



NEWS

93 West Main Street, Clinton, CT 06413

Connecticut Water Service, Inc. Reports First Quarter Earnings *Earnings Total \$0.28 per Share in Q1, Increase of Nearly 4%*

Clinton, Connecticut, May 7, 2015 – Connecticut Water Service, Inc. (NASDAQ GS: CTWS) announced net income of \$3.1 million, or earnings per basic average share (EPS) of \$0.28, on total revenues of \$21.7 million. Total revenues include revenues generated by the Company's three business segments: Water Activities, Service and Rentals, and Real Estate. In 2014, the Company had net income of \$3.0 million, or \$0.27 EPS, on total revenues of \$22.0 million. In the first quarter of 2015 and 2014, there was no activity in the Real Estate segment.

Operating Results

Net income in the Company's core business, the Water Activities segment, was \$2.7 million, on revenues of \$20.3 million. In the same period of 2014, net income from the segment totaled \$2.6 million, on revenues of \$20.6 million. The decrease in revenues for the Water Activities segment was largely attributable to a difference in the calculation of unbilled water revenues for the quarter when compared to same period last year. The Company considers this difference temporary. The decrease in revenues was partially offset by recovery of costs for completed infrastructure replacement projects through the Water Infrastructure Charge (WISC) in Maine and the Water Infrastructure and Conservation Adjustment (WICA) in Connecticut.

The Services and Rentals segment contributed income of \$369,000 in the first quarter of 2015. In the same period of 2014, the segment contributed \$433,000.

Total operating expenses decreased \$491,000, or about 3%, to \$15.9 million compared to \$16.4 million in 2014. The decrease was primarily driven by a \$941,000 income tax benefit resulting from the reversal of a reserve that had been established in anticipation of an Internal Revenue Service audit of the Company's 2012 Federal Income Tax Return. The audit has been completed and there was no change to the Company's tax liability. Without the reversal and other one-time events, the Company's effective tax rate for the quarter was 11.8%, compared to 17.7% in the first quarter of 2014. Partially offsetting the decrease in income tax expense was an increase in benefit costs.

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Eric W. Thornburg, President and CEO of CTWS, noted the Water Activities segment continues to be the growth engine of the Company. Mr. Thornburg stated, “More than \$55 million has been budgeted for capital investment in 2015. Nearly a third of that investment will be made through our WICA and WISC programs to replace aging and undersized pipe to enhance service reliability to our customers. These infrastructure replacement projects are preauthorized by regulators and we are able to recover costs of these projects through regular filings between general rate cases.” Mr. Thornburg also noted the recently approved general rate case in Maine Water’s Biddeford and Saco Division that was filed to recover past capital investments outside of WISC and increased operating expenses.

On March 13, 2015, the Maine Public Utilities Commission (MPUC) issued a decision of the rate application filed by CTWS’s Maine subsidiary, The Maine Water Company, for its Biddeford and Saco Division, which represents about 16,500 customers, or approximately half of the Company’s customer base in Maine. The MPUC approved a negotiated Stipulation Agreement that allows for an annual increase in revenues of \$1.3 million, to be offset for the first three years by approximately \$300,000 from the benefits of adopting IRS repair regulations in Maine. Maine Water’s application filed in November 2014 requested an overall increase of \$1.7 million in additional revenues to recover \$8 million in capital investment made since 2007 and higher operating costs in that division. The new rates in the Biddeford and Saco Division went into effect on March 10, 2015.

Credit Rating

On February 19, 2015, Standard & Poor’s (S&P) reaffirmed its ‘A’ credit rating for the Company. S&P also affirmed a ‘stable’ outlook.

Connecticut Water Service, Inc. is the largest publicly traded water company based in New England. Through its wholly-owned public water utility subsidiaries, The Connecticut Water Company and The Maine Water Company, the Company provides drinking water to 123,000 customers, or about 400,000 people, throughout the states of Connecticut and Maine.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this press release are 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, as amended. Any statements contained in this press release that are not statements of historical fact, including statements based upon, among other things, our current assumptions, expectations and beliefs concerning future developments and their potential effect on Connecticut Water Service, Inc., may be deemed to be forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors, many of which are outside our control, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. In some cases you can identify forward-looking statements where statements are preceded by, followed by or include the words “believes,” “expects,” “anticipates,” “plans,” “future,” “potential,” “probably,” “predictions,” “continue” or the negative of such terms or similar expressions.

