

AQUA AMERICA INC
Form DEF 14A
March 29, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

Aqua America, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:

- 2) Aggregate number of securities to which transaction applies:

- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

- 4) Proposed maximum aggregate value of transaction:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- 1) Amount previously paid:

- 2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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AQUA AMERICA, INC.
2018 ANNUAL MEETING OF SHAREHOLDERS

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LETTER TO OUR SHAREHOLDERS

Christopher H. Franklin
Chairman, President, and
Chief Executive Officer

Dear Fellow Shareholder,

We look forward to seeing you at our 2018 Annual Meeting of Shareholders which will be held on Tuesday, May 8, 2018 at the Drexelbrook Banquet Facility & Corporate Events Center, 4700 Drexelbrook Drive, Drexel Hill, PA 19026 at 8:30 a.m. local time.

In connection with the Annual Meeting, we have prepared a Notice of Annual Meeting of Shareholders, a Proxy Statement, and our 2017 Annual Report. On or about March 29, 2018, we began mailing to our shareholders these materials or a Notice of Availability of Proxy Materials containing instructions on how to access these materials online.

Whether you plan on attending the Annual Meeting in person or not, we encourage you to read the Proxy Statement and all other materials and vote your shares. You may vote over the Internet, by telephone, or, if you received or requested to receive printed proxy materials, by signing, dating, and returning the proxy card enclosed with the proxy materials in the postage-paid envelope that is provided.

I am honored to serve as the Chairman, President, and Chief Executive Officer of what I believe is the best water and wastewater company in the nation, and I look forward to seeing you at our Annual Meeting in May.

Sincerely,

Christopher H. Franklin

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AQUA AMERICA, INC.

762 W. Lancaster Avenue

Bryn Mawr, Pennsylvania 19010

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Tuesday, May 8, 2018 at 8:30 A.M. local time

The Annual Meeting of Shareholders of AQUA AMERICA, INC. (the Company) will be held at the **Drexelbrook Banquet Facility & Corporate Events Center, 4700 Drexelbrook Drive, Drexel Hill, PA 19026** on **Tuesday, May 8, 2018, at 8:30 A.M.**, local time, for the following purposes:

1. To consider and take action on the election of seven nominees for directors;
2. To consider and take action on the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the 2018 fiscal year;
3. To approve an advisory vote on the compensation paid to the Company's named executive officers for 2017, as disclosed in the Proxy Statement; and
4. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Only shareholders of record at the close of business on March 9, 2018 will be entitled to notice of, and to vote at, the meeting and at any adjournments or postponements thereof.

By Order of the Board of Directors,

CHRISTOPHER P. LUNING

Secretary

March 29, 2018

We urge each shareholder to promptly sign and return the enclosed proxy card or to use telephone or internet voting. See our questions and answers about the meeting and the voting section of the proxy statement for information about voting by telephone or internet, how to revoke a proxy and how to vote your shares in person.

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FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are based on management s beliefs and assumptions. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements. Accordingly, there is no assurance that such results will be realized. For details on the uncertainties that may cause the Company s actual future results to be materially different than those expressed in our forward-looking statements, see our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission (SEC) and available on the SEC s website at www.sec.gov. In light of these risks, uncertainties, and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made. Aqua America, Inc. expressly disclaims an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Table of Contents**PROXY STATEMENT SUMMARY**

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement before voting. For more complete information regarding the Company's 2017 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

ANNUAL MEETING INFORMATION

DATE & TIME	LOCATION	RECORD DATE
Tuesday, May 8, 2018	Drexelbrook Banquet Facility	Record holders as of March 9,
8:30 a.m., local time	& Corporate Events Center	2018 are entitled to notice of, and
	4700 Drexelbrook Drive	to vote at, the Annual Meeting
	Drexel Hill, PA 19026	

SUMMARY OF MATTERS TO BE VOTED UPON AT THE ANNUAL MEETING

The following table summarizes the items that shareholders are being asked to vote on at the 2018 Annual Meeting:

PROPOSAL 1. ELECTION OF DIRECTORS (PAGE 2)**BOARD RECOMMENDATION**

The Board of Directors of the Company (the Board) and the Corporate Governance Committee believe that the seven director nominees possess the necessary qualifications, attributes, skills, and experience to provide advice and counsel to the Company's management and effectively oversee the business and the long-term interests of our shareholders.

FOR

each director nominee

PROPOSAL 2. RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2018 FISCAL YEAR (PAGE 19)**BOARD RECOMMENDATION**

The Board believes that the retention of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the 2018 fiscal year is in the best interests of the Company and its shareholders. As a matter of good corporate governance, shareholders are being asked to ratify the Audit Committee's selection of PricewaterhouseCoopers LLP.

