



2018

Corporate Sustainability Report

Passionate employees delivering life-sustaining, high quality water service to families and communities while providing a fair return to our shareholders, at world-class levels.



Given its unique life-sustaining properties and innumerable roles, water incorporates many values – social, cultural and environmental, as well as economic. All of these must be considered in designing water-related policies and programmes if equitable, efficient and environmentally sustainable management of water resources is to be achieved.
- *United Nations World Water Development Report*

By focusing on the economic, environmental and social impacts of our business decisions, our company is committed to fostering socially responsible programs and policies that enhance sustainability efforts within the company.

We strive to be a good steward of the environment and to manage the resources we are entrusted with in a manner that promotes water and energy conservation, source protection, and preservation of open space.



Table of Contents

PRESIDENT’S MESSAGE.....4

ABOUT US.....5

- Our Company5
- Our Values.....6
- Our Mission & Vision.....7
- Service & Quality.....8
- Corporate Responsibility9

ENVIRONMENTAL

STEWARDSHIP..... 10

- Environmental Policy10
- Land Use Monitoring.....12
- Recreation & Open Space.....14
- Forest Management13
- Conservation Education16

SUSTAINABLE

INFRASTRUCTURE 15

- Rockville Water Treatment Facility16
- Investing in Infrastructure.....17
- Water Main Replacement.....17
- Madison Water Tank17
- Water Service Near UCONN18
- Leak Detection18

INNOVATION &

TECHNOLOGY 19

- Snowmaking19
- Customer Protection Program.....20
- Mobile Workforce.....20
- Energy Management.....21
- Fleet Efficiency.....21

SOCIAL RESPONSIBILITY..... 22

- Charitable Giving &
Community Involvement.....23
- Partnering for
Sustainability.....24
- Awards25

SUSTAINABLE

COMMITMENTS 26

- New Biddeford/Saco Water
Treatment Facility..... 26

President's Message

I am pleased to share our 2018 Corporate Sustainability Report. This report highlights our commitment to conducting our business operations in a way that respects the natural environment and values service to customers, communities, employees, and shareholders. The process of documenting our achievements and creating the report keeps us focused on our commitment and measures our progress.

Our previous report covered business operations through 2016. In 2017, Heritage Village Water Company and Avon Water Company joined the Connecticut Water family as subsidiaries of CTWS. Heritage Village Water owns and operates the only wastewater utility in Connecticut that is regulated by the Public Utilities Regulatory Authority, which has allowed us to enter this important market with significant growth potential. Our Heritage Village operations are located very close to the Pomperaug River. As you'll read inside, we have worked closely with local officials and the Pomperaug River Watershed Coalition to protect and preserve the natural beauty of the Pomperaug.

In addition to 3,000 wastewater customers, these two acquisitions added 10,000 water customers in Connecticut. We have already extended our award-winning customer protection program, *Be Sure Before You Open the Door*, to customers of these two companies. The program emails a photo of our employee to customers before that employee arrives for a scheduled appointment – giving customers confidence the person at the door is a verified employee.

Water is a precious natural resource, and encouraging conservation is the right thing to do. Our ability to encourage our customers to

conserve water is enhanced by water revenue adjustment laws in Connecticut and Maine. These laws allow us to collect the revenues authorized by our regulators, regardless of actual retail water sales. The laws protect our customers by ensuring that if we collect more revenue than was authorized, it would be returned to them through a credit on their bill. Providing revenue needed to operate our business and recover infrastructure investment allows us to focus on water service and not sales.

A highlight of our commitment to raise awareness of the importance of protecting the environment and using water wisely has been our education outreach to elementary schools. Building on the success of the Water Drop Challenge that was featured in our 2016 report, we launched the Water Drop Watcher program for the 2017-18 school year. The program meets the Connecticut curriculum requirements for water science education in the third grade. In the first year, our employee volunteers visited 77 third-grade classrooms in Connecticut and taught 2,000 students about protecting and conserving water. The program has been so well-received by educators that we continued the program into the 2018-19 school year and extended its reach into Maine.

Infrastructure investment remains a key element in maintaining sustainable water systems. Our new Rockville Water Treatment Facility, a \$36.3 million investment, went online in May 2017 and will serve current and future customers for decades. It is reliable and energy-efficient. Plans continue to take shape for our new multimillion-dollar Saco River Water Treatment Facility, which will replace the current 1884 water treatment plant.

In both Connecticut and Maine, we have robust leak detection programs to locate and repair previously undetected leaks in our water distribution system. Since 2016, these efforts have led to a savings of more than 225 million gallons per year. And every year, our water infrastructure programs replace miles of aged distribution system piping that often contributes to system water losses. More than 145 miles of water main have been replaced since 2008. This report profiles these and many other initiatives that enable us to conduct our business operations sustainably.

These initiatives reflect the commitment of our company and our employees to support our mission of delivering world-class customer service while being good stewards of the natural resources and shareholders' investments entrusted to us.



A handwritten signature in black ink that reads "David Benoit". The signature is stylized and written in a cursive-like font.

David C. Benoit
President and Chief Executive Officer

About Us

Our Company

Connecticut Water Service, Inc. (CTWS) is a non-operating holding company that was incorporated in 1974, and its common stock trades on the NASDAQ Global Select Market under the ticker symbol CTWS. CTWS is the largest publicly traded water company based in New England and one of the 10 largest investor-owned water utilities in the U.S. with more than \$125 million in revenue and a market capitalization of more than \$830 million.

The Company is headquartered in Clinton, Connecticut and serves nearly 140,000 customers, or more than 465,000 people in 80 communities through its regulated water utility subsidiaries in the states of Connecticut and Maine. Its subsidiaries include Connecticut Water Company, Maine Water Company, and the recent acquisitions of Heritage Village Water and Wastewater in February 2017 and Avon Water Company in July 2017.