Because forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including but not limited to: changes in general economic, business, credit and financial market conditions; changes in environmental conditions, including those that result in water use restrictions, abnormal weather conditions; increases in energy and fuel costs; unfavorable changes to the federal and/or state tax codes; significant changes in, or unanticipated, capital requirements; significant changes in our credit rating or the market price of our common stock; our ability to integrate businesses, technologies or services which we may acquire; our ability to manage the expansion of our business; the extent to which we are able to develop and market new and improved services; the continued demand by telecommunication companies for antenna site leases on our property; the effect of the loss of major customers; our ability to retain the services of key personnel and to hire qualified personnel as we expand; labor disputes; increasing difficulties in obtaining insurance and increased cost of insurance; cost overruns relating to improvements or the expansion of our operations; increases in the costs of goods and services; civil disturbance or terroristic threats or acts; changes in accounting pronouncements; and the outcome of the review of the Company's Connecticut state tax filings by the Connecticut Department of Revenue Services and the Company's 2012 tax return by the Internal Revenue Service. Accordingly, the Company's actual results may differ materially from those contemplated by these forward-looking statements. Investors, therefore, are cautioned against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Additional information regarding the factors that may cause actual results to differ materially from these forward-looking statements is available in our filings with the Securities and Exchange Commission, including the risks and uncertainties identified in Part I, Item 1A - Risk Factors of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

These forward-looking statements speak only as of the date of this press release, and the Company does not assume any obligation to update or revise any forward-looking statement made in this press release or that may from time to time be made by or on behalf of the Company. Information may also be obtained from the Company Contact: Daniel J Meaney, APR, Director of Corporate Communications, 93 West Main Street, Clinton, CT 06413-1600, (860) 664-6016.

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Connecticut Water Service, Inc. & Subsidiaries

Condensed Consolidated Statements of Income (unaudited)

(In thousands except per share amounts)	March 31, 2015	March 31, 2014
Operating Revenues	\$20,030	\$20,260
Other Water Activities Revenues	310	360
Real Estate Revenues	--	--
Service and Rentals Revenues	1,362	1,412
Total Revenues	<u>\$21,702</u>	<u>\$22,032</u>
Total Operating Expenses	\$15,865	\$16,356
Other Utility Income, Net of Taxes	\$155	\$185
Total Utility Operating Income	\$4,320	\$4,089
Gain on Property Transactions, Net of Taxes	\$--	\$--
Non-Water Sales Earnings (Services and Rentals), Net of Taxes	\$369	\$433
Net Income	\$3,103	\$2,986
Net Income Applicable to Common Shareholders	\$3,094	\$2,977
Basic Earnings Per Average Common Share	\$0.28	\$0.27
Diluted Earnings Per Average Common Share	\$0.28	\$0.27
Basic Weighted Average Common Shares Outstanding	10,924	10,869
Diluted Weighted Average Common Shares Outstanding	11,144	11,061
Book Value Per Share	\$18.86	\$17.93

Condensed Consolidated Balance Sheets (unaudited)

(In thousands)	March 31, 2015	March 31, 2014
ASSETS		
Net Utility Plant	\$507,902	\$473,703
Current Assets	36,152	43,791
Other Assets	129,828	112,510
Total Assets	<u>\$673,882</u>	<u>\$630,004</u>
CAPITALIZATION AND LIABILITIES		
Shareholders' Equity	\$210,266	\$198,638
Preferred Stock	772	772
Long-Term Debt	177,689	174,400
Current Liabilities	25,082	20,534
Other Liabilities and Deferred Credits	174,848	154,464
Contributions in Aid of Construction	85,225	81,196
Total Capitalization and Liabilities	<u>\$673,882</u>	<u>\$630,004</u>

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