

CONNECTICUT WATER SERVICE INC / CT

FORM 8-K (Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT Pursuant
to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): Nov. 28, 2011 (Nov. 17, 2011)

Commission File Number 0-8084



Connecticut Water Service, Inc.
(Exact name of registrant as specified in its charter)

Connecticut
(State or other jurisdiction of
incorporation or organization)

06-0739839
(I.R.S. Employer Identification No.)

93 West Main Street, Clinton, CT
(Address of principal executive office)

06413
(Zip Code)

(860) 669-8636
(Registrant's telephone number, including area code)

Not Applicable
(Former name, address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Regulatory Approval of Acquisition of Aqua Maine, Inc.

As previously reported, on July 27, 2011, Connecticut Water Service, Inc. (the “Company”) announced that it had entered into an agreement on July 26, 2011 with Aqua America, Inc. (“AA”) to purchase all of the outstanding shares of Aqua Maine, Inc. (“Aqua Maine”), a wholly-owned subsidiary of AA, for approximately \$35.8 million (subject to certain adjustments at closing), including approximately \$17.7 million of long-term debt as of December 31, 2010, reflecting a total enterprise value of approximately \$53.5 million. Aqua Maine is a public water utility regulated by the Maine Public Utilities Commission (“MPUC”) that serves approximately 16,000 customers in 11 water systems in the State of Maine.

On October 27, 2011, the Company entered into a stipulation agreement with Aqua Maine and the Office of the Maine Public Advocate (the “Agreement”) related to the acquisition, which was submitted to the MPUC for its review and consideration. On November 22, 2011, the MPUC approved the Agreement in a decision (the “Decision”) that gives regulatory approval for the acquisition by the Company. The MPUC concluded that the acquisition is in the best interests of customers. The decision requires that Aqua Maine, which will be known as “The Maine Water Company” following the acquisition, will not seek a rate increase for any of its divisions in 2012, and that there will be no short or long-term rate or service impacts as a result of the acquisition. The customer information system and all customer service policies and procedures of Aqua Maine will remain in effect after the closing. The MPUC decision can be found at its Web site: www.maine.gov/mpuc.

The Company currently expects that the acquisition will be completed during the first quarter of 2012. A copy of the Agreement is attached hereto as Exhibit 99.1 and a copy of the Decision is attached hereto as Exhibit 99.2 and both are hereby incorporated herein by reference.

On November 22, 2011, the Company issued a press release announcing that the MPUC has approved the acquisition of Aqua Maine by the Company. A copy of the Company’s November 22, 2011 press release is attached hereto as Exhibit 99.3 and is hereby incorporated herein by reference.

Board Actions

On November 18, 2011, the Company issued a press release announcing the Board of Directors of the Company on November 17, 2011 declared a quarterly cash dividend of \$0.2375 per common share payable on December 15, 2011 for shareholders of record as of December 1, 2011. In addition, the Board also declared a quarterly cash dividend of \$0.20 per share on Preferred A shares payable on January 17, 2012, for shareholders of record as of January 3, 2012, and a quarterly cash dividend of \$0.225 on Preferred 90 shares (OTCBB:CTWSP) on February 2, 2012, for shareholders of record as of January 19, 2012. The Board also approved a \$23.5 million Capital Spending Plan for 2012.

A copy of the Company’s press release dated November 18, 2011 is filed herewith as Exhibit 99.4 and is hereby incorporated herein by reference.

The following documents are filed herewith as exhibits.

