

CONNECTICUT WATER SERVICE INC / CT
Form DEF 14A
April 06, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
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Connecticut Water Service, Inc.

93 West Main Street

Clinton, CT 06413

April 6, 2018

Dear Shareholder:

You are cordially invited to the Annual Meeting of Shareholders of Connecticut Water Service, Inc., ("CWS") scheduled to be held on Thursday, May 10, 2018, at the Madison Beach Hotel, 94 W. Wharf Road, Madison, Connecticut, beginning at 2:00 P.M.

At the meeting, you will be asked to: (1) elect five Directors; (2) provide the Board with your advisory vote on the Company's executive compensation program; and (3) ratify the appointment of our Independent Auditors.

The Board of Directors unanimously recommends that you vote FOR the election of the Board's nominees for election as Directors; FOR the advisory vote on the Company's executive compensation program; and FOR the ratification of Baker Tilly Virchow Krause, LLP as our independent registered public accounting firm.

In addition to the specific matters to be voted on, there will be a report on the progress of the Company and an opportunity for you to ask questions of general interest to shareholders. Important information is contained in the accompanying Proxy Statement, which you are urged to carefully read.

It is important that your shares are represented and voted at the meeting, regardless of the number of shares you own or whether you plan to attend. We have elected this year to provide all of our shareholders with a full set of printed copies of our proxy materials. Accordingly, please vote by mail, telephone, or Internet. It is also very helpful to us if you would call and let us know if you plan to attend the Annual Meeting. To RSVP, please call 860-664-6015, and provide your name, address, and telephone number. Directions to the Annual Meeting are printed on the back of the Proxy Statement and are available on the Company's website. Your Board and executive Officers look forward to personally meeting you.

Your interest and participation in the affairs of the Company are appreciated.

Sincerely,

DAVID C. BENOIT

President and Chief Executive Officer

CONNECTICUT WATER SERVICE, INC.

Notice of Annual Meeting of
Shareholders and Proxy Statement

May 10, 2018

The Annual Meeting of Shareholders of Connecticut Water Service, Inc. will be held on Thursday, May 10, 2018, at the Madison Beach Hotel, 94 W. Wharf Road, Madison, Connecticut 06443, beginning at 2:00 PM for the following purposes:

1. To elect three (3) Class III Directors and two (2) Class I Directors to serve for terms expiring in 2021 and 2019, respectively;
2. To approve a non-binding advisory resolution regarding the approval of the compensation of our Named Executive Officers; and,
3. To ratify the appointment by the Audit Committee of Baker Tilly Virchow Krause, LLP, as our independent registered public accounting firm for the fiscal year ending December 31, 2018; and
4. To transact such other business as may properly come before the meeting.

Only holders of the Company's Common Stock and its Cumulative Preferred Stock — Series A of record at the close of business on March 13, 2018 are entitled to vote at this meeting.

Shareholders are cordially invited to attend the meeting in person.

By order of the Board of Directors,

KRISTEN A. JOHNSON

Vice President, Human Resources and Corporate Secretary

Shareholders can help avoid the necessity and expense of follow-up letters to ensure that a quorum is present at the Annual Meeting by promptly voting their shares.

YOU CAN VOTE IN ONE OF FOUR WAYS:

: Visit the website listed on your proxy card to vote VIA THE INTERNET

) Call the telephone number on your proxy card to vote BY TELEPHONE

* Sign, date and return your proxy card in the enclosed envelope to vote BY MAIL

mAttend the meeting to vote IN PERSON

Shareholders are invited to visit the Corporate Governance section of our website at

<https://ir.ctwater.com/governance/governance-information/default.aspx> or www.proxyvote.com until 11:59 P.M. on May 9, 2018 to vote your shares. Please note, if you choose to vote at www.proxyvote.com, you will need the 12 digit control number from the proxy card to view the proxy materials.

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Connecticut Water Service, Inc.

Proxy Statement

2018 Annual Meeting of Shareholders

General Information and Voting of Shares

This Proxy Statement is furnished by and on behalf of the Board of Directors (the “Board”) of Connecticut Water Service, Inc. (the “Company”, “we”, “us”, “our”) for use at the Annual Meeting of Shareholders (the “Annual Meeting”) to be held at the Madison Beach Hotel, 94 W. Wharf Road, Madison, Connecticut, at 2:00 P.M., on May 10, 2018. In that regard, this Proxy Statement, the Company’s 2017 Annual Report to Shareholders and the Company’s Annual Report on Form 10-K are being made available via the Internet or mailed to our record and beneficial shareholders on or about April 6, 2018. In addition to this solicitation by mail, Officers and regular employees of the Company may make solicitations by telephone, mail, or personal interviews and arrangements may be made with banks, brokerage firms, and others to forward proxy material to their principals. The Company has retained Morrow Sodali LLC to assist in the solicitation of proxies at an estimated cost of \$6,500 plus expenses, which will be paid by the Company. We are mailing a full set of our printed proxy materials to our record and beneficial shareholders on or about April 6, 2018. On this date, all shareholders of record and beneficial owners will have the ability to access all of the proxy materials at www.proxyvote.com.

Frequently Asked Questions

What is the purpose of the Annual Meeting of Shareholders?

Shareholders are asked to consider and vote upon:

1. To elect three (3) Class III Directors and two (2) Class I Directors to serve for terms expiring in 2021 and 2019 respectively;
2. To approve a non-binding advisory resolution regarding the approval of the compensation of our Named Executive Officers;
3. To ratify the appointment by the Audit Committee of Baker Tilly Virchow Krause, LLP, as our independent registered public accounting firm for the fiscal year ending December 31, 2018; and
4. To transact such other business as may properly come before the meeting.

How is a quorum determined for the Annual Meeting?

Under Connecticut law, holders of our Common Stock and Cumulative Preferred Stock — Series A may take action on a matter at the Annual Meeting only if a quorum exists with respect to that matter. With respect to each of Proposals No. 1, 2 & 3 a majority of the votes entitled to be cast on each matter by holders of our Common Stock and Cumulative Preferred Stock — Series A will constitute a quorum for action on that matter. For this purpose, only shares of our Common Stock and Cumulative Preferred Stock — Series A held by those persons present at the Annual Meeting or for which proxies are properly provided by telephone, Internet or in writing and returned to the Company as provided herein will be considered to be represented at the Annual Meeting. All shares of our Common Stock and Cumulative Preferred Stock — Series A represented at the Annual Meeting will be counted for quorum purposes without regard to abstentions or broker non-votes as to any particular item.

Who is entitled to vote?

Holders of the Company’s Common Stock and Cumulative Preferred Stock — Series A of record at the close of business on March 13, 2018 are entitled to notice of and to vote at the Annual Meeting. On March 1, 2018, the Company had 11,861,458 shares of Common Stock (not including 221,200 Common Stock equivalent shares awarded under the Company's 1994 (as amended and restated in 2002), 2004 and 2014 Performance Stock Programs) entitled to vote, 15,000 shares of Cumulative Preferred Stock — Series A, \$20 par value, and 29,499 shares of \$.90 Cumulative Preferred Stock, \$16 par value. Each share of Common Stock is entitled to three votes and each share of Cumulative Preferred Stock — Series A is entitled to one vote on all matters coming before the Annual Meeting. The holders of shares of \$.90 Cumulative Preferred Stock, \$16 par value, have no general voting rights. Effective May 4, 2018, the Company redeemed for cash all issued and outstanding shares of the Company's Preferred Stock.

What is the difference between holding shares as a shareholder of record and in “street name”?

About four-fifths of the Company's shareholders hold their shares in "street name." "Street name" refers to the predominant form of public company share ownership in the United States, whereby investors indirectly own, through banks, brokers and other intermediaries, the companies' publicly-traded shares. Under Connecticut law, only the legal owners of stock on the record date are entitled to vote shares or grant proxies in connection with a shareholder meeting. Some of the key differences between these forms of ownership are described below.

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Shareholder of record — If your shares are registered directly in your name with our transfer agent, Broadridge Corporate Issuer Solutions, you are considered the shareholder of record, and these proxy materials, are being sent directly to you by an agent on behalf of the Company. You have the right to grant your voting proxy to the Company or to vote in person at the Annual Meeting. You may vote by any of the methods described below.

Owning shares in “street name” — If your shares are held in a securities brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in “street name,” and these proxy materials are being forwarded to you by your broker or nominee who is considered to be the shareholder of record. As the beneficial owner, you have the right to direct your broker or other nominee on how to vote your shares and are invited to attend the Annual Meeting. Your broker or nominee has enclosed a voting instruction card for you to use in directing your broker or nominee on how to vote your shares.

How do I vote?

Shareholders of record and most shareholders holding shares in “street name” can vote in any of the following ways:

(1) You can vote through the Internet: Available to shareholders of record and through most brokers or nominees by going to the website listed on your proxy card or voting instruction card. You will need to follow the instructions on your proxy card, voting instruction card and the website.

(2) You can vote by telephone: Available to shareholders of record and through most brokers or nominees by calling the toll-free number on your proxy card or voting instruction card. You will need to follow the instructions on your proxy card or voting instruction card and follow the voice prompts.

(3) You can vote by mail: Available to shareholders of record and through brokers or nominees who received printed copies of proxy materials by signing, dating and returning your printed proxy card or voting instruction card in the enclosed postage-paid envelope provided.

(4) You can vote in person at the Annual Meeting: Shareholders of record may deliver their completed proxy card in person at the Annual Meeting of Shareholders or by completing a ballot available upon request at the meeting.

Shareholders owning shares in “street name” must obtain a “legal proxy” from the holder of record in order to vote in person at the meeting.

If you vote by telephone or the Internet, your electronic vote authorizes the named proxies in the same manner as if you signed, dated and returned your proxy card. If you vote by telephone or the Internet, you do not need to return your proxy card.

Can I change my vote?

Yes. You may change your proxy instructions at any time prior to the vote at the Annual Meeting. For shares held directly in your name, you may do this by granting a later-dated proxy, submitting a later vote by telephone or the Internet, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not cause your previously-granted proxy to be revoked, unless you specifically request it. You may change your proxy instructions for shares in “street name” by submitting new voting instructions to your broker or nominee.

How is my vote counted?

If you vote on a director nominee or on one or more of the other Proposals described herein by selecting one of the options available on the proxy card or via Internet or telephone voting methods, the proxy will be voted as you have specified. However, if you do not specify your intentions on a director nominee or on one of the other Proposals described herein then your vote will be counted FOR election of that director nominee or FOR the other Proposals described herein.

What is a broker non-vote?

If your shares are held in “street name,” you must instruct the broker how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any Proposal on which the broker does not have discretionary authority to vote. This is called a “broker non-vote.” In these cases, the broker can register your shares as being present at the Annual Meeting for purposes of establishing a quorum but will not be able to vote on those matters for which specific authorization is required under the rules of the New York Stock Exchange (“NYSE”).

If you are a beneficial owner whose shares are held on the record date by a broker, your broker has discretionary voting authority under NYSE rules to vote your shares only on the ratification of the appointment of Baker Tilly

Virchow Krause, LLP even if the broker does not receive voting instructions from you. Important Information: An important change became effective in 2011 regarding broker non-votes and votes on executive compensation and certain other matters due to Dodd-Frank legislation. These rules do not permit brokers to vote on the advisory votes for executive compensation and other non-routine

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Proposals if the broker has not received instructions from its customer, the beneficial owner. Accordingly, it is particularly important that beneficial owners instruct their brokers how they wish to vote their shares on these very important Proposals:

The election of three (3) Class III Directors and two (2) Class I Directors to serve for terms expiring in 2021 and 2019, respectively; and

•The non-binding advisory resolution regarding approval of the compensation of our Named Executive Officers.