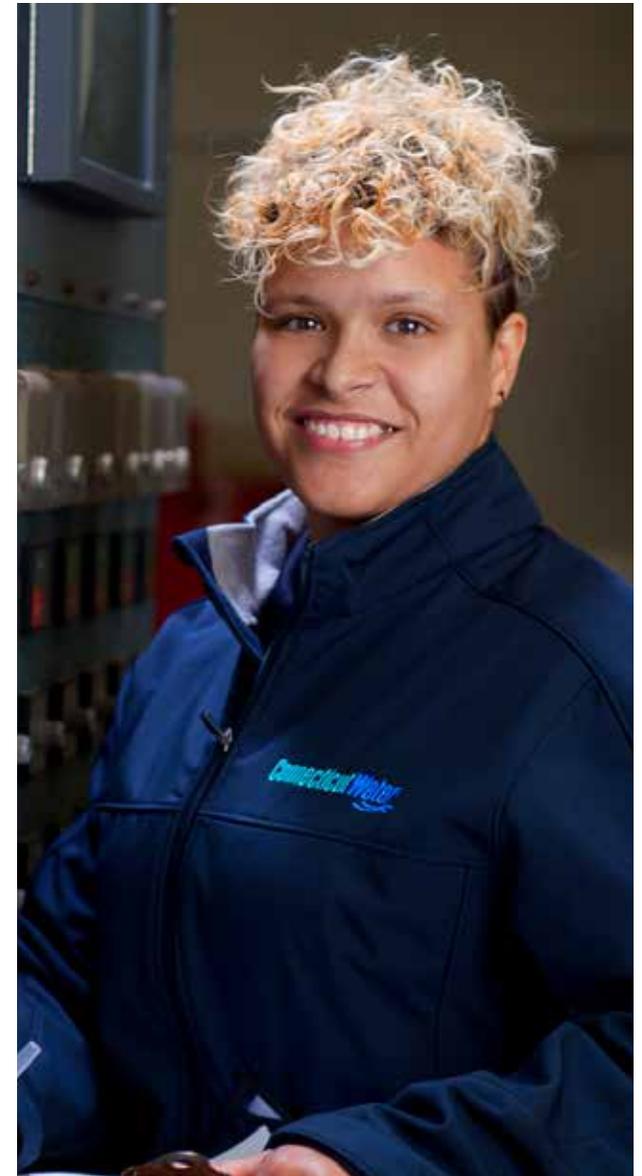
We provide safe and reliable drinking water 24/7

- 23 surface water supplies
- 200+ groundwater wells
- 33 treatment facilities
- 2,200 miles of water main
- 11,000 fire hydrants

Our People

It takes a dedicated team of nearly 300 employees to provide safe reliable service to the communities we serve. Our employees are licensed and certified and actively pursue continuing education in order to perform the critical tasks necessary to deliver high quality drinking water and service to families and communities. Our employees also care deeply about those communities. To them, service means more than treating and pumping water and reading meters; it means volunteering at community events, collecting money and groceries to stock local food banks, conducting holiday drives for area children and teaching students about water conservation through our school program. This report highlights many of the ways employees continuously strive to make a difference.

We regularly measure our employees' satisfaction, engagement, and other metrics and endeavor to maintain these measures at world-class levels. We have a robust talent management program to ensure that our people have the development opportunities to pursue rewarding careers at our company. We also want to ensure that we have the right people waiting in the wings as seasoned veterans approach their retirement.





Honesty



Trust



Respect



Service



Straight Talk



Teamwork



Positive Attitude

Our Values

Our values are simple: Honesty, Trust, Respect, Service, Teamwork, Positive Attitude, and Straight Talk. We place a high value on service and trust, and work hard every day to improve our internal and external service delivery and to build trust with our customers, shareholders, regulators, and each other.

We recognize that special obligations of trust are placed upon us since we produce a product for human consumption—and that the success of our company is based on a foundation of trust. Water is essential to sustain life, our economy and our communities.

Corporate Responsibility Committee

In 2008, Connecticut Water established a Corporate Responsibility Committee (CRC) which is now comprised of a cross-functional team of Connecticut and Maine employees. The committee reviews the company's commitment, success and leadership in:

- Fostering socially responsible programs and policies;
- Enhancing environmental stewardship, sustainability, and asset management; and
- Consolidating the company's efforts to conduct our business affairs as a responsible corporate citizen.

The CRC explores how to take industry best practices and employee suggestions that promote environmental and social stewardship and make them a reality. The team also works to engage employees in sustainability initiatives and communicate company successes to customers, shareholders, and other stakeholders.

Our CRC Charter may be viewed online at www.ctwater.com

Our Mission and Vision

Our Mission is to have passionate employees delivering life-sustaining, high quality water service to families and communities while providing a fair return to our shareholders. Our Vision is to do so at world-class levels.

Our core “building blocks” are our Customers, Shareholders, Employees and the Environment. By measuring our performance across all four building blocks, we enable balanced decision-making that supports all of our stakeholders and provides a solid framework for achieving sustainability.



Measuring Success

We monitor our **Customers'** satisfaction with our company by independently surveying them twice annually. We track our promptness in answering their phone calls, addressing their water quality questions, and resolving service interruptions from main breaks that affect our service.

Our **Shareholders** invest in our company and expect a fair return on that investment. To deliver on that expectation, we manage the costs of delivering quality water service to our customers, generate high quality earnings, and provide a reasonable return on the capital they have invested.

The **Employees** of our company are inarguably our most important asset and we are committed to providing a safe, competitive, and satisfying work environment. We measure our success in this area by reviewing survey data gathered directly from employees as well as time lost to job-related injuries.

Finally, we continually look to minimize the impact our business has on the **Environment**. Among other metrics, we track water lost in our delivery system through leaks, the amount of electricity we use to treat and move water to our customers, the number of customers we bill electronically, and how often we conduct events to improve our watersheds.

Delivering World Class Customer Service

Serving customers is the most important thing we do each day. Our team takes great pride in delivering a reliable supply of safe drinking water and responsive service to the families, businesses and communities that we are privileged

to serve.

We regularly survey customers in both Connecticut and Maine and when asked by an independent research firm about the water and service they are provided, 9 out of 10 customers routinely say they are satisfied or very satisfied.

Our Customer Satisfaction Index (CSI) and is made up of results from three areas: Office (call Center), Field, and Company characteristics. In 2018, more than 90 percent of those our customers were satisfied with office service and nearly 98 percent were satisfied with field service.

Public Opinion Leader Survey

Surveys of public officials at the state and local level by an independent research firm on behalf of Connecticut Water and Maine Water reflect high levels of satisfaction with the company, in several areas including communication, relationship with local management team, community outreach, coordination of construction projects and water conservation efforts.

The results of our 2018 Public Opinion Leader surveys provided us the average positive rating of all responses.

- In Connecticut, which includes Avon and Heritage Village, the average positive rating was 93 percent.
- In Maine the average positive rating was 83.2 percent.

Delivering High Quality Water

In Connecticut and Maine we know that water touches everything we care about. Our team nearly 300 dedicated, highly trained professionals is committed to providing our customers with a reliable supply of high quality water and responsive service. We know the most important thing we do is to provide clean, safe drinking water so families can trust in the water we provide.

The company conducts nearly two thousand water quality tests each year at state certified laboratories to ensure that our water meets all state and federal drinking water standards. We own extensive land areas around our sources of supply to protect water quality. We regularly inspect privately owned properties within our watershed areas for conditions such as failing septic systems, soil erosion and sedimentation, leaking oil tanks, or illegal dumping that could affect water quality. Our water production and treatment facilities are equipped with the necessary equipment and technology and our professional staff monitors our treatment processes continuously to ensure the water we deliver to our customers is safe.

