



NEWS

93 West Main Street, Clinton, CT 06413

Connecticut Water Service, Inc. Reports Nine Month and Third Quarter Earnings *Earnings Total \$1.87 per Share through nine months, Increase of 7%*

Clinton, Connecticut, November 6, 2015 – Connecticut Water Service, Inc. (NASDAQ GS: CTWS) announced net income of \$20.5 million, or earnings per basic average share (EPS) of \$1.87, on total revenues of \$80.6 million for the first nine months of the year. In the same period of 2014, the Company had net income of \$18.9 million, or \$1.74 EPS, on total revenues of \$78.7 million.

The increase in net income was attributable to the regulated operations in both Maine and Connecticut. In Maine, a combination of revenue growth from recovery of infrastructure investment and a general rate increase for the Biddeford and Saco Division of The Maine Water Company (Maine Water) drove the improved financial performance. Additionally, in June 2015, the Maine Public Utilities Commission (MPUC) approved via Settlement Agreement (Agreement) Maine Water's adoption of Internal Revenue Service (IRS) Repair Tax Regulations retroactive to January 1, 2014, providing benefits to both customers and shareholders. In Connecticut, timely recovery of continued investment in infrastructure resulted in income growth. Additionally, lower income tax expense, in part from the immediate deductibility of much of that investment, contributed to the earnings increase.

Eric W. Thornburg, President and CEO of CTWS, noted the power of the regulated utility model that benefits customers and shareholders. Mr. Thornburg stated, “We continue to see the value of infrastructure investment. We are able to replace aging and undersized water mains in Connecticut and Maine through infrastructure replacement mechanisms, which are among the best in the nation, provide timely recovery on these investments and better serve our customers. Further, our tax strategy leverages these investments to drive improved efficiency that is good for customers and shareholders.”

Nine Month Operating Results

Net income in the Company's core business, the Water Activities segment, was \$19.1 million, on revenues of \$76.2 million. In the same period of 2014, net income from the segment totaled \$17.7 million, on revenues of \$74.3 million. The increase in revenues was attributable to

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the 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, and rate decisions authorized in Maine by the MPUC.

The Services and Rentals segment contributed net income of \$1.0 million in the first nine months of 2015. In the same period of 2014, the segment contributed \$1.2 million in net income. The Real Estate segment generated net income of \$351,000 in the first nine months through transactions of non-water supply land in the third quarter. In the same period of 2014, the segment produced income of \$4,000.

Total operating expenses in the first nine months increased \$143,000, or about 0.3%, to \$51.7 million compared to \$51.6 million in the same period of 2014. Operating results in the first nine months reflected increased expenses related to benefits, payroll, and outside resources retained for cyber security, succession planning and overall risk management. The increases were largely offset by a reduction in income tax expense driven by the repair tax deduction, the 2015 Agreement in Maine, and a \$1.2 million income tax benefit recorded in the first quarter of 2015 resulting from the reversal of a reserve that had been established in anticipation of an IRS audit of the Company's 2012 Federal Income Tax Return. The audit was completed during the first quarter of 2015 and there was no change to the Company's tax liability.

Third Quarter Operating Results

In the third quarter of 2015, net income was \$8.8 million, or EPS of \$0.80, compared to \$8.4 million, or EPS of \$0.78, reported in the same period of 2014. The increase in earnings was largely attributable to the same factors that drove the nine month results.

In the third quarter of 2015, net income in the Company's core business, the Water Activities Segment, was \$8.1 million, or EPS of \$0.74, on revenues of \$28.9 million. In the same period of 2014, net income from the segment totaled \$8.1 million, or EPS of \$0.74, on revenues of \$27.9 million. The increase in revenues was attributable to the same reasons cited for the nine month results.

The Real Estate segment generated income of \$351,000 through non-water supply land transactions during the third quarter. In the same quarter of 2014, the segment produced income of \$4,000. The Services and Rentals Segment contributed income of \$296,000, in the third quarter of 2015. In the third-quarter of 2014, the segment generated \$378,000 of net income.

