

Connecticut Water Service, Inc.

NASDAQ: CTWS



3rd Annual Investor/Analyst Presentation

December 13, 2017



Forward-Looking Statements

Except for the historical statements and discussions, some statements contained in this presentation constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on current expectations and rely on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside our control, that could cause actual results to differ materially from such statements.

These forward-looking statements speak only as of the date of this presentation. Connecticut Water does not assume any obligation to update or revise any forward-looking statement made in this presentation or that may, from time to time, be made by or on behalf of the Company. Neither this presentation nor any verbal communication shall constitute an invitation or inducement to any person to subscribe for or otherwise acquire any Connecticut Water securities.

For further information regarding risks and uncertainties associated with Connecticut Water’s business, please refer to Connecticut Water’s annual, quarterly and periodic SEC filings which can be found on the investor relations page of the Company’s website www.ctwater.com and at www.sec.gov.

Connecticut Water

New England's Largest Publicly Traded Water Utility



Market Data

As of 11/8/17 unless otherwise noted

- **\$ 982.5 Million** Total Enterprise Value¹
- **\$ 726.8 Million** Market Capitalization
- **\$ 110.6 Million** Total Revenues LTM² (9/30/17)
 - 95% Regulated, 5% Non-Regulated
- **50.4%** 1-Year Total Shareholder Return³ (12/31/16)
- **1.9%** Dividend Yield
- **Beta of -0.11**⁴
- **S&P 'A' Rating** (reaffirmed March 2017)

Resources

As of 11/8/17 unless otherwise noted

- **450,000** People Served
- **2,300** Miles of Pipeline
- **294** Employees
- **80** Communities
- **135,000** Regulated Customers
- **\$502.5 Million** Rate Base⁵ (9/30/17)

¹ Total enterprise value is calculated as (Market Cap + Long-Term Debt (including current portion) + Preferred Stock) - Cash (Reconciliation in Appendix).

² Last Twelve Months (LTM)

³ Total Shareholder Return is the return to an investor that includes stock price change and the reinvestment of dividends over a specific period.

⁴ Beta measures the volatility of a security relative to the overall market. A beta of less than one indicates lower risk than the market; a beta of more than one indicates higher risk than the market. Source: Yahoo Finance

⁵ Rate Base value is calculated as (Net Utility Plant + Materials and Supplies + Working Capital Adjustment + certain Deferred Charges and Other Costs) – (Advances for Construction + Unamortized Contributions in Aid of Construction + Deferred Federal and State Income Taxes + Unamortized Investment Tax Credits + certain Other Long-Term Liabilities).

Connecticut Water Value Proposition

Diversified, Regulated Utility Business

- Regionally focused, regulated water utilities (96% regulated earnings LTM as of 9/30/17)
- Maine acquisitions provide diversified, multi-state utility base and greater business scale
- Constructive regulatory environment with attractive investment recovery mechanisms

Low Risk, Regulated Growth Plan

- Conservative growth strategy focused on utility infrastructure investment
- Proven track record executing accretive acquisitions
- Complementary, low-risk, non-regulated utility services business

Strong Financial Profile

- Focus on maintaining a strong balance sheet and liquidity
- “A” credit rating from S&P (as of March 2017)
- Balanced approach to financing growth and prudent operating cost management
- Consistently raised dividend payments for 48 consecutive years

Operational Excellence

- High-quality, well-maintained asset system
- Experienced management team with an average of 18 years utility experience
- $\geq 85\%$ customer satisfaction distinction in each of the last 16 years (GreatBlue – Independent Research Firm)



Our Growth Strategy

- CapEx investment in water utility infrastructure and earning a return “of and on” that investment
- Constructive regulatory relations with state commissions to align customer and shareholder interests
- Prudent acquisitions of other water systems
- Supplement regulated earnings with low risk, core water utility services where a competitive advantage exists

Our Building Blocks

Shareholders/Growth

- Leverage regulatory compact
- Infrastructure investment and earning a return “of and on” investment
- Low risk, supplemental non-regulated earnings
- Maintain constructive regulatory relationships
- Deliver acquisitions that deliver shareholder value

Environment

- Passionate about stewardship and the value of water
- Protect and manage water and watershed for sustainability to serve current and future generations
- Harness power of WRA to reduce carbon footprint and resource consumption
- Business is water service – not selling water
- Reducing lost water in our systems is an executive compensation metric



Customers

- Provide high-quality water
- Responsive and courteous service
- High level of community engagement
- Deliver world-class service
- Customer satisfaction is a compensation metric for all employees

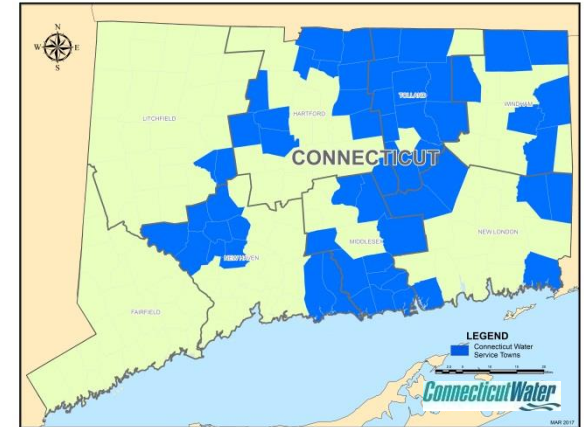
Employees

- Passionate employees delivering a life sustaining service
- Values-based, team-oriented approach
- Employee satisfaction is executive compensation metric
- Safe and secure workplace
- Invest in education and leadership development for our water professionals

Regulated Business

- 96% of net income attributable to regulated operations (LTM as of 9/30/17)
- Core regulated subsidiaries:
 - Connecticut Water Company (CWC)
 - Maine Water Company (MWC)
 - Heritage Village Water Company (HVWC)
 - Avon Water Company (AWC)
- 135,000 utility customers (~90% residential)
- 2,300 miles of pipe
- 250 active wells / 25 surface water supplies
- Safe, dependable yield = 185 million gallons/day
- 80% safe yield from surface water supplies
- Rate Base \$502.5MM as of 9/30/17
 - \$439.7MM in Connecticut
 - \$62.8MM in Maine
- 294 employees