(d) Exhibits

- Stipulation Agreement between the Company, Aqua Maine, Inc. and the Office of the Maine Public Advocate, dated October 27,
99.1 2011.
99.2 MPUC Decision dated November 22, 2011.
99.3 Company press release dated November 22, 2011.
99.4 Company press release dated November 18, 2011.
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

CONNECTICUT WATER SERVICE, INC.
a Connecticut corporation

Date: November 28, 2011

By: /s/ David C. Benoit

Name: David C. Benoit

Title: Vice President – Finance and Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
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99.1	Stipulation Agreement between the Company, Aqua Maine, Inc. and the Office of the Maine Public Advocate, dated October 27, 2011.
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99.2	MPUC Decision dated November 22, 2011.
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99.3	Company press release dated November 22, 2011.
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99.4	Company press release dated November 18, 2011.
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AQUA MAINE, INC.
Petition for Approval of Reorganization
Through Acquisition of Stock

STIPULATION

It is understood and agreed by and between Aqua Maine, Inc., Connecticut Water Service, Inc. (“CTWS”) and the Office of Public Advocate as follows:

I. Purpose

The purpose of this Stipulation is to settle all issues with respect to this proceeding, to eliminate the need to hold evidentiary hearings and to expedite the Public Utilities Commission’s consideration and resolution of this proceeding. The provisions agreed to herein have been reached as a result of information gathered through the discovery process and discussions and negotiations with the companies.

II. Procedural History

On August 23, 2011, Aqua Maine filed a Petition for Approval of Reorganization Through Acquisition of Stock. Aqua Maine is a Maine water utility subject to regulation by the Commission. The proposed transaction involved in this proceeding is the acquisition by CTWS of the outstanding stock of Aqua Maine from Aqua Maine’s parent, Aqua America, Inc. The transaction will result in the creation of new affiliated interests of Aqua Maine:

- a. CTWS, which will own more than 10% of Aqua Maine’s stock;
- b. Connecticut Water Company, a wholly-owned subsidiary of CTWS and a Connecticut water utility regulated by the Connecticut Public Utilities Regulatory Authority;
- c. New England Water Utility Services, Inc., a wholly-owned, unregulated subsidiary of CTWS that provides services to other water systems in Connecticut; and
- d. Chester Realty, Inc., a wholly-owned, unregulated real estate subsidiary of CTWS.

The Petition sought Commission approval of the creation of these new affiliated interests of Aqua Maine. The Petition also sought, in light of the proposed change of Aqua Maine’s name to “The Maine Water Company,” approval by the Commission of Terms and Conditions and tariffs reflecting the change of Aqua Maine’s name to The Maine Water Company (“TMWC”). In support of the Petition, Aqua Maine submitted the Asset Purchase Agreement between CTWS and Aqua America, and the pre-filed Direct Testimony and Exhibits of Judy Wallingford, Eric Thornburg, and David Benoit.

The Public Advocate and CTWS intervened in the case. Responses to data requests from the Advisors and the Public Advocate were provided by Aqua Maine, an initial case conference and technical conference was held on September 21, 2011, a technical conference was held on October 13, 2011, and Aqua Maine responded to oral data requests by October 20, 2011. Settlement discussions were held thereafter.

III. Approvals and Findings

Based upon the record in this case, the Parties to this Stipulation agree that the Petition and accompanying testimony and exhibits filed on August 23, 2011, and the approvals and authorizations requested therein, satisfy the applicable statutory criteria and should be granted by the Commission by an order that approves, accepts and adopts this Stipulation and all of the provisions thereof, including the following findings and provisions:

- A. The granting of the Petition shall include all authorizations, approvals, and findings requested in the Petition and the accompanying testimony and exhibits, including specifically a finding that the reorganizations that will occur upon the acquisition by CTWS of the stock of Aqua Maine are consistent with the interests of the utilities’ ratepayers and investors and shall be approved pursuant to 35-A M.R.S.A. §708, and approving the Company’s Terms and Conditions and tariffs in the name of “The Maine Water Company,” which were filed with the Commission with the Petition.
- B. The Commission shall have reasonable access to the books, records, documents and other information relating to Aqua Maine or any of its affiliated interests, including the books, records, documents and other information relating to CTWS or Connecticut Water Company, subject to those exceptions set forth in 35-A M.R.S. § 708(2)(A)(1).
- C. The Commission will retain all reasonable powers to detect, identify, review and approve or disapprove all transactions between Aqua Maine and CTWS or the subsidiaries of CTWS. As part of the transaction, Aqua America will assign the Affiliated Interest Agreement with Aqua Maine – which Agreement has been approved by this Commission – to CTWS. CTWS agrees to be bound by the Affiliated Interest Agreement. Neither Aqua Maine nor CTWS contemplate any changes in the Agreement at this time, and both acknowledge that any changes would require Commission approval under § 707(A)(3) before the changes could take effect.
- D. Aqua Maine’s ability to attract capital on reasonable terms, and its ability to maintain a reasonable capital structure, will not be impaired.
- E. Aqua Maine’s ability to provide safe, reasonable and adequate service to its customers will not be impaired. Aqua Maine’s customer service operations will continue to be performed by Aqua Maine personnel. Although the acquisition will require certain changes in computer software platforms for Aqua Maine, there is not expected to be any change in the software programs used by Aqua Maine to open customer accounts, close customer accounts, respond to customer inquiries and complaints, and issue bills to customers. In addition, Aqua Maine and CTWS have represented to the Commission that they do not plan to make any changes in employees in any division as a result of the transaction, which will enable Aqua Maine to continue to provide safe, reasonable and adequate service to its customers.
- F. Aqua Maine will continue to be subject to applicable laws, principles and rules governing the regulation of public utilities in Maine.
- G. Aqua Maine’s credit will not be impaired or adversely affected.

- H. The Commission retains the ability to order divestiture pursuant to Maine law if necessary to protect the interest of Aqua Maine, its ratepayers or its investors.
- I. Neither ratepayers nor investors will be adversely affected by the acquisition of Aqua Maine's stock by CTWS. There will be no change in Aqua Maine's rates or its terms and conditions of service. Through the record in this case, Aqua Maine and CTWS have shown demonstrable net savings which are expected to be realized as a result of the acquisition – savings that are expected to benefit the ratepayers in the short term and long term. Specifically, Aqua Maine and CTWS expect that, in general, the following types of savings will result as CTWS acquires Aqua Maine's stock:
 - 1. The corporate charges that are currently made to Aqua Maine by Aqua America will be lower under CTWS ownership. That will be because CTWS has a smaller corporate office and support function, compared to breadth of the Aqua America support services. The expected annual savings are in the range of \$50,000 to \$75,000.
 - 2. The current work on the coordination of the Information Technology (IT) systems between the two companies indicates an expected reduction in rate base of up to \$100,000, as Aqua America's allocated assets are removed and replaced with CTWS systems. With the cost of capital and depreciation, this reduction equates an expected annual savings of up to \$20,000.
 - 3. Pension Plan Savings. Because an additional \$500,000, approximately, will be funded to the pension plan for Aqua Maine employees as part of the transaction, future pension expense for Aqua Maine is expected to be lower than it otherwise would be because that cash contribution is being made earlier than it otherwise would have been under Aqua America ownership. Although difficult to quantify, that contribution will result in savings.
 - 4. Savings in "Sundry" Costs. In addition to the labor component of Aqua America charges, there are the allocated "sundry" costs from Aqua America, which are expected to total approximately \$175,000 in 2011. These costs include allocations of vendor or non-labor costs, such as those related to shareholder services, legal, actuarial fees, IT costs, etc. The current estimate from CTWS for replacing these sundry costs is approximately \$150,000, an estimated savings of \$25,000.

IV. Conditions of Approval

In addition to the approvals and authorizations set forth above, the Parties further agree to the following terms and conditions of approval:

- A. Aqua Maine is required to make a filing with the Commission within six months after either the Millinocket or East Millinocket mills re-open, showing whether, as a result of the re-opening of the mills, the Company is likely to earn revenues in excess of its approved revenue requirement. The filing should provide enough information for the Commission to determine if a downward rate adjustment is appropriate in the Millinocket Division.
- B. Aqua Maine shall not file an application for an increase in revenues or rates for any division during calendar year 2012.
- C. After the acquisition by CTWS, Aqua Maine will maintain each division as a separate ratemaking entity, and will continue to comply with all Commission orders applicable to the Company as a whole or to any division of the Company, including the calculation and application of the management-fee adjustment in the rate filings.
- D. Aqua Maine will not seek, in any future rate proceeding, to recover any "acquisition adjustment" arising out of the transaction.
- E. Aqua Maine and CTWS will track separately both the transition and transaction costs related to the acquisition.
- F. Aqua Maine and CTWS will not seek recovery of transaction costs incurred related to the acquisition.
- G. In any rate proceeding occurring over the next three years (2012, 2013, and 2014),
 Aqua Maine and CTWS will present a list of the costs that have been incurred as a direct result of the acquisition (e.g., new computer equipment, survey costs, costs due to changes in internal procedures, etc.). In those rate proceedings, the Commission will determine whether such "transition" costs will be the responsibility of TMWC stockholders and/or TMWC ratepayers, and will make that determination based on the CTWS and Aqua Maine representation in this proceeding that, as a result of the transaction, "there [will] be no short term rate or service impacts on either set of water customers, and no long or short term adverse impact on rates or service as a result of the acquisition." [PADR 1-12]
- H. Aqua Maine will amortize the curtailment liability for the pension and post retirement benefit plans in a manner consistent with actuarial rules.
- I. If, during a period of two years subsequent to the acquisition, CTWS requires additional employee(s) to implement the transition and/or provide existing services to Aqua Maine, then all the costs associated with those additional employee(s) will be assumed by CTWS.
- J. If, during a period of two years subsequent to the acquisition, Aqua Maine requires either additional IT equipment or software in an amount such that there would be no net savings resulting from the acquisition, then the excess costs associated with that additional equipment and software will be assumed by CTWS.
- K. Subsequent to the acquisition, CTWS may engage a consultant (possibly the Center for Research) to conduct surveys (of customers, public opinion leaders, and employees) for the The Maine Water Company. Under that project, the net increase in costs to CT Water to perform the Maine surveys, compared to CT Water's existing costs, is expected to be \$4,500. As a condition of the approval granted in this Stipulation, Aqua Maine and CTWS agree that, if CTWS or TMWC decide to perform such surveys, for the first three years starting January 1, 2012, the net increase in costs chargeable to TMWC (Aqua Maine) ratepayers resulting from those surveys, shall be no greater than \$2,250 annually.

V. Public Advocate Concern

The Public Advocate is signing this Stipulation in agreement with all its terms. Nevertheless, for the record, the Public Advocate notes its continuing concern about the level of recent and continuing salary increases that Aqua Maine has been granting to its employees – increases that exceed the Consumer Price Index (CPI). With respect to the newly-created The Maine Water Company (TMWC), the Public Advocate's position will continue to be that salary increases that exceed the CPI should be paid only by TMWC stockholders or CTWS stockholders, and not by the ratepayers of The Maine Water Company.

VI. Procedural Stipulations

- A. It is agreed that the record on which the Commission may base its determination in this matter shall consist of this Stipulation, Aqua Maine's Petition and Exhibits, the Direct Testimony and Exhibits of Judy Wallingford, Eric Thornburg and David Benoit, all data requests and responses thereto, the record of the Technical Conference, and any other material furnished by the Advisory Staff to the Commission, either orally or in writing, at the time of the Commission's consideration of this proceeding.
- B. The parties to the Stipulation hereby waive any rights they have under 5 M.R.S. § 9062(4) and Section 742 of the Commission's Rules of Practice and Procedure to the extent necessary to permit the Advisory Staff to discuss this Stipulation and the resolution of the case with the Commissioners and at scheduled deliberations, without providing to the parties an Examiners' Report or the opportunity to file Exceptions.
- C. It is agreed that the Stipulation shall not be considered legal precedent, nor shall it preclude a party from raising issues that were identified during this proceeding in any other Commission proceeding or investigation.
- D. If this Stipulation is not accepted by the Commission in accordance with the provisions hereof, this Stipulation is voidable by any party hereto, and if voided it shall be of no further effect and shall not prejudice any position taken by any party before the Commission in this proceeding and shall not be admissible in evidence therein or in any other proceeding before the Commission.

Respectfully submitted this 27th day of October, 2011.

AQUA MAINE, INC.

