Kankakee Water Division

Section 285.305 (g)

Aqua America, Inc.

Retirement Income Plan for Aqua America, Inc. and Subsidiaries

Actuarial Valuation Report
Benefit Cost for Fiscal Year Beginning January 1, 2013 under US GAAP

September 2013

TOWERS WATSON

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Purpose and actuarial statement

As requested by Aqua America, Inc. (Aqua or the Company), this report documents the results of an actuarial valuation of the Retirement Income Plan for Aqua America, Inc. and Subsidiaries (the Plan).

The primary purpose of this valuation is to determine the Net Periodic Benefit Cost/(Income) (Benefit Cost), in accordance with FASB Accounting Standards Codification Topic 715 (ASC 715) for the fiscal year beginning January 1, 2013. A separate report will be prepared for year-end disclosure purposes.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any such deferred tax allowance should be made in consultation with the Company's tax advisors and auditors.

This report is provided subject to the terms set out herein and in our engagement letter dated January 21, 2013 and the accompanying General Terms and Conditions of Business. This report is provided solely for the Company's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

The Company may make a copy of this report available to its auditors, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to the Company's auditors in this regard. The Company should draw the provisions of this paragraph to the attention of its auditors when passing this report to them.

In preparing these results, we have relied upon information and data provided to us orally and in writing by Aqua America, Inc. and other persons or organizations designated by Aqua America, Inc.. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency.

The results summarized in this report involve actuarial calculations that require assumptions about future events. Aqua America, Inc. is responsible for the selection of the assumptions.

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the pension cost have been selected by the plan sponsor. Towers Watson has concurred with these assumptions and methods. ASC 715-30-35 requires that each significant assumption "individually represent the best estimate of a particular future event."

In our opinion, all calculations are in accordance with US GAAP and the procedures followed and the results presented are in conformity with applicable actuarial standards of practice.

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc.

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Towers Watson Delaware Inc.

September 2013

Section 1: Summary of key results

1.1 Benefit cost, assets & obligations

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2013	01/01/2012
Benefit Cost/ (Income)	Net Periodic Benefit Cost/(Income)	10,937,892	10,211,963
Amortization of Regulatory Asset	Amortization of regulatory asset associated with the purchase of the Ohio-American Water Company	603,884	402,589
Measurement Date		**01/01/2013**	**01/01/2012**
Plan Assets	Fair Value of Assets (FVA)	190,084,373	153,106,551
	Return on Fair Value Assets during Prior Year	10.87%	(0.65)%
Benefit Obligations	Accumulated Benefit Obligation (ABO)	(263,909,863)	(213,740,017)
	Projected Benefit Obligation (PBO)	(294,139,674)	(239,090,745)
Funded Ratios	Fair Value of Assets to ABO	72.0%	71.6%
	Fair Value of Assets to PBO	64.6%	64.0%
Accumulated Other Comprehensive (Income)/Loss	Net Transition Obligation/(Asset)	0	0
	Net Prior Service Cost/(Credit)	2,192,878	2,618,668
	Net Loss/(Gain)	103,956,308	86,067,825
	Total Accumulated Other Comprehensive (Income)/Loss	106,149,186	86,686,493
Remaining Regulatory Asset	Remaining regulatory asset associated with the purchase of the Ohio-American Water Company (provided by Aqua)	5,636,242	6,038,831
Assumptions[1]	Discount Rate	4.17%	5.00%
	Expected Long-term Return on Plan Assets	7.50%	7.75%
	Rate of Compensation/Salary Increase (Corporate/Local/CWC)	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%
Participant Data	Census Date	01/01/2013	01/01/2012

[1] These assumptions were used to calculate the Benefit Cost as of the beginning of the year. Rates expressed on an annual basis where applicable. For assumptions used for interim measurement periods, refer to Appendix A.

1.2 Comments on results

Plan provisions and assumptions

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes the principal provisions of the plan being valued.

Changes in assumptions

- The discount rate was decreased from 5.00% as of 1/1/2012 and 4.70% as of 5/1/2012 (for remeasurement) to 4.17%.
- The mortality table was updated from the 2012 IRS-prescribed RP-2000 tables (includes Scale AA projection for 7 years beyond valuation date for annuitants; 15 years for non-annuitants; no collar adjustment) to the 2013 IRS-prescribed RP-2000 tables (includes Scale AA projection for 7 years beyond valuation date for annuitants; 15 years for non-annuitants; no collar adjustment).
- The expected long-term return on plan assets assumption was decreased from 7.75% for 2012 to 7.50% for 2013.

Changes in plan provisions

Aqua America, Inc. acquired the Ohio American Water Company on May 1, 2012. Employees with pension benefits included in the acquisition were incorporated into the Plan. The plan provisions for these participants are described in Part D of Appendix B.

Section 2: Accounting exhibits

2.1 Balance sheet asset/(liability)

All monetary amounts shown in US Dollars

Measurement Date		01/01/2013	01/01/2012
A	**Development of Balance Sheet Asset/(Liability)[1]**		
	1 Projected benefit obligation (PBO)	(294,139,674)	(239,090,745)
	2 Fair value of assets (FVA)	190,084,373	153,106,551
	3 Net balance sheet asset/(liability)	(104,055,301)	(85,984,194)
B	**Current and Noncurrent Allocation**		
	1 Noncurrent assets	0	0
	2 Current liabilities	0	0
	3 Noncurrent liabilities	(104,055,301)	(85,984,194)
	4 Net balance sheet asset/(liability)	(104,055,301)	(85,984,194)
C	**Accumulated Benefit Obligation (ABO)**	(263,909,863)	(213,740,017)
D	**Accumulated Other Comprehensive (Income)/Loss**		
	1 Net transition obligation/(asset)	0	0
	2 Net prior service cost/(credit)	2,192,878	2,618,668
	3 Net loss/(gain)	103,956,308	86,067,825
	4 Accumulated other comprehensive (income)/loss[2]	106,149,186	86,686,493
E	**Remaining Regulatory Asset**		
	1 Remaining regulatory asset associated with the purchase of the Ohio-American Water Company (provided by Aqua)	5,636,242	6,038,831
F	**Assumptions and Dates[3]**		
	1 Discount rate	4.17%	5.00%
	2 Rate of compensation/salary increase (Corporate/Local/CWC)	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%
	3 Census date	01/01/2013	01/01/2012

1 Whether the amounts in this table that differ from those disclosed at year-end must be disclosed in subsequent interim financial statements should be determined.
2 Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.
3 These assumptions were used to calculate the Benefit Cost as of the beginning of the year. Rates expressed on an annual basis where applicable. For assumptions used for interim measurement periods, refer to Appendix A.

2.2 Changes in liabilities and assets

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2013
A	**Change in Projected Benefit Obligation (PBO)**	
	1 PBO at beginning of prior fiscal year	239,090,745
	2 Employer service cost	4,795,161
	3 Interest cost	12,279,837
	4 Actuarial loss/(gain)	30,391,356
	5 Benefits paid from plan assets	(9,200,071)
	6 Plan change	0
	7 Acquisitions/divestitures	23,652,044
	8 Curtailments	0
	9 Settlements	(6,869,398)
	10 Special/contractual termination benefits	0
	11 PBO at beginning of current fiscal year	294,139,674
B	**Change in Plan Assets**	
	1 Fair value of assets at beginning of prior fiscal year	153,106,551
	2 Actual return on assets	17,321,551
	3 Employer contributions	14,394,834
	4 Benefits paid	(9,200,071)
	5 Acquisitions/divestitures	18,824,117
	6 Settlements	(4,362,609)
	7 Special/contractual termination benefits	0
	8 Fair value of assets at beginning of current fiscal year	190,084,373
C	**Rate of Return on Invested Assets**	
	1 Weighted invested assets	159,383,229
	2 Rates of return	10.87 %

2.3 Summary and comparison of benefit cost and cash flows

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2013	12/31/2012
A	**Total Benefit Cost**		
1	Employer service cost	5,170,777	4,795,161
2	Interest cost	12,267,974	12,279,837
3	Expected return on assets	(14,769,834)	(13,588,019)
4	Subtotal	2,668,917	3,486,979
5	Net transition obligation/(asset) amortization	0	0
6	Net prior service cost/(credit) amortization	377,556	425,790
7	Net loss/(gain) amortization	7,891,419	6,299,194
8	Amortization subtotal	8,268,975	6,724,984
9	Net periodic benefit cost/(income)	10,937,892	10,211,963
10	Cost of curtailments	0	0
11	Cost of settlements	0	(36,642)
12	Cost of special/contractual termination benefits	0	0
13	Total benefit cost	10,937,892	10,175,321
B	**Amortization of Regulatory Asset**		
1	Amortization of regulatory asset associated with the purchase of the Ohio-American Water Company	603,884	402,589
C	**Assumptions**[1]		
1	Discount rate	4.17%	5.00%
2	Long-term rate of return on assets	7.50%	7.75%
3	Rate of compensation/salary increase (Corporate/Local/CWC)	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%
4	Census date	01/01/2013	01/01/2012
D	**Assets at Beginning of Year**		
1	Fair market value	190,084,373	153,106,551
E	**Cash Flow**	**Expected 2013**	**Actual 2012**
1	Employer contributions	15,953,222	14,394,834
2	Benefits paid from plan assets[2]	10,334,376	9,200,071

1 These assumptions were used to calculate Net Periodic Benefit Cost/(Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable. For assumptions used for interim measurement periods, if any, refer to Appendix A.

2 Over the fiscal year.

Section 3: Data exhibits

3.1 Plan participant data

All monetary amounts shown in US Dollars

Census Date		01/01/2013	01/01/2012
A	**Participating Employees**		
	1 Number	636	619
	2 Total annual plan compensation/salary	47,170,006[1]	47,858,511
	3 Average plan compensation/salary	77,455[1]	77,316
	4 Average age (years)	53.3	52.6
	5 Average credited service (years)	22.7	21.8
	6 Average future working life (years)	9.4	9.2
B	**Participants with Deferred Benefits**		
	1 Number	453	415
	2 Total annual pension	3,260,766	3,007,801
	3 Average annual pension	7,198	7,248
	4 Average age (years)	53.6	53.4
	5 Distribution at January 1, 2013		

Age	Number	Annual Pension
Under 40	15	84,860
40-44	41	249,820
45-49	77	503,282
50-54	114	886,917
55-59	125	936,031
60-64	66	542,707
65 and over	15	57,149

		01/01/2013	01/01/2012
C	**Participants Receiving Benefits**		
	1 Number	717	643
	2 Total annual pension	9,857,571	8,291,361
	3 Average annual pension	13,748	12,895
	4 Average age (years)	73.0	73.6
	5 Distribution at January 1, 2013		

Age	Number	Annual Pension
Under 55	3	35,015
55-59	45	842,711
60-64	99	1,990,187
65-69	155	2,100,008
70-74	131	1,570,299
75-79	109	1,461,498
80-84	90	1,055,079
85 and over	85	802,774

[1] Plan compensation includes only the 609 participants continuing to accrue benefits.