Connecticut Presence



Maine Presence



Rockville Water Treatment Facility

- ‘Generational’ Investment in Rockville Water Treatment Facility
 - \$35MM project replaced 1970 facility
 - Capacity to meet current and future needs
 - State-of-the-art treatment
 - Increased operational efficiency and environmental benefits
 - Designed mirroring LEED¹ standards
 - Energy and water efficient treatment



¹ Leadership in Energy and Environmental Design

Regulated Model Earnings Growth

CapEX Drives Earnings

Invest in Water Plant	\$120.00
Capitalize 50% with Debt	\$60.00
Capitalize 50% with Equity (1 share of CTWS)	\$60.00
9.75% ¹ Regulatory Return on Equity (per new share of CTWS)	\$5.85
2016 Earnings per Share	\$2.12

¹ After tax return in Connecticut



Constructive Regulatory Environment

	Connecticut	Maine
Infrastructure Surcharge Program	✓	✓
Single Tariff	✓	
Revenue Decoupling	✓	✓*
6-Month Rate Case	✓	
Streamlined Rate Case		✓

* A water revenue adjustment mechanism law in Maine became available to regulated water utilities in Maine on October 15, 2015. Maine Water is currently precluded from seeking new rates outside of the Biddeford and Saco division due to various agreements with the MPUC, but is evaluating how and when this new mechanism can be implemented in the future.

CTWS Acquisition Track Record

Opportunity for Growth

- Industry pacing customer growth rate of more than 45%, primarily through our Maine acquisitions
- 60+ total water system acquisitions in 25 years
 - over 40 in the past 10 years
- Over 800 separate community water systems and over 300 wastewater operations in Connecticut and Maine alone



Recently Completed Acquisitions

- Avon Water Company
 - Closed on July 1, 2017
 - \$39.1MM enterprise value
 - 4,800 water customers
 - Leadership retained
(local – well respected)



- Heritage Village Water Company
 - Closed on February 27, 2017
 - \$21.5MM enterprise value
 - 4,700 water customers
 - 3,000 wastewater customers



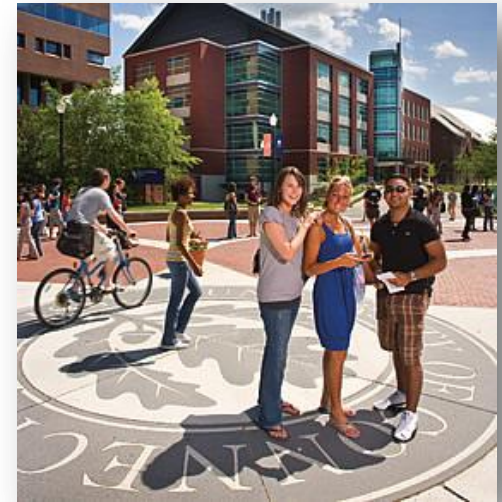
Maine Acquisitions

- **Aqua Maine**
 - Closed January 1, 2012
 - \$53.5MM enterprise value (100% cash consideration)
 - 16,000 Maine customers
 - Retained highly regarded local management team
- **Biddeford and Saco Water Company**
 - Closed December 10, 2012
 - \$19.8MM enterprise value (stock-for-stock consideration)
 - 15,500 Maine customers
 - Merged into Maine Water in 2014
 - November 2014 rate case settled through Stipulation Agreement in March 2015
 - 76.5% of revenue increase requested was approved
 - June 2017 rate application filed requesting \$1.57MM revenue increase
 - December 2017 decision approves \$1.56MM revenue increase effective 12/1/17
- **Rate Base of Maine acquisitions was \$62.8MM as of 9/30/17**



Territory Acquisition

- Long-term water provider for UConn and surrounding area
 - Acquired ~300 off-campus customers
 - Supplemental source of supply for growing University
 - 50 year agreement to supply UConn
 - Enables Mansfield's growth plans
- Pipeline construction completed and in service
- Locks in expanded service area

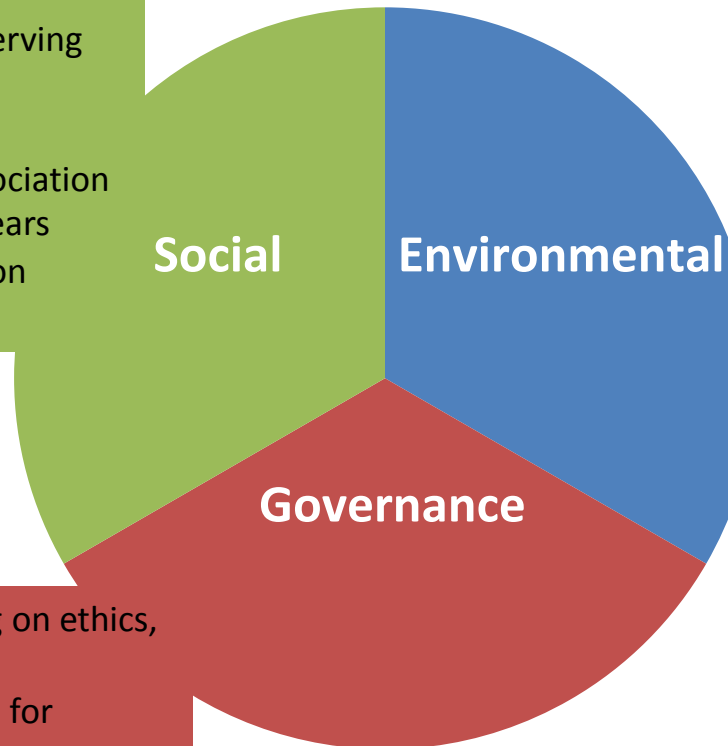


Connecticut Water Service, Inc.

