



NEWS

93 West Main Street, Clinton, CT 06413

**Connecticut Water Service, Inc. Reports
Nine Month and Third Quarter Earnings**
Earnings Total \$1.51 per Share through nine months

Clinton, Connecticut, November, 11, 2013 – Connecticut Water Service, Inc. (NASDAQ GS: CTWS) announced net income of \$16.4 million, or earnings per basic average share (EPS) of \$1.51, on revenues of \$75.3 million in the Water Activities and Service and Rentals segments through the first nine months of 2013. In the same nine month period of 2012, the Water Activities and Services and Rentals segments produced net income of \$11.1 million, or \$1.28 EPS, on revenues of \$69.8 million.

In the first nine months of 2013, there was minimal activity in the Company's third business segment – the Real Estate segment. In 2012, the Real Estate segment generated net income of approximately \$1.0 million, or \$0.11 EPS, through an open space land sale to the Town of Plymouth, Connecticut, completed in the second quarter of 2012.

Including all three business segments, in the first nine months of 2013, the Company had earnings of \$16.4 million, or \$1.51 EPS, on total revenues of \$75.4 million. In the same period of 2012, the Company reported earnings of \$12.0 million, or \$1.39 EPS, on total revenues of \$71.2 million.

In the first nine months of 2013, there were approximately 10.8 million weighted average basic common shares outstanding, which is approximately 25% more than in the same period in 2012 due to a successful equity offering of approximately 1.7 million shares and the issuance of 380,254 shares in the Biddeford & Saco Water Company (BSWC) acquisition in December 2012. A portion of the proceeds from the equity offering was used to repay approximately \$21 million of bank lines of credit and \$18 million in debt related to the 2012 acquisition of Maine Water Company. These repayments will lower interest and debt expense by more than \$700,000 this year.

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Acquisition

On December 10, 2012, the Company acquired BSWC through a stock-for-stock merger transaction valued at approximately \$12.0 million. BSWC serves about 15,000 customers, or 35,000 people, in four southern Maine communities. BSWC was not a part of Connecticut Water in the first nine months of 2012 and its results of operations are not included in 2012 income statement information.

Regulatory Developments

In 2013, the State of Connecticut enacted laws that provide for a Revenue Adjustment Mechanism (RAM), expansion of the Water Infrastructure and Conservation Adjustment (WICA) eligible projects and an increase in the WICA cap from 7.5% to 10%.

On August 30, 2013, the Connecticut Public Utilities Regulatory Authority (PURA) approved a Settlement Agreement (Agreement) filed by the Company on July 1, 2013. The Agreement was initiated by Connecticut Water to use the unique and unprecedented opportunity afforded by newly passed RAM and WICA legislation and a Treasury Decision pertaining to repair deductions that will benefit customers and the Company alike. Connecticut Water's proposal was endorsed by the Connecticut Office of Consumer Counsel and the Attorney General, who also became parties to the Agreement.

The Agreement also allows for the implementation of the newly authorized RAM, which allows PURA-regulated water utilities to recover the difference between the actual revenues billed in a calendar year and the revenues that PURA approved at the time of their last general rate and WICA proceedings through an adjustment on customer bills. Revenues billed in excess of what was allowed in the last rate case would be returned to customers through a credit on bills. The RAM removes the financial disincentive for water utilities to develop and implement effective water conservation programs.

In addition, a Treasury Decision issued by the IRS regarding deductions for repairing tangible property allows all taxpayers to take an immediate deduction for eligible costs that have previously been classified as capital expenditures. This allows for an immediate tax benefit that otherwise would have been received in small increments over many years. The tangible property regulations have provided Connecticut Water, which has made significant capital expenditures in recent years for its infrastructure replacement program, the opportunity to file for a refund of federal tax payments going back to the year 2010.

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The Company filed for that refund in September 2013, and anticipates the amount refunded by the IRS will be approximately \$13.6 million. Approximately \$12.4 million of the refund will be returned to customers through a temporary two-year rate reduction beginning in April 2014, as provided for in the Agreement.

Other key provisions of the Agreement include:

- Rates charged to customers will be temporarily reduced for two years beginning on April 1, 2014.
- The Company will not implement new rates from a general rate case until October 2015 at the earliest.
- The WICA surcharge in effect on October 1, 2013 will be incorporated into base rates on April 1, 2014 and at that time the WICA surcharge will be reset to zero.
- The next planned WICA filing by the Company will be delayed from January 2014 to July 2014.

According to Eric Thornburg, President and CEO of Connecticut Water, the Agreement benefits customers and the Company. "PURA's approval of the Agreement allows us to temporarily lower customer rates for two years, while the Company begins to see an immediate benefit from implementation of the RAM in the third quarter of 2013. Resetting the WICA surcharge to zero allows us to continue investing in water main replacement without having to file a general rate case application."

In Maine, the regulations regarding its Water Infrastructure Charge (WISC) have been finalized. WISC allows for eligible infrastructure investments to be recovered between rate cases and is similar to Connecticut's WICA. Maine Water and BSWC expect to first utilize WISC in late 2013 or early 2014.

In July 2013, the Maine Public Utilities Commission (MPUC) approved stipulations that settled rate case applications for three of Maine Water's systems. In June 2013, Maine Water also filed rate case applications with MPUC for three additional water systems, which are currently under review by the MPUC.

Nine Month Operating Results

In the first nine months of 2013, Net Income in the Company's core business, the Water Activities segment, was \$15.2 million, on total revenues of \$71.0 million. In the same period of 2012, Net Income from the segment totaled \$10.1 million, on total revenues of \$65.5 million.