/s/ Judy Wallingford
Judy Wallingford, President

CONNECTICUT WATER SERVICE, INC.

/s/ Eric Thornburg
Eric Thornburg, President

PUBLIC ADVOCATE

/s/ William C. Black
Its Attorney

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2011-283

November 22, 2011

AQUA MAINE, INC
Petition for Approval of Reorganization
Through Acquisition of Stock

ORDER APPROVING
S TIPULATION

WELCH, Chairman; VAFIADES and LITTELL, Commissioners

I. SUMMARY

We approve a Stipulation filed on October 27, 2011 by Aqua Maine, Inc (the Company) between the Company, Connecticut Water Service, Inc. (CTWS) and the Office of the Public Advocate (OPA) which authorizes the acquisition of the Company by CTWS through purchase of the Company's outstanding stock. Additionally, we approve the consolidated Terms and Conditions Second Revision filed in this Docket on August 23, 2011.

II. PROCEDURAL HISTORY

On August 23, 2011, the Company, pursuant to 35-A M.R.S.A. § 708, filed an application to reorganize through the acquisition of stock by CTWS pursuant to a July 16, 2011 Stock Purchase Agreement proposing the transfer be completed by January 1, 2012. The Company's stock is currently owned by Aqua America. Pursuant to the Stock Purchase Agreement included in the Company's filing, the entirety of the Company's stock will be transferred to CTWS as a result of the transaction. Additionally, the filing seeks approval of Terms and Conditions of Service, effective on the date of the completed transaction that reflect the change of the Company's name to "The Maine Water Company."

The Commission issued a Notice of Proceeding on August 29, 2011. Petitions to intervene were filed by the OPA and CTWS. These petitions to intervene were granted at a case conference held on September 21, 2011. On August 30, 2011, Advisory Staff issued written data requests followed by data requests from the OPA on September 15, 2011. A second set of data requests were issued by Staff on September 22, 2011. The Company filed its responses on October 6 and October 20, 2011. A technical conference was held on October 13, 2011. This technical conference resulted in sets of oral data requests, which the Company responded to on October 19, 2011.

On October 27, 2011, the Company filed with the Commission a Stipulation executed by the Company, CTWS, and the OPA. On November 9, 2011, the Commission held a hearing on the Stipulation.

III. STIPULATION

The Stipulation contains the following provisions;

1. The parties agree that the “reorganizations” that will occur upon the acquisition by CTWS of the stock of Aqua Maine are consistent with the interests of the utility’s ratepayers and investors and should be approved pursuant to 35-A M.R.S.A. § 708.
2. The Company’s current Terms and Conditions and tariffs, but in the name of “The Maine Water Company,” which were filed with the Commission with the Petition, should be approved.
3. Aqua Maine will be required to make a filing with the Commission within six months after either the Millinocket or East Millinocket mills reopen showing whether, as a result of the reopening of the mills, the Company is likely to earn revenues in excess of its approved revenue requirement. The filing should provide enough information for the Commission to determine if a downward rate adjustment is necessary in the Millinocket Division.
4. Aqua Maine agrees not to file an application for an increase in revenues or rates for any division during calendar year 2012.
5. After the acquisition by CTWS, Aqua Maine will maintain each division as a separate ratemaking entity, and will continue to comply with all Commission orders applicable to the Company as a whole or to any division of the Company, including the calculation and application of the management-fee adjustment in rate filings.
6. Aqua Maine will not seek, in any future rate proceeding, to recover any “acquisition adjustment” arising out of the transaction.
7. Aqua Maine and CTWS will track separately both the transition and transaction costs related to the acquisition.
8. Aqua Maine and CTWS will not seek recovery of transaction costs incurred related to the acquisition.
9. Aqua Maine and CTWS will specifically outline in any rate proceeding occurring over the next three years costs that have been incurred as a direct result of the acquisition. In those rate proceedings, the Commission will determine whether such “transaction” costs will be the responsibility of Aqua Maine stockholders and/or ratepayers, and will make that determination based on the CTWS and Aqua Maine representation in this proceeding that, as a result of the transaction, there will be no short term rate or service impacts on either set of water customers, and no long or short term adverse impact on rates or service as a result of the acquisition.
10. Aqua Maine will amortize the curtailment liability for the pension and post retirement benefit plans in a manner consistent with actuarial rules.
11. If, during a period of two years subsequent to the acquisition, CTWS requires additional employee(s) to implement the transition and/or provide existing services to Aqua Maine, then all costs associated with those additional employee(s) will be assumed by CTWS.
12. If, during a period of two years subsequent to the acquisition, Aqua Maine requires either additional information technology equipment or software in an amount such that there would be no net savings resulting from the acquisition, then the excess costs associated with that additional equipment and software will be assumed by CTWS.
13. Aqua Maine and CTWS agree that, if CTWS or Aqua Maine decide to perform surveys, for the first three years starting January 1, 2012, the net increase in costs chargeable to TMWC (Aqua Maine) ratepayers resulting from those surveys shall be no greater than \$2,250 annually.¹