Committed to ESG and Sustainability

- A 'Day of Service' for employees launched in 2016
- H₂O Hardship Assistance Program serving customers with financial challenges
- Active Employee Safety Committee
 - CT Construction Industry Association - Safety Award - 14 straight years
 - Workplace Violence Prevention Program

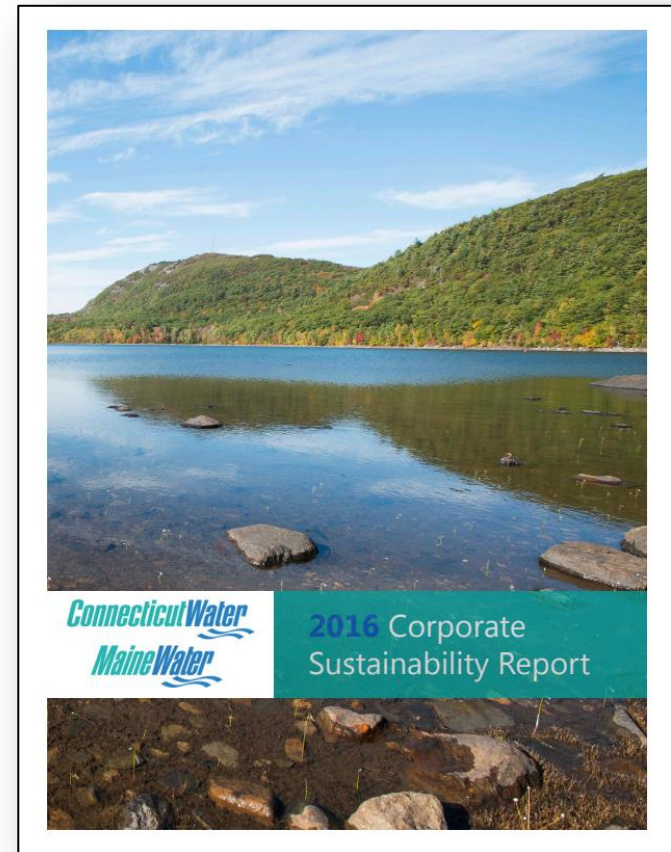
- All Employees participate in training on ethics, conduct and cyber security
- CTWS Board of Directors recognized for exceeding gender parity
- Transparency in executive and employee compensation



- Water Drop Watcher Program, educating > 1,000 school age children about water conservation and the water cycle
- Partnering with Coastal Mountain Land Trust to preserve 1,400 acres and create recreation opportunities in Maine
- CT Fleet miles reduced > 25% since 2008
- Since 2001 >1,000 acres of Connecticut land protected as open space
- Employees are keeping our watersheds pristine by removing tons of trash from our watersheds >1800 lbs. per effort

2016 Corporate Sustainability Report

- Conducting our business in a way that respects the natural environment
- Values service to customers, communities, employees and shareholders
- Available for viewing and download at <http://ir.ctwater.com>



FINANCIAL OVERVIEW



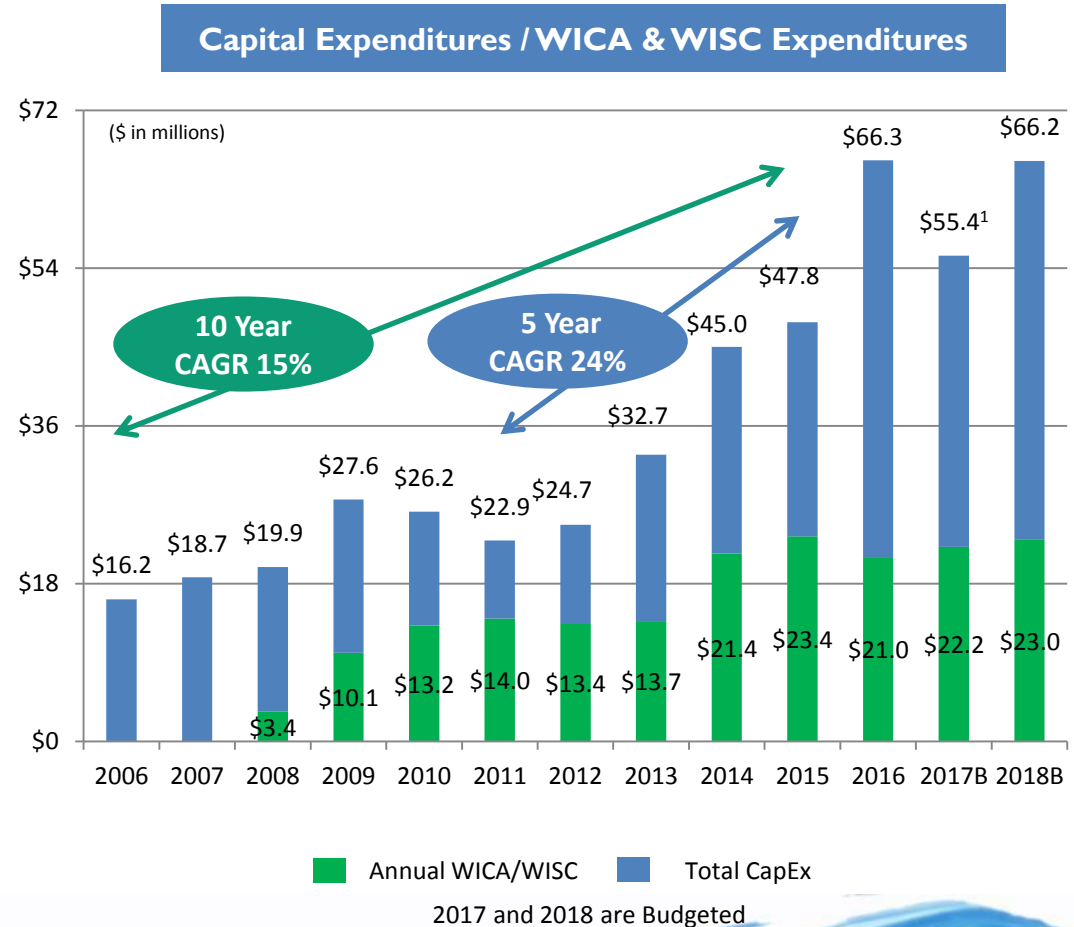
Financial Management

- Maintain continuing improvement to operating margin
- Balanced capital structure
- Use tools provided by legislation
 - Maximize rate base in rates (WICA/WISC)
 - Conservation adjustment
- Drive down borrowing costs