We recommend that you contact your broker to assure that your shares will be properly voted.

Regardless of how you choose to vote, your interest in the affairs of Connecticut Water Service, Inc. is important and we encourage you to vote promptly on each of these very important Proposals.

How will abstentions and broker non-votes be counted?

All shares of Common Stock and Cumulative Preferred Stock — Series A represented at the Annual Meeting will be counted for quorum purposes without regard to broker non-votes and abstentions. Broker non-votes and proxies marked to abstain or withhold from voting with respect to any Proposal to be voted upon at the Annual Meeting generally are not considered for purposes of determining the tally of votes cast for or against such Proposal and, therefore, will not affect the outcome of the voting with regard to any Proposal presented at the Annual Meeting.

What vote is needed to elect the five nominated Directors in 2018?

Under Connecticut law, the election of Directors requires a plurality of the votes cast by the holders of shares present in person or by proxy and voting at the Annual Meeting. Proxies may be voted only for the number of the nominees named by the Board of Directors.

What vote is needed to approve the non-binding advisory resolution regarding the compensation of our Named Executive Officers?

Under Connecticut law, the approval of the non-binding advisory resolution regarding the compensation of our Named Executive Officers requires that the votes cast in favor of the Proposal exceed the number of votes cast against the Proposal.

What vote is needed to ratify the Audit Committee's appointment of Baker Tilly Virchow Krause, LLP as our independent registered public accounting firm for 2018?

Under Connecticut law, the ratification of the appointment by the Audit Committee of Baker Tilly Virchow Krause, LLP requires that the votes cast in favor of the ratification exceed the number of votes cast opposing the ratification.

What are the voting recommendations of the Board?

For the reasons set forth below and in more detail later in this Proxy Statement, **THE BOARD RECOMMENDS THAT YOU VOTE YOUR SHARES AS FOLLOWS:**

1. FOR the election of three (3) Class III Directors and two (2) Class I Directors to serve for terms expiring in 2021 and 2019, respectively;

2. FOR the non-binding advisory resolution regarding the approval of the compensation of our Named Executive Officers; and

3. FOR the ratification of the appointment by the Audit Committee of Baker Tilly Virchow Krause, LLP, as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018.

The Board does not know of any matters to be presented for consideration at the Annual Meeting other than the matters described in these Proposals and the Notice of Annual Meeting of Shareholders. However, if other matters are presented, the persons named in the proxy intend to vote on such matters in accordance with their judgment.

Who counts the votes?

Representatives of Broadridge Financial Solutions, Inc. will tally the votes and certify the results.

When and how will the voting results be published?

We will announce the preliminary voting results at the Annual Meeting of Shareholders and in a press release, and will file a Current Report on Form 8-K containing the final voting results with the SEC within four business days of the Annual

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Meeting or, if final results are not available at that time, within four business days of the date on which final voting results become available.

PROPOSAL (1) — THE ELECTION OF THREE (3) CLASS III DIRECTORS AND TWO (2) CLASS I DIRECTORS TO SERVE FOR TERMS EXPIRING IN 2021 AND 2019 RESPECTIVELY

Currently the Company's Amended and Restated Certificate of Incorporation provides for a Board of no less than nine or no more than fifteen Directors, the exact number of directorships to be determined from time to time by resolution adopted by affirmative vote of a majority of the Board of Directors. The Directors are divided into three classes, I, II and III, as nearly equal in number as practicable, with members to hold office until their successors are elected and qualified. Each class is to be elected for a three-year term at successive annual meetings.

Connecticut Water Service, Inc.'s regulated water utility companies, Connecticut Water Company ("Connecticut Water"), The Avon Water Company ("Avon Water"), The Heritage Village Water Company ("Heritage Village Water") and Maine Water Company ("Maine Water") companies are committed to delivering life sustaining, high-quality water service to families and communities while providing a fair return to the Company's shareholders. The Company's Directors are committed to this critical mission and work diligently to identify and recruit high-quality individuals to represent our shareholders. A cornerstone in selecting effective Directors is setting relevant qualifications for the current and future needs of the Board and Company.

Director Qualifications

Directors are responsible for overseeing the Company's business consistent with their fiduciary duty to shareholders. This significant responsibility requires highly-skilled individuals with various qualities, attributes and professional experience. The Board believes that there are general requirements for service on the Board that are applicable to all Directors and that there are other skills and experience that should be represented on the Board as a whole, but not necessarily by each director. Generally, the Corporate Governance Committee reviews both the short- and long-term strategies for the Company, the Board's succession planning outcomes and director education and development results to determine what current and future skills and experience are required of the Board in exercising its oversight function.

Qualifications for All Directors

In its assessment of each potential candidate, the Corporate Governance Committee considers the potential nominee's judgment, integrity, experience, independence, understanding of the Company's business or other related industries and such other factors the Corporate Governance Committee determines are relevant in light of the current needs of the Board. The Corporate Governance Committee also takes into account the ability of a potential nominee to devote the time and effort necessary to fulfill his or her responsibilities to the Company. The Board and the Corporate Governance Committee require that each director be a recognized person of high integrity with a proven record of success in his or her field. Each director must demonstrate critical thinking, familiarity with and respect for corporate governance requirements and practices, clear business ethics, an appreciation for diversity and a commitment to sustainability. In addition, the Board conducts interviews of potential director candidates to assess intangible qualities, including the individual's ability to ask critical, perceptive questions and simultaneously, to work collegially. The Board does not have a specific diversity policy, but considers diversity of race, ethnicity, gender, age, cultural background and professional experiences in evaluating candidates for Board membership. Diversity is important because a variety of points of view contribute to a more effective decision-making process.

The Corporate Governance Committee and the Board have has been actively engaged in a search for potential Board candidates to fill the two vacancies left by Arthur C. Reeds and Eric W. Thornburg as Class I Directors. In the first quarter of 2018, the Committee identified Mr. David C. Benoit and Ms. Kristen A. Johnson as Board of Director candidates that embody high levels of integrity, judgment, experience and knowledge of the Company's industry.

Following exploratory discussions with the candidates in April 2018, the Corporate Governance Committee unanimously recommended that the Board of Directors nominate Mr. Benoit, President & CEO and Ms. Johnson, Vice President Human Resources and Corporate Secretary for directorships in Class I to serve terms until 2019. On April 3, 2018, the Board of Directors unanimously approved the nominees as recommended by the Committee.

The Board has fixed the number of directorships for the ensuing year at nine. The Corporate Governance Committee recommended, and the Board selected, five nominees for election, Ms. Lisa J. Thibdaue, Ms. Carol P. Wallace and Mr. Bradford A. Hunter, as Class III director nominees and Mr. David C. Benoit and Ms. Kristen A. Johnson as Class I director nominees. Proxies cannot be voted for a greater number of persons than the number of nominees named. If elected, each

Class III director nominees will serve a three-year term of office that will expire at the Annual Meeting of Shareholders in 2021 and each of the Class I director nominees will serve a one-year term that will expire in 2019. Ms. Thibdaue, Ms. Wallace, Mr. Hunter, Mr. Benoit and Ms. Johnson have consented to being named in this Proxy Statement and will serve as Directors, if elected. Class I Directors, Ms. Hunt along with Mr. Benoit and Ms. Johnson will be up for reelection in 2019 and the terms for Class II Directors Hanley, Forde and Wolf will expire in 2020.

The following table summarizes the key qualifications, skills and attributes that each of the Board and Corporate Governance Committee looks for in its current Directors and director nominees collectively to serve the needs of the Company and shareholders.

Director Name	H. Hunt	C. P. Wallace	L. J. Thibdaue	M. A. Hanley	R. H. Forde	B. A. Hunter	E. C. Wolf	D.C. Benoit	K. A. Johnson
Years on Board	12	15	18	19	4	3	3	—	—
Executive Leadership		ü			ü	ü	ü	ü	ü
Finance/Capital Management		ü	ü		ü	ü	ü	ü	ü
Financial Expertise/Literacy	ü	ü	ü	ü	ü	ü	ü	ü	ü
Investments					ü	ü	ü		
Utility Industry/Regulatory	ü		ü				ü	ü	ü
Strategic Planning	ü	ü	ü	ü	ü	ü	ü	ü	ü
Corporate Governance	ü	ü	ü	ü	ü	ü	ü	ü	ü
Government Relations	ü	ü	ü	ü				ü	
Executive Compensation		ü	ü		ü		ü	ü	ü
Public Affairs & Communications	ü		ü	ü			ü		
Legal	ü			ü					
Risk Management	ü	ü	ü	ü	ü	ü	ü	ü	ü

Snapshot of 2018 Director Nominees

Our director nominees bring a balance of relevant skills to our boardroom, exhibiting an effective mix of diversity, experience and perspective:

Unless otherwise directed, it is intended that the enclosed proxy will be voted for the election of Director Nominees Thibdaue, Wallace, Hunter, Benoit and Johnson. If any nominee is unable or declines to serve, the persons named in the proxy may vote for some other person(s). The biographies of each of the nominees and continuing Directors in the following chart contains information regarding the person's service as a director, business experience, director positions held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the specific experiences, qualifications, attributes or skills that caused the Corporate Governance Committee and the Board to determine that the person should serve as a director for the Company in 2018.

Class III — Director Nominees for Election at the Annual Meeting to Serve for Terms Expiring in 2021
(age at 2018 Annual Meeting)

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Class I - One Director Continuing in Office and Two Director Nominees Whose Term Will Expire in 2019
(age at 2018 Annual Meeting)

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Class II — Directors Continuing in Office Whose Terms Will Expire in 2020
(age at 2018 Annual Meeting)

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CORPORATE GOVERNANCE

In 2017, the Company's Board met nine times, including four telephonic meetings, and conducted four regular executive sessions of the Independent Directors without management present. In addition, the Board maintains a number of standing committees described below under the heading "Board Committees and Responsibilities." Neither Mr. Thornburg, the former Chairman, President & CEO nor Mr. Benoit, the current President & CEO served on any of the Board's Committees in 2017. Mr. Benoit was not a member of the Board of Directors in 2017. All Directors attended at least 97% of the Company's Board and committee meetings of which he or she was a member. All sitting Directors, with the exception of one, attended the 2017 Annual Meeting of Shareholders. Directors are expected, but not required, to attend the 2018 Annual Meeting of Shareholders.

Good Governance Practices

Our Board is committed to maintaining strong and sustainable corporate Environmental, Social and Governance programs and practices. As such, we continuously review our practices to ensure effective collaboration of management and the Board, adoption of programs that promote positive corporate citizenship and protect the environment. Following are highlights:

Good Governance Practices

Our Board has an Independent Chairman;

Seven (7) of the Board's Directors are Independent;

The Board has adopted and published Committee Charters (Charters are available at <https://ir.ctwater.com/governance/governance-information/default.aspx>);

The Board conducts an annual self-evaluation and a review of Board Independence;

The Board Committees conduct annual self-evaluations that are reviewed by the Corporate Governance Committee and the Board of Directors;

New Directors participate in an orientation program and receive a "Current State" briefing before their first Board Meeting. They also participate in the Director education and development program immediately in their first year to hone critical skills and gain relevant information on emerging topics; and

Executive sessions of the Independent Directors are held at each regularly scheduled Board meeting.

Risk Management and Compensation

Our Board actively oversees the Company's risk management practices and fosters a culture of risk awareness;

Our Code of Conduct and Insider Trading Policy prohibit inappropriate trading activities including hedging and pledging;

We have stock ownership and stock retention guidelines for our executives and Directors to further align their interests with the interests of shareholders;

Our Board is actively engaged in managing talent and long-term succession for the executives and Key Seat leaders;

Our Board reviews its own succession plans and tracks opportunities for education and development semi-annually;

We have policies and practices to align executive compensation with long-term shareholder interests;

An executive compensation clawback policy was adopted by the Board in 2014; and

There is no automatic enhancement of executive compensation upon a change-in-control.