FOR
Proposal 2

PROPOSAL 3. APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION PAID TO THE COMPANY'S NAMED EXECUTIVE OFFICERS FOR 2017 (PAGE 22)

BOARD RECOMMENDATION

The Company seeks a non-binding advisory vote to approve the compensation of its named executive officers as described in the Compensation Discussion and Analysis (CD&A) and the compensation tables and narrative discussion. The Board values shareholders' opinions, and the Compensation Committee will take into account the outcome of the advisory vote when considering future executive compensation decisions.

FOR
Proposal 3

Table of Contents**CORPORATE GOVERNANCE HIGHLIGHTS**

We are committed to maintaining strong standards of corporate governance, which promote the long-term interests of our shareholders, strengthen Board and management accountability, and help build public trust in the Company. The Corporate Governance section beginning on page 8 describes our corporate governance framework, which includes the following highlights:

Annual election of directors	Lead Independent Director with clearly defined and robust responsibilities
Majority voting resignation policy in uncontested election of directors	Independent audit, compensation, and governance committees
Mandatory retirement age of 75 for directors	Robust oversight of cybersecurity measures by full Board and identified committee
Risk oversight by full Board and all committees	Anti-hedging and anti-pledging policy
Annual self-evaluations of the Board, its committees and individual directors	Robust director and management stock ownership guidelines
Commenced active shareholder engagement program in 2017	Diversity approximately 30% of the Board is gender diverse

DIRECTOR NOMINEES

The following table provides summary information about each of the Company's seven director nominees. Each director shall serve a one year term if elected.

Name & Primary Occupation	Director			Other Public Company Boards	Committee Memberships				
	Age	Since	Independent		A	C	CG	E	R
Carolyn J. Burke <i>Executive Vice President, Strategy, Dynegy, Inc.</i>	50	2016	YES	0					
Nicholas DeBenedictis <i>Chairman Emeritus and Former Chief Executive Officer, Aqua America, Inc.</i>	72	1992	NO	3					
Christopher H. Franklin <i>Chairman, President and Chief Executive Officer, Aqua America, Inc.</i>	52	2015	NO	0					«
William P. Hankowsky <i>Chairman, President and Chief Executive Officer, Liberty Property Trust</i>	67	2004	YES	2	«				

Daniel J. Hilferty¹

*President and Chief Executive Officer,
Independence Health Group*

61 2017 YES 0 «

Wendell F. Holland

Partner, CFSD Group, LLC

66 2011 YES 0

Ellen T. Ruff

Partner, McGuireWoods, LLP

69 2006 YES 0 «

¹ Lead Independent Director

« Chair Member

A = Audit Committee; **C** = Executive Compensation Committee; **CG** = Corporate Governance Committee;

E = Executive Committee; **R** = Risk Mitigation & Investment Policy Committee

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COMPENSATION HIGHLIGHTS

Compensation program highly correlated to total shareholder return, earnings per share, and other financial metrics	Shareholder say on pay results in excess of 93% for six years
Performance-based	Shareholding requirement ensure that executives are aligned with shareholders
Significant portion of compensation is variable and at risk	Reasonable change in control agreements in place
Modest perquisites and other personal benefits	Reasonable severance arrangements
All change-in control agreements are double-trigger	No tax gross ups
Clawback policies in place	Compensation committee conducted request for proposal process to determine its independent compensation consultant

2017 FINANCIAL HIGHLIGHTS

During 2017, our leadership team remained focused on growing our customer base through acquisitions, prudently investing capital to renew our aging infrastructure, and creating efficiencies across the organization. Our efforts help to ensure quality water and wastewater for our customers as well as shareholder value. We see great opportunities ahead and remain focused on investing in infrastructure and delivering sustainable growth for our investors. We do this while building on our core values of respect, integrity, and excellence.

We are making significant investments to build and improve our communities infrastructure. Over the past five years, we have invested more than \$1.5 billion in infrastructure improvements, including hundreds of miles of pipe replacement and plant upgrades to enhance water quality. In 2017, we invested more than \$450 million on infrastructure projects, helping to ensure safe and reliable water for all customers.

Regulated segment revenues were \$804.9 million in 2017.

Earnings per share increased to \$1.35 in 2017, an increase over the earnings per share of \$1.32 in 2016.

Operations and maintenance expenses decreased 5.8% to \$287.2 million in 2017 from \$304.9 million in 2016.

We added more than 10,000 customer connections in 2017.

We increased our total customer connection count by more than 1%, which includes additional customers from organic and acquisition growth.

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From January 1, 2015 to December 31, 2017, the total return to our shareholders, including share price appreciation and dividends paid, shows 58.08% growth. Below is a chart showing the return to our shareholders over the past three years:

In 2017, the Board of Directors approved a 7% increase in the quarterly dividend to an annualized rate of \$0.82 per share.

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 8, 2018

The Notice of Annual Meeting, Proxy Statement and 2017 Annual Report to Shareholders

are available at: <http://ir.aquaamerica.com/>

AQUA AMERICA, INC.