Infrastructure Investment Drives Rate Base Growth

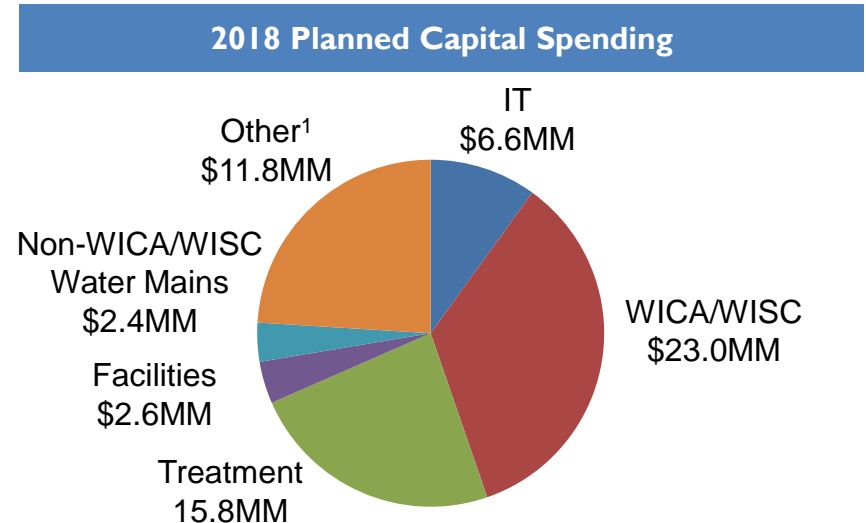
- Attractive, near-term regulated growth opportunities through investment in core infrastructure
- Strategy to balance investment and rate recovery time



¹ 2017 does not include the Heritage Village Water or Avon Water acquisitions

2018 Planned Capital Spending

- More than \$225MM of identified infrastructure investment (2018 – 2020)
- ‘Generational’ Spend on Biddeford Water Treatment Facility
 - In service since 1884



¹ Examples include: well development, dam replacement, water tank replacements

Infrastructure Recovery Mechanisms



Connecticut (WICA)

- Water Infrastructure and Conservation Adjustment
 - 1st used in 2009
- Eligibility – Infrastructure replacement, meters, hydrants, conservation equipment
- 5% annual cap
- 10% maximum adjustment
- \$16.9MM expenditures in 2016
- 1.56% increase effective 10/1/17
- Current cumulative surcharge 9.81%



Maine (WISC)

- Water Infrastructure Charge
 - 1st used in 2014
- Eligibility – Virtually all capital investment
- Annual Cap 6% to 10% depending on size of water system
- 10% to 20% maximum adjustment depending on size of water system
- \$4.1MM expenditures in 2016
- Surcharge varies by water system
- Average WISC is 6.97%

Repair Tax Facts - CTWS

- Adopted by CTWS
 - In Connecticut for 2012
 - In Maine for 2014
 - Required “flow-through” tax treatment in both states
- What it means
 - Vast majority of **annual investment in infrastructure** replacement is **immediately deductible for tax purposes**
 - The same investment **grows rate base as it always has**



Repair Tax Facts - CTWS

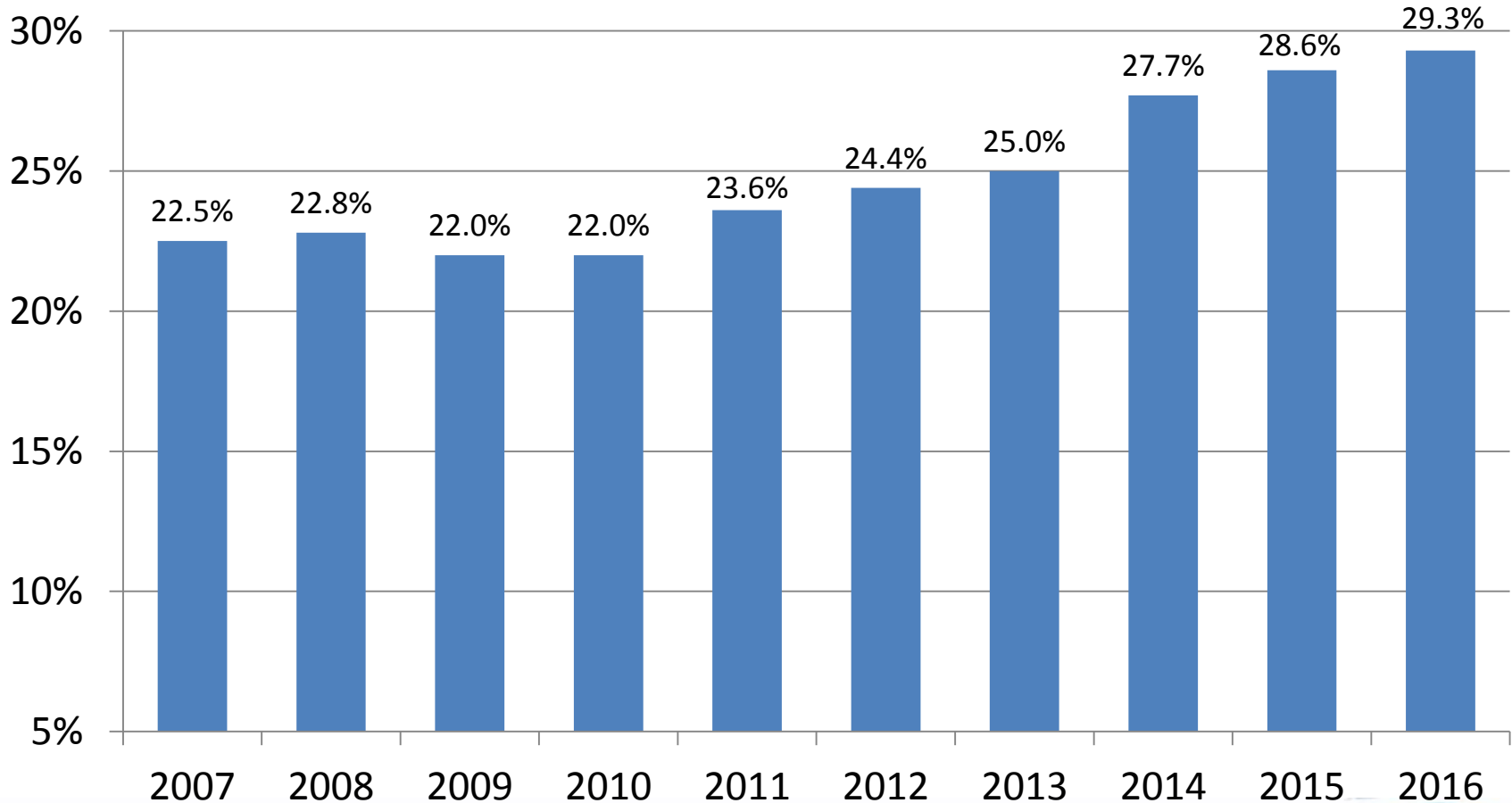
- It is **NOT temporary**. Our annual commitment to replacing **1% - 2% of our pipe will continue to generate deductions that significantly lower or eliminate annual tax expense. Single digit effective tax rate expected to be the norm.**
- **Closes rate differential with municipalities**
- **Utility Operating Margin vastly improved** due to a lower portion of each dollar collected required to support Operating Costs