Consumer Confidence Reports

Annual Water Quality Reports, known officially as Consumer Confidence Reports provide water quality data on the extensive water quality testing and monitoring that is performed throughout the year in our systems. The reports are prepared under the requirements of the Federal Safe Drinking Water Act to report



annually the details of where our water comes from, what it contains, and the risks that our water testing and treatment are designed to prevent. Separate reports are produced for nearly 80 non-interconnected water systems in Connecticut. In our effort to reduce costs and

environmental impacts of printing, we moved to take full advantage of internet capabilities we provide the information online. All customers may view and download the water quality reports at the Company's website and we will mail the report to customers who request it.

Enterprise Risk Management

Enterprise Risk Management (ERM) is a process designed to identify and manage risks to the company's core business objectives. ERM considers threats, opportunities for improvement and uncertainties that may impact the organization. Our ERM program was first developed in 2016 and has evolved to be an important tool for management and the Board to identify and mitigate risks facing the organization. Our goal is to identify and proactively manage potential risks to the organization in order to protect and create value for our stakeholders, including shareholders, employees, customers, regulators, the environment, and society overall.

Every Connecticut Water and Maine Water employee has the "front-line" job responsibility to recognize and report on risks that would otherwise negatively impact our core building blocks—be they customers, shareholders, employees or the environment. The senior leaders in our Company, assisted by an ERM Team, have the responsibility to proactively identify, assess, and monitor business risks; execute risk management activities; and report on the results of these activities. Top risks are reassessed at the end of each year and appropriate mitigation strategies are developed, implemented, and tracked to assure success.

The long-term success of our business is dependent upon understanding our risks and strategizing ways to avoid their likelihood of occurring and minimize their impact, should they occur.

2018 Top Risk



Risk Owners assigned to each risk are responsible for periodically updating the ERM Team on the status of the risk. The owners work to identify how the risks change over time, assess the success of mitigation activities, and identify additional opportunities to mitigate those risks.

OnTrak

To better mitigate our compliance risks and manage internal and external obligations, the Company implemented a new tracking tool to support our ERM program and the goals of our Regulatory Compliance Council. OnTrak is a cloud-based software solution that was selected by a team of employees in 2016 to help our company manage risk associated with regulatory compliance, internal obligations and staff turn-over.

The benefits of OnTrak include:

- Improving the organization and storage of and access to documents and operational agreements with deadlines or deliverables.
- Reducing the company's 'compliance risk' by tracking compliance-related obligations and due dates.
- Managing follow up actions related to environmental, health, and safety-related incidents.
- Supporting our employees by providing timely reminders for the completion of key tasks.
- Reducing reliance on institutional memory for critical obligations and, supporting employee succession planning initiatives.
- Better managing environmental, health, safety-related incidents and obligations.
- Providing support and reminders to promote timely completion and follow-up by individuals responsible for these tasks.

Environmental Stewardship

In the pursuit of our environmental goals, our company resolves to:

- Educate and engage our employees to be responsible stewards of the environment.
- Evaluate our operations to ensure we are operating as efficiently as practicable.
- Use water and energy efficiently, and invest in the infrastructure/equipment that lead to enhanced resource sustainability.
- Assess the environmental impact of our operations and identify areas where we can minimize impacts.
- Promote recycling by employees, both at work and at home.
- Publicize and foster our environmental position in communications and community outreach activities with state and local officials, environmental organizations, customers and employees.
- Achieve and maintain compliance with environmental regulations.
- Promote preservation of lands for open space and passive recreation and the protection of resources.
- Provide education to communities on drinking water.

Source Water Protection

Our company owns approximately 6,500 acres of land in Connecticut and 2,200 acres in Maine, the vast majority of which is maintained in its natural state for watershed and aquifer protection. We conduct an aggressive,

multifaceted source water protection program in towns in which our supplies and associated source water protection areas are located.

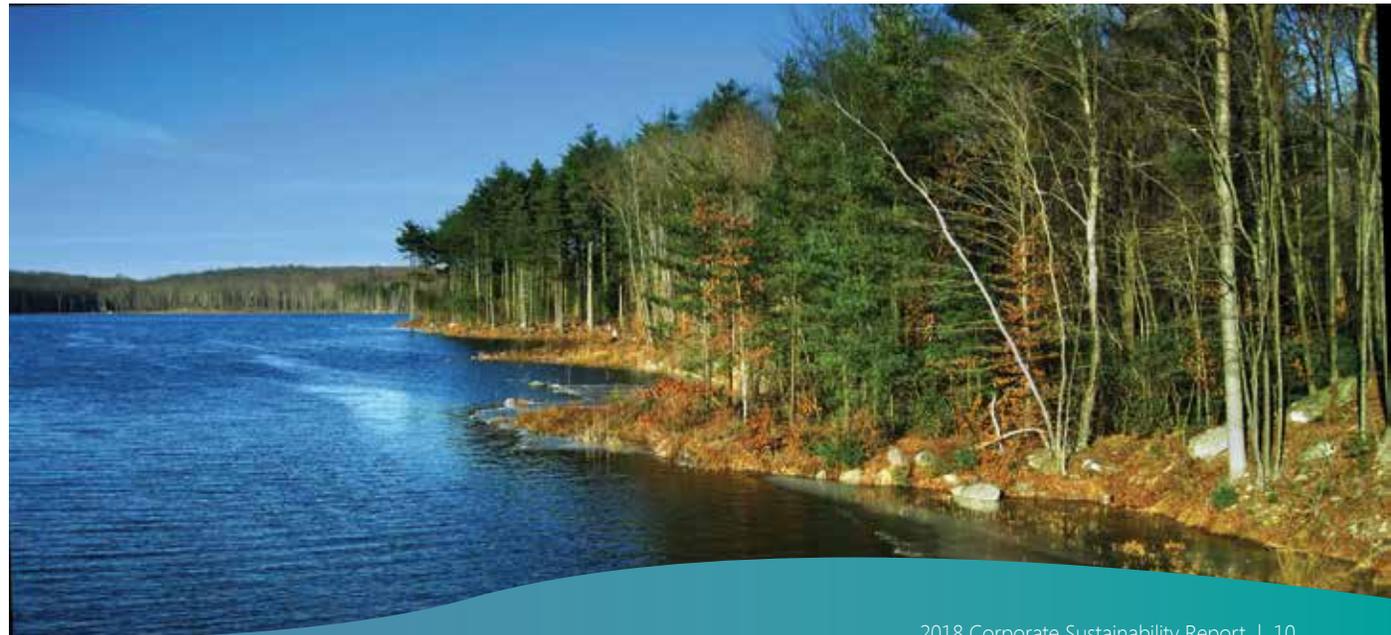
Watershed Inspections

We keep a close eye on the land that surrounds our valuable water resources. As required under Connecticut statutes, watershed inspectors conduct thousands of sanitary surveys of properties located within the Company's public water supply watersheds. The surveys look for conditions that could pose a risk to water quality, such as failing septic systems and improper chemical storage.