Environmental and Social Responsibility

We have achieved gender parity on our Board of Directors. Women constitute 67% of members on our Board;

We have an active Corporate Responsibility Committee that reports out to our Board of Directors on their mission to foster socially responsible programs and policies; enhance environmental stewardship, sustainability, and asset management; and consolidate the company's efforts to conduct our business affairs as a responsible corporate citizen; and

We publish the results of our Corporate Responsibility Committee's efforts in our Corporate Sustainability Report on our website (<https://ir.ctwater.com/overview/default.aspx>.)

Assessment of Board and Committee Performance

The Board and its Committees each conduct a self-evaluation at least annually. Our processes enable Directors to provide anonymous and confidential feedback, which is then reviewed and addressed by the Independent Directors both alone in an executive session led by the Lead Director and, after September 28, 2017 by the Independent Chairman of the Board, and also with members of management in order to promote the effectiveness of the Board and each Committee. The Board also reviews the Corporate Governance Committee's periodic recommendations concerning the performance and effectiveness of the Board, each of its Committees and the Lead Director.

Board of Director Succession Planning

Our Board has a robust, year-round, director succession planning process designed to provide for a highly independent, well qualified Board, with the diversity, experience and background to be effective and to provide strong oversight. Our Board

constantly evaluates the needs of the Company and adds new skills and qualifications to the Board as necessary to best position the Company to navigate through a constantly changing landscape.

Board Leadership Structure

The Board does not have a specific policy regarding the separation of the Chairman and CEO roles as it believes it is in the Company's best interest to make that determination from time to time based on the position and direction of the Company and the membership of the Board. Upon the resignation of the Former Chairman and CEO, in September 2017, our Board thoughtfully debated the merits of continuing to support a combined Chairman and Chief Executive Officer role and named Carol P. Wallace, former Lead Independent Director, to serve in this capacity. The Board believes that adopting a leadership structure with separate Chairman and CEO positions is appropriate for the Company at this time allowing Mr. Benoit, the Interim President and CEO and then President and CEO as of March 6, 2018, to focus on the operation of our Company while the Chairman focuses on ensuring the independence of the Board in fulfilling its obligations to our Company and shareholders.

The Independent Chairman of the Board of Directors is responsible for providing governance and leadership to the Board, including helping to organize the Board's work and ensuring that its members have information to effectively carry out their duties. Specifically, Ms. Wallace's responsibilities include, among other things:

- presiding over Board meetings and executive session of Independent Directors;
- overseeing the adequacy of information available to directors;
- coordinating feedback regarding issues discussed in executive session, as well as performance to the CEO;
- facilitating effective communication between the Board and our shareholders, including presiding over the annual meeting and any special meetings of shareholders;
- working with the CEO and Corporate Secretary to set Board meeting agendas;
- providing advice and counsel to the CEO; and
- any other matters that may arise consistent with these duties and effective corporate governance.

Resignation of the Former Chairman and the Appointment of Carol P. Wallace as Independent Chairman

Eric W. Thornburg, Chairman, President and CEO ("Former Chairman and CEO") of the Company resigned his positions effective September 28, 2017 to join another investor owned water utility as their President and CEO. Also on this date, the Board acted to appoint Carol P. Wallace as Chairman of the Board ("Chairman") and David C. Benoit as Interim President and CEO. Subsequently, on March 6, 2018, the Board promoted David C. Benoit to the position of President and CEO ("CEO") of the Company. The Board sincerely thanks Mr. Thornburg for his exceptional efforts in his time with the Company and wishes him continued success in the water industry.

Board Role in Risk Oversight

The Board recognizes that the achievement of our strategic and operating objectives involves taking risks. The Board has oversight responsibility for the Company's risk management framework, which is designed to identify, assess, prioritize, address, manage, monitor and communicate these risks across the Company's operations, and foster a corporate culture of integrity and risk awareness. Consistent with this approach, one of the Board's primary responsibilities is overseeing and interacting with management with respect to key aspects of the Company's business, including risk assessment and risk mitigation of the Company's top risks. In addition, the Board has tasked designated Committees of the Board with certain categories of risk management, and the Committees report to the Board regularly on these matters.

The Audit Committee reviews and assesses the guidelines and policies governing the Company's risk management and oversight processes and assists the Board's oversight of financial, legal, regulatory and cyber security risk and the Company's compliance with its financial and ethics policies.

The Compensation Committee is responsible for monitoring risks associated with the design and administration of the Company's compensation programs and equity compensation plans, and performs the annual performance review of

the CEO. For 2017, the Compensation Committee reviewed the Company's compensation policies and practices and did not identify any policies or practices that are reasonably likely to have a material adverse effect on the Company (see page 46 for further information).

The Corporate Governance Committee is responsible for managing risks associated with management and board succession and development.

The Corporate Finance and Investments Committee manages risks associated with merger and acquisition transactions, financial matters including capital structure, financing and the issuance of securities, and investments related to the defined benefit, defined contribution, welfare, non-qualified deferred compensation and supplemental executive retirement plans.

In addition, throughout the year, the Board and the relevant Committees receive updates from management with respect to various enterprise risk management issues and dedicate a portion of their meetings to reviewing and discussing specific risk topics in greater detail. The Company's management engages with and reports to the Board of Directors and the relevant Committees on a regular basis to address high priority risks.

The Board and its committees have direct and independent access to management. We believe this division of risk management responsibilities is the most effective approach for addressing the risks that the Company faces. The existing Board leadership structure encourages communication between the Independent Directors and management, including those as a result of discussions between the Chairman of the Board and the CEO. By fostering increased communication, we believe that the current Board leadership structure leads to the identification and implementation of effective risk management strategies.

Board Role in Talent Management and Succession

The Board is actively engaged and involved in talent management, reviewing its succession and development strategy at least annually. The Corporate Governance Committee oversees the development and implementation of succession plans for the CEO and the executive Officers, including detailed review of the Company's leadership talent bench and plans for key positions at the senior officer level. To assist the Board, the CEO annually provides the Board with an assessment of Officers and their potential and readiness to succeed to the position of CEO, developed in consultation with the Chair of the Corporate Governance Committee. High potential leaders are given exposure and visibility to Board members through formal presentations and informal events. More broadly, the Board is regularly updated on key talent indicators for the overall workforce, including diversity, recruiting and development programs.

Board of Directors Education and Development

The Corporate Governance Committee maintains a Board education and development program that provides each sitting director the opportunity to enhance skills, broaden or deepen knowledge and hone leadership abilities. Each director is encouraged to invest time in their own development by attending one or more quality programs offered by nationally known and respected organizations.

Board Independence

The Company's Common Stock is listed on the Nasdaq Global Select Market ("Nasdaq"). Nasdaq listing rules require that a majority of the Company's Directors be "Independent Directors" as defined by Nasdaq corporate governance standards. As such, the Company's Board of Directors examines the independence of its members annually. In order for a Director to be considered Independent, the Board must determine that the Director has no material relationship with the Company or its affiliates, either directly or as a partner, shareholder or officer of an organization that has such a material relationship. At a minimum, a Director will not be considered Independent if, among other things, the Director:

1. Has been employed by the Company or its affiliates in the current year or past three years;
Has accepted, or has an immediate family member who has accepted, any compensation from the Company or its affiliates in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the
2. determination of independence (except for board services, retirement plan benefits or non-discretionary compensation);
3. Has an immediate family member who is, or has been in the past three years, employed by the Company or its affiliates as an executive officer;
Has been or has an immediate family member who has been, a partner in, a controlling shareholder or an executive officer of any organization to which the Company made or from which it received, payments (other than those
4. which arise solely from investments in the Company's securities or under non-discretionary charitable contribution matching programs) that exceed five percent of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the past three fiscal years;

Has been or has an immediate family member who has been employed as an executive of another entity where any
5. of the Company's executives serve or have served during the past three years on that entity's compensation
committee; and

Is or has an immediate family member who is a current partner of the Company's outside auditor, or was a partner or
6. an employee of the Company's outside auditor who worked on the Company's audit at any time during any of the
past three years.

The Board has determined that Directors Forde, Hanley, Hunt, Hunter, Thibdaue, Wallace, and Wolf are Independent
Directors under Nasdaq listing rules. Mr. Benoit is the President and CEO and Ms. Johnson is the Vice President
Human

Resources and Corporate Secretary of the Company and are each an NEO and as such, neither Mr. Benoit nor Ms. Johnson will be Independent Directors. Mr. Thornburg was an employee director of the Company until he resigned his officer and Board roles on September 28, 2017. As an insider director until this time he was not considered to be Independent.

Board Committees and Responsibilities

The Board has established standing Audit, Compensation, Corporate Governance, and Corporate Finance and Investments Committees. All Committees have adopted written Charters, and are available on the Company's website at <https://ir.ctwater.com/governance/governance-information/default.aspx>, or by contacting the Company at the address appearing on page 67. Mr. Benoit and Ms. Johnson, as employee Directors of the Company, will not be appointed to serve on any Board Committees.

2017 Board Committee Membership and Functions

Name	Audit	Compensation	Corporate Finance and Investments	Corporate Governance
Mr. Forde	m	m	m	*
Ms. Hanley	m			m *
Ms. Hunt		m		m
Mr. Hunter			m	m
Ms. Thibdaue	m *	m		
Mr. Thornburg** ⁽¹⁾				
Ms. Wallace		m	*	m
Ms. Wolf	m	m	m	

* Chairman

** Employee Directors do not serve on Committees of the Board

⁽¹⁾ Mr. Thornburg served as Chairman of the Board until September 28, 2017, when he resigned his Officer and Board roles with the Company.

The Board Nomination Process

The Corporate Governance Committee annually identifies director nominees based primarily on recommendations from management, Board members, shareholders, and other sources, such as water industry and state industry associations. All candidates submitted by a shareholder or shareholder group are reviewed and considered in the same manner as all other candidates. The Corporate Governance Committee recommends to the Board nominees that satisfy SEC and Nasdaq requirements and possess qualities previously outlined in the section titled "Director Qualifications" on page 4. The Corporate Governance Committee also considers the age and diversity of proposed nominees (broadly construed to mean a variety of opinions, perspectives, personal, and professional experiences and backgrounds, such as gender, race, and ethnicity differences, as well as other differentiating characteristics) in making its recommendations for nominees to the full Board. The Board and the Corporate Governance Committee do not have a formal policy with respect to diversity; however, the Board and the Corporate Governance Committee believe that it is essential that diverse viewpoints are represented on the Board. In addition, the Corporate Governance Committee considers whether potential nominees live in the service regions of the Connecticut Water Company in sufficient numbers to satisfy the representation requirements of Connecticut General Statute 16-262a, and also evaluates other factors that it may deem are in the best interests of the Company and its shareholders such as:

- ▲ A director should be highly accomplished in his or her respective field, with superior credentials and recognition;
- ▲ A director should have expertise and experience relevant to the Company's business, and be able to offer advice and guidance to the Chief Executive Officer based on that expertise and experience;
- ▲ A director must have time available to devote to activities of the Board of Directors and to enhance his or her knowledge of the Company's business;
- ▲ A director should have demonstrated the ability to work well with others; and
- ▲ A director should foster a high-performance culture of ethical governance and service to shareholders.

Based on the considerations described above, the Corporate Governance Committee nominated, the Board of Directors appointed and the shareholders elected Directors Hanley, Forde and Wolf at the Annual Meeting of Shareholders in 2017.