Utility Operating Margin

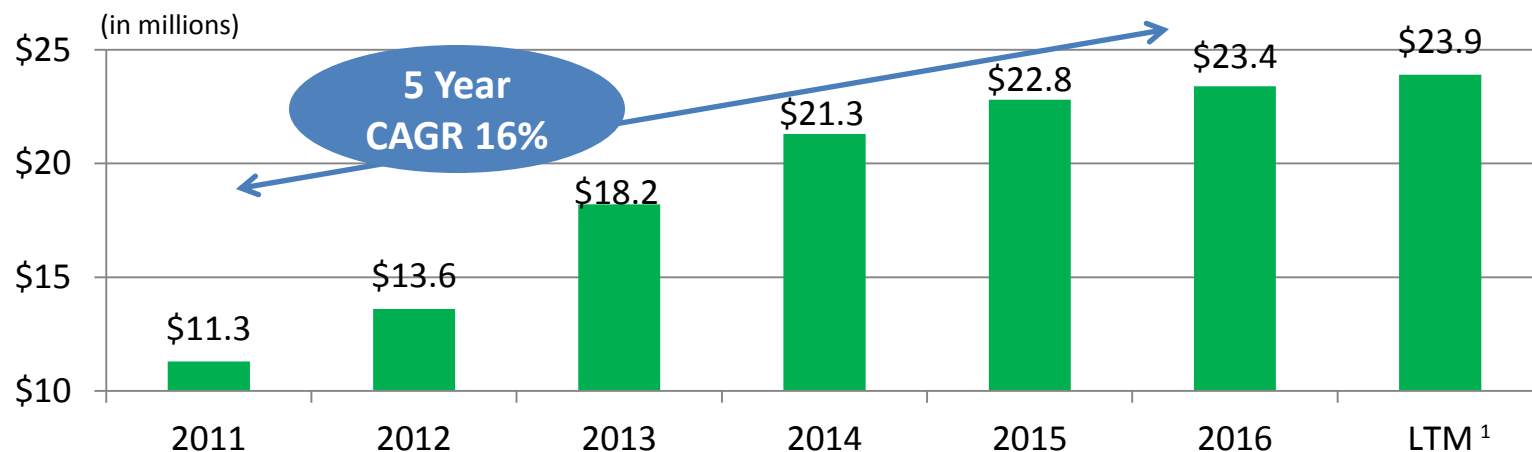
Efficiency Measure

Utility Operating Income as a percentage of Operating Revenue

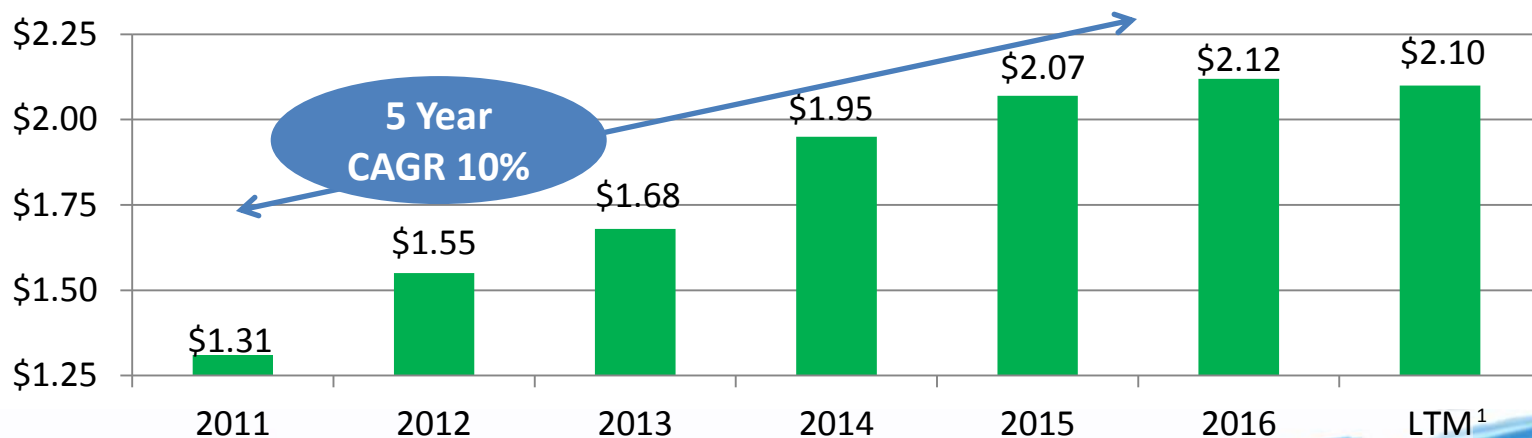


High Quality Earnings

Net Income



Earnings Per Share



¹ Last twelve months as of 9/30/17

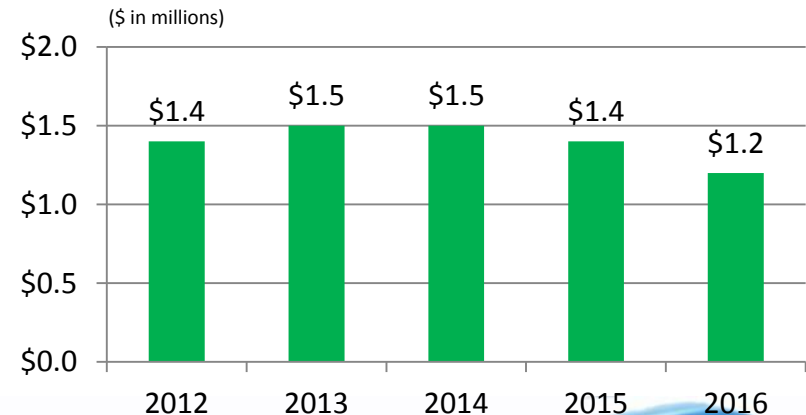
Low Risk Non-Regulated Business

- New England Water Utility Services (NEWUS) in Connecticut and Maine Water in Maine provide a variety of complementary water- and wastewater-related utility services to residential, commercial, industrial, and municipal clients