While the state of Maine does not require public water utilities to inspect private property, we maintain an awareness of uses on private property that could affect our sources or water quality and work with local officials and

property owners to address any issues that may be identified. We also actively manage the watershed property and wellhead protection zone property that we own in Connecticut and Maine, including routinely inspecting dams, intakes and other points of access.

In 2019 we are taking this program one step further in Connecticut by reaching out to watershed property owners in advance of the inspection season. While a majority of watershed property owners are not CWC customers, improved GIS technologies and availability of municipal parcel data have made it feasible to populate such a list and deliver details about our Watershed Inspection Program to those directly affected. More information about our watershed inspection program can be found at our webpage: www.ctwater.com/watershed.



Fuel Inspections

Each year our staff inspect approximately 122 of our water and wastewater treatment facilities in Connecticut that store fuel for emergency power and fleet refueling. Our goal is to ensure we are properly managing our facilities, proactively identifying opportunities for improvement, and to ensure these facilities are taking full advantage of best management practices designed to protect our employees and our the environment from an accidental fuel spill.

Emergency Spill Response

We maintain comprehensive Emergency Spill Response Plans that identify specific notification procedures for reporting and responding to hazardous materials and chemical spills within source water protection areas. Emergency spill control equipment is provided at key company facilities and employees are trained in appropriate and safe response procedures.

Land Use Monitoring

We are able to protect the sources of supply in part by owning vast areas of watershed and other lands. Because there are areas outside the company's control that contribute water to the reservoir and well supplies, it is important that we monitor proposed local land use activities on an on-going basis.

Trained staff review significant development proposals within source protection areas, and if warranted, prepare and send written comments to the appropriate town commissions, officials and the developer. This process is intended to avoid potential problems by providing constructive input during the various stages of the proposed activity.



On-site field inspections are undertaken as needed, and staff periodically monitor the progress of construction work for the duration of the project to ensure compliance with the approved plans. If source protection concerns arise with a particular development or land use, assistance is sought from local and state agencies to correct existing or source of pollution.

Planning & Regulatory Advocacy

A variety of information and technical assistance is provided to town officials, commissions and residents within source water protection areas. We continue to play a major role in the review of municipal land use plans

and state regulations to protect sources of supply, and employees are active in efforts to drive state policies and local regulations to support these source protection goals. We review proposed plans and regulations—such as town plans of development, inland wetlands and zoning regulations—and where possible, source protection concerns are incorporated into the local planning and regulatory framework. The company takes an active role in providing information on the need to protect drinking water supplies through bill inserts, news releases, company websites, social media and other company communications and publications.



Recreation and Open Space

We believe that land ownership carries a special stewardship responsibility. Part of that responsibility is working with local communities to ensure, as best we can, that company lands no longer needed for watershed or water supply purposes are permanently protected as open space and provide for passive recreation opportunities, while providing a fair return to shareholders.

Connecticut legislation which allows tax credits for the donation or discount sales of eligible lands to municipalities or land conservation organizations, has helped further goals for the permanent preservation of open space.

To date, we have worked with local communities to transfer land or apply permanent conservation easements to 1,037 acres of land in Connecticut and 1,153 acres in Maine as protected open space. Some specific projects include:

Partnership with Coastal Mountains Land Trust

This year Maine Water completed phase one of an historic transaction with the Coastal Mountains Land Trust (CMLT) to preserve watershed land around the company's water supply sources at Mirror Lake and Grassy Pond, while providing open space and recreational opportunities for the region, and financial benefits to our customers.

CMLT purchased a conservation easement on 786 acres of Maine Water land around Mirror Lake. As part of the transaction, Maine Water contributed \$250,000 to the development of the "Round the Mountain" Trail and will return fifty percent of the proceeds to customers as a credit on their water bills in 2019. The remaining proceeds will support infrastructure replacement projects in the Camden Rockland water system.

The second phase of the transaction, scheduled for 2019, protects an additional 600 acres around Grassy Pond with an expansion of the conservation easement. Together, the combined conservation easements protect approximately 1,400 acres of watershed land around the public water supplies serving a population of 20,000 in six mid-coast Maine communities.

Shenipsit Lake Recreation Program

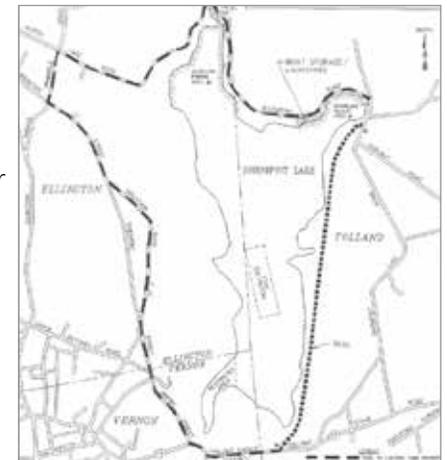
The Shenipsit Lake Reservoir Recreation Program, is celebrating its 25th Anniversary. The program offers fishing from boats powered by oars or electric motors and in designated shoreline

areas, located at the opposite end of the lake from our treatment intake and facilities.

There's also a hiking trail that is open year-round from sunrise

to sunset for public use. This trail is maintained in partnership with the Connecticut Forest and Parks Association www.ctwoodlands.org.

Being a good steward of the environment means sharing the beauty of our natural resources in a responsible way with the public. We are able to balance the need to protect the water quality of our supply sources while opening designated lands to recreation.





Saco River Watershed Collaborative

Maine Water Company relies on the Saco River as the sole source of water to serve a population of over 40,000 in southern Maine. Our drinking water treatment facility, originally built in 1884, produces over 5 million gallons per day on average and is located in Biddeford, approximately 10 miles above where the Saco River enters the Atlantic Ocean.

Today, the Saco River is rated as Class A in Maine's water quality classification system. Protecting the source water and maintaining high water quality standards is the focus of the Saco River Watershed Collaborative. Formed in 2016 through a partnership between Maine Water, the University of New England and Poland Springs bottling company, the Collaborative engages regulators, professionals, community members and scientists in pursuit of shared goals aimed to protect the Saco River.

Pomperaug River Study

Connecticut Water acquired Heritage Village Water in 2017 and agreed with the Town of Southbury to undertake a study to identify possible operating procedures to mitigate impacts of well field operation and improve stream flow in the Pomperaug River.

In an effort to relieve stress on Pomperaug River flows during periods of low stream flow, the study developed a proactive approach to reduce public water supply demands on the Pomperaug aquifer, which sustains low flows in the river.