The 2017 - 2018 Nomination Process

The Corporate Governance Committee met on September 20, 2017 to consider the renomination of Directors Thibdaue, Wallace and Hunter whose terms expire at the 2018 Annual Meeting of Shareholders. The Corporate Governance Committee reviewed the attendance, performance, skills and independence of these Directors, but determined to withhold the Corporate Governance Committee's recommendation of these director nominees to the Board until its January 2018 meeting, in order to allow interested shareholders to make either (i) recommendations to the Corporate Governance Committee for director nominees to be considered by the Board for inclusion on the Company's proxy card, or (ii) formal director nominations, which, pursuant to the Company's Bylaws procedures (described in section titled "Shareholder Recommendations"), were due by January 11, 2018. The Corporate Governance Committee did not receive any formal director nominations from shareholders prior to that deadline. After consideration of all candidates, the Corporate Governance Committee recommended to the Board, and the Board approved, that the number of Board members should be set at nine and that Ms. Thibdaue, Ms. Wallace and Mr. Hunter as Class III Directors should be submitted to shareholders as the Company's director nominees. The Board considered in March 2018 two candidates to serve as Class I directors of the Company, Mr. David C. Benoit and Ms. Kristen A. Johnson. Both Mr. Benoit and Ms. Johnson have agreed to serve as Class I directors, if elected. The Board determined on April 3, 2018 that these additional nominees should be submitted to shareholders as additional nominees.

Shareholder Recommendations

The Company's Bylaws allow nomination of Directors by any shareholder who is entitled to vote for the election of Directors at either the Annual Meeting of Shareholders or a special meeting where Directors are to be elected. Shareholder nominations must be received no later than January 10, 2019, which is 120 days prior to the first anniversary date of the prior year's Annual Meeting of Shareholders or within 10 days of the mailing date of a Notice of Special Meeting, and must include the following:

- name and address of person being nominated;

name and address of the shareholder making the nomination as they appear on the Company's records, and the number and class of shares beneficially owned;

a representation that the nominating shareholder is entitled to vote at either the Annual Meeting of Shareholders or Special Meeting, and that the shareholder will attend the meeting in person or by proxy to place the nomination before shareholders;

a description of all understandings and agreements between the shareholder, the nominee and any other person or persons (naming such person or persons) in exchange for consideration of the nomination;

information regarding the nominee that would be required to be included in a Proxy Statement to be compliant with SEC rules; and

consent of the nominee that they would serve if elected.

The presiding officer at the meeting will determine if a shareholder nomination was made in accordance with the provisions of the Company's Bylaws. If the officer determines that a nomination was not compliant with the Bylaws, he or she shall state so at the meeting and the nomination will be disregarded.

Mandatory Retirement

Under the Company's Bylaws, no director shall be eligible for election or re-election as a director of the Company after such director has attained the age of 70. As of the 2018 Annual Meeting of Shareholders, no Directors are required to retire from the Board under this policy.

Stock Ownership

On January 19, 2017, upon recommendation of the Compensation Committee, the Board approved the revised and enhanced stock ownership guidelines to set expectations that the Chief Executive Officer, Senior Vice President, Chief Financial Officer, Maine Water Company President and the Company's Vice Presidents maintain certain specified levels of stock ownership. The Board believes that meaningful ownership aligns the Directors' and executives' interest with those of our shareholders.

Stock Ownership Guidelines

We have adopted stock ownership guidelines for our executive Officers to encourage them to build their ownership position in our Common Stock over time by direct market purchases and earning shares through our annual and long term incentive plans governed by the 2014 PSP. The current guidelines for our executives are as follows:

Non-Employee Directors

Position / Level Revised Requirement

Board Member 3 times Board retainer

Executive Officers

Position / Level Revised Requirement

Chief Executive Officer (CEO)	4 times base salary
Senior Vice President, Chief Financial Officer (SVP/CFO)	3 times base salary
Division President; Maine Water	2 times base salary
Vice President	2 times base salary

Shares that will count toward these guidelines include shares that the individual owns or has voting power including the power to vote, or to direct the voting; and/or, investment power including the power to dispose or to direct the disposition of shares. Shares owned by an individual through the Company's benefit plans (e.g. 401(k)) and the 1994 (as amended and restated in 2002), 2004 and 2014 Performance Stock Plans will also count toward the stock ownership requirement. In addition, unvested time-vesting restricted stock and performance shares will count toward the stock ownership guidelines since they either have voting rights or are likely to be received.

The President and CEO, each of the three Company Vice Presidents, and seven of the non-employee Directors' levels of individual stock ownership currently meet the ownership guidelines as measured on March 30, 2018. Once a non-employee director or executive attains his or her specified ownership guideline levels, he or she will remain in compliance with the guidelines despite any decreases in stock price or increases in base salary, as long as his or her holdings do not decline below the number of shares at the time the share ownership guidelines were met.

Stock Retention Guidelines

We have adopted stock retention guidelines for the Company's executive Officers and non-employee Directors.

Non-employee Directors are expected to hold 75% of the net shares (after payment of the applicable exercise price, if any, applicable

fees, and applicable taxes) acquired upon the payment or vesting of any performance shares and/or restricted stock until the ownership guidelines are satisfied.

The executive Officers, as outlined in the ownership guidelines table above, are expected to:

- elect a minimum of 50% of their short and long-term Performance Stock Program ("PSP") awards to be paid in performance shares or restricted stock, as determined by the executive; and
- retain 50% of the net shares (after payment of the applicable exercise price, if any, applicable fees, and applicable taxes) acquired upon the exercise of stock options or the payment or vesting of any performance shares and/or restricted stock.

The executives are expected to hold such shares until the later of one year following the date of acquisition of such shares (even if this one-year holding period extends beyond termination of employment) or the date that the executive satisfies our stock ownership guidelines.

Security Ownership of Certain Beneficial Owners and Management

The following table lists, to the Company's knowledge, the beneficial ownership of the Company's capital stock and the nature of such ownership for each director and nominee for director, for each executive officer named in the Summary Compensation Table, for all executive Officers and Directors of the Company as a group, and for each person who beneficially owns in excess of five percent of the outstanding shares of any class of the Company's voting securities. Except for shares that are held as performance share units as indicated in the table's footnotes, which shares are not entitled to vote, or unless otherwise noted, each holder has sole voting and dispositive power with respect to the shares listed. All information is given as of March 1, 2018, and assumes that shares which the named person has a contractual right to acquire within 60 days have been acquired and are outstanding. The beneficial ownership percentages have been calculated based on 12,082,658 shares of Common Stock outstanding (including 221,200 Common Stock equivalent shares awarded under the Company's 1994 (as amended and restated in 2002), 2004 and 2014 PSPs) as of such date.

The total insider ownership, individually and as a group, is less than 5% of the outstanding shares of CWS.

Name of Beneficial Owners (* denotes non-employee Director)	Total Amount of Common Stock Beneficially Owned	Percent of Common Stock Outstanding
David C. Benoit ⁽¹⁾	44,543	* *
Richard H. Forde ^{*(2)}	1,942	* *
Mary Ann Hanley ^{*(2)}	6,660	* *
Heather Hunt ^{*(2)}	5,959	* *
Bradford A. Hunter ^{*(2)}	1,345	* *
Kristen A. Johnson ⁽³⁾	16,090	* *
Craig J. Patla ⁽⁴⁾	8,738	* *
Lisa J. Thibdaue ^{*(2)}	6,020	* *
Eric W. Thornburg ⁽⁵⁾	151,692	* *
Carol P. Wallace ^{*(2) (7)}	7,254	* *
Maureen P. Westbrook ⁽⁶⁾	37,567	* *
Ellen Wolf ^{*(2)}	1,345	
Total Directors, Nominees, and Executive Officers (13 persons) As a Group	144,186	1.19 %

* denotes non-employee Director

** indicates ownership of less than 1% of the class of securities

(1) Includes 34,165 performance share units (8,812 of these units are unvested), and 10,378 directly-owned shares.

(2) Includes 386 shares of restricted stock under the Company's 2014 Performance Stock Program that will vest on May 16, 2018.

- (3) Includes 15,090 performance share units (3,567 of these units are unvested) and 1,000 directly-owned shares.
- (4) Includes 5,163 performance share units (3,397 of these units are unvested) and 151 directly-owned shares, and 3,424 shares owned in the Company's 401(k) plan.
- Includes 125,957 performance share units (0 of these units are unvested), and 25,735 directly-owned shares. Mr.
- (5) Thornburg resigned his director and officer positions with the Company effective September 28, 2017, his last day with the Company was October 15, 2017.

(6) Includes 23,413 performance share units (1,057 of these units are unvested), 11,387 directly-owned shares, and 2,767 shares owned in the Company's 401(k) plan.

(7) Ms. Wallace's spouse owns 1,120 shares.

Communications with Directors

Any shareholder wishing to communicate with our Chairman or other Company Directors may do so by contacting the Company's Corporate Secretary, at the address and telephone number listed on page 67, who will forward to the director a written, e-mail, or phone communication. The Corporate Secretary has been authorized by the Board to screen frivolous or unlawful communications or commercial advertisements.

Certain Relationships and Related Person Transactions

During 2017, the Corporate Governance Committee determined that there were no related person transactions to report.

Practices and Policies for Review and Approval of Related Person Transactions

Our Board has adopted a process for related person transactions which is administered by our Corporate Secretary who reports to the Corporate Governance Committee and the Board if there are any potential conflicts of interest. Our Corporate Governance Committee reviews and approves or ratifies all relationships and related person transactions between us and (i) our Directors, director nominees, executive Officers or their immediate family members, (ii) any 5% record or beneficial owner of our Common Stock or (iii) any immediate family member of any person specified in (i) and (ii) above. Our Corporate Secretary is primarily responsible for the development and implementation of processes and controls to obtain information from our Directors and executive Officers with respect to related person transactions and for determining, based on the facts and circumstances, whether we or a related person have a direct or indirect material interest in the transaction.

Under its Charter, the Corporate Governance Committee is responsible for review and approval of related person transactions. In the course of its review and approval or ratification of a related person transaction, the Corporate Governance Committee will consider:

- the Company's relationship with the related person;
- the nature of the related person's interest in the transaction;
- the availability of other sources of comparable products or services;
- the material terms of the transaction to the related person and to the Company, including, without limitation, the amount and type of transaction;
- whether the transaction was in the ordinary course of our business and was proposed and considered in the ordinary course of our business; and
- the importance of the transaction to the Company.

Any member of the Corporate Governance Committee who is a related person with respect to a transaction under review will not be permitted to participate in the discussions or approval or ratification of the transaction. However, such member of the Corporate Governance Committee will provide all material information concerning the transaction to the Board and appropriate Board committee.

Code of Conduct Policies

The Company's Employee and Board of Director Code of Conduct Policies are designed to promote the highest standards of ethical and professional conduct by the Company's Directors, executive Officers and employees, and is adopted and acknowledged annually. The Code of Conduct Policies require that the Company's Directors, executive Officers and employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in the Company's best interest. Under the terms of the Code of Conduct Policies, Directors, executive Officers and employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Conduct Policies.

The Company also has a Whistleblower Policy, which is incorporated into the Employee Code of Conduct Policy that requires Directors, executive Officers and employees to comply with appropriate accounting and internal controls and establishes procedures to report any perceived wrongdoing, questionable accounting or auditing matters in a confidential and anonymous manner. The Whistleblower Policy also prohibits the Company from retaliating against

any Director, executive officer or employee who reports actual or apparent violations of the Employee Code of Conduct Policy. In accordance with this policy, the Company engaged an independent third party, NAVEX Global, to accept such reports and to work with the Company to ensure that they are resolved appropriately. A copy of the Employee Code of Conduct Policy, including the Whistleblower Policy, and the Director Code of Conduct Policy, are available on the Company's website, <https://ir.ctwater.com/governance/governance-information/default.aspx> or by contacting the Corporate Secretary at the address appearing on page 67.