3.2 Participant reconciliation

Participant Reconciliation	Active	Deferred Inactive	Currently Receiving Benefits	Total
1. Included in January 1, 2012 valuation	619	415[1]	643[2]	1,677
2. Change due to:				
a. New hire and rehire	0	0	0	0
b. Non-vested termination	0	0	0	0
c. Vested termination	(13)	13	0	0
d. Retirement	(23)	(17)	40	0
e. Disability	0	0	0	0
f. Death without beneficiary	0	(2)	(15)	(17)
g. Death with beneficiary	0	0	(4)	(4)
h. New beneficiary	0	0	4	4
i. Miscellaneous[3]	53	44	49	146
j. Net change	17	38	74	129
3. Included in January 1, 2013 valuation	636	453[1]	717[4]	1,806

[1] Includes 2 participants entitled to benefits as a result of a Qualified Domestic Relations Order

[2] Includes 5 participants receiving benefits as a result of a Qualified Domestic Relations Order

[3] Census data as of January 1, 2013 reflects the acquisition of Aqua Ohio Water Company including the transfer to the plan of 53 active employees, 44 participants with deferred benefits and 49 participants receiving benefits

[4] Includes 6 participants receiving benefits as a result of a Qualified Domestic Relations Order

3.3 Age and service distribution of participating employees

All monetary amounts shown in US Dollars

Attained Age	Attained Years of Credited Service and Number and Average Compensation/Salary										
	<1	1 to 4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	Total
Under 25	0	0	0	0	0	0	0	0	0	0	0
25-29	0	0	1	0	0	0	0	0	0	0	1
30-34	0	0	3	10	0	0	0	0	0	0	13
35-39	0	0	6	18	4	0	0	0	0	0	28
40-44	0	0	3	23	14	12	2	0	0	0	54
45-49	0	0	9	30	15	33	19	4	0	0	110
50-54	0	0	4	23	15	23	31	32	7	0	135
55-59	0	0	4	22	15	40	28	23	35	1	168
60-64	0	0	4	13	12	20	12	17	12	9	99
65-69	0	0	0	4	4	3	4	0	3	4	22
70 & over	0	0	0	2	1	1	0	1	0	1	6

Average Age: 53.3 Average Service: 22.7

Appendix A: Statement of actuarial assumptions and methods

Actuarial Assumptions and Methods — Pension Cost

Economic Assumptions

Discount rate	4.17%
Return on assets	7.50%
Annual rates of increase	
▸ Salaries:	
– Corporate/Local/CWC	4.50%/4.00%/4.00%
▸ Social Security wage base	4.50%
▸ Statutory limits on compensation and benefits	3.00%

The return on assets shown above is net of investment expenses and administrative expenses assumed to be paid from the trust.

Demographic Assumptions

Inclusion Date	The valuation date coincident with or next following the date on which the employee becomes a participant
New or rehired employees	It was assumed there will be no new or rehired employees
Mortality	
▸ Healthy	Separate rates for non-annuitants (based on RP-2000 "Employees" table without collar or amount adjustments, projected to 2028 using Scale AA) and annuitants (based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2020 using Scale AA)
▸ Disabled	Same as healthy
Termination	Rates varying by age

Representative Termination Rates:

Percentage leaving during the year	
Attained Age	Rate
25-39	.04
40-54	.03

Disability

For Local employees only. Rates varying by age and sex

Representative Disability Rates for Local employees:

Percentage becoming disabled during the year		
Age	Males	Females
30	.001	.002
45	.002	.003
60	.014	.021

Retirement

Rates varying by age, average age 63

For purposes of determining the Service Cost, Projected Benefit Obligation and Accumulated Benefit Obligation, the rates at which active participants retire by age are shown below.

Percentage retiring during the year	
Age	Rate
55-56	.02
57-61	.05
62	.25
63	.10
64	.25
65-66	.30
67	.50
68+	1.00

Terminated vested participants are assumed to retire at age 65.

Benefit commencement date:

- Preretirement death benefit — For Corporate or Local employees: The later of the death of the active participant or the date the participant would have been eligible to retire

  For CWC employees: The later of the death of the active participant or the date the participant would have been age 55
- Deferred vested benefit — The later of retirement eligibility or termination of employment
- Disability benefit — Upon disablement
- Retirement benefit — Upon termination of employment

Form of payment

Life annuity for 100% of single participants and 40% of married participants; 50% contingent annuitant option for remaining married participants

Percent married

Corporate and Local: 80%

CWC: 85%

Spouse age

Wife three years younger than husband

Covered pay	Corporate and Local: Pensionable earnings increased by the salary increase assumption of 4.50% for Corporate employees and 4.00% for Local employees CWC: Rate of pay as of the valuation date
Administrative expenses	Return on asset assumption is net of any expenses paid by the trust.
Amount and timing of contributions	Contributions reflect actual amounts already made and expected to be made through the remainder of the year, as provided by Aqua America, Inc.
Timing of benefit payments	Annuity payments are assumed to be payable monthly

Methods

Service cost and projected benefit obligation	Projected unit credit
Market-related value of assets	Fair value
Amortization of unamortized amounts:	
► Past service cost (credit)	Increase or decrease in PBO resulting from a plan amendment is amortized on a straight-line basis over the average expected remaining service of active participants expected to benefit under the plan. Reduction in PBO first reduces any unrecognized prior service cost; any remaining amount is amortized on a straight-line basis as described above.
► Net loss (gain)	Net loss (gain) in excess of 10% of the greater of PBO or the market-related value of assets is amortized on a straight-line basis over the average expected remaining service of active participants expected to benefits under the plan.
Change in assumptions and methods since prior valuation	The discount rate for benefit obligations was changed from 5.00% to 4.17% as of January 1, 2013. The mortality tables (described earlier in greater detail) were updated to include one additional year of projected mortality improvement. The expected return on asset assumption was decreased from 7.75% for 2012 to 7.50% for 2013. The demographic assumptions for the former Ohio-American Water Company participants were harmonized to reflect the demographic assumptions used by Aqua America, Inc.

Appendix B: Summary of plan provisions

Plan Effective Date

This plan was created by the merger of the Retirement Plan for Employees of Philadelphia Suburban Corporation into the Retirement Income Plan for Salaried Employees of Philadelphia Suburban Water Company. The plan was amended and restated effective January 1, 2008. The most recent amendment was adopted on May 11, 2012 and effective January 1, 2012.

Plan Provisions – Part A for Philadelphia Suburban Corporation and Subsidiaries Employees

Covered Employees	Participants in the plan on December 31, 1995 continue as participants in this plan. This plan is closed to new entrants who were hired or rehired on or after April 1, 2003. All other Eligible Class Employees become participants on the applicable participation date.
Participation Date	Eligible Class Employees become participants on the earlier of (i) or (ii): (i) The January 1 on or following completion of six months of continuous employment. (ii) The January 1 nearest the completion of one Year of Service.

Definitions

Computation Period	Calendar year
Eligible Class Employee	Any salaried or hourly paid employee not includable in a class of employees entitled to participate in another defined benefit pension plan of the Company or employed in a category that the Company has designated as ineligible for participation. Employees covered by a collective bargaining agreement are not covered under Part A of this plan.
Year of Service (Vesting)	One year is earned for each Computation Period during which 1,000 hours or more are credited. Except as noted below, Year of Service for vesting purposes from original date of hire.

Acquired Group	Date Vesting Credit Begins
Uwchlan	January 1, 1993
Great Valley Water Company	January 1, 1995
Media Water Company	Original date of hire
Hatboro Water Company	Original date of hire
Utilities Group Services, Inc.	Original date of hire
Bristol	Original date of hire
Borough of West Chester	Original date of hire
Bensalem Township	Original date of hire
NYWS Salaried Participants	Original date of hire

Year of Service (Benefit Accrual)	One year is earned for each Computation Period during which 1,000 hours or more are credited. Except as noted below, Year of Service for benefit accrual purpose from date of hire.

Acquired Group	Date Benefit Accrual Credit Begins
Uwchlan	January 1, 1993
Great Valley Water Company	January 1, 1995
Media Water Company	January 1, 1995
Hatboro Water Company	November 1, 1996
Utilities Group Services, Inc.	November 1, 1996
Bristol	January 1, 1997
Borough of West Chester	January 1, 1998
Bensalem Township	January 1, 2000
NYWS Salaried Participants	January 1, 2009

Applicable Compensation	Total earnings of an employee, paid during the Computation Period, that are subject to withholding of federal income taxes, excluding values of fringe benefits and income resulting from exercising of stock options, sale of stock, stock appreciation rights and deferred or contingent compensation arrangements.
Average Applicable Compensation	The annual average of the Applicable Compensation during the five consecutive Computation Periods of the final 10 Computation Periods as an active participant yielding the highest such average.
Covered Compensation	The average of the Social Security wage bases in effect during the 35 years ending with the year the participant attains Social Security Retirement Age. Covered Compensation is calculated as though the participant attains Social Security Retirement Age in year of termination.

Eligibility for Benefits

Normal Retirement	The first day of the month coincident with or next following attainment of age 65 and five Years of Service.
Early Retirement	The first of the month on or next following attainment of age 55 and completion of 10 Years of Service.
Postponed Retirement	All participants retiring after their normal retirement date.
Vested Termination	Completion of five Years of Service.
Disability	Completion of 10 Years of Service and eligibility for disability retirement benefits under the Federal Social Security Act.
Preretirement Death	Spouses of participants who die after earning a vested accrued benefit whether or not employed at death.

Benefits Paid Upon the Following Events

Normal Retirement	The sum of (i) and (ii), minimum the greater of (iii), (iv) or (v):

(i) 1.35% of Average Applicable Compensation up to Covered Compensation plus 1.8% of the excess; the sum multiplied by Years of Service to a maximum of 25.

(ii) 0.5% of Average Applicable Compensation multiplied by Years of Service in excess of 25.

(iii) Minimum Benefit: Amount determined in schedule below multiplied by total Years of Service.

Date of Termination, or if earlier, Normal Retirement Date	Amount
On or before November, 30, 1977	$ 84
December 1, 1977 – November 30, 1978	108
December 1, 1978 – November 30, 1979	120
December 1, 1979 – November 30, 1981	144
December 1, 1981 – November 30, 1982	180
December 1, 1982 – November 30, 1983	240
December 1, 1983 – November 30, 1984	264
December 1, 1984 and thereafter	300

(iv) Benefit accrued to December 31, 1988 based on the plan in effect at that date.

(v) Effective January 1, 2002 and amended January 1, 2005 and January 1, 2008, a schedule of minimum benefits, for certain individuals, applicable at normal retirement age.

