



NEWS

93 West Main Street, Clinton, CT 06413

**Connecticut Water Service, Inc. Reports
Six Month and Second Quarter Earnings**
Earnings Total \$0.96 per Share through six months

Clinton, Connecticut, August 11, 2014 – Connecticut Water Service, Inc. (NASDAQ GS: CTWS) announced net income of \$10.5 million in the first six months of 2014. This was an increase of approximately 51% from the \$6.9 million reported in the same period of 2013. Connecticut Water's earnings per basic average share (EPS) in the first six months of 2014 was \$0.96 compared to an EPS of \$0.64 during the same period of 2013. The increase was largely attributable to the application of the Water Revenue Adjustment (WRA) in the six months ending June 30, 2014. The WRA allows the Company to reconcile actual water demands with the demands projected in the last general rate case through a rate adjustment. In 2013, the first year in which the WRA was available to the Company, WRA revenues for the first nine months of the year were recorded in the third quarter as provided for in an agreement with our regulators. Had the WRA revenues in 2013 been applied on a monthly basis, as is being done in 2014, the EPS for the six months ended June 30, 2013, would have been \$0.77.

Revenues attributable to the Company's two business segments that had activity in the period ended June 30, 2014, Water Activities and Services and Rentals, grew by \$3.5 million, or about 7.6%, to \$49.3 million, compared to revenues of \$45.8 million in the same period in 2013. Had the 2013 WRA revenues in the Water Activities segment been applied as they are in 2014, the revenues would have been \$48.0 million in the first six months of 2013. There was no activity in the Company's remaining business segment, Real Estate, during either the first six months of either 2013 or 2014.

Six Month Operating Results

In the first six months of 2014, income in the Company's core business, the Water Activities segment, was \$9.6 million, or \$0.89 EPS, on total revenues of \$46.4 million in that segment. In the same period of 2013, net income from the segment totaled \$6.2 million, or \$0.57 EPS. The increase in revenues for the Water Activities segment was largely attributable to the

implementation of the WRA in Connecticut. In the first six months of 2014 the WRA contributed \$2.8 million in revenues. All WRA revenues during the first nine months of 2013 were recorded in the third quarter of 2013 so there were no such revenues recorded during the first six months of 2013. The segment also benefited from an increase in the Water Infrastructure and Conservation Adjustment (WICA) surcharge in Connecticut, and higher water rates and implementation of the Water Infrastructure Surcharge (WISC) in Maine.

The Company saw consistent performance from its Services and Rentals segment in the first six months of 2014 that contributed income of \$831,000, an increase of 9.1% compared to \$762,000 in the first half of 2013.

Operating expenses declined by approximately \$118,000, to \$33.5 million in the first six months of 2014. The largest driver of the decrease was a reduction in income taxes as the benefits of the deductibility of a major component of the infrastructure pipe replacement projects are realized. In addition, the company limited growth in O&M expense to just over 2% in the first six months of 2014 compared to the same period of 2013.

Interest and debt expense for the first six months of 2014 increased 16.4% to \$3.3 million, from \$2.8 million for the same period of 2013. The increase was largely related to a timing change associated with a patronage refund from a bank cooperative recognized in 2013.

“We saw solid financial performance in the first six months of 2014,” stated Eric W. Thornburg, President and CEO of CTWS. He further stated, “It is the result of anticipated growth in the Water Activities segment coupled with our success in ongoing O&M expense control. We expect revenue growth and expense control will drive 2014 net income over 2013 levels. The revenue growth will largely come through infrastructure surcharges in Connecticut and Maine, and higher rates in some of our Maine systems.”

Second Quarter Operating Results

In the second quarter of 2014, net income was \$7.5 million, or EPS of \$0.69, which was an increase of approximately 74% from the \$4.3 million, or EPS of \$0.40, reported in the same period of 2013. The increase in earnings is largely attributable to the application of the WRA in the three months ending June 30, 2014. In 2013, all WRA revenues for the first nine months of the year were recorded in the third quarter. Had the WRA revenues in 2013 been applied on a monthly basis, as is being done in 2014, the EPS would have been \$0.47 for the three months ended June 30, 2013.