Director Compensation

Directors who are employees of the Company receive no additional compensation for service as Directors.

Non-employee Directors are compensated for their service on the Board as described below. The Company's strategy is to appoint the Directors of its wholly-owned subsidiaries such that their respective Boards of Directors are identical to the Company's Board, and that each of the Board's regular meetings are held on the same day. Currently, Connecticut Water and Maine Water Companies' boards are comprised of the same members as the Company's Board. The following table summarizes the compensation paid by the Company to its Directors during the fiscal year-ended December 31, 2017:

Directors	Fees Earned or Paid in Cash in 2017 (\$)	Stock Awards \$ ⁽¹⁾	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
R. H. Forde	50,800	20,000	—	—	—	—	70,800
M. Hanley	40,000	20,000	—	—	—	—	60,000
H. Hunt	34,000	20,000	—	—	—	—	54,000
B. A. Hunter	33,800	20,000	—	—	—	—	53,800
L. J. Thibdaue	46,000	20,000	—	—	—	—	66,000
E. W. Thornburg ⁽²⁾⁽³⁾	—	—	—	—	—	—	—
C. P. Wallace ⁽⁴⁾	76,800	20,000	—	—	—	—	96,800
E.C. Wolf	40,400	20,000	—	—	—	—	60,400

All non-employee Independent Directors received an equity award of \$20,000 in restricted Common Stock on May 11, 2017, which amount equaled 386 unvested restricted shares, based on the closing price of the Company's Common Stock of \$51.77 on the day prior to the grant date. Restrictions on the shares awarded will lapse on the first anniversary of the grant date, May 11, 2018.

(2) Former Chairman, President and CEO Thornburg was not compensated for his Board service.

(3) Effective September 28, 2017, Mr. Thornburg resigned his director and officer positions with the Company.

Fees earned and total value includes Lead Director Retainer payments for the first three quarters of 2017 and the Chairman retainer for the fourth quarter to recognize her appointment as independent Chairman of the Board on September 28, 2017.

The Board's practice is to have its Compensation Committee engage an Independent Compensation Consultant to conduct a review of the Board's compensation every two years, or as necessary, to ensure it is appropriate, competitive and effective. In alignment with this strategy, the Compensation Committee retained The Wilson Group in 2017 to assess the 2017 Compensation Peer Group to review its compensation arrangements for directors and compare them to director compensation practices for the Company's 2017 Regulated Utility Peer Group (a list of these peers can be found on page 36).

The Wilson Group's detailed competitive Director Compensation benchmarking report and presentation was discussed at the Committee's December 2017 meeting. As a result of the data provided in this analysis the Committee recommended to the Board of Directors the following actions:

- Maintain the Regulated Utility Peer Group as the Compensation Peer Group for the Directors and Officers of the Company;
- Set the annual board retainer at \$22,000;
- Set the Independent Chairman retainer at \$50,000; and
- Set the annual board equity grant at \$22,000.

The Board approved the Committee's recommended changes to the Directors' compensation effective as of January 1, 2018.

The Board of Directors appointed the Company's Lead Director, Carol P. Wallace, to the position of Chairman of the Board effective September 28, 2017, upon the resignation of former Chairman, President and CEO Thornburg. At the time of Appointment, upon the recommendation of the Independent Compensation Consultant, the Board voted to compensate the Independent Chairman with a retainer of \$50,000 annually. During 2017, the Company paid fees totaling \$456,800 to non-employee Directors. The schedule that follows details the elements of the Company's director compensation:

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	2016 - 2017 Compensation	2018 Compensation
Independent Chairman of the Board Annual Retainer ⁽¹⁾	\$0	\$50,000
Director Annual Retainer ("DAR")	\$20,000	\$22,000
Lead Director Annual Retainer ⁽²⁾	\$30,000	\$30,000
Committee Chair Retainer ⁽³⁾	Audit - \$8,000	Audit - \$8,000
	Corporate Finance & Investments - \$8,000	Corporate Finance & Investments - \$8,000
	Compensation - \$6,000	Compensation - \$6,000
	Corporate Governance - \$4,000	Corporate Governance - \$4,000
Annual Equity Retainer ⁽⁴⁾	\$20,000	\$22,000
Board Meeting Fees	\$1,000	\$1,000
Committee Meeting Fees	Audit - \$1,200	Audit - \$1,200
	Corporate Finance & Investments - \$1,200	Corporate Finance & Investments - \$1,200
	All other committees - \$1,000	All other committees - \$1,000

(1) The Independent Chairman of the Board of Directors was appointed upon the resignation of the former Chairman, President & CEO Thornburg on September 28, 2017. The Independent Chairman is paid the DAR and the Independent Chairman retainer in quarterly installments.

(2) The Lead Director position was eliminated at the time of the incumbent was appointed as the Independent Chairman of the Board of Directors on September 28, 2017.

(3) The Committee Chairs are paid the DAR and the Committee Chair Retainer for their specific post in quarterly installments.

(4) The Annual Equity Retainer consists of grants of restricted shares of Common Stock that vest on the earlier of the first anniversary of the grant date or the date of the next Annual Meeting of Shareholders.

Directors Deferred Compensation Plan

Under the Company's Directors Deferred Compensation Plan, Directors may elect to defer receipt of all or a specified portion of the compensation payable to them for services as Directors until their retirement from the Board. Any amounts so deferred are credited to accounts maintained for each participating director, and earn interest at an annual rate of 7.32% that is currently credited on a monthly basis to all deferred amounts. On January 24, 2008, the Directors Deferred Compensation Plan was amended and restated to comply with Section 409A of the Internal Revenue Code ("IRC"). As a result, any director who retires after January 1, 2008, receives a distribution of amounts deferred and accumulated interest in a lump sum within 60 days of their retirement date. Currently, there are no seated Directors participating in this plan and there are no retired Directors receiving annual payments under the plan.

Compensation Committee Interlocks and Insider Participation

Each member of the Compensation Committee of the Company's Board of Directors is Independent in accordance with the Nasdaq Listing Rules. There were no Compensation Committee "interlocks" during 2016, which generally means that no executive officer of the Company served as a member of the Compensation Committee or Board of Directors of another publicly traded company, an executive officer of which serves on the Company's Compensation Committee.

Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Exchange Act, Directors, Officers and certain beneficial owners of the Company's equity securities are required to file beneficial ownership reports of their transactions in the Company's equity securities with the SEC on specified due dates. In 2017, all required reports of transactions by all Directors, Officers and such beneficial holders were timely filed. In making this statement, the Company has relied on the written representations of its Directors, Officers, and ten percent shareholders and copies of the reports that they have filed with the SEC.

Other Security Holders

The following table sets forth information as of March 1, 2017 (except as otherwise indicated) as to all persons or groups known to the Company to be beneficial owners of more than five percent of the outstanding Common Stock or Preferred A Stock of the Company.

Title and Class	Name and Address of Beneficial Holder	Shares Beneficially Owned	Percent of Class
Common	BlackRock, Inc. 55 East 52 nd Street New York, NY 10055	852,846 ⁽¹⁾	7.01 %
Common	The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	667,766 ⁽²⁾	5.53 %
Preferred A	Judith A. Peterson and Kenneth Peterson 928 Brintonial Way Winston Salem, NC 27104	2,025 ⁽³⁾	13.5 %

(1) This information is based on a Schedule 13G filed with the SEC on January 29, 2018 by BlackRock, Inc.

(2) This information is based on a Schedule 13G filed with the SEC on February 9, 2018 by The Vanguard Group.

(3) This information is based on the records of the Company's transfer agent, Broadridge Corporate Issuer Solutions, and records of registered shareholders.

EXECUTIVE COMPENSATION

Equity Compensation Plan Information

The following table provides information about the Company's Common Stock that may be issued upon the vesting of equity awards under all of the Company's existing equity compensation plans as of December 31, 2017. The table also includes information about the Company's other equity compensation plans previously adopted without shareholder approval.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column)
Equity compensation plans approved by security holders ⁽¹⁾	—	—	848,110
Equity compensation plans not approved by security holders ⁽²⁾	—	—	297,436
Total	—	—	1,145,546

Includes the Company's 1994 Performance Stock Program, as amended and restated and approved by shareholders (1) on April 26, 2002, the 2004 Performance Stock Program, approved by shareholders on April 23, 2004 and the 2014 Performance Stock Program approved by shareholders on May 7, 2015.

(2) Represents shares issuable under the Company's Third Amended and Restated Dividend Reinvestment and Common Stock Purchase Plan (the "DRIP" or "Plan"), as of August 11, 2017. Under the Plan, customers and employees of the Company and holders of Common Stock who elect to participate may automatically reinvest all

or specified percentages of their dividends in additional shares of Common Stock and may also make optional cash payments of up to \$17,500 per calendar quarter to purchase additional shares of Common Stock. Other persons are permitted to participate in the DRIP by making payment to the Plan Agent of an initial cash investment of not less than \$500. The Company may issue shares directly to the Plan's agent in order to meet the requirements of the Plan, or may direct the agent administering the Plan on the Company's behalf to buy the shares on the open market at its discretion. From late 1996 to January 31, 2004, the Plan's agent purchased shares on the open market. Since February 2004, the Plan's agent credits Plan participants with shares issued by the Company from the DRIP reserve.

COMPENSATION
COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed the section of this Proxy Statement below entitled "Compensation Discussion and Analysis" with the Company's management. Based on our review and discussions and such other matters deemed relevant and appropriate by the Compensation Committee, we recommend to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Ms. Carol P. Wallace,
Chairman
Mr. Richard H. Forde
Ms. Heather Hunt
Ms. Lisa J. Thibdaue
Ms. Ellen C. Wolf

This report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Exchange Act, as amended, and shall not otherwise be deemed filed under such statutes.

COMPENSATION DISCUSSION AND ANALYSIS

At the Company, honesty is one of our core values. We believe in the power of this value and know the only way to build and strengthen our reputation is through trust. We hold ourselves to the highest standard of integrity and ethical behavior and strive for transparency. We welcome the opportunity to share this Compensation Discussion and Analysis (“CD&A”) with our shareholders and customers.

In this section, we provide an overview and analysis of the Company’s compensation program and policies, the material compensation decisions we have made under those programs and policies, the material factors that we considered in making those decisions and our Company’s peer ranked Total Shareholder Return (“TSR”) performance to the Named Executive Officers’ (“NEO’s”) total compensation. Later in this Proxy Statement, under the heading “Additional Information Regarding Executive Compensation”, you will find a series of tables containing specific information about the compensation awarded to the following individuals, our NEOs in 2017 and 2018, as appropriate:

- Former Chairman and Chief Executive Officer (“CEO”), Mr. Eric W. Thornburg;
- President & Chief Executive Officer (“CEO”), Mr. David C. Benoit*;
- Vice President, Service Delivery, Mr. Craig J. Patla;
- Vice President, Customer and Regulatory Affairs, Ms. Maureen P. Westbrook; and
- Vice President, Human Resources and Corporate Secretary, Ms. Kristen A. Johnson.

* Mr. Benoit was promoted to President and CEO as of March 6, 2018, from Interim President, CEO, CFO and Treasurer as of September 28, 2017. Prior to this time, Mr. Benoit served as the Company's Senior Vice President, Chief Financial Officers and Treasurer.

2017 CEO PERFORMANCE-BASED PAY "SNAPSHOT"

2017 was a year of leadership transition for our Company, as former Chairman, President and CEO of twelve years, Eric W. Thornburg, resigned his officer positions as of September 28, 2017. The Board of Directors sincerely thanks Mr. Thornburg for his excellent service and many contributions to the Company during his tenure.

