



## **Philadelphia Suburban Corporation Reports Increased Earnings and Revenue in the Third Quarter 2000; Company to increase dividend and split stock**

BRYN MAWR, Pa. Nov. 3, 2000 - Philadelphia Suburban Corporation (NYSE:PSC) today reported an 11.4 percent increase in earnings to \$.39 per diluted share in the third quarter of 2000, versus \$.35 last year.

Corresponding net income in the third quarter grew 15.4 percent to \$16.5 million versus 1999's third quarter net income of \$14.3 million. Despite reduced water consumption, quarterly revenues improved as a result of rate adjustments and customer growth.

The quarterly results were further enhanced by the recovery of previously expensed merger costs associated with the Consumers Water Company merger and limited expense increases (operating and maintenance expenses increased from last year only 1.6 percent for the quarter, while total costs and expenses were flat).

During the quarter, the PSC Board of Directors approved a 7.6 percent increase to the cash dividend and a 5-for-4 stock split effected in the form of a 25 percent stock dividend, both effective December 1, 2000. This increase in PSC's December 1, 2000 cash dividend from \$.18 to \$.19375 per share represents an increase to \$.775, from the former annual rate of \$.72 per share.

Both the increased cash dividend and the stock split will be payable to shareholders of record on November 15, 2000. The new quarterly cash dividend rate will be \$.155 per share on the increased number of shares from the stock split or \$.62 per share annualized for dividends declared by the Board of Directors.

This is the tenth cash dividend increase granted by the company in the last nine years and the third stock split in the last five years.

Revenues for the quarter increased \$3.8 million or 5.5 percent from last year despite lower temperatures and 45 percent more rain than typical in the company's primary service area. Absent the company's growth ventures, water usage would have been off 5.4 percent.

This reduction in water use, attributable to the unfavorable weather, caused an approximate one billion gallon or \$3 million decline in water sales (\$.04 per diluted share after tax). Offsetting the downturn in consumption was the growth in revenues associated with rate adjustments and the continued successes of the company's growth-through-acquisition program.

In addition, operations and maintenance expenses for the quarter increased by only 1.6 percent from the 1999 level despite the addition of approximately 28,000 customers--a 5.2 percent increase since September 30, 1999.

Operations and maintenance expenses as a percentage of revenue continued to decrease, representing only 37.7 percent on a trailing 12 month basis versus 38.6 percent for the 12 months ended September 30, 1999, as further expense controls and productivity enhancements are identified and implemented across the company. The company expects reductions in this ratio to continue.

Also in the quarter, the company reversed \$1.3 million (net of taxes), or \$.03 per diluted share, of previously expensed merger costs associated with the Consumers Water Company merger in recognition of a regulatory order awarding the company recovery of such costs over a 10 year period.

This, when combined with a similar reversal last quarter, captures the entire amount of merger costs awarded the company through the regulatory process.

Commenting on the quarter, PSC President and CEO Nicholas DeBenedictis said, PSC's growth-through-acquisition program proved invaluable this quarter as revenues from new customers and timely rate relief combined to overshadow the weather-related decline from normal water consumption. In addition, I am pleased that our ability to realize synergies has enabled us to demonstrate the considerable value the Consumers Water Company merger brings to our customers, thereby resulting in the recovery of a substantial portion of the costs necessary to consummate that transaction. As we move forward with our disciplined growth-through-acquisition strategy, we remain encouraged by the favorable reception we continue to receive.

Net income for the year-to-date grew 51.2 percent to \$40.4 million versus 1999's level of \$26.7 million. This resulted in a 49.2 percent increase in earnings per share to \$.97 per diluted share in 2000, versus \$.65 last year. The 1999 results were adversely effected by a non-recurring first quarter charge of \$8.6 million (net of taxes), or \$.21 per diluted share, from merger costs.

Year-to-date revenues were up 6.2 percent to \$206.3 million, versus the \$194.3 million reported in the same period of 1999. Like the quarter, the year-to-date improvement is largely attributable to increased revenues (through rate adjustments and customer growth), recovery of previously expensed merger costs and the continuation of solid cost controls.