These new safeguards are included in the development of the Heritage Village Water Company Pomperaug River Low-flow Operations Plan that identifies low-flow thresholds and a collaborative response by HVWC, the Town of Southbury and the Pomperaug River Watershed Coalition. The Low-flow Plan also includes the potential of increasing the transfer of water through a pipeline interconnect from the Connecticut Water not associated with the Pomperaug aquifer supply.

Forest Management

Forest management plans have been developed for the majority of our 6,500 acres in Connecticut and 2,000 acres in Maine. These plans outline specific forest management activities primarily geared toward improving the overall health of the forest and enhancing water quality. We also strive to improve the value of the forest for wood products; promote wildlife diversity; and maintain property boundaries. Each year forest management activities are undertaken in accordance with these management plans. In Maine, forest land is actively managed in Rockport, Hope, Skowhegan, Freeport and soon in Biddeford. All projects are overseen by company staff and a forestry consultant for best management practices and compliance with any local or state regulations.

Classroom Conservation Education Program

Our 2017-18 Water Drop Watchers conservation initiative was so successful that at the request of schools, we continued the program in the 2018-19 school year. The program was developed in partnership with the Pomperaug River Watershed Coalition to educate students to be more aware of their water usage and to teach them lifelong water conservation habits. The hands-on science program was designed to fit third grade curriculum requirements.

To date, employees have presented the program to more than 2,850 students in grade schools throughout our service areas.

Students learned where water is located, how much freshwater is available on earth, how much water we use for common daily activities, and brainstormed ways they can conserve water. Each student was then challenged to complete a water conservation pledge form with their families. Our goal is to continue the program in Connecticut and expand to third grade classrooms in Maine. The Water Drop Watchers program was also used in two "water festivals" in Maine in 2018 educating 100's of area children.

Water Conservation Tips

Summer temperatures impact our customers' water use. Mindful that smaller systems can be impacted by peak seasonal use, we developed a list of small systems where water supplies are limited and conservation would be most helpful to make the best use of available supplies. We mailed our customers a new brochure with water saving tips to help them reduce their use.



Sustainable Infrastructure

Our investment in the infrastructure ensures customer health and safety, is a growth driver for the Company; and benefits customers, communities and the environment.

In the northeast, where we serve families and communities in Connecticut and Maine, the cost of replacing aged water main often exceeds \$240 per foot, or approximately \$1.3 million per mile. Having ready access to capital is critical if a water utility is to programmatically replace its infrastructure to reliably serve current and future generations.

WICA/WISC

In 2007, the Connecticut General Assembly passed the Water Infrastructure and Conservation Adjustment (“WICA”) Act. WICA allows us, PURA regulated water utilities, to add a surcharge to

customers’ bills, subject to review and approval by our regulatory agency, to reflect the costs of replacement of principally water mains, meters, service lines that are or will be contributing to unacceptable levels of unaccounted for water or are negatively impacting water quality or reliability of service if not replaced. In addition WICA can be used for the purchase of energy efficient equipment for water company operations.

In June 2013, a Water Infrastructure Charge (“WISC”) became available in Maine that allows for expedited recovery of investment in water system infrastructure replacement, in both treatment and distribution assets.

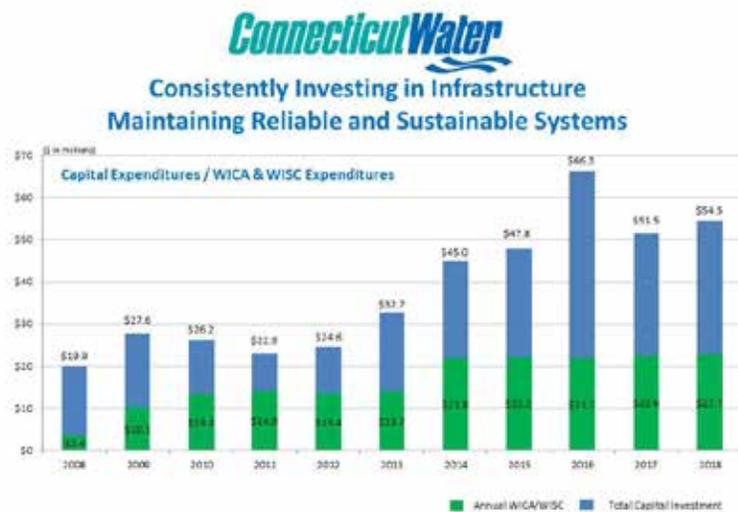
Over the past 11 years, CWC has replaced more than 130 miles of aging pipe, or about 7.5 percent of our distribution system piping, through WICA. The replaced pipe had an average age of 75 years.

Maine’s WISC program has been in effect since 2014. During that time, we have replaced 15 miles of aging water mains, upgraded pump stations, constructed a 3-million-gallon storage tank, replaced information technology systems and funded treatment improvements through WISC, all with minimal service disruption to our customers who have continued to receive clean, reliable water service from your company.



Water Infrastructure Replacement

The Company conducts an evaluation in accordance with PURA guidelines to rank the condition of its water main, and, generally, those with the highest weighted scores are prioritized and scheduled for replacement. Additionally, water mains associated with town and state roadway projects are given high priority to realize cost savings whenever possible. By replacing pipe that may be affecting water quality, is approaching the end of its useful life, or is small diameter or under performing mains, we are able to ensure adequate fire flows and maintain water quality, reliable service and public safety. Services and hydrants are also replaced or new hydrants installed where the infrastructure could not previously support fire flows.



Investing in Infrastructure

As we prioritize, plan and design our capital projects, we consider the environmental benefits and opportunities to enhance energy in our design and construction.

Rockville Water Treatment Facility

The new Rockville Water Treatment Facility in Vernon, CT began supplying water to our customers on May 17, 2017. This marked the completion of a plant that is one of the largest construction projects in the history of Connecticut Water. It represents a generational investment that will serve current and future customers of our Northern-Western system.

Planning efforts for this project extend back decades, with intense design and construction work taking place over the past three years. This new facility replaced the existing 47-year old plant at the same site. The \$36.3 million project was a strong model for efficient delivery and collaboration with regulatory authorities. Benefits of the new plant include:

- Increased capacity
- Improved reliability
- Improved performance over a wider range of water quality
- Reduced operational workload
- Reduced energy costs

The new facility has an increased treatment capacity compared to the old facility. This has allowed us to rely more on the new, energy efficient, Rockville to meet customer demands and reduce the use of groundwater water sources, which typically require more energy to produce the same amount of water.





Infrastructure Investment: Madison Water Tank

A new 1.3 million gallon water storage tank in Madison is our first prestressed concrete water storage tank in Connecticut. The tank was needed to replace the Clapboard Hill water tank in Guilford that was 112 years old, in need of repairs, no longer hydraulically effective, and has a capacity of a half-million gallons.

The Ridge Road Tank now stands at 75 feet tall, 60 feet wide, and utilized 600 cubic yards of concrete, 47 tons of steel reinforcing, and 15 tons of prestress wire at 2100 revolutions, equating to 75 miles and 7 million pounds of prestress force.