Early Retirement

Benefit payable at normal retirement date, reduced 1/4 of 1% for each calendar month payment precedes age 65.

Effective December, 1, 1986, participants who have attained age 62 and completed 30 years of service are eligible for unreduced early retirement benefits.

Postponed Retirement

The greater of the benefit payable at normal retirement date, increased 1/2 of 1% for each month between normal retirement date and deferred retirement date and the benefit accrued to actual retirement.

Vested Termination

Normal Retirement benefit as described above based on Average Applicable Compensation, Years of Service and Covered Compensation at termination. Participants who had completed 10 Years of Service are applicable for benefits as early as age 55, reduced as described in Early Retirement benefit above.

Disability

Normal Retirement benefit as described above, assuming Applicable Compensation at date of disability remains level and Years of Service continue to accrue until actual retirement. Participants not covered by a long-term disability plan may elect to receive a pension commencing on the first day of the month following the determination of disability.

Other Plan Provisions

Forms of payment	Preretirement death benefits are payable only as described above. Monthly pension benefits are paid as described above as a life annuity, if the participant has no spouse as of the date payments begin, or if the participant so elects. Otherwise, benefits are paid in the form of 75% joint and survivor annuity option or, if the participant elects and the spouse consents, another actuarially equivalent optional form offered by the plan. Optional forms are a 50%, 66 2/3%, 75% or 100% joint and survivor annuity, a five, ten, or fifteen year certain and life annuity, or (for married participants) a life annuity. Actuarial equivalence is based on the 1994 GAR mortality table and 6% interest.
Postretirement death benefit	None except as provided under normal or optional forms of annuities.
Plan Participants' Contributions	None
Pension Increases	None
Maximum on benefits and pay	All benefits and pay subject to maximum limitations specified by the Employee Retirement Income Security Act of 1974, as amended and defined by the Code for that calendar year.

Benefits Not Valued

Benefits Not Valued	All benefits described in the Plan Provisions section of this report were valued. Towers Watson has reviewed the plan provisions with Aqua America, Inc. and, based on that review, is not aware of any significant benefits required to be valued that were not. The plan pays small benefits (with a present value up to $5,000 in a single lump sum payment.) Such lumps sums are not explicitly valued as such; rather such participants benefits are valued using the benefit choice assumptions described above. The plan conditions accruals for the 5 highest paid employees of the company upon satisfaction of the requirements of IRC Section 410(b) and 401(a)(4). This conditionality is not explicitly valued, but rather these employees are expected to continue accruals under the plan.

Future Plan Changes

No future plan changes were recognized in this valuation. Towers Watson is not aware of any future plan changes which are required to be reflected.

Changes in Benefits Valued Since Prior Year

There have been no changes in the benefits valued since the prior valuation.

Plan Provisions – Part B for Local Employees

Covered Employees	Participants in the plan on December 31, 1995 continue as participants in this plan. All other Eligible Class Employees become participants on the applicable participation date. This plan is closed to new entrants who were hired or rehired on or after January 1, 2004.
Participation Date	Eligible Class Employees become participants on the earlier of (i) or (ii): (i) The January 1 on or following completion of six months of continuous employment. (ii) The January 1 nearest the completion of one Year of Service.

Definitions

Predecessor Plan	Retirement Income Plan for Employees of Philadelphia Suburban Water Company as of December 31, 1980.
Computation Period	Calendar year
Eligible Class Employee	Any employee whose terms and conditions of employment are determined pursuant to a collective bargaining agreement between the employer and the union.
Year of Service	One year is earned for each Computation Period during which 1,000 hours or more are credited. For vesting purposes Years of Service as of January 1, 1981 cannot be less than the number credited under the Predecessor Plan. For benefit accrual purposes, Years of Service prior to January 1, 1981 are calculated under the terms of the Predecessor Plan. Service prior to January 1, 1985 for former employees of Great Valley Water Company and January 1, 1993 for former employees of Uwchlan is counted for eligibility purposes and ignored for vesting and benefit accrual purposes. Former employees of Media Water Company and Hatboro Water Company are credited with years of service with the former employer for eligibility and vesting purposes only; service prior to January 1, 1995 for former Media employees and prior to November 1, 1996 for Hatboro employees is ignored for benefit accrual purposes. Former employees of Borough of West Chester, Bristol and Bensalem are credited with years of service with the former employer for eligibility and vesting purposes only; service prior to January 1, 1997 for former Bensalem employees, prior to January 1, 1998 for former West Chester employees and prior to January 1, 1997 for Bristol employees is ignored for benefit accrual purposes.
Applicable Compensation	Total earnings of an employee, paid during the Computation Period, which are subject to withholding of federal income taxes, excluding values of fringe benefits and income resulting from exercising of stock options, sale of stock, stock appreciation rights and deferred or contingent compensation arrangements.

Average Applicable Compensation	The annual average of the Applicable Compensation during the 5 consecutive Computation Periods of the final 10 Computation Periods as an active participant yielding the highest such average.
Covered Compensation	The average of the Social Security wage bases in effect during the 35 years ending with the year the participant attains Social Security Retirement Age. Covered Compensation is calculated as though the participant attains Social Security Retirement Age in year prior to termination.

Eligibility for Benefits

Normal Retirement	The first day of the month coincident with or next following attainment of age 65.
Early Retirement	The first of the month on or next following attainment of age 55 and completion of 15 Years of Service.
Postponed Retirement	All participants retiring after their normal retirement date.
Vested Termination	Completion of 5 Years of Service or age 65, if earlier.
Disability	Completion of 10 Years of Service and eligibility for disability retirement benefits under the Federal Social Security Act.
Preretirement Death	For spouses of participants who die after earning a vested accrued benefit whether or not they are employed at the time of death.

Benefits Paid Upon the Following Events

Normal Retirement

The sum of (i) and (ii), minimum the greater of (iii) or (iv):

(i) 1.0% of Average Applicable Compensation up to Covered Compensation plus 1.4% of the excess; the sum multiplied by Years of Service to a maximum of 25.

(ii) 0.5% of Average Applicable Compensation multiplied by Years of Service in excess of 25.

(iii) Minimum Benefit: Amount determined in Schedule below multiplied by Years of Service.

Date of Termination or Normal Retirement Date, if Earlier Amount	Amount
On or before November 30, 1977	$ 84.00
December 1, 1977 – November 30, 1978	108.00
December 1, 1978 – November 30, 1979	120.00
December 1, 1979 – November 30, 1981	144.00
December 1, 1981 – November 30, 1982	180.00
December 1, 1982 – November 30, 1983	240.00
December 1, 1983 – November 30, 1984	264.00
December 1, 1984 – November 30, 1988	300.00
December 1, 1988 – November 30, 1989	324.00
December 1, 1989 – November 30, 1990	336.00
December 1, 1990 – November 30, 1991	348.00
December 1, 1991 – November 30, 1993	360.00
December 1, 1993 – November 30, 1994	372.00
December 1, 1994 – November 30, 1996	384.00
December 1, 1996 – November 30, 1997	396.00

December 1, 1997 – November 30, 1998	420.00
December 1, 1998 – November 30, 1999	444.00
December 1, 1999 – November 30, 2000	468.00
December 1, 2000 – November 30, 2001	492.00
December 1, 2001 – November 30, 2002	528.00
December 1, 2002 – December 31, 2003	552.00
January 1, 2004 – November 30, 2004	588.00
December 1, 2004 – November 30, 2005	624.00
December 1, 2005 – December 31, 2006	648.00
January 1, 2007 – November 30, 2007	672.00
December 1, 2007 – November 30, 2008	684.00
December 1, 2008 – December 31, 2009	696.00
January 1, 2010 – December 31, 2010	717.00
January 1, 2011 – December 31, 2011	738.00
January 1, 2012 – December 31, 2012	760.20
January 1, 2013 and thereafter	782.40

(iv) Benefit accrued to December 31, 1988 based on the plan in effect at that date.

Early Retirement

Normal Retirement benefit as described above, reduced 1/4 of 1% for each calendar month payment precedes age 65.

Effective December 1, 1986, participants who have attained age 62 and completed 30 Years of Service are eligible for unreduced early retirement benefits.

Postponed Retirement

The greater of the benefit payable at normal retirement date, increased 1/2 of 1% for each month between normal retirement date and deferred retirement date and the benefit accrued to actual retirement.

Vested Termination

Normal Retirement benefit as described above based on Average Applicable Compensation and Years of Service at termination is payable at age 65. Participants who had completed 15 Years of Service are eligible for benefits as early as age 55, reduced as described in Early Retirement benefit above.

Disability

Normal Retirement benefit as described above assuming Applicable Compensation and Years of Service at date of disability. Benefit is payable anytime after date of disability for as long as participant is disabled.

Preretirement death

A monthly benefit for life equal to 75% of the benefit described in Early Retirement benefit calculated as if the participant had separated from service on the date of death, survived to the earliest retirement age and retired with a qualified contingent annuity.

Other Plan Provisions

Forms of payment	Preretirement death benefits are payable only as described above. Monthly pension benefits are paid as described above as a life annuity, if the participant has no spouse as of the date payments begin, or if the participant so elects. Otherwise, benefits are paid in the form of 75% joint and survivor annuity option or, if the participant elects and the spouse consents, another actuarially equivalent optional form offered by the plan. Optional forms are a 50%, 66 2/3%, 75% or 100% joint and survivor annuity, a five, ten, or fifteen year certain and life annuity, or (for married participants) a life annuity. Actuarial equivalence is based on the 1994 GAR mortality table and 6% interest.
Postretirement death benefit	None except as provided under normal or optional forms of annuities.
Plan Participants' Contributions	None
Pension Increases	None
Maximum on benefits and pay	All benefits subject to maximum limitations specified by the Employee Retirement Income Security Act of 1974, as amended.

Benefits Not Valued

Benefits Not Valued	All benefits described in the Plan Provisions section of this report were valued. Towers Watson has reviewed the plan provisions with Aqua America, Inc. and, based on that review, is not aware of any significant benefits required to be valued that were not. The plan pays small benefits (with a present value up to $5,000 in a single lump sum payment.) Such lumps sums are not explicitly valued as such; rather such participants benefits are valued using the benefit choice assumptions described above.

Future Plan Changes

No future plan changes were recognized in this valuation. Towers Watson is not aware of any future plan changes which are required to be reflected.

Changes in Benefits Valued Since Prior Year

The minimum monthly benefit was increased to $63.35 for the period January 1, 2012 to December 31, 2012 and to $65.20 beginning January 1, 2013.

Plan Provisions – Part C for Consumers Water Company and Associated Companies Employees

Covered Employees	Participants in the plan as of January 1, 2004 shall continue to be participants. Each other Eligible class employee shall become participant on pre-applicable participation date.
Participation Date	Effective January 1, 2003, Employees become participants on the earlier of (a) or (b): (a) The January 1 on or following completion of six months of continuous employment. (b) The January 1 nearest the completion of one Year of Service. This plan is closed to new entrants who were hired or rehired on or after April 1, 2003 for nonunion participants, and for union participants, the date the union contract was ratified.