Customer growth was approximately 5.2 percent since September 30, 1999, due primarily to PSC's growth-through-acquisition strategy. Following are the primary growth ventures announced this quarter:

1. A 25-year bulk water sales agreement with Liberty Electric Power, LLC--a subsidiary of Columbia Electric Corporation, in Delaware County, Pennsylvania. Water sales under the contract are expected to be \$1.4 million the first year, and \$43

million over the 25 year life

2. Acquisition of the Summit County water system, serving approximately 4,200 residents in the City of Green, Ohio
3. Acquisition of the White Horse Village retirement community water system that includes 500 residences and a 100-bed hospital in Delaware County, Pennsylvania
4. An agreement of sale to purchase the Ivanhoe water and wastewater systems, which provide water and wastewater service to approximately 400 residents in a gated golf community in Lake County, Illinois
5. Acquisition of the Chatwood water system, which serves approximately 250 residents in Chester County, Pennsylvania
6. Approval from the Pennsylvania Public Utility Commission to serve Honeybrook Township, in Chester County, Pennsylvania

The Company plans to continue its successful growth strategy into the foreseeable future.

PSC is one of the nation's largest investor-owned water utilities serving nearly two million residents in Pennsylvania, Illinois, Ohio, New Jersey and Maine. PSC is a publicly-traded company listed on both the New York and Philadelphia Stock Exchanges under the ticker symbol PSC and has been committed to the preservation and improvement of the environment throughout its history, which spans more than 100 years.

The following table shows the comparative operating revenues, net income and net income per share for Philadelphia Suburban Corporation for the quarters and nine months ended September 30, 2000 and 1999 (in thousands, except per share amounts):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Operating revenues	\$ 73,336	\$ 69,527	\$ 206,340	\$ 194,289
Income from operations, exclusive of net merger (costs) recovery	\$ 15,275	\$ 14,332	\$ 38,114	\$ 35,277
Merger (costs) recovery, net	1,264	--	2,236	(8,596)
Net income available for common stock	\$ 16,539	\$ 14,332	\$ 40,350	\$ 26,681
Income per common share from operations, exclusive of net merger (costs) recovery:				
Basic income per common share	\$ 0.37	\$ 0.35	\$ 0.93	\$ 0.86
Diluted income per common share	\$ 0.36	\$ 0.35	\$ 0.92	\$ 0.86

Net income per common

share:

Basic net income per common share	\$ 0.40	\$ 0.35	\$ 0.98	\$ 0.65
Diluted net income per common share	\$ 0.39	\$ 0.35	\$ 0.97	\$ 0.65

Average common shares  
outstanding during  
the period:

Basic	41,317	40,898	41,081	40,823
Diluted	41,751	41,333	41,472	41,281

This release contains certain forward-looking statements involving risks, uncertainties and other factors that may cause the actual results to be materially different from any future results expressed or implied by such forward-looking statements.

These factors include, among others, the following: general economic business conditions; the success of certain cost containment initiatives; changes in regulations or regulatory treatment; availability and cost of capital; and the success of growth initiatives.

Philadelphia Suburban Corporation and Subsidiaries  
Consolidated Statements of Income and Comprehensive Income  
(In thousands, except per share amounts)  
(Unaudited)

	Quarter Ended September 30, -----		Nine Months Ended September 30, -----	
	2000 ----	1999 ----	2000 ----	1999 ----
Operating revenues	\$ 73,336	\$ 69,527	\$ 206,340	\$ 194,289
Cost & expenses:				
Operations and maintenance	25,037	24,645	74,315	71,573
Depreciation	8,040	7,765	23,956	22,792
Amortization	517	277	1,175	989
Taxes other than income taxes	5,460	5,591	17,039	16,803
Restructuring costs (recovery)	(740)	--	(1,136)	3,787
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Total costs and expenses	38,314	38,278	115,349	115,944
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Operating income	35,022	31,249	90,991	78,345
Interest expense, net	10,282	8,347	30,127	24,968
Gain on sale of securities	--	--	(1,061)	--
Minority interest	30	34	76	76
Allowance for funds used during construction	(541)	(512)	(2,260)	(1,369)