A 1.1 mile water main extension was also installed to connect the new tank to our existing water system in Madison.

The benefits of the project include:

- Better meet the water demands for current and future customers with increased height and capacity.
- Improved hydraulics in the Guilford water system.
- Extend public fire protection between the new tank and existing water system.
- Enhance public fire protection at Madison's middle and high schools.

Water Main Replacement - Main Street, Saco

A \$1 million water main replacement project in downtown Saco was completed, and the new water main is in service. The project involved the replacement of 2,200 feet, or about one-half mile, of water main that was installed in 1884.

This project improves water system reliability and enhances water quality, and allowed us to increase the size of the water main from 8 inches to 12 inches to improve overall system flows. Two crews working through the night and one during the day to complete the installation on a congested business section of Main Street. The project was coordinated with Maine Department of Transportation (MDOT) so the water main replacement would be done before the scheduled full paving of the road in 2018.



Water Service to Apartments Near UCONN

Connecticut Water has extended public water supply to resolve water quality issues for more than 500 residents in the Rockridge Condominiums in Storrs and the Willington Oaks Apartments in Willington. The residents had previously been served by on-site well-water systems operated by their complexes.

Residents in these communities are now receiving a reliable supply of high-quality drinking water from Connecticut Water through the water main that was installed along Route 195 in 2016 to bring a supplemental water supply to the University of Connecticut's Storrs campus.

This is exactly the type of problem we were confident could be solved by extending public water service to the area. These were existing

residential communities that had experienced water quality issues. These communities tied into our pipeline and are now receiving a reliable supply of clean, safe water.

Frost Gully Well Automation

The Frost Gully Well in Freeport, Maine is a 50 Gallons Per Minute (gpm) production well that supplements the north end of the Freeport system. Years ago when Freeport staff worked directly out of the Frost Gully building, the well was run manually.

The project has fully automated this source by modifying piping, replacing the pump, production meter, chemical feed systems and providing new supervisory control and data acquisition (SCADA) controls. Having this source fully available to the operators will result in improved water quality to the customers of Freeport.

Leak Detection

Maine Water pumped and treated 100 million fewer gallons of water in 2016 than it did in 2015, while still delivering the same amount of water to its customers. That's nearly 275,000 gallons per day.

The impressive water saving is the result of Maine Water's ongoing program to identify and repair leaks and replace aging infrastructure. Items included the replacement of a leaking reservoir in Biddeford and the repair of a leaking river crossing at the Saco River.

Connecticut Water also has good news to report. In 2016, more than 335 miles of water main were surveyed in Connecticut, which resulted in 32 leaks being found and repaired. The repair of those leaks led to more than 100 million gallons of water being saved on an annualized basis.

The biggest improvements were made in the Guilford System where 10 leaks were responsible for losing 59 gallons per minute. In the Gallup- Plainfield system one leak was found that was responsible for losing water at 35 gallons per minute.

Finding and repairing leaks not only keeps water in our sources of supply, it also saves money on power and treatment chemicals by reducing the amount of water lost to leaks. We estimate that between the leak detection 'wins' in Maine and Connecticut annual power and chemical costs could be reduced by up to \$500,000.



Innovation and Technology

New Technology for Leak Detection Piloted

New technologies are being evaluated to find hard-to-detect underground leaks and lost water in our water systems. One such effort in the Naugatuck area involves the installation of sensitive data loggers on valves and hydrants in the water system. The data loggers “listen” and record water flow as it passes and can help to spot unusual patterns that may signal there may be a leak. This pilot helped us reduce water loss in the Naugatuck system by some 40-million-gallons-per-year and is now being piloted in our other service areas. Connecticut and Maine are replacing old meters with new water meters that have data loggers allowing the ability to download water usage to research water usage and possible leaks.

Switching to Natural Gas

Prior to the start of 2017 - 2018 winter heating season Maine Water’s Saco office and operations facility was converted from propane to natural gas. The benefits of the conversion include:

- Winter heating fuel costs will drop approximately 20% At current prices. We project to lower annual heating costs by approximately \$2,000.
- Our carbon footprint is reduced at this site by 15%, or about 100 lbs. of CO2 every day during the coldest months.

The cost of the conversion was just under \$10,000, so we’ll break even on the investment in 5 years. This is a great example of our focus on our environmental building block.

Maine Water Snowmaking in Rockport

The Mirror Lake membrane filtration facility made modifications to the residuals handling process in order to optimize its spray irrigation system. This allowed us to clean out the residuals that have accumulated over the last 6 years, restoring the effectiveness of the lagoon. Lagoon capacity is an important piece of managing the filter backwash and cleaning process. In 2017, our plant operations team went to work evaluating alternative methods of disposing backwash residuals to gain efficiencies in the treatment process. Restricted by available land and budget, additional drying beds or holding lagoons were out of the question, was a connection to the municipal wastewater system over a mile away.

Maine’s Department of Environmental Protection (DEP) approved a spray irrigation program on a portion of our watershed property for residuals disposal. The system pumps our residual water through a series of spray nozzles over approximately 5 acres of watershed land. The water is filtered through the ground and returned to Mirror Lake instead of transferring off-watershed to a wastewater treatment plant.



In 2018, we got a little more ambitious and went back to the DEP to trial a winter program of snowmaking with the same goals in mind. We’ll continue the dialogue with the DEP and our consulting engineers to determine if the benefits warrant a full scale and permanent installation.

Work Order Surveys

Connecticut Water completes a monthly survey of customers when work orders are closed. These “Transaction Surveys” ask customers about the service they received. These monthly surveys help us to identify trends and opportunities for improvement. In 2018, we began sending our “Transaction Survey” by e-mail to customers who had e-mail addresses on file. In 2018, of the 366 surveys received by CWC, 96, or about 26% have been completed online saving both paper and postage.



Customer Protection Program

Safety is a top priority at Connecticut Water and we encourage our customers to ask our employees for identification or call us if they have any question about the identity of a service representative.

We have enhanced our customers' safety and security through our award-winning **Be Sure Before You Open the Door** program. Prior to a scheduled appointment, a photo of the employee who will be on-site is emailed to the customer, giving them confidence in knowing who to expect before they open the door. Our **Be Sure Before You Open the Door** program has been expanded to include the customers of Avon and Heritage Village water companies.

Since going live, our **Be Sure Before You Open the Door** program has been recognized with the prestigious Stevie Award, the Management Innovation Award from the National Association of Water Companies, and the Community Service Award from the Connecticut Construction Industry Association.

