

CONNECTICUT WATER SERVICE INC / CT

FORM 8-K (Current report filing)

Filed 03/15/05 for the Period Ending 03/10/05

Address	93 W MAIN ST CLINTON, CT 06413
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Industry	Water Utilities
Sector	Utilities
Fiscal Year	12/31

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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): March 10, 2005

Connecticut Water Service, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Connecticut

(State or Other Jurisdiction of Incorporation)

0-8084

(Commission File Number)

06-0739839

(IRS Employer Identification No.)

93 West Main Street, Clinton, Connecticut

(Address of Principal Executive Offices)

06413-0562

(Zip Code)

860-669-8630

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, 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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Item 1.01. Entry into a Material Definitive Agreement.

On March 10, 2005, Connecticut Water Service, Inc. (the “Company”) announced that it and certain of its wholly-owned subsidiaries had entered into an agreement (the “Agreement”) to sell the assets of The Barnstable Water Company, the Company’s Massachusetts water utility subsidiary, and the assets of Barlaco, Inc., the Company’s Massachusetts real estate subsidiary, to the town of Barnstable, Massachusetts (the “Town”) in transactions with a total cash value of \$11 million.

The parties to the Agreement are the Company, the Town, The Barnstable Water Company, Barnstable Holding Company and Barlaco, Inc., three of the Company’s wholly-owned subsidiaries. A copy of the Agreement will be filed as an Exhibit to the Company’s Form 10-K for the fiscal year ended December 31, 2004, to be filed with the U.S. Securities and Exchange Commission later this month.

A copy of the Company’s press release dated March 11, 2005 is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 2.02. Results of Operations and Financial Condition .

On March 11, 2005, the Company issued a press release describing the Company’s preliminary financial results for the fiscal year ended December 31, 2004. A copy of this press release is furnished herewith as Exhibit 99.2 and is incorporated herein by reference.

The information furnished pursuant to this Item 2.02 and set forth in the accompanying Exhibit 99.2 shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any Company filing under the Securities Act of 1933, as amended.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits.

<u>Exhibit No.</u>	<u>Exhibit</u>
99.1	Company Press Release regarding Barnstable subsidiary asset sale agreement, dated March 11, 2005.
99.2	Company Press Release regarding preliminary financial results for the year ended December 31, 2004, dated March 11, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, 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: March 15, 2005

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>	<u>Page No.</u>
99.1	Company Press Release regarding Barnstable subsidiary asset sale agreement, dated March 11, 2005.	5
99.2	Company Press Release regarding preliminary financial results for the year ended December 31, 2004, dated March 11, 2005.	7

March 11, 2005

IMMEDIATE RELEASE

CONNECTICUT WATER SERVICE, INC. TO SELL WATER AND LAND ASSETS IN MASSACHUSETTS TO THE TOWN OF BARNSTABLE

Clinton, Connecticut, March 11, 2005 – Connecticut Water Service, Inc. (NASDAQ:CTWS) has entered into an agreement to sell the assets of its Massachusetts' subsidiary, The Barnstable Water Company, and the assets of its BARLACO real estate subsidiary to the town of Barnstable, Massachusetts. The water utility provides water service to over 7,200 residential, commercial, and public authority billing customers in Barnstable and Hyannis. BARLACO holds 109 acres of non-watershed land in the mid-Cape region.

The total value of the transaction is \$11 million, with \$10 million to be received by The Barnstable Water Company in 2005 for the water utility assets and associated liabilities. It is expected that the transaction will close during the second quarter of 2005. A separate real estate transaction for the BARLACO assets will take place in 2006 and produce an additional \$1 million.

Connecticut Water Service, Inc. will also enter into a contract with the Town to provide full operating and management services for the Barnstable water utility operation. Under this full service contract the customers will continue to receive the same full range of field and customer services presently provided by Barnstable Water Company.

In commenting on the transaction, Marshall T. Chiaraluce, the Company's Chairman and CEO, said, "The town of Barnstable has been interested in the purchase of these assets ever since Connecticut Water acquired the water utility and real estate company in 2001 as part of its acquisition of The Barnstable Holding Company, a company substantially owned by the Wadsworth family. The water utility has been incorporated since 1911. The Town maintained that it had a legislative right under Barnstable's 1911 charter to purchase the company. Rather than engage in lengthy and costly litigation, both parties agreed to attempt to negotiate a purchase and sale agreement that would meet the interests of both parties. Through this cooperative arrangement we are very pleased to continue to provide the same full range of water utility services to the town and the customers of the water utility as we have under our ownership."

Commenting on the transaction, John C. Klimm, the Town Manager of Barnstable, said, "We are very pleased to be in a position to potentially own these important water utility and land assets for this generation and for the generations to follow. Water and land are absolutely essential and important commodities on Cape Cod. These valuable assets will now be controlled by the town. We are also very fortunate that we reached agreement for continued management and operating services with Connecticut Water. In the relatively short time they have owned and operated the water system, they have provided outstanding service to the customers and have invested in the utility's infrastructure to maintain it in compliance with all state and federal regulations for drinking water."

