, meter and utility cut-off valve and/or take all necessary actions to initiate service. The utility will serve each qualified applicant for service within ten working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the utility will provide the applicant with a written explanation of the construction

required and an expected date of service. Notwithstanding any statement in this tariff to the contrary, the utility will serve each qualified applicant for service within the time limits prescribed in 30 TAC 291.85 (a)-(b) as that rule may be amended by the TCEQ.

Where service has previously been provided, service will be reconnected within three working days after the applicant has met the requirements for reconnection.

The customer/applicant will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers/applicants may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - Refusal of Service

The utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the TCEQ Rules. In the event that the utility refuses to serve an applicant, the utility will inform the applicant in writing of the basis of its refusal. The utility is also required to inform the applicant a complaint may be filed with the Commission.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.04 - Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the utility, the applicant may be required to pay a deposit as provided for in Section 1.02 of this tariff.

The utility will keep records of the deposit and credit interest in accordance with TCEQ Rules.

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the utility or another water or sewer utility which accrued within the last two years.

Non-residential applicants who cannot establish credit to the satisfaction of the utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit. - If service is not connected, or after disconnection of service, the utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any customer who has paid 18 consecutive billings without being delinquent.

Section 2.05 - Meter Requirements, Readings, and Testing

All water sold by the utility will be billed based on meter measurements. The utility will provide, install, own and maintain meters to measure amounts of water consumed by its customers. One meter is required for each residential, commercial, industrial, or other non-residential facility in accordance with the TCEQ Rules.

Service meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

Meter Tests. - The utility will, upon the request of a customer, and, if the customer so desires, in his or her presence or in that of his or her authorized representative, make without charge a test of the accuracy of the customer's meter. If the customer asks to observe the test, the test will be made during the utility's normal working hours at a time convenient to the customer. Whenever possible, the test will be made on the customer's premises, but may, at the utility's discretion, be made at the utility's testing facility. If within a period of two years the customer requests a new test, the utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the utility will charge the customer a fee which reflects the cost to test the meter up to a maximum $25 for a residential customer. Following the completion of any requested test, the utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.06 - Billing

Bills from the Utility will be mailed monthly unless otherwise authorized by the Commission or the customer voluntarily elects to be billed through a paperless electronic billing system which uses the standard forms, protocols and conformation processes established and maintained by the Utility or unaffiliated third parties providing online billing and payment services that are approved by the Utility. The due date of bills for utility service will be at least 21 days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing or electronic mailing by the Utility or the Utility's billing service will constitute proof of the date of issuance. Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the Utility or the Utility's authorized payment agency by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next work day after the due date.

A late penalty of 10% will be charged on bills received after the due date. Customer payments post marked by the due date will not incur a late penalty. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

Each bill will provide all information required by the TCEQ Rules. For each of the systems it operates, the utility will maintain and note on the monthly bill a telephone number (or numbers) which may be reached by a local call by customers. At the utility's option, a toll-free telephone number or the equivalent may be provided.

Cash Payments at Non-utility Payment Locations or Credit Card Payments – The Utility may use unaffiliated third parties to accept and process utility bill cash payments at non-utility payment locations or to accept and process utility bill credit card payments. Any charges required by the third party to accept and process such utility bill payments are the responsibility of the customer and are in addition to utility bill amounts.

Electronic Billing and Payment – A customer may voluntarily elect to be billed through a paperless electronic billing system which uses standard forms, protocols and conformation processes established and maintained by the Utility or unaffiliated third parties providing online billing and payment services that are approved by the Utility. Any charges required by the third party to process the electronic bill or payment are the responsibility of the customer and are in addition to utility bill amounts. In administering this electronic billing option, the Utility does not send the customer paper bills. Customers may sign up for electronic billing at www.aquaamerica.com. Required information that otherwise accompanies a paper bill is transmitted to the customer electronically, or an Internet link access to such information is transmitted electronically to the customer. Any applicable disconnection notice continues to be sent to the customer via United States mail. The Utility may utilize unaffiliated third parties to electronically transmit bills to the customer. The Utility is not responsible for any loss resulting from the customer's election to receive bills electronically, including but