 - Contract operation of water and wastewater systems for other utilities, businesses, municipalities, and the University of Connecticut's Storrs campus, and related services (>35 client systems)
 - Linebacker® program (>21,000 residential customers enrolled)
 - Offers basic and expanded plans to include water service line, wastewater line and in-home plumbing
 - Initial expansion to non-customers in 2015

Highlights

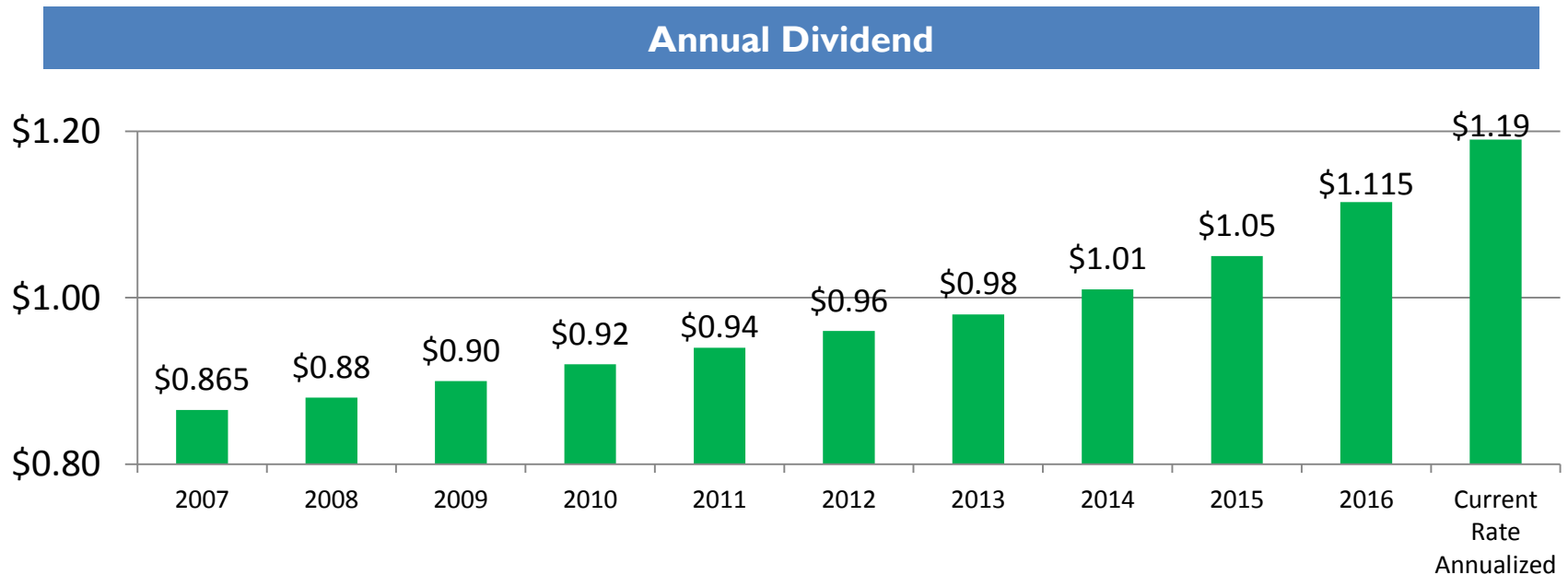
- Complementary geographic focus (Connecticut, Maine, New Hampshire)
- Low risk, fee-based revenue
- No capital at risk