Merger				
transaction costs				
(recovery)	(2,242)	--	(2,905)	6,334
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Income before				
income taxes	27,493	23,380	67,014	48,336
Provision for				
income taxes	10,927	9,013	26,584	21,551
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Net income	16,566	14,367	40,430	26,785
Dividends on				
preferred stock	27	35	80	104
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Net income				
available to				
common stock	\$ 16,539	\$ 14,332	\$ 40,350	\$ 26,681
	=====	=====	=====	=====
Net income	\$ 16,566	\$ 14,367	\$ 40,430	\$ 26,785
Other				
comprehensive				
income (loss),				
net of tax	120	1,068	(390)	1,068
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Comprehensive				
income	\$ 16,686	\$ 15,435	\$ 40,040	\$ 27,853
	=====	=====	=====	=====
Income from				
operations,				
exclusive of				
net merger				
(costs) recovery	\$ 15,275	\$ 14,332	\$ 38,114	\$ 35,277
Merger (costs)				
recovery, net	1,264	--	2,236	(8,596)
	-----	-----	-----	-----
Net income				
available for				
common stock	\$ 16,539	\$ 14,332	\$ 40,350	\$ 26,681
	=====	=====	=====	=====
Net income per				
common share:				
Basic	\$ 0.40	\$ 0.35	\$ 0.98	\$ 0.65
Diluted	\$ 0.39	\$ 0.35	\$ 0.97	\$ 0.65
Income per common				
share from				
operations,				
exclusive of				
net merger				
(costs)				
recovery:				
Basic	\$ 0.37	\$ 0.35	\$ 0.93	\$ 0.86
Diluted	\$ 0.36	\$ 0.35	\$ 0.92	\$ 0.86
Average shares				
outstanding:				
Basic	41,317	40,898	41,081	40,823
	=====	=====	=====	=====
Diluted	41,751	41,333	41,472	41,281
	=====	=====	=====	=====

Philadelphia Suburban Corporation and Subsidiaries  
Consolidated Balance Sheets  
(In thousands of dollars, except per share amounts)

	(Unaudited) September 30, 2000	(Audited) December 31, 1999
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Assets		
Property, plant and equipment, at cost	\$ 1,475,763	\$ 1,393,027
Less accumulated depreciation	277,096	257,663
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Net property, plant and equipment	1,198,667	1,135,364
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Current assets:		
Cash and cash equivalents	6,894	4,658
Accounts receivable and unbilled revenues, net	53,805	44,399
Inventory, materials and supplies	4,953	3,948
Prepayments and other current assets	2,318	6,520
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Total current assets	67,970	59,525
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Regulatory assets	61,943	58,287
Deferred charges and other assets, net	32,930	27,629
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	\$ 1,361,510	\$ 1,280,805
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Liabilities and Stockholders' Equity		
Stockholders' equity:		
6.05% Series B cumulative preferred stock	\$ 1,760	\$ 1,760
Common stock at \$.50 par value, authorized 100,000,000 shares, issued 43,247,183 and 41,627,644 in 2000 and 1999	21,624	20,814
Capital in excess of par value	286,059	251,440
Retained earnings	111,766	101,533
Minority interest	2,597	2,604
Treasury stock, 789,515 and 615,038 shares in 2000 and 1999	(14,588)	(11,270)
Accumulated other comprehensive income	1,630	2,020
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Total stockholders' equity	410,848	368,901

Long-term debt, excluding current portion	462,727	413,752
Commitments	--	--
Current liabilities:		
Current portion of long-term debt	12,974	12,194
Loans payable	80,550	103,069
Accounts payable	11,867	24,286
Accrued interest	9,441	8,994
Accrued taxes	15,295	12,689
Dividends payable	7,956	--
Other accrued liabilities	24,039	22,581
Total current liabilities	162,122	183,813
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	142,812	136,528
Customers' advances for construction	58,231	59,494
Other	8,063	8,434
Total deferred credits and other liabilities	209,106	204,456
Contributions in aid of construction	116,707	109,883
	\$ 1,361,510	\$ 1,280,805
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CONTACT: Philadelphia Suburban Corporation  
Meg Grady, Director, Investor Relations, 610/645-1084  
[gradym@suburbanwater.com](mailto:gradym@suburbanwater.com)