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The increase in revenues for the Water Activities segment was largely attributable to the acquisition of BSWC, implementation of the RAM in the third quarter, which contributed \$2.8 million to the revenue increase, and an increase in the WICA surcharge in Connecticut.

The Company saw consistent performance from its Services and Rentals segment in the first nine months of 2013 that contributed income of \$1.1 million compared to \$1.0 million in the nine months of 2012. There was minimal activity in the Real Estate segment in the first nine months of 2013. In 2012, there was an open space land sale to the Town of Plymouth, Connecticut, that contributed income of approximately \$1.0 million.

Operating and Maintenance Expenses (O&M) increased approximately \$1.9 million, or approximately 6.2%, to \$31.8 million in the first nine months of 2013. The increase was largely attributable to BSWC operating expenses that were not included in the 2012 nine-month results. There were also increases in expenses related to income taxes and other taxes, and depreciation associated with the acquisition of BSWC. Excluding \$2.4 million of BSWC O&M expenses, the Company reduced O&M costs by \$533,000, or 1.8%, in the first nine months of 2013.

Interest and debt expense for the first nine months declined 30% to \$4.5 million, from \$6.4 million for the same period of 2012. The decrease was related to reduced interest expense associated with the refinancing of \$55 million in long-term debt in the fourth quarter of 2012 and an additional \$15 million in the first quarter of 2013, the repayment of \$18 million in debt used to acquire Maine Water, and an increase in the patronage refund from a bank cooperative that reduces interest expense.

Third Quarter Operating Results

In the third quarter of 2013, Net Income in the Company's core business, the Water Activities segment, was \$9.1 million, on total revenues of \$28.0 million. In the same period of 2012, Net Income from the segment totaled \$5.7 million, on total revenues of \$24.9 million. The increase in revenues for the Water Activities segment was largely attributable to the implementation of the RAM in the third quarter, the acquisition of BSWC and an increase in WICA in Connecticut.

The Company saw consistent performance from its Services and Rentals segment in the third quarter of 2013, which contributed net income of \$381,000 compared to \$329,000 in the third quarter of 2012.

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O&M expenses increased \$826,000, or 8%, to \$11.1 million in the third quarter of 2013. As with the nine month results, there were increases in expenses related to taxes other than income taxes, and depreciation associated with the acquisition of BSWC. Income tax expense decreased \$439,000 for the quarter compared to same period in 2012 due to the use of the repair deduction.

Excluding \$785,000 of BSWC O&M expenses, the Company's O&M costs increased by \$41,000 or less than 0.5% in the third quarter of 2013.

Interest and debt expense for the third quarter declined 23% to \$1.7 million, from \$2.2 million for the same period of 2012. The decrease in interest and debt expense was related to the refinancing of long-term debt in December 2012 and in March 2013 and the repayment of debt used to acquire Maine Water.

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, The Maine Water Company, and the Biddeford & Saco Water Company, the Company provides drinking water to 122,000 customers, or about 400,000 people, throughout the states of Connecticut and Maine.

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This news release may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding the Company's results of operation, financial position and long-term strategy. These forward-looking statements are based on current information and expectations, and are subject to risks and uncertainties discussed in our filings with the Securities and Exchange Commission, which could cause the Company's actual results to differ materially from expected results. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

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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,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Operating Revenues	\$27,632	\$24,461	\$69,906	\$64,349
Other Water Activities Revenues	350	458	1,058	1,131
Real Estate Revenues	95	--	95	1,450
Service and Rentals Revenues	1,491	1,586	4,357	4,287
Total Revenues	\$29,568	\$26,505	\$75,416	\$71,217
Operating Expenses	\$17,577	\$16,743	\$51,233	\$48,069
Other Utility Income, Net of Taxes	\$194	\$243	\$579	\$607
Total Utility Operating Income	\$10,249	\$7,961	\$19,252	\$16,887
(Loss) Gain on Property Transactions, Net of Taxes	\$(7)	\$(31)	\$(7)	\$951
Non-Water Sales Earnings (Services and Rentals), Net of Taxes	\$381	\$329	\$1,143	\$1,012
Net Income	\$9,442	\$5,974	\$16,365	\$12,047
Net Income Applicable to Common Shareholders	\$9,432	\$5,964	\$16,336	\$12,018
Basic Earnings Per Average Common Share	\$0.87	\$0.69	\$1.51	\$1.39
Diluted Earnings Per Average Common Share	\$0.86	\$0.67	\$1.49	\$1.36
Basic Weighted Average Common Shares Outstanding	10,835	8,689	10,819	8,669
Diluted Weighted Average Common Shares Outstanding	11,006	8,829	10,987	8,805
Book Value Per Share	\$17.80	\$14.30	\$17.80	\$14.30

Condensed Consolidated Balance Sheets (unaudited)

(In thousands)	September 30, 2013	September 30, 2012
ASSETS		
Net Utility Plant	\$461,810	\$422,582
Current Assets	47,221	31,741
Other Assets	126,571	107,154
Total Assets	\$635,602	\$561,477
CAPITALIZATION AND LIABILITIES		
Shareholders' Equity	\$196,102	\$126,575
Preferred Stock	772	772
Long-Term Debt	175,533	187,334
Current Liabilities	19,258	35,785
Other Liabilities and Deferred Credits	243,937	211,011
Total Capitalization and Liabilities	\$635,602	\$561,477