Services & Rentals Segment Net Income



Stable & Growing Dividend

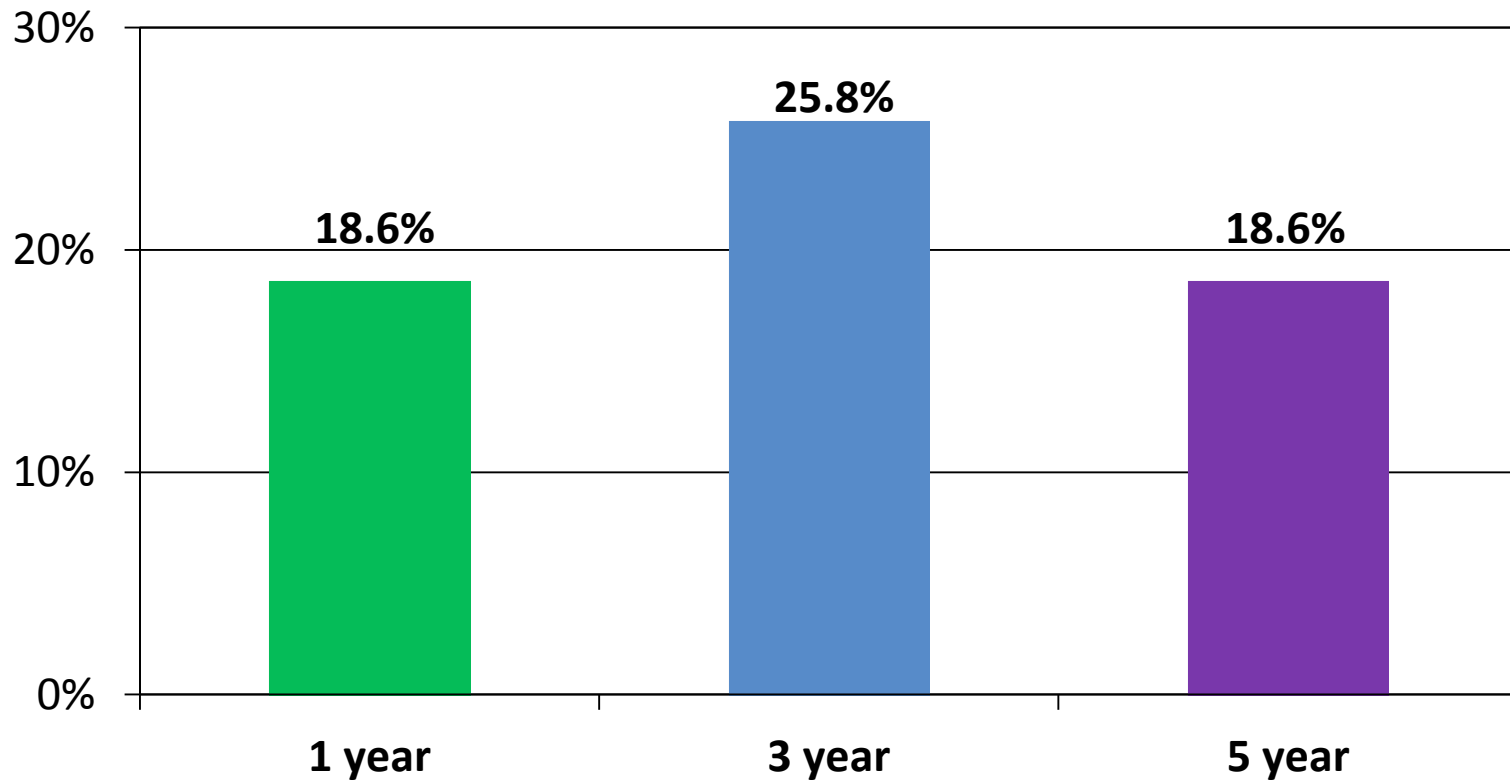
- Board increased dividend on common shares by 5.3% for second quarter 2017
- Annual dividend yield 1.9% as of 11/9/17
- Dividend paid without interruption or reduction for 245 consecutive quarters
- Increased dividend payments for 48 consecutive years
- 2016 Dividend Payout Ratio = 54%



On November 9, 2017, the Company's Board declared a quarterly cash dividend of \$0.2975 per common share payable on December 15, 2017.

Performance

*Average Annual 1, 3 & 5-Year
Total Shareholder Return @ 11/30/17*



Water, the basic ingredient of Life...



Connecticut **Water**



Appendix

***Our Vision... Serving Our Customers,
Shareholders and Employees at World
Class Levels***



Selected Financial Data

Nine Months Ended September 30, 2017

(In thousands except per share amounts)

Operating Revenues	\$82,162
Other Water Activities Revenues	1,096
Real Estate Revenues	212
Service and Rentals Revenues	3,745
Total Revenues	\$87,215
Operating Expenses	\$54,279
Other Utility Income, Net of Taxes	\$619
Total Utility Operating Income	\$28,502
Gain on Property Transactions, Net of Taxes	\$33
Non-Water Sales Earnings (Services and Rentals), Net of Taxes	\$842
Net Income	\$23,202
Net Income Applicable to Common Shareholders	\$23,173
Basic Earnings Per Average Common Share	\$2.03
Diluted Earnings Per Average Common Share	\$1.99
Basic Weighted Average Common Shares Outstanding	11,436
Diluted Weighted Average Common Shares Outstanding	11,661
Book Value Per Share	\$24.39

Condensed Balance Sheet

As of September 30, 2017

(In thousands)

ASSETS	
Net Utility Plant	\$683,738
Current Assets	47,149
Other Assets	208,489
Total Assets	
	\$939,376
CAPITALIZATION AND LIABILITIES	
Shareholders' Equity	\$294,405
Preferred Stock	772
Long-Term Debt	255,193
Current Liabilities	39,835
Other Liabilities and Deferred Credits	349,171
Total Capitalization and Liabilities	
	\$939,376