Definitions

Computation Period	Calendar year
Year of Service (Vesting)	One year is earned for each plan year during which 1,000 hours or more are credited.
Credited Service	Number of plan years during which an employee has completed 2,080 hours of service. Partial years are credited in years with less than 2,080 hours in proportion to the number of hours of service divided by 2,080 (to the nearest one-twelfth).
Applicable Compensation	Basic annual rate of pay as of January 1 of each year.
Average Applicable Compensation	The annual average of the Applicable Compensation during the five consecutive Computation Periods as an active participant yielding the highest such average.
Designated Participants	A Participant who is an Eligible Class Employee employed by an Employer on January 1, 2011 and (i) who is not an Employee covered by a collective bargaining agreement or (ii) who is an Employee covered by a collective bargaining agreement on January 1, 2011 with one of the following unions: Susquehanna Union - Local No 563, A.F.L. - C.I.O. Utility Workers of America Kankakee Union - Utility Workers Union of America A.F.L. - C.I.O. Local 467 Roaring Creek Union - Local No. 334, A.F.L. - C.I.O. Utility Workers of America Shenango Union - Utility Workers Union of America A.F.L. - C.I.O. Local 285 New Jersey Union - Service Employees International Union Local 32BJ

Eligibility for Benefits

Normal Retirement	The first day of the month coincident with or next following attainment of age 65.
Early Retirement	When the sum of member's age and Years of Service equals or exceeds 95, or, for Designated Participants age 62 with 30 Years of Service.
Postponed Retirement	All participants retiring after their normal retirement date.
Premature Retirement	The earlier of (i) or (ii): (i) Attained age 55 and 20 Years of Service or, for Designated Participants, attained age 55 and 10 Years of Service. (ii) Attained age 62 and 5 Years of Service.
Vested Termination	Completion of at least five Years of Service after member's 18th birthday.
Preretirement Death	Spouses of participants who die after earning a vested accrued benefit.

Benefits Paid Upon the Following Events

Normal Retirement	1.50% of Average Compensation multiplied by Credited Service to a maximum of 35 years.
Early Retirement	Normal Retirement benefit as described above based on Average Compensation and Credited Service at date of termination.
Premature Retirement	(i) Attained age 55 and 20 Years of Service (or age 55 and 10 Years of Service for Designated Participants). Normal Retirement benefit, reduced by ¼ of 1% for each month by which Premature Retirement Date precedes the date a participant is first eligible to receive unreduced benefits. (ii) Attained age 62 and 5 Years of Service. Normal Retirement benefit, reduced by ½ of 1% (¼ of 1% for Designated Participants) for each month by which Premature Retirement Date precedes Normal Retirement Date.
Vested Termination	Normal Retirement benefit as described above based on Average Compensation and Credited Service at termination. Participants can elect to retire at Early Retirement age or Premature Retirement age. Benefits are reduced in accordance with Premature Retirement Section (ii) above.
Postponed Retirement	The greater of the benefit payable at normal retirement date actuarially increased for each month between normal retirement date and deferred retirement date and the benefit accrued to actual retirement.

Preretirement Death	A monthly benefit for life equal to 50% (75% for Designated Participants) of the benefit described in Early or Premature retirement benefit calculated as if the participant had separated from service on the date of death, survived to the earliest retirement age, and retired with a qualified contingent annuity.

Other Plan Provisions

Forms of payment	Preretirement death benefits are payable only as described above. Monthly pension benefits are paid as described above as a life annuity, if the participant has no spouse as of the date payments begin, or if the participant so elects. Otherwise, benefits are paid in the form of 50% joint and survivor annuity option or, if the participant elects and the spouse consents, another actuarially equivalent optional form offered by the plan. Optional forms are a 50%, 66 2/3%, 75% or 100% joint and survivor annuity, a ten-year certain and life annuity (for Designated Participants, a five or fifteen-year certain and life annuity), or (for married participants) a life annuity. Actuarial equivalence is based on the 1994 GAR mortality table and 6% interest for annuity options. For the Social Security level income option, Actuarial Equivalence is based on the greater of 1971 GAM mortality table and 6% interest or the interest rate and mortality specified under IRS Code 417(e)(3) for the year in which benefits commence.
Postretirement death benefit	None except as provided under normal or optional forms of annuities.
Plan Participants' Contributions	None
Maximum on benefits and pay	All benefits and pay subject to maximum limitations specified by the Employee Retirement Income Security Act of 1974, as amended and defined by the Code for that calendar year.

Benefits Not Valued

Benefits Not Valued	All benefits described in the Plan Provisions section of this report were valued. Towers Watson has reviewed the plan provisions with Aqua America, Inc. and, based on that review, is not aware of any significant benefits required to be valued that were not. The plan pays small benefits (with a present value up to $5,000 in a single lump sum payment.) Such lumps sums are not explicitly valued as such; rather such participants benefits are valued using the benefit choice assumptions described above.

Future Plan Changes

No future plan changes were recognized in this valuation. Towers Watson is not aware of any future plan changes which are required to be reflected.

Changes in Benefits Valued Since Prior Year

There have been no changes in the benefits valued since the prior valuation.

Plan Provisions – Part D for Aqua Ohio Water Company

Covered Employees	Effective May 1, 2012, employees and former employees of Ohio-American Water Company who were participants in the American Water Plan as of May 1, 2012 become participants in this Part D. This plan is closed to new entrants who were hired or rehired on or after May 1, 2012.
Participation Date	May 1, 2012.
Eligibility for Benefit Accruals	Each Employee represented by a Participating Union and accruing a benefit under the American Water Plan as of May 1, 2012 is eligible to continue to accrue a benefit provided the Employee is continuously employed and represented by a Participating Union. No other Employee is eligible to accrue benefits under Part D

Definitions

American Water Plan	Pension Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries
Participating Union	One of the following unions: International Union of Operating Engineers Local Union 18S (Tiffin District) Utility Workers of America, AFL-CIO Local Union No. 434 (Marion District) Utility Workers of America, AFL-CIO Local No. 397 (Ashtabula District)
Computation Period	Calendar year
Year of Service (Vesting)	One year is earned for each 12 month period, commencing on a participant's Employment Date, during which an employee has completed 1,000 hours of service or more.
Credited Service	One year is earned for each 12 month period, commencing on a participant's Employment Date, during which an employee has completed 1,000 hours of service or more. Partial years are credited in the year of termination provided the employee is credited with 1,000 hours. The partial Year of Service is the number of days prior to termination divided by 365.
Earnings	"Earnings" as defined in the American Water Plan through May 1, 2012 plus total earnings paid during the Computation Period by the Employer, plus amounts that would have been paid but for the Employee's election under a cash or deferred arrangement.
Average Applicable Compensation	The annual average of the Earnings during the 60 consecutive full months of the final 120 months of employment which yield the highest average.
Social Security Average Wage Base	The average of the Social Security wage bases in effect during the year in which the benefit is calculated plus the preceding nine years

Eligibility for Benefits

Normal Retirement	The first day of the month coincident with or next following attainment of age 65.
Early Retirement	The later of (i) or (ii): (i) Age 55. (ii) Age and Years of Service equals or exceeds 70.
Disability Retirement	The first day of the month following the submission of evidence that the employee qualifies for disability benefits from the Social Security Administration, provided that the employee has completed 10 Years of Service.
Vested Termination	Completion of at least five Years of Service
Preretirement Death	Spouses of participants who die after at least five Years of Service

Benefits Paid Upon the Following Events

Normal Retirement	<u>Participating Union Participants</u> For service before July 1, 2001, The sum of (a) plus (b) plus (c): (a) 1.85% of Average Applicable Compensation not in excess of the Social Security Average Wage Base multiplied by Years of Service up to 25 years. (b) 2.10% of Average Applicable Compensation in excess of the Social Security Average Wage Base multiplied by Years of Service up to 25 years. (c) 0.70% of Average Applicable Compensation multiplied by Years of Service in excess of 25 years. For service after July 1, 2001, 1.6% of Average Applicable Compensation multiplied by Years of Service. <u>Other Participants</u> The benefit transferred from the American Water Plan as of May 1, 2012
Early Retirement	Normal Retirement Benefit described above based upon Earnings and Years of Service to the date of early retirement, multiplied by the appropriate factors from the Schedule of Early Retirement Factors contained in the plan document.
Disability Retirement	Normal Retirement Benefit described above based on Earnings and Years of Service at the date of disability without reduction for early commencement
Vested Termination	Normal Retirement benefit as described above based on Average Compensation and Credited Service at termination. Participants can elect to retire at Early Retirement age. Benefits are reduced in accordance with Early Retirement section above.

Preretirement Death

(i) Monthly benefits under (ii) depend on the status of the participant as follows:

(a) All active and former employees eligible for early retirement as of the date of death, provided the employee is married or has designated a contingent annuitant.

(b) All employees not eligible for early retirement with at least 10 Years of Service on the date of death, provided the employee is married or has designated a contingent annuitant.

(c) All employees not eligible for early retirement with at least five Years of Service but less than 10 on the date of death and all former employees who had completed at least five Years of Service but were not eligible for Early Retirement at termination and have not begun to receive retirement benefits, provided the employee is married or has designated a contingent annuitant.

(ii) Monthly benefit:

(a) The benefit that would have been payable to the employee if the participant had retired early on the date of death and elected to receive a 100% contingent annuity.

(b) An immediate benefit, based on the amount that would have been payable to the employee had the employee retired on the date of death and elected to receive a 100% contingent annuity. Such benefit will be based upon the Early Retirement Factor for the employee's age at death (or, if greater, age 55) and the number of Years of Service at death. Such benefit will also be based upon the 100% Contingent Annuity Factor for the employee's age at death (or, if greater, age 55) with a spouse's age that bears the same relation as to that at death.

(c) A benefit, equal to 50% of the amount that would have been payable to the participant had he survived to age 55 (if death is before age 55) and elected a 50% contingent annuity. Such benefit will be based upon the Early Retirement Factor and the 50% Contingent Annuity Factor for an employee age 55 (if death is before age 55), the number of Years of Service completed at death or termination, and the spouse's then attained age. Benefit is payable immediately or at the employee's age 55, if later.

(iii) Duration of benefit: Monthly benefits are payable during the lifetime of the survivor.