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania 19010

PROXY STATEMENT

This proxy statement (the **Proxy Statement**) is furnished in connection with the solicitation of proxies by the Board of Directors (the **Board of Directors** or the **Board**) of Aqua America, Inc. (**Aqua America**, **Aqua** or the **Company**) to be used at the Annual Meeting of Shareholders to be held on Tuesday, May 8, 2018 at 8:30 a.m., local time, and at any adjournments or postponements thereof (**2018 Annual Meeting** or the **Annual Meeting**).

The cost of soliciting proxies will be paid by the Company, which has arranged for reimbursement at the rate suggested by the New York Stock Exchange (the **NYSE**) of brokerage houses, nominees, custodians and fiduciaries for the forwarding of proxy materials to the beneficial owners of shares held of record. In addition, the Company has retained Alliance Advisors LLC to assist in the solicitation of proxies from (i) brokers, bank nominees and other institutional holders, and (ii) individual holders of record. The fee paid to Alliance Advisors LLC for normal proxy solicitation does not exceed \$7,500 plus expenses, which will be paid by the Company. Directors, officers and regular employees of the Company may solicit proxies, although no compensation will be paid by the Company for such efforts.

Under rules adopted by the SEC, the Company is now furnishing proxy materials to many of its shareholders on the Internet, rather than mailing printed copies of those materials to each shareholder. If you received a notice of availability over the Internet of the proxy materials (**Notice**) by mail, you will not receive a printed copy of the proxy materials unless you request one. Instead, the Notice will instruct you as to how you may access and review the proxy materials on the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice. The Notice is being sent to shareholders of record as of March 9, 2018 on or about March 29, 2018. Proxy materials, which include the Notice of Annual Meeting of Shareholders, this Proxy Statement and the Annual Report to Shareholders for the year ended December 31, 2017, including financial statements and other information with respect to the Company and its subsidiaries (the **Annual Report**), are first being made available to shareholders of record as of March 9, 2018, on or about March 29, 2018. Additional copies of the Annual Report may be obtained by writing to the Company at the address and in the manner set forth under **Additional Information** on page 71.

PURPOSE OF THE MEETING

As the meeting is the Annual Meeting of Shareholders, the shareholders of the Company will be requested to:

Consider and take action on the election of seven nominees for directors;

Consider and take action on the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the 2018 fiscal year;

Approve a non-binding advisory vote on the compensation paid to the Company's named executive officers for 2017 as disclosed in this Proxy Statement; and

Transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Table of Contents**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

All of the director nominees who are elected, will be elected for a one-year term expiring at the 2019 Annual Meeting of Shareholders, and until their successors are duly elected and qualified. In accordance with the Company's Corporate Governance Guidelines, the Chairperson of the Corporate Governance Committee reported to the Corporate Governance Committee that Carolyn J. Burke, Nicholas DeBenedictis, Christopher H. Franklin, William P. Hankowsky, Daniel J. Hilferty, Wendell F. Holland, and Ellen T. Ruff would be willing to serve on the Board of Directors, if elected. The Corporate Governance Committee reviewed the qualifications of the directors in relation to the criteria for candidates for nomination for election to the Board of Directors under the Company's Corporate Governance Guidelines. The Corporate Governance Committee voted to recommend to the Board of Directors, and the Board of Directors approved, the nomination of Ms. Burke, Mr. DeBenedictis, Mr. Franklin, Mr. Hankowsky, Mr. Hilferty, Mr. Holland, and Ms. Ruff for election as directors at the 2018 Annual Meeting, with each nominee abstaining from the vote with respect to his or her nomination.

Therefore, seven directors will stand for election by a plurality of the votes cast at the 2018 Annual Meeting. At the 2018 Annual Meeting, proxies in the accompanying form, properly executed, will be voted for the election of the nominees listed below, unless authority to do so has been withheld in the manner specified in the instructions on the proxy card or the record holder does not have discretionary voting power under the NYSE rules (see "What is the proxy?" on page 65 and "Information About Proposals Under Consideration at This Meeting" on page 68). Discretionary authority is reserved to cast votes for the election of a substitute should any nominee be unable or become unwilling to serve as a director. Each nominee has stated his or her willingness to serve and the Company believes that the nominees will be available to serve.

INFORMATION REGARDING NOMINEES

For each of the seven nominees for election as directors at the 2018 Annual Meeting, set forth below is information as to the positions and offices with the Company held by each, the principal occupation of each during at least the past five years, the directorships of public companies and other organizations held by each and the experience, qualifications, attributes or skills that, in the opinion of the Corporate Governance Committee and the Board of Directors, make the individual qualified to serve as a director of the Company. The chart below summarizes the experience, qualifications, attributes, and skills of each of the nominees:

Experience, Qualifications, Attributes and Skills	Utility Industry	Regulatory	Financial	Legal/ Government	Leadership	Mergers & Acquisitions	Geographic Diversity	C-Suite
								Experience
BURKE	X	X	X		X	X	X	X
DEBENEDICTIS	X	X	X	X	X	X		X