Mr. David C. Benoit the Senior Vice President, Chief Financial Officer and Treasurer was identified through the Company's succession and development program as a successor for the President and CEO role. On September 28, 2017, the Board appointed Mr. Benoit as the Interim President and CEO, maintaining his duties as the Chief Financial Officer and Treasurer and on March 6, 2018, to President and CEO.

The Board based its assessment of the CEO's performance, primarily upon its evaluation of the Company’s performance. The Company met or exceeded its financial goals and executed against its strategic priorities in 2017 under Mr. Thornburg and Mr. Benoit’s leadership as summarized under the section “Our Business in Fiscal Year 2017”.

The purpose of this table is to provide a clear picture of the CEO's total direct compensation for the 2017 performance period and to show how stock is awarded for both the annual and long-term incentive. The Summary Compensation Table, page 48 includes Change in Pension Value and Non-Qualified Deferred Compensation Earnings and All Other Compensation which are related to a CEO's performance in a given year.

The charts below communicate total performance based compensation earned for 2017, even though portions of these awards will vest in future periods.

Former Chairman and CEO Thornburg Compensation Elements - 2017	Amount (\$)
Salary	\$457,973
Annual Cash Incentive Award	\$0
Long-Term Cash Incentive Award	\$0
Total Cash Compensation ("TCC")	\$457,973
Annual Performance Based Restricted Stock Award	\$0
Long-Term Performance Based Restricted Stock Award	\$0
Time Vested Restricted Stock Award	\$0
Total Direct Compensation ("TDC")	\$457,973
2017 Compensation Payable in Future Years	\$0
2017 Compensation Payable in Future Years	0%
2017 Performance Based Compensation as a % of TDC	0%

(1) At the Former Chairman and CEO's resignation, he forfeited all awards under the 2017 Annual and Long-Term Incentive as well as forfeited any unvested portion of prior year Long-Term Incentive awards attributable to 2015 and 2016.

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Interim President, CEO, CFO and Treasurer Compensation Elements - 2017	Amount
	(\$)
Salary	\$341,948
Annual Cash Incentive Award ⁽¹⁾	\$166,294
Long-Term Cash Incentive Award	\$139,160
Total Cash Compensation ("TCC")	\$647,402
Annual Performance Based Restricted Stock Award	\$0
Long-Term Performance Based Restricted Stock Award	\$0
Time Vested Restricted Stock Award	\$0
Total Direct Compensation ("TDC")	\$647,402
2017 Compensation Payable in Future Years	\$92,773
2017 Compensation Payable in Future Years	14.3 %
2017 Performance Based Compensation as a % of TDC	47.2 %

(1) The amounts reported here are inclusive of \$47,441 that the executive elected to be deferred to the 2017 DCP Plan as incentive cash deferral.

OUR BUSINESS IN FISCAL YEAR 2017

Definitive Merger Agreement with SJW Group

On March 15, 2018, CTWS and SJW Group (NYSE: SJW) announced that both companies' Boards of Directors unanimously approved a definitive agreement to combine through a merger of equals to create the 3rd largest investor-owned water and wastewater utility in the United States, based on pro forma enterprise value and combined rate base. The increased scale and more diverse geographic footprint of the new organization provide the opportunity for investments in service and reliability that can enhance value for shareholders as well as benefits for customers and communities. The Company's March 15, 2018 news release is available at <http://ir.ctwater.com> and additional information regarding the transaction will be available at www.sjw-ctws.com.

Leadership Transition in Connecticut and Maine

On September 28, 2017, Chairman, President and CEO Eric W. Thornburg resigned his officer positions after almost twelve years of excellent service with and for the Company. Mr. Thornburg's many valuable contributions made meaningful impacts on shareholders, customers and employees;

Carol P. Wallace, the Company's Lead Director was elected as the Independent Chairman of the Board of Directors as of September 28, 2017;

David C. Benoit, the Company's Senior Vice President, Chief Financial Officer ("CFO") and Treasurer was appointed by the Board on September 28, 2017, upon Mr. Thornburg's resignation to serve the Interim President and CEO while retaining his CFO responsibilities;

On March 31, 2017, the President of Maine Water Company, Judy E. Wallingford, retired after 36 years of inspiring service and contributions to the Company, the water utility industry, our communities and her Maine and Connecticut Water colleagues. Effective April 1, 2017, Richard L. Knowlton was appointed by the Board as Ms. Wallingford's successor as President of Maine Water Company; and

On April 3, 2018 the Board of Directors, after considering qualified candidates acted to appoint Mr. Benoit and Ms. Johnson to the Board of Directors, citing their many skills and accomplishments as well as their deep knowledge of the regulated water utility industry.

2017 Company Financial Performance

Net Income grew by 7.1% to \$25.1 million and basic Earnings per Share ("EPS") grew 2.4% to \$2.17, compared to \$23.4 million and \$2.12 in 2016. 2017 EPS included a \$0.13 per share negative impact from the Tax Cuts and Jobs Act passed in December 2017;

Total revenue, from all business segments, grew to \$113.8 million from \$105.3 million, an increase of 8.1%. Total revenue includes all revenues generated by the Company's three business segments: Water Activities, Services and Rentals, and Real Estate;

Net income in the Company's core business, the Water Operations segment was \$23.9 million on revenues of \$108.5 million. In 2016, net income from the segment totaled \$22.2 million, on revenues of \$100 million. The increase in revenues was related to the acquisitions of the Heritage Village Water Company in February 2017 and the Avon Water

Company in July 2017, as well as the recovery of costs for completed infrastructure replacement projects through the Water Infrastructure and Conservation Adjustment ("WICA") in Connecticut and the Water Infrastructure Charge ("WISC") in Maine. Also contributing was a general rate increase approved in the Maine Water Company's ("Maine Water") Biddeford Saco division that took effect in December 2017;

The quarterly common stock dividend was increased in 2017 by 5.3%. Over the past three years our annual dividend payments have increased by 11.9%. The Company has paid dividends for 62 consecutive years and has increased its dividend now for 247 consecutive quarters;

Our share price at year-end 2017 closed 2.8% higher than at the previous year end and 51% over the last three years' end closing price. In every year since 2012, our closing share price at year-end has been higher than the previous year end;

The Company's long-term performance is strong with three-year average annual TSR at 17.9%, exceeding the S&P Small Cap, S&P Mid-Cap and the S&P Utilities Index;

The Company's five-year Net Income and EPS compounded annual growth rates were 13% and 7%, respectively; and The Company's five-year compounded annual growth rate for stock price (inclusive of dividends) was 15.9% for the period 2013-2017.

2017 Acquisitions and Growth

Since January 2012, CWS has grown its customer base by more than 54%, or nearly 45,000 water customers and 3,000 wastewater customers, primarily through sizable acquisitions in both Maine and Connecticut;

On February 27, 2017, the Company completed the acquisition of the Heritage Village Water Company ("HVWC") in a transaction with a total enterprise value of \$20.7 million. HVWC serves approximately 4,700 water and 3,000 wastewater customers in the communities of Middlebury, Oxford, and Southbury, Connecticut. The wastewater operation is the only wastewater utility in the state regulated by the Connecticut Public Utilities Regulatory Authority ("PURA"); and

On July 1, 2017, the Company completed the acquisition of The Avon Water Company ("AWC") in a transaction that reflects a total enterprise value of \$40.1 million. AWC serves approximately 4,800 water customers in three communities.

Other Notable Performance Matters

On December 5, 2017, the Maine Public Utilities Commission ("MPUC") approved a water rate increase for customers of Maine Water's Biddeford Saco division. Maine Water had requested an increase in annual revenues of \$1.57 million. The MPUC approved an increase of \$1.56 million, which was effective with customer bills issued on or after December 1, 2017;

Since the adoption of WICA in 2007, Connecticut Water has replaced more than 118 miles of aging water main with an average age of 75 years, approximately 7.5% of our distribution system piping. WISC became available in Maine in 2013 and effective in 2014 and has been used to replace 15 miles of aging water mains, upgraded pump stations, constructed a 3-million-gallon storage tank, funded treatment improvements and replaced IT systems;

In 2017, Connecticut Water completed the replacement of the Rockville Drinking Water Treatment Facility using an innovative "design-build" approach allowing us to collaborate with the consultant and contractors and the Connecticut Department of Public Health to deliver the project ahead of schedule and on budget. This new facility can treat more water, maintain consistent output during facility maintenance, provide greater energy and operating efficiencies and generate significant environmental benefits; and

In 2017, we took our first steps to replace our largest water treatment facility in Maine, the Biddeford Saco Water Treatment Facility that went on line in 1884. In addition to serving our customers, this new facility has the ability to be a resource to neighboring communities in southern Maine. Construction will begin in 2018 and is expected to be completed in 2020.

The table on the following page displays the Company's 2017 three-year cumulative TSR to the S&P Small Cap Utilities Index, the S&P Mid Cap Utilities Index, the S&P 500 Utilities Index and the average cumulative return for Water Utility Peer Group. TSR stands for "Total Shareholder Return" and describes the total of the Company's stock price appreciation and aggregate dividends over a specified period of time. For a listing of companies in our Water Utility Peer Group, please refer to page 36 of this Proxy Statement.

The following charts display the compounded five-year annual growth rate of our net income, EPS, and stock price through 2017.

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Note: The stock prices noted on this chart are exclusive of dividends.

Say-on-Pay Consideration

In accordance with SEC rules, our shareholders voted on the "Say-on-Pay" and "Say-on-Frequency" non-binding advisory resolutions at our 2017 Annual Meeting. Our shareholders showed strong support (94.19%) for our compensation practices and Proposal 2 in this Proxy Statement is this year's non-binding advisory resolution on executive compensation. To assist the Committee in its strategic compensation planning in this regard, the Committee engaged a consultant and legal counsel to complete a detailed executive compensation review that included an analysis of executive compensation plans and programs to identify market competitiveness, and effectiveness in accomplishing all aspects of the Company's compensation philosophy. The Committee discussed the recommendations of the Consultant at length and implemented changes, as discussed further in this section, to address plan elements that needed adjustments in 2017 and 2018.

Developments in our Executive Compensation Program for Fiscal Years 2017 and 2018

During fiscal year 2017 or in the first quarter of 2018, the Committee made the following modifications to executive compensation plans and programs for fiscal year 2018:

The Committee engaged the Independent Compensation Consultant and legal counsel for strategic compensation assessments in 2016 and 2017 that led to the following actions taken:

Amended the Executive Deferred Compensation Agreements with the Company's Officers to freeze the Agreements to new deferral elections as of January 1, 2017, eliminating the crediting of new deferrals with the rate provided in the Agreements, the Moody's AAA Corporate Bond rate, plus 4%. The Amendments also provide that the amounts payable under the original Agreements, prior to the Amendments, will remain subject to the terms of the original Agreement, including the time and form of payment specified in the original Agreements;

Implemented and made effective the new 2017 Connecticut Water Company Deferred Compensation Plan ("DCP") on January 1, 2017 plan for executives and certain other highly compensated leaders that would allow participants to defer eligible base salary and incentives and allocate their deferral accounts among several notional investments, the value of which will be increased or decreased to reflect deemed returns under the selected investment; and

Reviewed the appropriateness and competitiveness of the Company's long-term incentive plan metrics. The Committee concluded, based on the results and counsel of the Consultant to maintain the metrics used in the 2016 long-term incentive for 2017 and 2018 with one modification, the Company's relative 3 year average TSR will be measured against all eight of the Water Utility Peers, without exclusions.