The agreement is subject to final approval by the Town Council following a public town meeting to be held in late March and approval of the Board of Directors of Connecticut Water Service, Inc.

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News media contact:

David C. Benoit, Vice President — Finance
Connecticut Water Service, Inc.
93 West Main Street, Clinton, CT 06413-1600
(860) 669-8630 Ext. 3030

Connecticut Water Service, Inc. is the largest, domestic-based, investor-owned water utility in New England. It provides water to over 87,750 customers in 42 towns in Connecticut and Massachusetts, as well as providing water-related services under contract in municipalities and companies.

This press release may contain certain forward-looking statements regarding the Company's results of operations and financial position. These forward-looking statements are based on current information and expectations, and are subject to risks and uncertainties, which could cause the Company's actual results to differ materially from expected results.

Our water companies are subject to various federal and state regulatory agencies concerning water quality and environmental standards. Generally, the water industry is materially dependent on the adequacy of approved rates to allow for a fair rate of return on the investment in utility plant. The ability to maintain our operating costs at the lowest possible level while providing good quality water service is beneficial to customers and stockholders. Profitability is also dependent on the timeliness of rate relief, when necessary, and numerous factors over which we have little or no control, such as the quantity of rainfall and temperature, industrial demand, financing costs, energy rates, tax rates, increased compliance costs related to the Sarbanes-Oxley Act of 2002, and stock market trends which may affect the return earned on pension assets, and compliance with environmental and water quality regulations. The profitability of our other revenue sources is subject to the amount of land we have available for sale and/or donation, the demand for the land, the continuation of the current state tax benefits relating to the donation of land for open space purposes, regulatory approval of land dispositions, the demand for telecommunications antenna site leases and the successful extensions and expansion of our service contract work. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

March 11, 2005

IMMEDIATE RELEASE

**CONNECTICUT WATER SERVICE, INC. REPORTS
PRELIMINARY FINANCIAL RESULTS FOR 2004**

Clinton, Connecticut, March 11, 2005 – Connecticut Water Service, Inc. (NASDAQ:CTWS), a water service company providing water to over 87,750 customers in 42 towns in Connecticut and Massachusetts, announced that based on preliminary unaudited information, it expects to report a 2% increase in net income for the year ended December 31, 2004, or \$1.17 per basic share, as compared to \$1.15 per basic share for 2003, when it files its 2004 Form 10-K with the Securities and Exchange Commission later this month.

The Company has determined to wait to report its full financial results until the completion of the audit of its financial statements and the filing of its Annual Report on Form 10-K. The Company has been working diligently to complete its 2004 audited financial results, including its internal control testing and assessment as required by Section 404 of the Sarbanes-Oxley Act. The Company's preliminary results reported in this release may be subject to change in connection with the completion of its audited financial statements.

Highlights of the preliminary 2004 financial results are as follows:

- 2004 was the 14th consecutive year of increased earnings as well as the 35th consecutive year of increased dividend payments.
- Two of the three business segments produced increased profits:
 - o The Real Estate segment generated approximately \$1.2 million in net income in 2004 versus \$1.0 million in 2003.
 - o The Service and Rentals segment net income increased from \$733,000 in 2003 to \$909,000 in 2004, approximately 24%.
 - o The Water Activities segment produced approximately \$150,000 less net income in 2004 compared to 2003, due to increasing operating costs. The largest of those in 2004 was for costs (primarily audit fees) related to Sarbanes-Oxley Act compliance.

Marshall T. Chiaraluce, the Company's Chairman, Chief Executive Officer and President, stated, "We are pleased with the increased earnings, especially in a year when our core water business was less of a contributor to earnings due to the ongoing compliance audit fee cost increases that many publicly traded companies are experiencing. Our continuing success in our non-water business services in 2004 is due to increased customer enrollment in our Linebacker® program and higher revenues from the leasing of telecommunications antenna sites."

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News media contact:

David C. Benoit
CFO and Vice President — Finance
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Our water companies are subject to various federal and state regulatory agencies concerning water quality and environmental standards. Generally, the water industry is materially dependent on the adequacy of approved rates to allow for a fair rate of return on the investment in utility plant. The ability to maintain our operating costs at the lowest possible level while providing good quality water service is beneficial to customers and stockholders. Profitability is also dependent on the timeliness of rate relief, when necessary, and numerous factors over which we have little or no control, such as the quantity of rainfall and temperature, industrial demand, financing costs, energy rates, tax rates, increased compliance costs related to the Sarbanes-Oxley Act of 2002, and stock market trends which may affect the return earned on pension assets, and compliance with environmental and water quality regulations. The profitability of our other revenue sources is subject to the amount of land we have available for sale and/or donation, the demand for the land, the continuation of the current state tax benefits relating to the donation of land for open space purposes, regulatory approval of land dispositions, the demand for telecommunications antenna site leases and the successful extensions and expansion of our service contract work. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.