IV. STANDARD OF APPROVAL

The Company is seeking approval of a reorganization through the purchase of the Company’s stock under 35-A M.R.S.A. § 708. Section 708 states that “[n]o reorganization may be approved by the Commission unless it is established by the applicant for approval that the reorganization is consistent with the interest of the utility’s ratepayers and investors.” In past cases, the Commission has construed the “consistent with the interests” as a “no harm” standard in which the applicant must establish that the transaction will not adversely affect ratepayers and investors. See, e.g., *New England Telephone and Telegraph and NYNEX*, Docket No. 96-388 at 7-8 (Feb. 6, 1997).

In addition, as we have now stated on numerous occasions, to approve a stipulation the Commission must find that:

1. the parties joining the stipulation represent a sufficiently broad spectrum of interests that the Commission can be sure that there is no appearance or reality of disenfranchisement;
2. the process that led to the stipulation was fair to all parties; and
3. the stipulated result is reasonable and not contrary to legislative mandate.

1996).

We have also recognized that we have an obligation to ensure that the overall stipulated result is in the public interest. See *Northern Utilities, Inc., Proposed Environmental Response Cost Recovery*, Docket No. 96-678, Order Approving Stipulation (Me. P.U.C. April 28, 1997).

¹ A copy of the Stipulation is attached to this Order.

V. DISCUSSION AND DECISION

The Stipulation was entered into by the Company, CTWS, and the OPA. In past cases, we have found that a stipulation between the utility and the OPA constitute a sufficiently broad spectrum of interests in that the OPA represents the interests of ratepayers and is therefore institutionally inclined to challenge assertions made by the utility.² See *Public Utilities Commission, Investigation of Stranded Cost Recovery, Transmission and Distribution Utility Revenue Requirements and Rate Design of Bangor Hydro-Electric Company (Phase II)*, Docket No. 99-185, Order Approving Stipulation at 3 (Aug. 11, 2000); *Central Maine Power Co. Chapter 120 Information (Post ARP 2000) Transmission and Distribution Revenue Requirement and Rate Design and Request for ARP*, Docket No. 2007-215, Order Approving Stipulation (July 1, 2008). We, therefore, find that the parties joining the Stipulation represent a sufficiently broad spectrum of interests.

Based on the record before us, we find the proceeding was appropriately noticed and the process that led to the Stipulations was fair and open. The process of discovery and the technical conference allowed all parties to gather information regarding the proposed transaction. Accordingly, we conclude that the second criterion for approval has also been satisfied with respect to the Stipulation.

We conclude that the overall result of the Stipulation is reasonable, not contrary to legislative mandate and consistent with the public interest. As stated above, to approve the proposed transaction pursuant to Section 708 through the adoption of the Stipulation, we must find that the proposed reorganization and stock transaction will not adversely affect ratepayers and investors, and is in the public interest. Therefore, in considering the approval of the Stipulation, we must consider the potential benefits of the proposed transaction against possible harms to ratepayers, and determine whether, on balance, the proposed transaction, as conditioned by the provisions in the Stipulations, will not adversely affect ratepayers and will be in the public interest.