Other Plan Provisions

Forms of payment	Preretirement death benefits are payable only as described above. Monthly pension benefits are paid as described above as a life annuity, if the participant has no spouse as of the date payments begin, or if the participant so elects. Otherwise, benefits are paid in the form of 50% joint and survivor annuity option (with two-year "pop-up"). If the participant elects and the spouse consents, benefits can be paid under another actuarially equivalent optional form offered by the plan. Optional forms are a 50%, 66 2/3%, 75% or 100% joint and survivor annuity, a five, ten, or fifteen-year certain and life annuity, or (for married participants) a life annuity. Actuarial equivalence is based on the 1983 GAM mortality table (set back one year for participants and 5 years for contingent annuitants) and 8% interest.
Postretirement death benefit	None except as provided under normal or optional forms of annuities.
Plan Participants' Contributions	None
Maximum on benefits and pay	All benefits and pay subject to maximum limitations specified by the Employee Retirement Income Security Act of 1974, as amended and defined by the Code for that calendar year.

Benefits Not Valued

Benefits Not Valued	All benefits described in the Plan Provisions section of this report were valued. Towers Watson has reviewed the plan provisions with Aqua America, Inc. and, based on that review, is not aware of any significant benefits required to be valued that were not. The plan pays small benefits (with a present value up to $5,000 in a single lump sum payment.) Such lumps sums are not explicitly valued as such; rather such participants benefits are valued using the benefit choice assumptions described above.

Future Plan Changes

No future plan changes were recognized in this valuation. Towers Watson is not aware of any future plan changes which are required to be reflected.

Appendix C: Non-Reliance Notice for Attachment to Certifications

NOTICE

By accepting a copy of this Certification, the Recipient agrees that it has read and understands the following:

1. Towers Watson Delaware Inc. ("Towers Watson"), represents and is responsible exclusively to its client Aqua America, Inc., with respect to all matters relating to this Certification. The information contained in this report was prepared for the use of Aqua America, Inc., its auditors, and any organization which provides benefit administration services for the plan, in connection with our determination as described in Purposes of Valuation above. There are no other intended beneficiaries of this Certification or the work underlying it.

2. Recipient is responsible for its own due diligence with respect to all matters relating to this Certification.

Recipient is **DEEMED TO HAVE AGREED** to the following conditions by receiving, downloading, printing or otherwise having possession of this Certification:

- Recipient recognizes that Towers Watson's consulting staff is available, with Aqua America, Inc.'s prior consent and at the Aqua America, Inc.'s expense, to answer any questions concerning this Certification; and

Recipient agrees that by accepting this Certification (including any information related to the Certification that may be subsequently provided to Recipient by or on behalf of Towers Watson), Recipient will place no reliance on this Certification or information contained therein, or related thereto, that would result in the creation of any duty or liability by Towers Watson to Recipient

Appendix D: Allocation of 2013 ASC 715-30 Pension Expense (including the amortization of certain regulatory assets)

Aqua America, Inc.
Retirement Income Plan for Aqua America, Inc. and Subsidiaries
Allocation of Actual 2013 ASC 715-30 Pension Expense/(Income) Plus Amortization of the Regulatory Asset associated with the Purchase of the Ohio-American Water Company

	2013 ASC 715-30 Pension Expense/(Income)*
1: Pennsylvania	6,012,485
2: Nonregulated Service Company	1,587,399
3: Nonregulated Customer Operations	204,210
4: Non-Pennsylvania States	
a. Part C - Consumers Ohio Water Co.	1,570,881
b. Part D - Aqua Ohio Water Company, Inc (formerly American Water Ohio)	704,712
c. Part C - Consumers Illinois Water Co.	1,079,097
d. Part C - Consumers New Jersey Water Co.	299,317
e. Part C - Aqua Texas, Inc.	27,733
f. Part C - Aqua Utilities Florida, Inc.	2,164
g. Part C - Aqua Virginia, Inc.	-
h. Parts A&C - Aqua North Carolina, Inc.	60,982
i. Part A - Aqua NY (includes Seacliff & Former NYWSC)	(7,204)
4: Total Non-Pennsylvania States	**3,737,682**
Grand Total	**11,541,776**

Amounts shown above are based on US GAAP accounting plus the regulatory asset established by Aqua America as a result of the purchase of the Ohio-American Water Company in the amount of $6,038,831 (as of May 1, 2012) with an annual amortization of $603,884 (amounts provided by Aqua). These amounts do not reflect any other regulatory assets established by Aqua America.

* Allocated US GAAP expense for Aqua Ohio Water Company, Inc. is $100,828. The amount shown includes an amortization of regulatory asset of $603,884. For all other locations, the amount shown reflects only US GAAP expense.

Aqua America, Inc.
Retirement Income Plan for Aqua America, Inc. and Subsidiaries
ASC 715-30 Pension Expense/(Income) - 2013 Actual and 2014 Estimated

	(ACTUAL) 2013 ASC 715-30 Pension Expense/(Income)	Budgeted 2014 ASC 715-30 Pension Expense/(Income)	(ESTIMATE) 2014 ASC 715-30 Pension Expense/(Income) (Final Assumptions)*
1: Pennsylvania	6,012,484	3,770,000	1,696,000
2: Nonregulated Service Company	1,587,399	995,000	482,000
3: Nonregulated Customer Operations	204,210	128,000	62,000
4: Non-Pennsylvania States			
a. Part C - Consumers Ohio Water Co.	1,570,880	985,000	478,000
b. Part D - Aqua Ohio Water Company, Inc (formerly American Water Ohio)	100,828	(94,000)	31,000
c. Part C - Consumers Illinois Water Co.	1,079,097	677,000	328,000
d. Part C - Consumers New Jersey Water Co.	299,317	188,000	91,000
e. Part C - Aqua Texas, Inc.	27,733	17,000	8,000
f. Part C - Aqua Utilities Florida, Inc.	2,164	1,000	1,000
g. Part C - Aqua Virginia, Inc.	-	-	-
h. Parts A&C - Aqua North Carolina, Inc.	60,982	38,000	18,000
i. Part A - Aqua NY (includes Seacliff & Former NYWSC)	(7,204)	(5,000)	(5,000)
4: Total Non-Pennsylvania States	**3,133,798**	**1,807,000**	**950,000**
Grand Total	**10,937,892**	**6,700,000**	**3,190,000**
Estimated Non-PA Expense (including Nonreg Service Company and Customer Operations)			**1,494,000**

Key Assumptions			
Discount Rate	4.17%	5.00%	5.12%
Rate of Return on Plan Assets	7.50%	7.50%	7.50%
Salary Scale (Corporate/Local 542/CWC)	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%
Mortality	IRS Prescribed 2013	IRS Prescribed 2014	RP2000 with Scale BB ***
Fair Value of Assets at Beginning of Year**	$ 190.1 Million	$ 210.5 Million	$ 231.6 Million
Actual/Expected Contributions	$ 16.0 Million	$ 15.0 Million	$ 17.9 Million

* Reflects increase in minimum benefit for Local 542 ($67.15/month beginning January 1, 2014 and $69.17/month beginning January 1, 2015)

** Assets as of December 31, 2013 as provided by Aqua on January 7, 2013

*** RP2000 mortality table projected with proposed scale BB to 2029 for non-annuitants and to 2021 for annuitants

All other data, plan provisions, economic and demographic assumptions are the same as those used in the January 1, 2013 valuation.

Amounts shown above are based on US GAAP accounting prior to any regulatory asset/liability adjustments. In addition to other potential regulatory assets, these amounts do not reflect the regulatory asset established by Aqua America as a result of the purchase of the Ohio-American Water Company in the amount of $6,038,831 (as of May 1, 2012) with an annual amortization of $603,884 (amounts provided by Aqua).

Aqua America, Inc.

Consumers Water Company

Retiree Welfare Plan

Actuarial Valuation Report

Postretirement Welfare Cost for Fiscal Year Ending December 31, 2013 under U.S. GAAP

Estimated Employer Contributions for Plan Year Beginning January 1, 2013

August 2013

TOWERS WATSON

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Purposes of valuation

Purposes of Valuation

Aqua America, Inc. (Aqua) retained Towers Watson Delaware Inc. (Towers Watson), to perform an actuarial valuation of the Consumers Water Company Postretirement Welfare Plan (the Plan) for the purpose of determining the following:

(1) The value of benefit obligations as of January 1, 2013 and Aqua America, Inc.'s Postretirement welfare cost for fiscal year ending December 31, 2013 in accordance with FASB Accounting Standards Codification Topic 715 (ASC 715-60). It is anticipated that a separate report will be prepared for year-end financial reporting and disclosure purposes.

(2) Plan reporting information in accordance with FASB Accounting Standards Codification Topic 965 (ASC 965).

(3) The estimated maximum tax-deductible contribution for the tax year in which the 2013 plan year ends as allowed by the Internal Revenue Code. The maximum tax-deductible contribution should be finalized in consultation with Aqua America, Inc.'s tax advisor.

Section 1: Summary of results

Summary of Valuation Results

All monetary amounts shown in US Dollars

Fiscal Year Ending		December 31, 2013	December 31, 2012
Benefit Cost/ (Income)	Postretirement Welfare Cost (excluding effects of settlements, curtailments, termination benefits, capitalized cost adjustments and regulatory assets)[1]	125,207	154,337
Measurement Date		**January 1, 2013**	**January 1, 2012**
Plan Assets	Fair Value of Assets (FVA)	8,775,613	4,032,063
	Market Related Value of Assets (MRVA)	8,775,613	4,032,063
Benefit Obligations	Accumulated Postretirement Benefit Obligation (APBO)	11,828,163	5,045,058
Funded Status	Funded Status	(3,052,550)	(1,012,995)
Accumulated Other Comprehensive (Income)/Loss (AOCI)	Net Prior Service Cost/(Credit)	(270,586)	(315,669)
	Net Loss/(Gain)	(941,251)	(440,159)
	Transition Obligation/(Asset)	0	0
	Total AOCI	(1,211,837)	(755,828)
Remaining Regulatory Asset	Remaining regulatory asset associated with purchase of Ohio-American Water Company (provided by Aqua)	1,640,367	1,757,536
Assumptions[2]	Discount Rate	4.17 %	5.00 %
	Expected Rate of Return on Plan Assets	7.15 %	7.13 %
	Rate of Compensation/Salary Increase	4.00 %	4.00 %
	Current Health Care Cost Trend Rate	8.00 %	8.50 %
	Ultimate Health Care Cost Trend Rate	5.00 %	5.00 %
	Year of Ultimate Trend Rate	2019	2019
Census Date		January 1, 2013	January 1, 2012
Plan reporting (ASC 965) for Plan Year Beginning		**January 1, 2013**	**January 1, 2012**
	Present value of accumulated benefits	11,828,163	5,045,058
	Market value of assets	8,775,613	4,032,063
	Plan reporting discount rate	4.17 %	5.00 %
Employer Contributions (net of Medicare subsidy)		**Plan Year 2013**	**Plan Year 2012**
Cash Flow	Estimated Maximum Tax Deductible contributions[3]	1,700,000	2,824,000
	Expected benefit payments and expenses, net of participant contributions	406,576	240,329

1 Fiscal 2012 postretirement welfare cost shown above excludes the one-time settlement credit as of January 1, 2012 attributable to the sale of Aqua Maine, Inc.; however the cost reflects the remeasurement of assets and obligations as of May 1, 2012 for the acquisition of Ohio-American Water Company

2 These assumptions were used to calculate the total postretirement welfare cost as of the beginning of the year. Rates expressed on an annual basis where applicable. For assumptions used for interim measurement periods, refer to Appendix A.