Implemented revised Stock Ownership Guidelines for executives, requiring increased levels of ownership for the CEO at four times base salary; the SVP, CFO at three times base salary; and the Company Vice Presidents and President of Maine Water at two times base salary. In addition, executives that have not attained their ownership requirement must elect to receive at least 50% of their annual and long-term incentive awards in Performance Shares Units;

- Upon the appointment of the Interim President & CEO on September 28, 2017, adjusted salary from \$325,760 to \$400,000 per year and his annual target award opportunity to 50% of salary to align with market practices.

Mr. Benoit's Long-Term target award remained at 40%;

Maintained the annual and long-term incentive award opportunity levels for NEOs other than the Interim President and CEO to meet market averages when performance against metrics is achieved or exceeded;

To encourage retention following the resignation of the Chairman, President and CEO, the Board took the following actions:

On November 15, 2017, the Board approved amended and restated Supplemental Executive Retirement Agreements ("SERP") for the active NEOs, providing that if the NEO undergoes a separation from service ("Separation") with CWC either without cause or due to the NEOs' death or disability at any time before the age of 62, the SERP benefit will generally be treated as if the Separation occurred after the NEO attained age 62 in two respects; the NEOs' SERP benefit will not be reduced by an early retirement factor, and; the components of compensation used to calculate average earnings for purposes of the SERP benefit will be consistent with the components used following a Separation after attaining age 62; and

On December 8, 2017, the Board approved a \$60,000 award of restricted stock units ("RSU") to each of the three Vice President NEOs. Designed to provide greater likelihood of retention, the RSUs have a three-year cliff vesting requirement and will be forfeited if the executive is not actively employed on the vesting date.

Refined metrics in our annual incentive in 2017 to:

Focus on our commitment to the Environment by reducing lost water in our systems;

Set management's focus on successfully delivering on key organizational projects; and

Set threshold levels of performance in Customer and Employee Satisfaction significantly over "World Class Levels" as defined by our survey partner, GreatBlue Research, Inc.

Approved revised metrics and granted equity participation in the 2014 PSP for participants of the Senior Leader and Manager Incentive Program ("SLMIP") for fiscal year 2017.

The Committee engaged the Independent Compensation Consultant and legal counsel for strategic compensation assessments in 2018 that led to the following:

On March 6, 2018, the Board of Directors acted to promote Mr. Benoit to President and CEO of the Company and made certain compensation adjustments upon review of competitive data from the Independent Compensation Consultant:

Set Mr. Benoit's annual salary at \$430,000;

Affirmed his target annual incentive at 50% of his salary;

Set his long-term incentive target to 75% of his salary; and

Granted an award of RSU's with a grant date fair value of \$162,500 and a three year cliff vesting requirement.

Applied negative discretion to the NEOs' 2017 Long Term Incentive results, resulting in award payments at 110% of target versus 150%, an average forfeiture of \$34,200 for the President & CEO, and the Vice Presidents;

Authorized a special Integration Cash Award in recognition of the efforts of employees at all levels within the organization to effectively integrate Heritage Village Water and Avon Water and attain "World Class" levels of customer satisfaction in 2017. Awards of \$5,000 were made to the active NEOs, thirty special mention awards of \$1,500 or \$1,000 were made to non-officer employees and an award of \$300 was made to all remaining employees;

Refined metrics in our 2018 annual incentive to:

Focus on our commitment to the Environment by reducing lost water in our systems;

Set management's focus on successfully delivering on key organizational projects; and

Set threshold levels of performance in Customer and Employee Satisfaction significantly over "World Class Levels" as defined by our survey partner, GreatBlue Research, Inc.

Approved revised metrics and granted equity participation in the 2014 PSP for participants of the Senior Leader and Manager Incentive Program ("SLMIP") for fiscal year 2018.

PHILOSOPHY AND GOALS OF OUR EXECUTIVE COMPENSATION PROGRAM

The Company's compensation philosophy is set by the Committee and affirmed by the Board. Our philosophy is described in the table on page 31 and is intended to align NEO compensation with the Company's annual and long-term performance. A significant portion of each NEO's total compensation opportunity is directly related to achieving the Company's EPS, TSR and other absolute and relative performance targets driving our progress toward the goals of our long-term strategic and business plans.

We are pleased to share with you that at December 31, 2017 the Company's three-year cumulative TSR was 70.2%, exceeding the S&P Small Cap Utilities Index, the S&P Mid Cap Utilities Index, and the S&P 500, and ranked in the 44th percentile to our Water Utility Peer Group (Peers 77.9% vs CWS of 70.2%). The Company has also achieved growth in compounded annual growth rates for Net Income (12.2%); EPS (6.7%); and Stock Price (15.8%), inclusive of dividends, over the five-year period 2013 – 2017. During this period, our NEOs' compensation was assessed as competitive with the Company's Water Utility Peer Group as described on page 36, as measured by our 2017 executive compensation review, time adjusted.

We believe that our strong and consistent performance supports the executive compensation plans and programs the Committee has approved for the NEOs. Our goal has been to design best practice compensation plans that drive short and long-term positive results for our shareholders within the framework of our compensation philosophy as detailed further in this CD&A.

The Company wants its NEOs and employees to balance the risks and related opportunities inherent in the Company's industry and in the performance of their duties and share the upside opportunity and the downside risks once actual performance is measured. To this point, the Board has completed a risk analysis of all of our compensation policies and programs for its employees and has determined that these policies and programs are not reasonably likely to have a material adverse effect on the Company. For further information, please see the Risk Assessment on page 46.

A review of our programs will highlight two core concepts of our philosophy, pay for performance and pay at risk.

Summary of Executive Compensation Practices

The compensation practices that we have outlined below have been implemented because we believe that they are consistent with our shareholder's interests:

What we do:

- A significant portion of our executive compensation is based on actual Company performance compared to absolute and relative measures and is therefore "at risk";

- Performance share and cash units in our long-term and annual incentive programs are subject to both time and performance vesting requirements;

- Multiple performance metrics between the annual and long-term incentive plans discourage excessive risk-taking by removing any incentive to focus on a single performance goal to the detriment of the Company;

- Appropriate balance between annual and long-term compensation discourages short-term risk taking at the expense of long-term results;

- Our executives are required to acquire and maintain meaningful ownership positions in our Company's Common Stock;

- Use a relevant peer group;

- Maintain a clawback policy;

- Provide reasonable, double trigger change-in-control arrangements for our NEOs and other executive officers; and

- Retain an Independent Compensation Consultant to advise the Committee.

Following is a list of compensation practices that we have not engaged in because we do not believe that they are consistent with our shareholders' interests:

What we don't do:

- Re-pricing or backdating of stock options;

- Hedging or engaging in the following transactions that include shares of Common Stock: collars, short sales and other derivative transactions for NEOs or Directors;

- "Single trigger" change in control payments, all change in control benefits require a termination within two year of a change in control;

- "Stay-on bonus" provisions in employment agreements;
- Excessive perquisites for executives; and
- Provisions for excise tax gross ups in employment contracts issued after 2006.

The following table highlights the primary components and rationale of our compensation philosophy and the pay elements that support the philosophy.

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Elements of Total Compensation

Executive Summary

We recognize that a sound and risk appropriate executive compensation program is part of what makes a company an employer of choice. Our compensation philosophy guides us to provide certain pay elements that are directly linked to the Company's performance results. By doing so, we are able to provide the following:

- market-competitive salaries that reflect each executive's responsibility level, qualifications and contribution over time;
- benefits that adequately meet the needs of our employees and their families at a reasonable shared cost;
- meaningful, performance-based annual incentives; and
- long-term equity incentives that reflect the creation of shareholder value and drive other company objectives.

Of these four pay elements, we consider the annual and long-term incentive forms of compensation to be the most important because they enable us to attract, retain, motivate and reward talented individuals who have the necessary skills to manage our growing organization on a day-to-day basis and into the future.

The value of annual incentives is directly linked to EPS as well as to other important targets such as customer and employee satisfaction as defined and approved by the Committee at the beginning of each fiscal year. The long-term incentive plan delivers awards upon the achievement of certain relative three-year average TSR targets and an absolute three-year average return on shareholders equity. The long-term incentive plan helps to mitigate the potential risk that an executive might take short-term actions that are not in the long-term interest of the Company and its shareholders in order to achieve greater payouts through the annual incentive plan.

Annual and long-term incentive awards may be provided to executive Officers in a variety of forms as outlined in the 2014 PSP. In 2017 and 2018, the Committee awarded four forms of equity; performance shares, performance cash, restricted stock and restricted stock units. Annual awards achieved vest at the conclusion of the fiscal year and long-term awards vest ratably over a three-year period at a "Future Payment Date" when elected before the performance period and they may also defer certain incentive payments through the 2017 Connecticut Water Company Deferred Compensation Plan ("DCP") further described on page 59.

To assist the Committee in executing its responsibilities, it engages a consultant (see information on Compensation Consultant (page 35)) every two years, or more frequently if needed, to provide the Committee with an understanding of best practice, competitive policies and programs and comparative performance and pay data based largely upon a sample of publicly-traded utilities. The peer group pay data is derived from proxy statements and helps the Committee establish the salaries and target incentive award opportunities for the NEOs. In recommending 2017 compensation, the Consultant used data and information from an array of other regulated industry comparators, information from certain, well known and respected published surveys on executive compensation as well as Water Utility Peer Group proxy data to provide a well-defined review. In 2015 and confirmed in June of 2017, the Committee, upon the advice of the Consultant, approved a revised Regulated Utility Peer Group (page 36) reflective of current best market practices. In addition to using proxy data from this new peer group, the Consultant also used certain, well known and respected published executive compensation survey sources to provide pay data for NEO positions not represented in the Regulated Utility Peer Group.

In general, it is the intent of the Committee to have individual base salaries fall within a range of plus or minus 15% from the market median data established by the Independent Consultant. Variations within the plus or minus 15% range can occur based on length of service, performance, job grade, etc., and are considered by the Committee annually in the merit increase award process. Annual and long-term incentives are targeted at market median for performance that meets targeted annual objectives. Performance results can be above or below the targets set and the Committee intends to have the incentive compensation award levels mirror the actual performance results up to a defined cap. In 2017 and 2018, the cap on the annual and long-term incentive award levels is 120% and 150% of target, respectively. These caps reflect current market pay practices.

Discussion of Specific Elements of Compensation

Our approach to total compensation is to create a comprehensive compensation package designed to reward individual performance based on the Company's short-term and long-term performance and how this performance links to our corporate strategy. The elements of our total compensation for executive Officers, including the NEOs, are as follows:

Rewarding Short-Term Performance

Salary or Base Pay — This is the fixed amount of compensation for performing day-to-day responsibilities which aids in recruitment and retention and is designed to be market competitive.

Discretionary Bonuses — In addition to annual salaries paid to our NEOs, the Committee retains the right to award cash bonuses to the NEOs in its sole discretion and sound business judgment, if the Committee determines that an NEO has made a significant contribution to the Company's success in the past year. On March 14, 2018, for the first time in

twelve years, the Committee authorized and the Board approved a "Special Integration cash Incentive for all Company Employees to recognize the results of the integration activities related to the acquisitions of Heritage Village Water and Avon Water Companies. Each of the NEOs other than Mr. Thornburg received \$5,000 awards through this program.

Discretionary Stock Awards — The Committee retains the right to award shares of stock or other stock-based awards to the NEOs in its sole discretion and sound business judgment, if the Committee determines that an NEO has made a significant contribution to the Company's success in the past year.