We find the proposed transaction will not result in immediate changes to either the service provided by the Company or the rates charged to customers. Additionally, the record and the Stipulation reflect that CTWS has no pending plans to change the management systems or personnel of the Company. Accordingly, we find that the rates and service of the Company's customers will not be adversely affected by the proposed transaction. Additionally, CTWS's water operating subsidiary, Connecticut Water Company, was organized in 1956 and currently serves 89,400 customers in 55 towns within the state of Connecticut and is subject in that state to the regulation of the Connecticut Public Utilities Regulatory Authority. Furthermore, CTWS's service area comprises primarily of small to medium sized systems giving it a familiarity with systems comparable to those of the Company. Accordingly, we find that CTWS has sufficient experience to operate the Company's systems. Finally, we believe that CTWC has sufficient access to capital markets to support our finding that no harm will result to customers as a result of any diminution of such access.

Additionally, there are provisions in the Stipulation that will serve to minimize or eliminate any risks from the proposed transaction. These include:

- a commitment not to file a rate case before January 1, 2013; and
- a prohibition on the recovery from ratepayers of any acquisition premium or transaction costs;

Thus, the authorization of the proposed transaction through the approval of the Stipulation provisions allows us to conclude that the proposed transaction will not adversely affect ratepayers and is in the public interest.

Accordingly, we

O R D E R

1. That the Stipulation filed on October 27, 2011, and attached to this Order, is hereby approved; and
2. The Consolidated Terms and Conditions Second Revision filed in this Docket on August 23, 2011 are approved, effective upon date of the transaction.

Dated at Hallowell, Maine, this 22nd day of November, 2011.

BY ORDER OF THE COMMISSION

/s/ Karen Geraghty

Administrative Director

Karen Geraghty

² The OPA is statutorily responsible for “represent[ing] the using and consuming public in matters within the jurisdiction of the Commission.” 35-A M.R.S.A. § 1702.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note : The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.



News Release

93 West Main Street, Clinton, CT 06413

Maine PUC approves acquisition of Aqua Maine, Inc. by Connecticut Water Service, Inc.

Clinton, Connecticut, November 22, 2011 — Connecticut Water Service, Inc. (NASDAQ: CTWS) announced today that the State of Maine Public Utilities Commission (MPUC) has approved the acquisition of Aqua Maine, Inc. a subsidiary of Aqua America, Inc., Connecticut Water announced on July 27, 2011, that it had reached an agreement to purchase Aqua Maine from Aqua America in a transaction with an estimated enterprise value of \$53.5 million.

The MPUC has approved a settlement agreement entered into by Connecticut Water, Aqua Maine and the Public Advocate that gives regulatory approval for the acquisition by Connecticut Water. The MPUC concluded the acquisition is in the best interest of customers. The decision requires that Aqua Maine, which will be known as “The Maine Water Company” following the acquisition, will not seek a rate increase for any of its divisions in 2012, and that there will be no short or long-term rate or service impacts as a result of the acquisition. A key consideration in the proceeding was that the customer information system and all customer service policies and procedures of Aqua Maine will remain in effect after the closing. This provided great confidence that the transaction should be seamless for customers’ interactions and transactions. The MPUC decision can be found at its Web site: www.maine.gov/mpuc

“Connecticut Water will leverage the acquisition of Aqua Maine into a solid platform that will allow us to continue expansion throughout the region and along the east coast,” stated Eric W. Thornburg, Chairman, President and CEO of Connecticut Water. He added, “As we continue to grow, Connecticut Water will benefit from regulatory and weather diversification by establishing operations in other states.”

“We are looking forward to the conclusion of this transaction, since our alignment with this New England water utility is a good fit for our customers, communities and employees,” stated Judy Wallingford, President of Aqua Maine. “With the MPUC approval now in-hand, we will work with our counterparts at Connecticut Water on the details and timing of the acquisition to ensure a seamless transition for our customers.” Ms. Wallingford added that all Aqua Maine employees are being retained and will be part of The Maine Water Company.