3 Plan year 2012 estimated based on May 1, 2012 assets projected to year-end using expected investment return and expected benefit disbursements. Plan year 2013 estimated based on January 1, 2013 assets projected to year-end using expected investment return and expected benefit disbursements.

Employer Contributions

Employer contributions are the amounts paid by Aqua America, Inc. to provide for postretirement benefits, net of participant contributions. Participants receiving benefits are required to contribute toward the cost of the plan.

Aqua America, Inc.'s funding policy is to contribute an amount equal to the postretirement welfare cost not to exceed the maximum tax-deductible limit. Aqua America, Inc. may deviate from this policy, as permitted by its terms, based on cash, tax or other considerations.

Postretirement Welfare Cost and Funded Position

The cost of the postretirement welfare plan is determined in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP"). The Fiscal 2013 postretirement welfare benefit cost for the plan is $125,207 excluding amounts recognized for curtailments, settlements, terminated benefits, capitalized cost adjustments and regulatory assets.

Under U.S. GAAP, the funded position (fair value of plan assets less the accumulated postretirement benefit obligation, or "APBO") of each postretirement welfare plan at the plan sponsor's fiscal year-end (measurement date) is required to be reported as a liability. The APBO is the actuarial present value of benefits attributed to service rendered prior to the measurement date, taking into consideration expected future pay increases for pay-related benefits. The plan's underfunded APBO as of January 1, 2013 was $3,052,550, based on the fair value of plan assets of $8,775,613 and the APBO of $11,828,163.

Fiscal year-end financial reporting information and disclosures are prepared before detailed participant data and full valuation results are available. Therefore, the postretirement benefit asset (liability) at December 31, 2012 was derived from a roll forward of the January 1, 2012 valuation results, adjusted for the year-end discount rate and asset values, as well as significant changes in plan provisions and participant population. The next fiscal year financial reporting information will be developed based on the results of the January 1, 2013 valuation, projected to the end of the year and similarly adjusted for the year-end discount rate and asset values, as well as significant changes in plan provisions and participant population.

Basis for Valuation

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued, including changes since the prior plan year.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, claims data, contributions and assets provided by Aqua America, Inc. and other persons or organizations designated by Aqua America, Inc. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. We have relied on all the information provided as complete and accurate. The results presented in this report are dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data and information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by Aqua America, Inc., may produce materially different results that could require that a revised report be issued.

Assumptions and Methods under the Internal Revenue Code for Contribution Limit Purposes

The actuarial assumptions and methods employed in the development of the contribution limits have been selected by the plan sponsor, with the concurrence of Towers Watson. The Internal Revenue Code requires the use of reasonable assumptions (taking into account the experience of the plan and reasonable expectations) which, in combination, offer the actuary's best estimate of anticipated experience under the plan. We believe that the assumptions used in our valuation are reasonable and appropriate for the purposes for which they have been used.

Assumptions and Methods under ASC 715-60

The actuarial assumptions and methods employed in the development of the Postretirement welfare cost have been selected by the plan sponsor, with the concurrence of Towers Watson. ASC 715-60 requires that each significant assumption "individually represent the best estimate of a particular future event".

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with Aqua America, Inc.'s tax advisors and auditors.

Nature of Actuarial Calculations

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by Towers Watson, we consider reasonable and within the "best-estimate range" as described by the Actuarial Standards of Practice. Other actuarial assumptions could also be considered to be reasonable and within the best-estimate range. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for various assumptions.

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Assumptions may be made, in consultation with Aqua America, Inc., about participant data or other factors. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. The numbers shown in this report are not rounded. This is for convenience only and should not imply precision; by their nature, actuarial calculations are not precise.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs or contribution requirements reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions; increases or reductions expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. It is beyond the scope of this valuation to analyze the potential range of future postretirement welfare contributions, but we can do so upon request.

Limitations on Use

This report is provided subject to the terms set out herein and in our engagement letter signed by Aqua on January 21, 2013 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of Aqua America, Inc. and its auditors in connection with our actuarial valuation of the postretirement welfare plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. Aqua America, Inc. may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require Aqua America, Inc. to provide them this report, in which case Aqua America, Inc. will use best efforts to notify Towers Watson in advance of this distribution, and will include the non-reliance notice included at the end of this report. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Towers Watson's prior written consent. In the absence of such consent and an express assumption of responsibility, we accept no responsibility whatsoever for any consequences arising from any third party relying on this report or any advice relating to its contents. There are no intended third-party beneficiaries of this report or the work underlying it.

Professional Qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to postretirement welfare plans. Our objectivity is not impaired by any relationship between Aqua America, Inc. and our employer, Towers Watson Delaware Inc.

Kevin J. Halfpenny, FSA, EA
Senior Retirement Consulting Actuary

Amy Dorff, FSA
Healthcare Consulting Actuary

K. A. May

Kristin A. May (née Ausiello), FSA, EA
Senior Retirement Consulting Actuary

Towers Watson Delaware Inc.

August 2013

Section 2: Actuarial exhibits

2.1 Balance sheet asset / (liability)

All monetary amounts shown in US Dollars

Measurement Date		January 1, 2013	January 1, 2012
A	**Development of Balance Sheet Asset/(Liability)**		
1	Accumulated postretirement benefit obligation (APBO)	11,828,163	5,045,058
2	Fair value of assets (FVA)	8,775,613	4,032,063
3	Net balance sheet asset/(liability)	(3,052,550)	(1,012,995)
B	**Current and Noncurrent Allocation**		
1	Noncurrent assets	0	0
2	Current liabilities	0	0
3	Noncurrent liabilities	(3,052,550)	(1,012,995)
4	Net balance sheet asset/(liability)	(3,052,550)	(1,012,995)
C	**Accumulated Other Comprehensive (Income)/Loss**		
1	Net prior service cost/(credit)	(270,586)	(315,669)
2	Net loss/(gain)	(941,251)	(440,159)
3	Transition obligation/(asset)	0	0
4	Accumulated other comprehensive (income)/loss[1]	(1,211,837)	(755,828)
D	**Remaining regulatory asset associated with the purchase of the Ohio-American Water Company (provided by Aqua)**	1,640,367	1,757,536
E	**Assumptions**		
1	Discount rate	4.17%	5.00%
2	Rate of compensation/salary increase	4.00%	4.00%
3	Current health care cost trend rate	8.00%	8.50%
4	Ultimate health care cost trend rate	5.00%	5.00%
5	Year of ultimate trend rate	2019	2019
F	**Census date**	January 1, 2013	January 1, 2012

[1] Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.2 Summary and comparison of postretirement benefit cost

All monetary amounts shown in US Dollars

Fiscal Year Ending		December 31, 2013	December 31, 2012
A	**Total Postretirement Benefit Cost**[1]		
1	Service cost	286,664	218,142
2	Interest cost	496,798	414,908
3	Expected return on assets	(613,172)	(433,630)
4	Net prior service cost/(credit) amortization	(45,083)	(45,083)
5	Net loss/(gain) amortization	0	0
6	Transition obligation/(asset)	0	0
7	Net periodic postretirement benefit cost/(income)	125,207	154,337
8	Settlement loss/(gain)	0	(13,710)[2]
9	Curtailment loss/(gain)	0	0
10	Total postretirement benefit cost	125,207	140,627
B	**Amortization of regulatory asset associated with the purchase of the Ohio-American Water Company (provided by Aqua)**	175,754	117,169
C	**Assumptions**[3]		
1	Discount rate	4.17%	5.00%
2	Long-term rate of return on assets	7.15%	7.13%
3	Rate of compensation/salary increase	4.00%	4.00%
4	Current health care cost trend rate	8.00%	8.50%
5	Ultimate health care cost trend rate	5.00%	5.00%
6	Year ultimate trend rate is expected	2019	2019
D	**Census Date**	January 1, 2013	January 1, 2012
E	**Assets at Beginning of Year**		
1	Fair market value	8,775,613	4,032,063
2	Market-related value	8,775,613	4,032,063

1 Fiscal 2012 postretirement welfare cost reflects settlement accounting as of January 1, 2012 for the sale of Aqua Maine, Inc. and the remeasurement of assets and obligations as of May 1, 2012 for the acquisition of Ohio-American Water Company

2 Settlement gain has been reflected in the January 1, 2012 Accumulated Other Comprehensive Income shown in this report.

3 These assumptions were used to calculate the Net Postretirement Benefit Cost/ (Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable. For assumptions used for interim measurement periods, refer to Appendix A.

2.3 Development of assets for postretirement welfare cost and employer contributions

All monetary amounts shown in US Dollars

		Fair Value and Market-Related Value
A	**Reconciliation of Assets**	
1	Plan assets at January 1, 2012	4,032,063[1]
2	Investment return, net of taxes	276,147
3	Employer contributions	214,432
4	Plan participants' contributions	113,877
5	Benefits paid	(385,144)
6	Administrative expenses paid	0
7	Transfers from (to) other plans	1,584,081
8	Acquisitions	2,940,157
9	Divestitures	0
10	Plan assets at January 1, 2013	8,775,613
11	Rate of return	7.1%

[1] Reflects a reduction of $125,594 associated with the divestiture of Aqua Maine, Inc.