In the second quarter of 2014, net income in the Company's core business, the Water Activities Segment, was \$7.1 million, or EPS of \$0.65, on revenues of \$25.8 million. In the same period of 2013, net income from the segment totaled \$3.9 million, or EPS of \$0.36, on revenues of \$22.9 million. The increase in revenues is attributable to the same reasons as cited for the six month results.

The Company saw consistent performance from its Services and Rentals Segment in the second quarter of 2014 that contributed income of \$398,000, an increase of 5.9% compared to \$376,000 in the same period of 2013.

Operating expenses decreased \$104,000, or 0.6%, to \$17.2 million in the second quarter of 2014. The decreased expenses were largely related to a lower effective federal income tax rate.

2014 Regulatory Developments

On May 1, 2014, Maine Water's second WISC application became effective, as approved by the Maine Public Utilities Commission. Maine Water applies for and implements WISC on a division by division basis.

Maine Water Office Consolidation

In January 2014, the Biddeford & Saco Water Company was formally merged into The Maine Water Company. Prior to the merger, Biddeford & Saco had been operating as a separate subsidiary, under Maine Water's leadership, since its acquisition by the Company in December 2012.

The Company's plans to consolidate the corporate and customer service functions of Maine Water in the Biddeford, Maine, area are on track and expected to be completed in the third quarter of 2014. The consolidation will result in the location of Maine Water's leadership and customer service functions in the area of the state with the most customers.

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 nearly 122,000 customers, or about 400,000 people, throughout the states of Connecticut and Maine.

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Connecticut Water Service, Inc. & Subsidiaries

Selected Income Statement Information (unaudited)

(In thousands except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating Revenues	\$25,459	\$22,545	\$45,719	\$42,274
Other Water Activities Revenues	351	309	711	708
Real Estate Revenues	--	--	--	--
Service and Rentals Revenues	1,476	1,477	2,888	2,866
Total Revenues	<u>\$27,286</u>	<u>\$24,331</u>	<u>\$49,318</u>	<u>\$45,848</u>
Operating Expenses	\$17,182	\$17,286	\$33,538	\$33,656
Other Utility Income, Net of Taxes	\$202	\$179	\$387	\$385
Total Utility Operating Income	\$8,479	\$5,438	\$12,568	\$9,003
Gain on Property Transactions, Net of Taxes	\$--	\$--	\$--	\$--
Non-Water Sales Earnings (Services and Rentals), Net of Taxes	\$398	\$376	\$831	\$762
Net Income	\$7,490	\$4,310	\$10,476	\$6,923
Net Income Applicable to Common Shareholders	\$7,480	\$4,300	\$10,457	\$6,904
Basic Earnings Per Average Common Share	\$0.69	\$0.40	\$0.96	\$0.64
Diluted Earnings Per Average Common Share	\$0.67	\$0.39	\$0.94	\$0.63
Basic Weighted Average Common Shares Outstanding	10,887	10,819	10,878	10,811
Diluted Weighted Average Common Shares Outstanding	11,085	10,989	11,073	10,977
Book Value Per Share	\$18.39	\$17.11	\$18.39	\$17.11

Condensed Consolidated Balance Sheets (unaudited)

(In thousands)	June 30, 2014	June 30, 2013
ASSETS		
Net Utility Plant	\$483,838	\$455,439
Current Assets	42,227	33,082
Other Assets	114,450	97,575
Total Assets	<u>\$640,515</u>	<u>\$586,096</u>
CAPITALIZATION AND LIABILITIES		
Shareholders' Equity	\$204,130	\$188,193
Preferred Stock	772	772
Long-Term Debt	173,916	178,731
Current Liabilities	22,863	11,862
Other Liabilities and Deferred Credits	238,834	206,538
Total Capitalization and Liabilities	<u>\$640,515</u>	<u>\$586,096</u>

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This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others, our long-term strategy and expectations, the status of our acquisition program, the impact of our acquisitions on our financial results, the impact of current and projected rate requests and the impact of our capital program on our environmental compliance. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: general economic business conditions, unfavorable weather conditions, the success of certain cost containment initiatives, changes in regulations or regulatory treatment, availability and the cost of capital, the success of growth initiatives and other factors discussed in our filings with the Securities and Exchange Commission. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.