Mobile Workforce Management Platform

Our investment in mobile technology in Connecticut for our field service employees has been expanded to include Maine employees as well. Mobility makes it possible for us to reduce the miles traveled by our vehicles. The mobile system assigns work orders to the individuals with the appropriate skill sets and optimizes travel routes, which reduces the number of miles our Field Service Representatives need to drive for customer appointments. This conserves fuel, reduces wear and tear on vehicles, and improves workload efficiency — while allowing our people to deliver world-class customer service.

Centralized Operations Delivers Benefits

Having Service Delivery leadership, Engineering, SCADA and Water Quality teams together in one location, within reach of all of our regions, customers and employees was a huge step when we opened our State Operations Center (SOC) in Connecticut.

The centralized location, along with the close proximity of our service delivery teams has strengthened working relationships and led to greater collaboration in support of our four building blocks – employee, customer, shareholder and environment.

Centralizing operations in Maine, allowed the former office of the Biddeford & Saco Water Company to be transferred to a new owner. The building had been the office of Biddeford & Saco Water Company/Biddeford Saco Division for 50 years.

GIS and Distribution Teaming Up

Connecticut Water enabled a new geographic information system (GIS) phone application that enables our field service teams to capture maintenance tasks and water loss as they go. No more filling out hydrant spreadsheets and flushing forms.

The tool will geo-locate the user, present the nearby hydrant information and allow them to log activities, account for water use and update master data on the spot.

The pilot was started in the Eastern region and will be rolled out to the other regions in Connecticut.



Energy Management

A large amount of energy is embedded in the water customers consume—from its treatment, distribution and in-home use, to its collection and disposal as wastewater. Our company's energy footprint extends to our offices, vehicles, and other assets necessary to serve our customers.

Our internal Energy Management Team meets regularly to discuss ways to integrate energy management into all areas of the organization and obtain input, ideas, and resources from all departments. Through this effort, we have successfully established a comprehensive energy management program geared toward continuous energy efficiency improvement.

Since 2011, energy audits have been conducted in facilities in both Connecticut and Maine. These audits identify opportunities for savings as we look to replace older equipment with energy-efficient variable-speed pumps, motors and control systems, and older light fixtures with new LED lighting. Energy efficiency now considered in all Water Treatment Plants and facility design and construction to minimize future demands.

Telecommuting

The company has formalized a telecommuting program as a means to enhance employee work-life balance, maintain business continuity, and minimize our carbon footprint. Telecommuting has an added benefit as it helps us deliver on our commitment to world class service by allowing our call center staff to field customer calls from home during adverse weather or other events.

Fleet Efficiency

Operating 80 separate water systems, maintaining 2,200 miles of water main, and meeting the daily water needs of 125,000 customers requires a fair amount of driving.

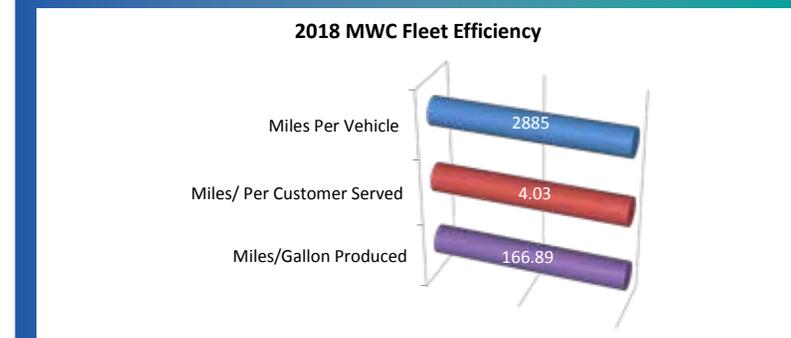
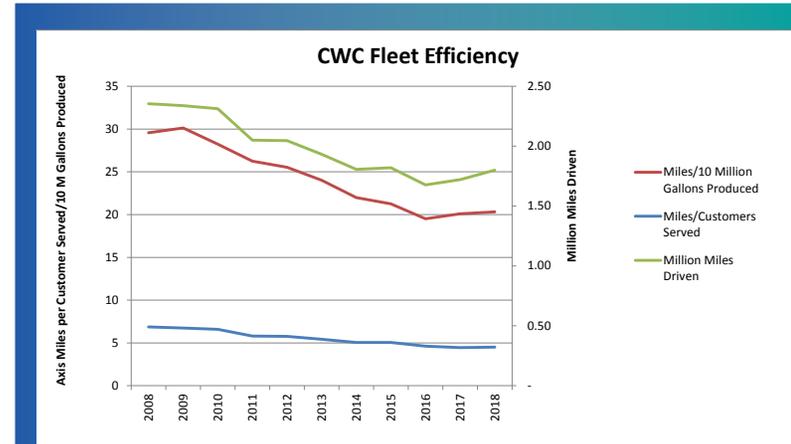
Our goal is to maximize vehicle efficiency while ensuring employee safety and maintaining world-class customer service.

The company has undertaken efforts to reduce the number of miles our employees drive.

These include both strategic organizational and service delivery changes, as well as technological initiatives such as installing videoconferencing between facilities, the widespread use of water quality analyzers at remote well stations, and the implementation of the Mobility platform which optimizes routing when dispatching field work orders.

We have steadily increased the efficiency of our travel and reduced the total number of miles driven per customer served since 2015.

These are important metrics for cost and operating efficiency but also valuable to show our focus on reducing our environmental footprint.



Social Responsibility

We are dedicated to being an integral part of and improving the communities we serve. We look for opportunities to partner with community leaders and local organizations on projects to improve water quality, preserve the environment, promote education, and benefit the community as a whole. We understand that being a responsible member of any community means giving —financial support, our time, and our unique expertise.

Education Initiatives

Employees routinely volunteer their time at local community events to answer customers' questions, share water conservation information, and provide drinking water to event participants. Throughout the year our employees participate in career days and business organization and professional events as well as volunteer to talk informally with students about careers in the water industry,



and offer treatment plant tours to interested students and their teachers. We are always looking for educational opportunities to share the importance of sustainable water practices and the critical role drinking water plays in people's lives.

Watershed and Community Events

The Company again undertook a number of watershed and community events in support of our environmental building block. These activities foster employee satisfaction while protecting our properties, enhancing the quality of our water supplies, and demonstrating our support for community environmental organizations.

Our participation in these events is promoted through press releases, on social media and on our websites.

In Connecticut, employees again participated in the aquifer area restoration project along the Farmington River in partnership with the Town of Farmington, the North Central Conservation District, and the Farmington River Watershed Association.

Employees also conducted a watershed cleanup event in the Connecticut's Western Region.



The company participated in Connecticut Trails Day events, promoting the public access that the company provides at the hiking trails on company land in Killingworth and the fishing, hiking and boating activities offered through the Shenipsit Lake Reservoir Recreation program in the towns of Ellington, Tolland and Vernon.