2.4 Detailed results for postretirement welfare cost and funded position

All monetary amounts shown in US Dollars

Detailed results			January 1, 2013	January 1, 2012
A	**Service Cost**			
	1	Medical	279,111	40,982
	2	Life Insurance	7,553	2,558
	3	Total	286,664	43,540
B	**Accumulated Postretirement Benefit Obligation [APBO]**			
	1	Medical:		
	a	Participants currently receiving benefits	2,991,001	1,209,038
	b	Fully eligible active participants	1,786,541	1,864,033
	c	Other participants	5,745,024	962,811
	d	Total	10,522,566	4,035,882
	2	Life Insurance:		
	a	Participants currently receiving benefits	967,991	758,395
	b	Fully eligible active participants	185,773	186,003
	c	Other participants	151,833	64,778
	d	Total	1,305,597	1,009,176
	3	All Benefits:		
	a	Participants currently receiving benefits	3,958,992	1,967,433
	b	Fully eligible active participants	1,972,314	2,050,036
	c	Other participants	5,896,857	1,027,589
	d	Total	11,828,163	5,045,058
C	**Assets**			
	1	Fair value [FV]	8,775,613	4,032,063
	2	Investment losses (gains) not yet in market-related value	0	0
	3	Market-related value	8,775,613	4,032,063
D	**Funded Position**			
	1	Overfunded (underfunded) APBO	(3,052,550)	(1,012,995)
	2	APBO funded percentage	74.2%	79.9%
E	**Amounts in Accumulated Other Comprehensive Income**			
	1	Prior service cost (credit)	(270,586)	(315,669)
	2	Net actuarial loss (gain)	(941,251)	(440,159)
	3	Transition obligation/(asset)	0	0
	4	Total	(1,211,837)	(755,828)

Detailed results			January 1, 2013	January 1, 2012
F	**Effect of Change in Health Care Cost Trend Rate**			
	1	One-percentage-point increase:		
		a Sum of service cost and interest cost	51,408	3,745
		b APBO	1,179,846	50,891
	2	One-percentage-point decrease:		
		a Sum of service cost and interest cost	(41,834)	(3,417)
		b APBO	(961,069)	(47,019)

2.5 ASC 965 (plan accounting) Information

All monetary amounts shown in US Dollars

Plan Year Beginning			January 1, 2013
A	**Present Value of Benefit Obligations and Funded Status**		
	1	Present value of benefit obligations	
		a Participants currently receiving benefits	3,958,992
		b Other fully eligible participants	1,972,314
		c Other participants	5,896,857
		d Total	11,828,163
	2	Fair value of assets	8,775,613
	3	Effect on obligation of one-percentage-point increase in health care cost trend rate	1,179,846
B	**Changes in Benefit Obligations**		
	1	Postretirement Benefit Obligation	
		a Amount as of January 1, 2012	5,045,058
		b Benefits earned	43,540
		c Benefits paid	(385,774)
		d Interest	242,726
		e Plan amendment effects	0
		f Change in actuarial assumptions	1,293,282
		g Acquisition	5,187,559
		h Transfers	2,058,428
		i Actuarial (gains) losses	(1,656,656)
		j Amount as of January 1, 2013	11,828,163
C	**Change in Plan Assets**		
	1	Fair value of plan assets as of January 1, 2012	4,032,063[1]
	2	Actual return on plan assets	276,147
	3	Employer contributions	214,432
	4	Participant contributions	113,877
	5	Benefits paid	(385,144)
	6	Administrative expenses paid	0
	7	Transfers from (to) other plans	1,584,081
	8	Acquisitions	2,940,157
	9	Divestitures	0
	10	Fair value of plan assets as of January 1, 2013	8,775,613

[1] Reflects a reduction of $125,594 associated with the divestiture of Aqua Maine, Inc.

2.6 Estimated maximum deductible employer contributions[1]

All monetary amounts shown in US Dollars

VEBA – Non-Union		Health	Life	Total
A	**Maximum Deductible Employer Contribution**			
1	Qualified direct costs	47,000	33,000	80,000
2	Permitted addition to qualified asset account	0	0	0
3	Investment income	(47,000)	(33,000)	(80,000)
4	Maximum deductible employer contribution (minimum of $0)	0	0	0

VEBA – Union Health and Life		
A	**Maximum Deductible Employer Contribution**	
1	Expected present value of projected benefits as of December 31, 2013	8,400,000
2	Expected asset value as of December 31, 2013	6,700,000
3	Maximum deductible employer contribution (minimum of $0)	1,700,000

We recommend that the plan sponsor review with tax counsel the tax-deductibility of all contributions as Towers Watson does not provide legal or tax advice.

[1] Results estimated based on assets collected as of January 1, 2013, projected to year-end using expected investment return and expected benefit disbursements. Estimated allocation between VEBA trusts was provided by Aqua America, Inc.

2.7 Detailed results for employer contributions – VEBA

All monetary amounts shown in US Dollars

	Union Health and Life	Non-Union Health	Non-Union Life	Total
A Liabilities and Funded Position as of January 1, 2013				
1 Gross Present value of projected benefits [PVPB]	8,228,130	1,188,758	318,249	9,735,137
2 Assets[1]				
a Market value	6,570,865	1,223,033	981,715	8,775,613
b Unrecognized investment losses (gains)	0	0	0	0
c Actuarial value [AV]	6,570,865	1,223,033	981,715	8,775,613
3 Funded Position				
a Unfunded actuarial accrued liability [PVPB – AV]	1,657,265	(34,275)	(663,466)	959,524
b AAL funded percentage [AV ÷ PVPB]	79.9%	102.9%	308.5%	90.1%
B Key Economic Assumptions				
1 Discount rate for liabilities, pre-tax	7.50%	7.50%	7.50%	
2 Assumed tax rate	N/A	33.33%	N/A	
3 Discount rate for liabilities, after tax	7.50%	5.00%	7.50%	
4 Salary increase rate	4.00%	N/A	4.00%	
5 Ultimate healthcare trend	5.00%	N/A	N/A	

[1] Estimated allocation between VEBA trusts was provided by Aqua America, Inc.

2.8 Expected benefit disbursements

All monetary amounts shown in US Dollars

	Union Health and Life	Non-Union Health and Life	Total
Medical	320,554	20,622	341,176
Life	32,549	32,851	65,400
Total	353,103	53,473	406,576

Section 3: Participant data

All monetary amounts shown in US Dollars

Census Date	January 1, 2013	January 1, 2012
A Participating Employees		
1 Number		
a Fully eligible	97	104
b Other	141	103
c Total participating employees	238	207
2 Average age	53.6	54.6
3 Average credited service	23.1	24.4
4 Average future working life		
a to expected retirement age	8.945	8.433
b to full eligibility age	8.219	6.944
B Retirees and Surviving Spouses		
1 Retirees and surviving spouses		
a Number under 65	32	24
b Number 65 and older	145	121
c Total	177	145
d Number with married/family health care coverage	24	10
e Number with single health care coverage	77	62
f Number with life insurance only	76	73
g Average age	74.2	74.0
C Dependents		
1 Number	24	10
2 Average age	65.8	62.8

Appendix A: Statement of actuarial assumptions and methods

Economic Assumptions

	Postretirement Welfare Cost	Plan Reporting	Employer Contributions
Discount rate:			
► Pre-tax	4.17%	4.17%	7.50%
► Post-tax	N/A	N/A	5.00%
Rate of return on assets:			
► Rate of return on VEBA assets, pre-tax[1]	7.50%	N/A	N/A
► Assumed tax rate on VEBA investment income[2]	33.33%	N/A	N/A
► Rate of return on VEBA assets, post-tax	5.00%	N/A	N/A
► Weighted average rate of return on VEBA assets	7.15%	N/A	N/A
Annual rates of compensation increase	4.00%	4.00%	4.00%

Participation Assumptions

Inclusion Date	The valuation date coincident with or next following the date on which the employee is hired.
New or rehired employees	It was assumed there will be no new or rehired employees.

[1] Applies to assets invested in union medical and life VEBAs and non-union life VEBA.

[2] Applies to assets invested in non-union medical VEBA.

	Current Retirees	*Future Retirees*
Participation:	Based on valuation census data	Percentages of eligible individuals electing coverage ▸ Pre-65 Medical: 85% ▸ Post-65 Medical: 100% ▸ Life Insurance: 100%
Percent married	Based on valuation census data	80% of males; 80% of females
Spouse age	Actual age, if reported. Otherwise, wives are assumed to be three years younger than husbands.	

Demographic Assumptions

Mortality

Healthy

Separate rates for non-annuitants (based on RP-2000 "Employees" table without collar or amount adjustments, projected to 2028 using Scale AA) and annuitants (based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2020 using Scale AA.)

Termination (not due to retirement)

Rates varying by age. Representative Termination Rates:

Percentage leaving during the year	
Age	Rate
25-39	0.040
40-54	0.030

Retirement

Rates at which participants are assumed to retire by age are shown below. The average retirement age is 62

Percentage retiring during the year	
Age	Rate
55-56	0.02
57-61	0.05
62	0.25
63	0.10
64	0.25
65-66	0.30
67	0.50
68	1.00

Trend Rates

Medical and Dental Trend Rate

8.00% in 2013 reducing 0.50% per year for 6 years, reaching 5% in 2019 and after

Per Capita Claims Costs

Basis for Per Capita Claim Cost Assumptions

For many groups, the employer contribution toward coverage is a fixed dollar amount. For other groups, the employer obligation is based on the cost of health plan coverage:

- Pre-65 per capita claims costs determined from group claims experience and age-related to a pre-65 only cost. The age-relating of premium is intended to recognize the expected higher health care costs each retiree contributes toward the experience of the plan which extends coverage to both early retirees and active employees.
- Post-65 retirees receive company contributions into a Premium Reimbursement Account.
- Dental per capita costs (if applicable) are based on the insured premium for the group.

Certain current retirees have negotiated premium contributions that differ from the current general plan structure.

The average annual per capita health rates (measurement year) after adjustment for administrative expenses are shown below.

	Under Age 65	Age 65 and Over
Non-Union	840[1]	840[1]
Union		
► Shenango Valley	12,338[2]	3,795[1]
► Roaring Creek	12,338[2]	840[1]
► Ohio (does not apply to former Ohio-American participants)	12,812[2]	383[1]
► Kankakee	1,080[1]	1,080[1]
► Susquehanna	840[1]	840[1]
► SeaCliff (Grandfathered group only)	3,780 (single);[1] 7,560 (dual/family)	1,500 (single);[1] 3,000 (dual/family)

Per capita claims cost for former Ohio-American participants:

Age	
50–54	8,918
55–59	9,932
60–64	13,512
65–69	4,292
70–74	4,792
75–79	5,093
80–84	5,200
>85	5,407

Additional Assumptions

1 Defined contribution toward retiree medical plan costs. For Union Shenango Valley Age 65 and Over, the defined contribution is shown for current year and is defined to increase by 3% in all future years.
2 The assumed average gross (i.e., before participant contributions) medical plan per capita costs.