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Total operating expenses in the third quarter of 2015 increased to \$19.0 million from \$18.0 million in the third quarter of 2014. Operating results in the third quarter reflected increased expenses related to benefits, payroll and outside resources retained for cyber security, succession planning, and overall risk management. The increases were largely offset by a reduction in income tax expense driven by the repair tax deduction and the 2015 Agreement in Maine.

Quarterly Dividend

On August 20, 2015, CTWS's Board of Directors approved an annualized dividend increase of 4 cents per common share, or 4.0%, and declared a quarterly cash dividend payment of \$0.2675 per share, which was paid on September 15, 2015, to all shareholders of record as of September 1, 2015.

2015 Regulatory Developments

On July 24, 2015, The Connecticut Water Company (Connecticut Water) filed an application with the Connecticut Public Utilities Regulatory Authority (PURA) to increase the WICA surcharge by 1.15% to recover costs of recently completed infrastructure replacement projects. On September 23, 2015, PURA approved the request and a cumulative WICA surcharge of 4.19% was added to customer bills issued on or after October 1, 2015. WICA charges are capped at 10%.

On June 22, 2015, the MPUC approved a stipulation agreement between Maine Water and the Office of Public Advocate that established the regulatory framework for the adoption of the IRS Repair Regulations. The approval of the Agreement allowed Maine Water to retroactively apply the flow through benefit related to the Repair Regulations from January 1, 2014.

On March 13, 2015, the MPUC issued a decision of the rate application filed by Maine Water, for its Biddeford and Saco Division, which represents about 16,500 customers, or approximately half of Maine Water'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 the 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

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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.

A newly passed 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, the Company is now evaluating how and when this new mechanism can be implemented.

CTWS is the largest publicly traded water company based in New England. Through its wholly-owned public water utility subsidiaries, Connecticut Water and Maine Water, the Company provides drinking water to approximately 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. 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)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating Revenues	\$28,444	\$27,554	\$75,098
Other Water Activities Revenues	476	341	1,129
Real Estate Revenues	6	7	6
Service and Rentals Revenues	1,573	1,503	4,398
Total Revenues	<u>\$30,499</u>	<u>\$29,405</u>	<u>\$80,631</u>
			<u>\$78,723</u>
Operating Expenses	\$18,990	\$18,049	\$51,730
Other Utility Income, Net of Taxes	\$255	\$177	\$615
Total Utility Operating Income	\$9,709	\$9,682	\$23,983
Gain (Loss) on Property Transactions, Net of Taxes	\$351	\$4	\$351
Non-Water Sales Earnings (Services and Rentals), Net of Taxes	\$296	\$378	\$1,040
Net Income	\$8,755	\$8,448	\$20,533
Net Income Applicable to Common Shareholders	\$8,745	\$8,438	\$20,504
Basic Earnings Per Average Common Share	\$0.80	\$0.78	\$1.87
Diluted Earnings Per Average Common Share	\$0.79	\$0.76	\$1.84
Basic Weighted Average Common Shares Outstanding	10,970	10,902	10,951
Diluted Weighted Average Common Shares Outstanding	11,171	11,102	11,157
Book Value Per Share	\$19.95	\$18.91	\$19.95
			<u>\$18.91</u>

Condensed Consolidated Balance Sheets (unaudited)

(In thousands)	September 30, 2015	September 30, 2014
ASSETS		
Net Utility Plant	\$528,962	\$494,571
Current Assets	39,258	39,300
Other Assets	142,221	112,586
Total Assets	\$710,441	\$646,457
CAPITALIZATION AND LIABILITIES		
Shareholders' Equity	\$223,024	\$210,128
Preferred Stock	772	772
Long-Term Debt	176,679	173,395
Current Liabilities	32,247	21,075
Other Liabilities and Deferred Credits	277,719	241,087
Total Capitalization and Liabilities	\$710,441	\$646,457

News media contact:

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