Maine Water employees participated in watershed clean ups along the Little Ossipee River in Kezar Falls, the Saco River in Fryeburg and at Mirror Lake in Rockport. Maine Water offered tours of the Biddeford Water Treatment Plant to environmental students at the University of New England. Employees participated in education events with over 100's students attending the Southern Maine Children's Water Festival and the Northern Maine Children's Water Festival and conducted a community outreach and educational event at the Millinocket water treatment facility in conjunction with the national Imagine a Day Without Water event. Maine Water supports and leads the Saco Watershed Collaborative.

Community Support and Donations

The Company continues to make donations to local organizations and events and has leveraged Connecticut's Neighborhood Assistance Act programs to support non-profit projects in local communities.

This year the Corporate Responsibility Committee established a subcommittee to develop a more formal process to identify and track our community support and corporate donations. This process, which is being launched company-wide in 2019, will help ensure that we identify meaningful opportunities, distribute our support across our service towns and effectively track and communicate donations that have been made.

Paddle for the Pines

Team Connecticut and Maine Water raised over \$2,800 for Pine Tree Camp while enjoying a beautiful day of paddling on the Kennebec river to raise funds for children with challenges to attend camp.

Maine Dog Park Hydrant Donation

Maine Water donated a hydrant to the new dog park in Old Orchard Beach. Employees and family members attended the dedication at Veterans Memorial Park.

Veterans

Every year, to align with Veterans Day, our employees organize a donation drive for veterans who reside at the Veterans' Home in Rocky Hill, CT. The facility provides long term care to veterans with chronic and disabling medical conditions. Employees distribute needed personal items and spend time interacting with the veterans and their caregivers

Coats for Kids

Maine Water's Saco office raises funds throughout the year for charities such as the Salvation Army's Coats for Kids program and the Hartland Children's Holiday Fund. Through their efforts, every year new winter coats are donated to deserving children.

H₂O—Help to Our Customers Hardship Assistance Program

We recognize that some customers may occasionally face financial challenges and offer assistance through our H₂O "Help to our Customers" assistance program. We partner with local social service agencies to determine customer eligibility, which is based on federal and state income guidelines. We work with eligible customers to identify potential available resources, establish a payment arrangement for unpaid balances, and provide financial assistance with their water bill.



Partnering for Sustainability

Our company is a proud member of the following organizations who share our vision for a sustainable future.



WaterSense

The WaterSense program partners with manufacturers, retailers and distributors, and

utilities to promote conservation and to bring water-efficient products to the marketplace. The WaterSense program also promotes “Fix a Leak Week” by encouraging utilities to educate customers on how much water can be wasted with a leak.



Alliance for Water Efficiency

The Alliance for Water Efficiency is a non-profit organization dedicated to the efficient and sustainable use of water. The Alliance acts as a voice for water efficiency, promoting water efficiency through the development of codes and standards, and by providing comprehensive information about water-efficient products, practices, and programs.



Water Research Foundation

The Water Research

Foundation is an internationally recognized leader in water research that is dedicated to advancing the science of water by sponsoring cutting-edge research and promoting collaboration. Our research provides industry insights and practical solutions to the most complex challenges facing the water community today and into the future.



EPA Partnership for Safe Water

The Partnership is a voluntary effort between six drinking water organizations,

and more than 200 water utilities throughout the United States. The goal of the Partnership is to provide a new measure of safety to millions of Americans by implementing prevention programs where legislation or regulation does not exist.



American Water Works Association

The American Water Works Association is the largest nonprofit, scientific and

educational association dedicated to managing and treating water, the world’s most important resource. AWWA provides solutions to improve public health, protect the environment, strengthen the economy and enhance our quality of life. Local chapters include the New England Water Works Association and the CT Section of AWWA.



Connecticut Water Works Association

The Connecticut Water Works

Association is an organization of public water supply utilities that work together to develop meaningful policies to ensure a safe, high quality supply of water for our customers and a regulatory environment in which we can operate effectively.

Our Award-Winning Reputation

Our company has been recognized by many organizations as an industry leader in a number of areas. We are pleased to highlight a few of our most recent awards, which are a reflection of the dedication and passion of our employees.

CTWS Recognized for Safe Workplace Initiatives

The company received the first ever Safe Workplace Certification from the Center for Personal Protection & Safety (CPPS). The CPPS Safe Workplace Certification was earned by creating and implementing a comprehensive Workplace Violence Prevention and Intervention Program, in partnership with CPPS, which meets recent OSHA Directive and the American Society for Industrial Security and Society for Human Resource Management (ASIS SHRM) American National Standard.

Our program includes a Threat Management Team, a number of reporting mechanisms for employees, and extensive training for employees at all levels of the organization.

The goal of the program is to be as ready as possible, with the skills and knowledge needed to handle a difficult or potentially life-threatening situation in the workplace and beyond.

Awards

The Connecticut Construction Industries Association (CCIA) Annual Meeting and Holiday Reception was held on December 5, at the Aqua Turf Club.

Connecticut Water was recognized with two awards, one for Community Service for providing emergency potable water to private well owners during prolonged power outages, and also a safety recognition award.

Power Plan Recognizes Connecticut Water Company

PowerPlan is a software solution used by asset-intensive entities such as water, gas and electric utilities, pipeline companies, railroads and municipalities. Connecticut Water Company implemented the software in 2007 for capital budget and fixed asset accounting, and has since added additional modules and integration with our mobile Work Order solution.

PowerPlan recognized Connecticut Water as a recipient of one of its ten 2017 Comet Awards. Connecticut Water received the award for Cloud Collaboration, in recognition of the implementation of our PowerPlan solutions in the cloud.

Mercury Awards

Connecticut Water was honored with two Mercury Awards by the Public Relations Society of America Connecticut Chapter's which recognized and honored the very best public relations work in Connecticut in 2017-18.

We received the Gold Mercury Award for our 2016 Corporate Sustainability Report in the special interest publication category and a Bronze Award for our 2017 Annual Report to Shareholders.



Looking Ahead

There is a lot to look forward to in the coming years. As we continue to explore opportunities to make our current business processes more sustainable in ways large and small, we are excited to be undertaking several significant investments that will provide for the next century of service to our customers and communities. Project design and construction is being done to maximize energy efficiency and reduce chemical needs while delivering high quality water.

New Biddeford/Saco Water Treatment Facility

We expect to break ground in 2020 on the replacement of our largest treatment facility in Maine, the Biddeford Water Treatment Facility. This facility went online back in 1884, 135 years ago. The new facility will be supplied by the Saco River just as the current facility is, but it will be constructed new from the ground up and offer increased reliability and enhanced water quality, and be more energy efficient to operate across our systems. Further, it will be located out of the Saco River's flood zone. In addition to serving our customers, the new facility can also be a resource for neighboring communities in southern Maine



Sustainability should inspire and engage us to become better stewards of the environment, and to pursue positive social objectives while promoting sound economic growth.

2018 Corporate Sustainability Report