Reconciliation of Enterprise Value

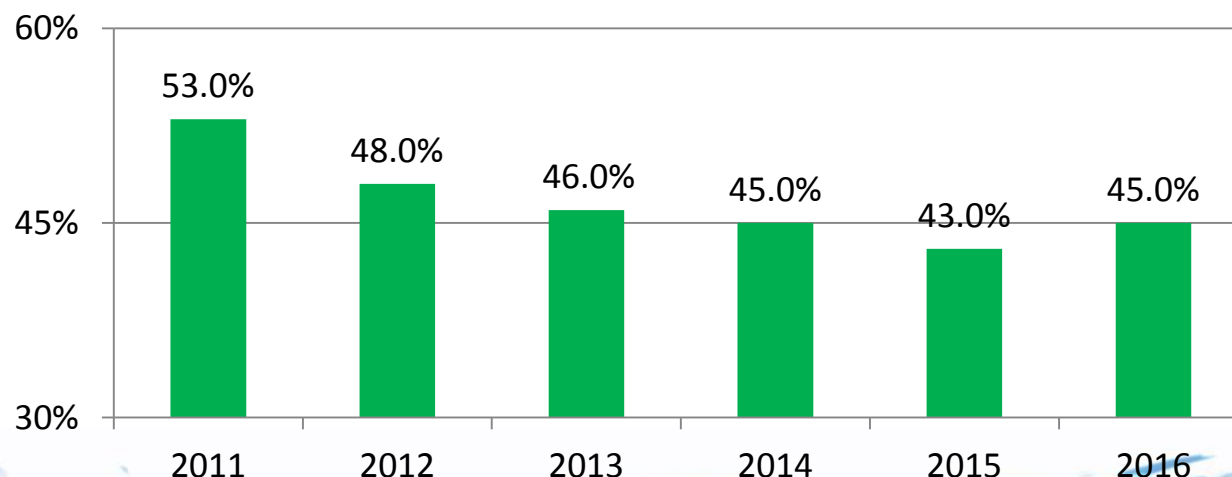
Market Capitalization 11/8/17 (Nasdaq)	\$726,819,000
+ Long-Term Debt (CTWS Form 10-Q filed (11/8/17)	255,193,000
+ Current Portion of Long-Term Debt (CTWS Form 10-Q filed 11/8/17)	7,950,000
+ Preferred Stock (CTWS Form 10-Q filed 11/8/17)	772,000
- Cash/Cash Equivalents (CTWS Form 10-Q filed 11/8/17)	- 8,274,000
Enterprise Value	\$982,460,000

Connecticut Water's annual, quarterly and periodic SEC filings which can be found on the investor relations page of the Company's website www.ctwater.com and at www.sec.gov under ticker symbol CTWS

Conservative Financial Management

- S&P credit rating: 'A'/Stable (reaffirmed on March 2017)
- No near-term debt maturities/ equity offerings (excluding on-going Dividend Reinvestment Plan)
- Balanced debt-equity ratio
- 70.9% Cumulative Total Shareholder Return over a 3-year period (2014 – 2016)

Long-Term Debt to Capitalization Ratio



CTWS Creates Shareholder Value

Strong Core Business *plus*
Best-in-Class Tools for Success

Strong Predictable Revenue
(WRA)



Effective Expense Management

Minimal Regulatory Lag
(WICA, WISC)

Customer Strategy

- National Management Innovation Award for Customer Protection Program
 - Protects customers from utility worker imposters
- Invest and maintain infrastructure to deliver high-quality water and reliable service
- Assistance Programs for low income/hardship
- Responsive and Courteous Service
- Leverage technology to drive convenience and efficiency
- Customer Satisfaction!
 - World-Class 16 straight years



Employee Strategy

- Leadership is a privilege
- Values-based
- Team & service oriented professionals
- “Satisfied Employees Satisfy Customers”
- Employee Satisfaction
 - Executive compensation metric



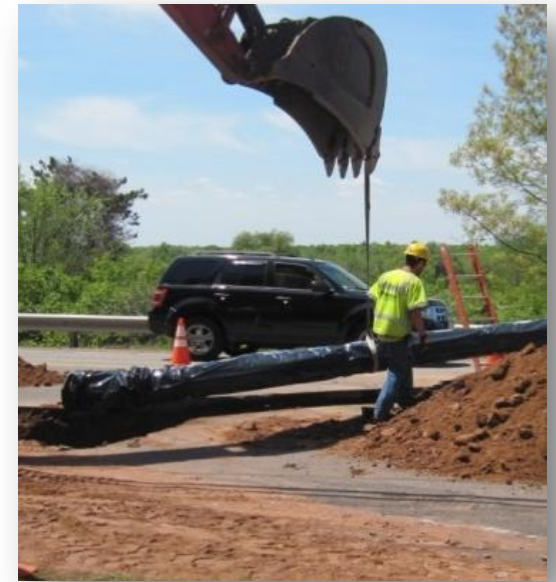
Environmental Strategy

- Leverage CT's Water Revenue Adjustment (WRA) to promote water conservation
- Donate/sell unneeded land as protected open space
- Replace aging pipe, valves and pumps to conserve natural resources
- Aggressively manage energy usage
- Invest in and protect watershed lands



Repair Tax Facts - CTWS

- **Cash flow improvement allows for increased capital investment with less reliance on financing**
- **We are replacing Operating Expense with Capital Expense** (Virtually tripling from 2011 to 2016)
- **Customers and Regulators will realize the benefits** in the form of manageable increases despite level of capital investment



Constructive Regulatory Environments



CT Public Utilities Regulatory Authority

- 6-month regulatory timeline
- Water Infrastructure and Conservation Adjustment (WICA)
 - Expanded in 2013
- Water Revenue Adjustment enacted in 2013
- Single Tariff
- Allowed ROE: 9.75% to 10.1%

J. Betkoski, PURA Vice Chair, 'NARUC'
Water Committee



ME Public Utilities Commission

- Streamlined rate approach
- Virtually all cases "Settled"
- Water Infrastructure Surcharge (WISC)
 - Nearly all plant eligible
- Water Revenue Adjustment enacted in 2015¹
- Allowed ROE = 9.5% to 10%

M. Vannoy, MPUC Chair, 'NARUC'
Water Committee

¹ A water revenue adjustment law in Maine became effective October 15, 2015. With rate stay outs in most of its regulatory divisions as part of the repair tax dockets, Maine Water is now evaluating how and when this new mechanism can be implemented.