



NEWS

93 West Main Street, Clinton, CT 06413

**Connecticut Water Service, Inc. Reports
Nine Month and Third Quarter Earnings**
Earnings Total \$1.74 per Share through nine months of 2014

Clinton, Connecticut, November 7, 2014 – Connecticut Water Service, Inc. (NASDAQ GS: CTWS) announced net income of \$18.9 million on total revenues of \$78.7 million in all three of the Company’s business segments through the first nine months of 2014. This was an increase of approximately 15.6% from the \$16.4 million of net income reported on total revenues of \$75.4 million in the same segments during the same period of 2013. Connecticut Water’s earnings per basic average share (EPS) in the first nine months of 2014 was \$1.74 compared to EPS of \$1.51 during the same period of 2013, an increase of 15.2%.

“Our regulated business, the Water Activities segment, continues to be the growth engine of our Company,” stated Eric W. Thornburg, President and CEO of CTWS. He further stated, “We expect continued growth in our Water Activities segment in 2014 and beyond based on our continuing commitment to replace aging infrastructure through the Water Infrastructure and Conservation Adjustment (WICA) in Connecticut and Water Infrastructure Charge (WISC) in Maine. It is the timely recovery of this investment, coupled with ongoing and successful expense-control efforts, that will position us to reliably serve our customers, be good stewards of the environment, and grow our company.”

Nine Month Operating Results

In the first nine months of 2014, net income in the Company’s core business, the Water Activities segment, was \$17.7 million, or \$1.63 EPS. In the same period of 2013, net income from the segment totaled \$15.2 million, or \$1.41 EPS.

The Company saw consistent performance from its Services and Rentals segment in the first nine months of 2014 that contributed income of \$1.2 million, an increase of 5.8%, compared to \$1.1 million in the same period of 2013.

Operating expenses increased by a modest \$354,000, or 0.7%, to \$51.6 million in the first nine months of 2014. The increases were primarily attributable to increases in depreciation and

in taxes other than income taxes. In addition, the Company also limited the increase of Operations & Maintenance expense to less than 0.7% during the first nine months of 2014, compared to the same period of 2013. Excluding approximately \$330,000 in consultant charges in 2014 related to a review of the Company's cyber security and current Information Technologies structure within the organization, operating expenses would have been virtually flat for the first nine months of 2014. The Company estimates an additional \$1 million for additional labor costs and additional technology investments will be allocated toward implementation of additional recommendations through 2016.

Third Quarter Operating Results

In the third quarter of 2014, net income was \$8.4 million, or EPS of \$0.78, on total revenues of \$29.4 million. In the same period of 2013, net income was \$9.4 million, or EPS of \$0.87, on total revenues of \$29.6 million. The decrease was attributable to the timing of the Water Revenue Adjustment (WRA) in Connecticut. 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 \$0.75 for the three months ended September 30, 2013.

Dividends

On August 14th, CTWS's Board of Directors approved an annualized dividend increase of 4 cents per common share, which was an increase of 4.0% above the cash dividend paid prior to their action. The quarterly cash dividend on CTWS common shares following the Board's action is now \$0.2575 per quarter. The increased dividend was effective with the dividend declared by the Board on common shares paid on September 16, 2014. This was the 45th consecutive year CTWS has increased its dividend payments to shareholders.

WICA & WISC

On September 26, 2014, the Connecticut Public Utilities Regulatory Authority (PURA) authorized a WICA of 1.59% that became effective on October 1, 2014. Maine Water has implemented the WISC in six of its 10 divisions and expects to have it implemented in most of the remaining divisions by the end of 2014.

WICA and WISC allow for expedited recovery of infrastructure investment in Connecticut and Maine. In Connecticut, WICA covers the cost of replacement of old pipe and conservation-related investments. In Maine, WISC can be applied to recover the cost of

replacing treatment and distribution system infrastructure, including old pipe. In 2014, CTWS allocated nearly \$18 million in WICA and WISC projects.

Repair Tax Accounting

On October 30th, The Maine Water Company (Maine Water) filed an application with the Maine Public Utilities Commission (MPUC) requesting approval for a change in accounting treatment that would result in returning a \$1.8 million federal tax refund to customers over a three year period. The federal income tax refund is related to an IRS interpretation of its tangible property/repair regulations that allows 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.

Maine Water Rate Filing

On November 5, 2014, Maine Water filed a rate application with the MPUC for its Biddeford and Saco Division, which represents about 16,500 customers, or approximately half of the Company's customer base in Maine. The application requests an increase of \$1.7 million in additional revenues over a two-year phase-in to recover \$8 million in capital investment made since 2007 and higher operating costs in that division. The Biddeford and Saco Division was formerly an independent company, the Biddeford & Saco Water Company, prior to its acquisition by CTWS in 2012, and has not had a rate increase since 2008.

Maine Water Consolidation Efforts

In January 2014, the Biddeford & Saco Water Company was formally merged into The Maine Water Company.

In September 2014, the Maine Water successfully consolidated its corporate and customer service functions of Maine Water in Saco, Maine. The consolidation resulted 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		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Operating Revenues	\$27,554	\$27,632	\$73,273	\$69,906
Other Water Activities Revenues	341	350	1,052	1,058
Real Estate Revenues	7	95	7	95
Service and Rentals Revenues	1,503	1,491	4,391	4,357
Total Revenues	\$29,405	\$29,568	\$78,723	\$75,416
Operating Expenses	\$18,049	\$17,577	\$51,587	\$51,233
Other Utility Income, Net of Taxes	\$177	\$194	\$564	\$579
Total Utility Operating Income	\$9,682	\$10,249	\$22,250	\$19,252
Gain (Loss) on Property Transactions, Net of Taxes	\$4	\$(7)	\$4	\$(7)
Non-Water Sales Earnings (Services and Rentals), Net of Taxes	\$378	\$381	\$1,209	\$1,143
Net Income	\$8,448	\$9,442	\$18,924	\$16,365
Net Income Applicable to Common Shareholders	\$8,438	\$9,432	\$18,895	\$16,336
Basic Earnings Per Average Common Share	\$0.78	\$0.87	\$1.74	\$1.51
Diluted Earnings Per Average Common Share	\$0.76	\$0.86	\$1.70	\$1.49
Basic Weighted Average Common Shares Outstanding	10,902	10,835	10,886	10,819
Diluted Weighted Average Common Shares Outstanding	11,102	11,006	11,083	10,987
Book Value Per Share	\$18.91	\$17.80	\$18.91	\$17.80

Condensed Consolidated Balance Sheets (unaudited)

(In thousands)	September 30, 2014	September 30, 2013
ASSETS		
Net Utility Plant	\$494,571	\$461,810
Current Assets	39,300	47,221
Other Assets	112,586	126,571
Total Assets	\$646,457	\$635,602
CAPITALIZATION AND LIABILITIES		
Shareholders' Equity	\$210,128	\$196,102
Preferred Stock	772	772
Long-Term Debt	173,395	175,533
Current Liabilities	21,075	19,258
Other Liabilities and Deferred Credits	241,087	243,937
Total Capitalization and Liabilities	\$646,457	\$635,602

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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.