Administrative expenses	Included in per capita claim costs
Excise tax	With the concurrence of Aqua, for each plan the pre-65 and post-65 costs were aggregated and the excise cap was applied in total. Using this methodology, the present value of the excise tax for all Aqua retiree medical plans is assumed to be $0.
Timing of benefit payments	Benefit payments are assumed to be made uniformly throughout the year and on average at mid-year

Methods – Employer Contributions

Census date	First day of plan year
Valuation date	First day of plan year
Normal cost and actuarial accrued liability	Aggregate cost method
Actuarial value of assets	Market value
Funding policy	Aqua America, Inc.'s funding policy is to contribute an amount equal to the postretirement welfare cost, not to exceed the maximum tax-deductible limit. The sponsor may deviate from this policy, as permitted by its terms, based on cash, tax or other considerations.
Timing of contributions	Contributions are assumed made on the last day required to meet deductibility requirements

Methods – Postretirement Welfare Cost and Funded Position

Census date	Fiscal year-end
Measurement date	Fiscal year-end
Service cost and accumulated post-retirement benefit obligation	Costs are determined using the Projected Unit Credit Cost Method. The annual service cost is equal to the present value of the portion of the projected benefit attributable to service during the upcoming year, and the Accumulated Postretirement Benefit Obligation (APBO) is equal to the present value of the portion of the projected benefit attributable to service before the valuation date. Service from hire date through the expected full eligibility date is counted in allocating costs.
Market-related value of assets	The fair value of assets on the measurement date.
Amortization of unamortized amounts:	
Transition obligation	Amortized on a straight-line basis of 20 years beginning January 1, 1993
▸ Prior service cost (credit)	Increase in APBO resulting from a plan amendment is amortized on a straight-line basis over the average expected remaining service of active participants expected to benefit under the plan. Amortization of net prior service cost/(credit) resulting from a plan change is included as a component of Net Periodic Postretirement Benefit Cost/(Income) in the year first recognized and every year thereafter until such time as it is fully amortized. The annual amortization

payment is determined in the first year as the increase in APBO due to the plan change divided by the average remaining service period to full eligibility for participating employees expected to receive benefits under the Plan. Reductions in APBO first reduce any unrecognized transition obligation, then any unrecognized prior service cost; any remaining amount is amortized on a straight-line basis as described above.

- Net loss (gain)

Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of Net Periodic Postretirement Benefit Cost/(Income) for a year.

Net loss (gain) in excess of 10% of the greater of APBO or the market-related value of assets is amortized on a straight-line basis over the average expected remaining service of active participants expected to benefit under the plan.

Benefits Not Valued

All benefits described in the Plan Provisions section of this report were valued. Life insurance benefits in excess of $50,000 and health care benefits for key employees were not included in determining the maximum deductible contribution. Towers Watson is not aware of any significant benefits required to be valued that were not.

Change in Assumptions and Methods Since Prior Valuation

- The discount rate for benefit obligations was changed from 5.00% as of January 1, 2012 to 4.17% as of January 1, 2013.
- The IRS Prescribed static mortality table (as described under IRC Section 430) was updated to include one additional year of mortality improvements.
- The Expected Return on Asset assumption was changed from 7.75% in 2012 to 7.50% in 2013 (pre-tax).
- Assumptions were harmonized for former Ohio-American participants to reflect the retirement, termination, trend, mortality, participation and assumed marriage assumptions used by the Consumers Water Company Retiree Welfare Plan.

Data Sources

Aqua America, Inc. furnished participant data and claims data as of December 31, 2012. Data were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Appendix B: Summary of Substantive Plan Provisions Reflected in Valuation

1. Plan Provisions – Consumers Water Company and former Ohio-American Union Employees

Substantive Plan Provisions

The following summary of plan provisions represents our understanding of the substantive plan.

Medical and Dental Benefits

Eligibility	Nonunion participants hired prior to April 1, 2003: For medical benefits, retirement after age 55 with 20 years of service or attaining age 62 with five years of service or age plus service greater than or equal to 95. Nonunion participants are not eligible for dental benefits. Union participants: Retirement eligibility as set-forth in the collective bargaining agreement Former Ohio-American Union participants hired prior to January 1, 2006: The first day of any month in which the employee elects to retire provided that: (a) the employee has attained age 55 and 20 years of service, or (b) the employee has attained age 65.
Dependent eligibility	Spouse and children under age 26
Survivor eligibility	Dependent coverage continues upon death of the retiree, however, in most instances continued coverage requires the survivor to contribute 100% of the group premium rate. See below for specific details by group.
Postretirement contributions	Amount of group premium equivalent that exceeds company payment.
Benefits	Pre-65 medical plan is a self-insured national PPO plan administered by Independence Blue Cross, with carve-out prescription drug benefit administered by ESI (formerly Medco). Post-65 retirees receive company contributions in the form of a Premium Reimbursement Account.

Retiree contributions (for former Ohio-American participants only) :

- **Retirees**
  - **Basic**

Under Age 65: None for retirements prior to 1/1/96. The following schedule applies to those who retire on or after 1/1/96:

Retirement Date	Retiree	Monthly Contribution Dependent	Family
1/1/1996	$0.00	$10.00	$10.00
1/1/2001	5.00	5.00	17.50
1/1/2002	7.50	12.50	20.00
1/1/2003	9.00	13.50	22.50
1/1/2004	10.00	15.00	25.00
1/1/2005	11.00	16.50	27.50
1/1/2006 and beyond	Retiree pays 50% of active contribution (annual active contributions for 2012: $1,104/$2,832 for PPO plan).		

Age 65 and Over: None for retirements prior to 1/1/2000. The following schedule of monthly contributions applies to those who retire on or after January 1, 2000.

Retirement Date	Retiree	Monthly Contribution Dependent	Family
1/1/2000	$ 5.00	$ 5.00	$15.00
1/1/2001	10.00	10.00	25.00
1/1/2002	10.00	10.00	25.00
1/1/2003	10.00	10.00	25.00
1/1/2004	10.00	10.00	25.00
1/1/2005	10.00	10.00	25.00
1/1/2006 and beyond	50.00	50.00	125.00

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2013 CWC Retiree Welfare Program

		NONUNION	UNION					
		All	Shenango Valley	Roaring Creek (PA) Retire 1/1/95+	Ohio (does not apply to former Ohio-American employees)	Kankakee, IL Retire	Susquehanna	Nonunion Sea Cliff (Grandfathered group only)
Retiree under 65	Retiree	Company pays $70/month if hired prior to 7/1/2003.	Company pays full premium (medical only) if employee retires at or above age 60 if hired prior to 7/1/2003.	Company pays full premium (medical only) for those who retire after 1995 and were hired prior to 5/23/2004. If employee retires at or above age 60; pre-1995 retirees did not receive retiree.medical	For retiree prior to age 62 company pays 45% of full retiree and spouse premium (medical and dental) if retiree attains 95 points, otherwise company pays 25% of premiums. At age 62 company pays full premium for retiree and spouse (in affect at age 62), with annual increases paid by the retiree if hired prior to 7/1/2003.	Company pays $90.02/month if hired prior to 7/1/2003.	Company pays $70/month if hired prior to 8/14/2004.	For retiree only coverage the company pays $315 per month, for any other tier of coverage, the company pays $630 per month.
	Spouse	Spousal coverage is available at 100% of the group rate (access only)	Spousal coverage is available at 100% of the group rate (access only)	Spousal coverage is available at 100% of the group rate (access only)		Spousal coverage is available at 100% of the group rate (access only)	Spousal coverage is available at 100% of the group rate (access only)	Spousal coverage is available at 100% of the group rate (access only)
Retiree over 65	Retiree	Company pays $70/month	Company will pay up to an amount equal to the prior year's contribution ($307.06 monthly for 2011) increased by 3% each year	Company pays $70/month; pre-1995 retirees did not receive retiree medical	Company pays $31.94 per month	Company pays $90.02/month	Company pays $70/month	For retiree only coverage the company provides a subsidy of $125 per month. for any other tier of coverage, the company provides $250 per month.
	Spouse	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	
Dental Coverage		None	Yes	None	Yes	None	None	None
Medical Plan Design		PPO HD1HC1	PPO HD1HC1	PPO HD1HC1	PPO HD1HC1	PPO HD1HC1	PPO HD1HC1	PPO HD1HC1

Life Insurance Benefits

Eligibility	Nonunion participants: Hired prior to April 1, 2003 and retired prior to January 1, 2005 Union participants: Retirement eligibility as set-forth in the collective bargaining agreement
Benefits	Ohio Union (not former Ohio-American employees): • Retired from 10/1/80 – 9/1/95: $3,000 • Retired from 9/2/95 – 3/31/11: $5,000 • Retired on or after 4/1/2011: $7,500 Roaring Creek Union: • Retired prior to 5/23/04: $5,000 • Hired prior to 5/23/04 and retired after 5/22/04: $10,000 Kankakee Union: $15,000 Shenango Valley Union: 25% of compensation at retirement, subject to $15,000 minimum Susquehanna Union: • Hired prior to 8/14/04: $7,000 Former Ohio-American employees: $10,000 Nonunion participants who retired prior to 1/1/05: 25% of salary at retirement, subject to a maximum of $25,000 and a minimum of $5,000

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost or in determining employer funding policy contributions or maximum tax-deductible contributions with the exception of the acquisition of the Ohio-American Water Company

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

Temporary Deviations

Towers Watson is not aware of any temporary deviations.

2. Plan provisions – Former New York Water Service Corporation Postretirement Healthcare Plan retirees

Substantive Plan Provisions

The following summary of plan provisions represents our understanding of the substantive plan for the former New York Water Service Corporation Postretirement Healthcare Plan retirees.

Medical Benefits

Eligibility	Retirement after age 62 or age 55 with age and years of service
Dependent eligibility	Spouses of retirees are covered until the earlier of their death or the death of the retiree.
Benefits for retirees and dependents under age 65	Company contributes 60% of the medical premium for those who elect coverage. Company contributes 90% of the medical premium for select retirees.
Benefits for retirees and dependents age 65 and older	Company contributes annual amount into premium reimbursement account. The contribution amount is the lesser of (1) and (2) for 2012: (1) The monthly premiums paid for Medicare Part B and Part D, a Medicare Supplement Plan or a Medicare Advantage plan (2) $232.28 per month or $464.56 per month if a spouse is also covered (applies for 2012 but subject to increases in future years)
Period of Coverage	Individuals may opt out of coverage for the current year and opt back in for a future year.

Dental Benefits

Eligibility	Retirement after age 62 or age 55 with age and years of service totaling at least 70.
Dependent eligibility	Spouses of retirees are covered until the earlier of their death or the death of the retiree.
Benefits for retirees and dependents under age 65	Company contributes 60% of the dental premium for those who elect coverage. Company contributes 90% of the dental premium for select retirees.
Benefits for retirees and dependents age 65 and older	Dental benefits are no longer payable once an individual attains age 65
Period of Coverage	Individuals may opt out of coverage for the current year and opt back in for a future year.

Life Insurance Benefits

Eligibility	Life insurance is available for union retirees.
Postretirement contributions	None
Benefits	$10,000

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost with the exception of the sale of the New York Water Service Corporation to American Water Works, Inc. as of May 1, 2012.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

Temporary Deviations

Towers Watson is not aware of any temporary deviations.

Appendix C: Non-reliance notice

Non-Reliance Notice for Attachment to Reports Distributed to Third Parties

NOTICE

By accepting a copy of this Report the Recipient agrees that it has read and understands the following:

1. Towers Watson Delaware Inc. ("Towers Watson") has been engaged by and is responsible exclusively to its client, Aqua America, Inc. with respect to all matters relating to this Report. There are no third-party beneficiaries of this Report or the work underlying it.

2. Recipient is responsible for its own due diligence with respect to all matters relating to this Report.

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