When the transaction is completed, Connecticut Water will acquire approximately \$33.7 million in additional rate base in Maine and grow its overall customer base by 16,000 customers, or approximately 18 percent. The company will be the largest U.S. based, publicly-traded water utility company in New England with 106,000 customers, or a population of 350,000 people, in the states of Connecticut and Maine.

“This is an important milestone in the history of Connecticut Water and The Maine Water Company,” stated Mr. Thornburg. He added “Since the acquisition was announced, I have had the opportunity to work closely with the Aqua Maine staff and interact with local leaders and regulators. It is clear that both companies share a common culture that is based on serving customers, communities and employees while honoring commitments to shareholders. Our teams have already begun to learn from each other and are blending best practices that will enhance all of our operations.”

A closing is expected in the first quarter of 2012. Under the previously announced agreement, Connecticut Water will purchase all of the capital stock of Aqua Maine, Inc. for an aggregate cash purchase price of approximately \$35.8 million, subject to certain adjustments at closing, including approximately \$17.7 million of long-term debt as of December 31, 2010, reflecting a total enterprise value of approximately \$53.5 million.

Connecticut Water is one of the ten largest U.S.-based publicly-traded water utilities, and is listed on the NASDAQ Global Select Market under the ticker symbol CTWS.

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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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NEWS

Connecticut Water Service, Inc. Declares Dividends and Approves 2012 Capital Spending Plan

Clinton, Connecticut, November 18, 2011 – Connecticut Water Service, Inc. (NASDAQ-GS: CTWS) announced today that the Company's Board of Directors declared a quarterly cash dividend of \$0.2375 per common share payable on December 15, 2011, for shareholders of record as of December 1, 2011. This quarterly dividend remains unchanged from the previous quarter and represents an annualized dividend of \$0.95. The Company's annual dividend yield at Thursday's stock market closing price is 3.5%. Connecticut Water has paid quarterly dividends on common stock since its founding in 1956 without interruption or reduction and has increased dividend payments for each of the last 42 years.

The Board of Directors approved a \$23.5 million Capital Spending Plan for 2012 for The Connecticut Water Company, the regulated utility subsidiary that serves 90,000 customers, or about 300,000 people, in Connecticut. According to Eric W. Thornburg, Connecticut Water's President and CEO, \$15 million of the 2012 capital spending plan targets pipeline replacement through the Water Infrastructure and Conservation Adjustment (WICA). Mr. Thornburg stated, "Since the inception of the WICA program in 2008, 36 miles of our aging, unreliable or undersized water main have been replaced at a cost of \$31.5 million. The average age of the pipes replaced is 78 years. These improvements enhance reliability, water quality and public fire protection to the families and communities that depend on our water supplies." Mr. Thornburg added, "According to an economist at the Connecticut Department of Community and Economic Development that level of WICA investment supports nearly 200 local jobs in the communities we serve."

The \$23.5 million in capital spending does not include capital investment that will be made in the state of Maine in 2012 as a result of the agreement announced in July to purchase the operating subsidiary of Aqua America, Inc. in Maine. The Maine operating subsidiary serves 16,000 customers, or a population of 48,000, in 17 communities across the state. The acquisition is consistent with the company's growth strategy and will make the company the largest U.S. based, publicly traded water utility in New England. The transaction is subject to approval by the Maine Public Utility Commission. The Company currently expects that the acquisition will close in early 2012.

Connecticut Water's Board also declared a quarterly cash dividend of \$0.20 per share on Preferred A shares payable on January 17, 2012, for shareholders of record as of January 3, 2012, and a quarterly cash dividend of \$0.225 on Preferred 90 shares (OTCBB:CTWSP) on February 2, 2012, for shareholders of record as of January 19, 2012.

The Company's Dividend Reinvestment Plan and Common Stock Purchase Plan (DRIP) is available to registered shareholders, employees and residential customers of Connecticut Water. Additional information about the DRIP and the plan prospectus are available online at the Company's Web site, www.ctwater.com, or upon request.

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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.