Annual Incentive Plan — Awards for 2014 forward are made from the 2014 PSP. These Annual awards may be granted in the form of options, SARs, other stock-based awards, performance cash units, performance stock units and/or restricted stock. New for 2017, awards may also be granted or elected in the form of Incentive Deferred Cash to the 2017 DCP. Performance share units are deferred vehicles paid out at specified dates, at retirement or upon death (see descriptions on page 51). Awards through this plan are earned for achieving the Company's short-term financial goals and other strategic objectives measured for the current year and fully vest after the completion of each fiscal year. Annual awards are structured to provide competitively based and risk appropriate incentives to our executives to improve Company performance.

Rewarding Long-Term Performance

Long-Term Incentive Awards — Long-term performance-based awards for 2014 forward ("long-term awards") are granted from the 2014 PSP and are awarded in the same form as the annual awards. Long-term awards vest over three years as described further below. These awards are granted to aid in the retention of executive talent, build stock ownership, and align compensation with achievement of the Company's long-term financial goals, creating shareholder value and achieving strategic objectives as measured over multi-year periods.

Other Elements of Total Compensation

Restricted Stock Unit Grants – From time to time the Board will grant RSUs to reward or retain the NEOs. In December of 2017, following the resignation of Chairman, President and CEO Thornburg, the NEOs, with the exception of the Interim President and CEO at the time, were granted RSUs with a grant date fair value of \$60,000 and a three year cliff vesting period. Also, In March of 2018, the Board granted 3,309 RSUs to Mr. Benoit with a grant date fair value of \$162,500 and a similar three year cliff vesting schedule in recognition of his promotion to President and CEO of the Company.

Other Benefits and Perquisites — The Company provides all active full-time employees with medical, dental, short-term disability, long-term disability and group term life insurance coverage. We pay all premiums for long-term disability and life insurance coverage for all employees plus additional benefits if any employee suffers a covered accidental loss resulting in death, dismemberment or paralysis. The Committee granted Mr. Thornburg and then to the President and CEO and the other NEOs, supplemental long-term disability policies in 2008, 2015 and 2016, respectively. When combined with the standard long-term disability policy benefit provided to other employees, the supplemental long-term disability policy will provide a benefit equal to 60% of their compensation in the event that they become disabled. The Committee also granted Mr. Thornburg, in 2015 and Mr. Benoit in 2016, with term life insurance policies because the benefit offered from the group term life policy was not sufficient to provide them with the benefit detailed in their original offer of employment due to caps on compensation in the group-term life policy. Each of our executive Officers is entitled to benefits on the same basis as other employees. All active full-time employees, including our executives, receive time off with pay for vacation and sick leave in accordance with Company policy.

Retirement Benefits — The Company's qualified retirement plans are intended to provide competitive retirement benefits to help attract and retain employees. Our non-qualified retirement plans are intended to provide executives with a retirement benefit that is comparable on a percentage of salary basis to that of our other employees participating in our qualified pension plan by providing the benefits that are limited under current Internal Revenue Service ("IRS") regulations. More information on these retirement related plans may be found on page 58.

Employment Agreements and Change-in-Control Severance Plans — The Company has entered into "double-trigger" employment and change-in-control severance agreements ("Agreements") with each of its NEOs. These Agreements are intended to minimize the distraction and uncertainty that could affect key management in the event the Company

engages in a transaction that could result in a change of control. These Agreements generally address: role and responsibility; rights to compensation and benefits during active employment; termination in the event of death, disability or retirement and termination for cause or without cause; and resignation by the employee. Agreements also contain termination and related pay provisions in the event of a change-in-control. In all cases, for the change-in-control provisions in the Agreements to apply, there must be both (1) a change-in-control, as well as (2) a termination of the executive's employment by the Company without cause or a resignation by the executive for Good Reason. This is

commonly referred to as a “double-trigger” requirement. Further, the Agreements stipulate that the executive may not compete with the Company for prescribed periods following termination of employment or disclose confidential information. Each of the Employment Agreements, except those Agreements with Mr. Benoit and Ms. Westbrook, limit the amount of the payments that may be made under the Agreements to the IRS’ limitation on the deductibility of these payments under Section 280G of the Internal Revenue Code (“IRC”). Specifically, these Agreements, including Ms. Johnson’s and Mr. Patla’s Agreements, do not provide for a Section 280G “gross-up” in the event that payments exceed the IRS’ limitation as stated previously. The Agreements with Mr. Benoit and Ms. Westbrook do not contain this limitation and require the Company to reimburse them for certain tax impacts of exceeding this limit. See “The Impact of Tax Considerations on Executive Compensation Decisions” on page 45. Payments under each of the NEO Agreements are contingent on the executive’s agreement to a 24-month non-compete following termination of employment. We believe that the multiples of compensation and other benefits provided under the agreements entered into after 2006 with Ms. Johnson and Mr. Patla, are consistent with the practices of our Regulated Utility Peer Group and do not contain “single-trigger” change in control benefits or excise tax gross ups, instead they offer a “Best of Net” cutback. The Company has no formal change-in-control or severance policy. However, as noted here, individual Agreements generally have provisions related to both change-in-control and severance.

Other Compensation — The Company provides non-elective contributions to the Company Savings Plan (“401(k)”) in recognition of service and contributions to the Company and allows for executive deferrals. All employees, including NEOs, may participate in the 401(k), as amended and restated on January 1, 2016. Since January 1, 2009, the Company’s 401(k) plan has included requirements of a special IRS safe harbor that allows the Company to make an automatic, non-elective contribution of 3% of salary for all eligible employees and an additional 1.5% non-elective contribution for eligible employees who are not eligible to participate in the Company’s qualified defined benefit pension plan, even if the employee does not make his or her own contributions. Executive Officers may also elect to defer compensation under a non-qualified salary deferral plan. In December 2016, the Company and certain of the Company’s Officers, including the NEOs, entered into amendments to the Deferred Compensation Agreements documenting that no elections to defer compensation may be made under the Agreements after 2016 and that the amounts payable under the original Agreements will remain subject to the terms of the original Agreements. The Company took this action specifically to freeze the “above market interest crediting methodology (the product of Moody’s AAA Corporate Bond Yield Average Rate, plus an additional 4%) on future deferrals, which is no longer a market prevalent practice. Concurrently, the Compensation Committee and the Board adopted the 2017 Connecticut Water Company Deferred Compensation Plan (“2017 DCP”), a non-qualified plan, that allows eligible participants to defer up to 50% of their base salary and up to 100% of incentive compensation earned. The Plan also permits, but does not require, the Company to make discretionary contributions. Effective on January 1, 2017, executive Officers and certain other highly compensated leaders became eligible to elect to made deferrals of compensation under the 2017 DCP. This Plan allows participants to allocate their deferral accounts among several notional investments, the value of which will be increased or decreased to reflect deemed returns under the selected notional investments.

The Role of Management in Compensation Decisions

The Committee and the President and CEO discuss the financial metrics that closely align performance targets of the business with the strategic goals of the Company. The Committee and the President and CEO also discuss the individual goals and desired initiatives for each NEO, to determine which initiatives should become components of the annual incentive plan, and the extent to which performance targets for the previous year have been achieved. The Committee reviews information provided by its Independent Compensation Consultant and uses that information as a reference point for setting the different components of compensation. The President and CEO provides input on and makes recommendations to the Committee for executives other than himself with respect to annual salary adjustments, annual and long-term incentive opportunity levels and adjustments, and grants of equity awards under 2014 PSP. The Committee approves or modifies the compensation of these executives taking into consideration the President and CEO’s input and recommendations.

From time to time throughout the year, the President and CEO or the Vice President, Human Resources and Corporate Secretary may provide to the Committee market based data from published surveys, peer companies and other sources with regard to annual salary range adjustments, merit increase budgets and other information related to best practices

and emerging trends on executive compensation matters to supplement information from the Consultant. In 2017, the former CEO and the President and CEO were present at all of the Committee meetings, and attended a portion of two executive sessions at the invitation of the Lead Director. The President and CEO did provide information to the Committee regarding compensation for his direct reports in executive session but did not participate in meetings or deliberations when his own compensation was discussed.

The Role of the Compensation Consultant

The Committee has utilized the services of The Wilson Group as the Independent Compensation Consultant ("Consultant" or "The Wilson Group") since 2012. The Committee has the sole authority to hire or terminate their consultant as well as to approve fee arrangements for work performed. The Wilson Group assisted the Committee in fulfilling its responsibilities under its Charter, by providing a briefing on best practice trends in executive compensation and the governance of executive compensation, reviewing and recommending changes to the compensation peer group, and advising on compensation and benefit matters for the NEOs through their benchmark studies and advisory services. The Committee has authorized the Consultant to interact with management and the Committee's outside legal counsel on behalf of the Committee, as needed to facilitate communication, information gathering activities and work processes required to carry out the instructions of the Committee (for example, the amended and restated SERPS, the interim and promotion adjustments for Mr. Benoit and the restricted stock unit awards for the NEOs).

In fiscal year 2017, The Wilson Group provided services to management related to benchmarking compensation for non-executives and updating the Company's compensation structure. This work, as well as the total expense, was fully disclosed to and affirmed by the Committee and Carol P. Wallace, former Lead Director and now Chairman of the Board. These services totaled \$108,137.50 in 2017. The Committee has assessed the independence of The Wilson Group pursuant to SEC and Nasdaq Listing rules and has concluded that the Consultant's work for management does not give rise to any conflict of interest concerns.

The Committee retains a compensation consultant every two years, or more frequently if needed, to review, gather competitive data and provide advice on executive compensation matters. The most recent executive compensation benchmark review was completed in October 2017 by The Wilson Group and then supplemented by a review of executive arrangements and retention strategies by legal counsel. In these reviews, the Consultant provided advice and information regarding the design and implementation of the Company's executive compensation programs, and updated the Committee about regulatory and other technical developments that may affect the Company's executive compensation programs. In addition, the Consultant provided the Committee with competitive market information, analyses and trends on base salary, short-term incentives, long-term incentives, and executive benefits.

The Committee believes that the Consultant provides candid, direct and objective advice to the Committee, to that end:

- the Committee directly selected the Consultant;
- the Consultant is engaged by and reports directly to the Committee and the Chairman of the Committee;
- the Consultant meets as needed with the Committee in executive sessions that may or may not be attended by any of the Company's Officers, as determined by the Chairman;
- the Consultant has direct access to the Committee Chairman and members of the Committee during and between meetings; and
- interactions between the Consultant and management generally are limited to internal data gathering, discussions on behalf of the Committee and information presented to the Committee for approval.

Competitive Positioning

In 2017, the Committee engaged the Consultant to review the Company's Compensation Peer Group.

Based on recommendations from the Consultant, the Committee articulated the following criteria as the rationale for establishing the Compensation Peer Group:

1. The peer group is comprised of companies within the same basic industry segment as the Company;
The number of companies is large enough to reflect a group of companies that is not expected to change over time.
2. If one or two utilities in this peer group are acquired or go private, it should not distort the Company's benchmark comparisons over time;
3. The companies reflect a stable set of utilities from a performance perspective readily allowing comparisons to TSR when benchmarking pay and performance relationships; and
4. The majority of utilities represented in the peer group have been selected as peer companies by ISS and/or Glass Lewis. This means that these proxy advisory firms believe that these companies reasonably reflect our industry

practices and performance.

Resulting from that review and subsequent recommendations, the Committee affirmed the prior year's Regulated Utility Peer Group with one change to eliminate Empire Electric, as it did not file a proxy statement in 2017, as follows (along with all other references to this peer group in this document):

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Regulated Utility Peer Group Company	Primary Industry	Ticker
American States Water	Water & Electric Services	AWR
American Water Works Company	Water & Waste Water Services	AWK
Aqua America	Water & Waste Water Services	WTR
Artesian Resources Corporation	Water & Waste Water Services	ARTNA
California Water Services Group	Water & Waste Water Services	CWT
Chesapeake Utilities Corporation	Natural Gas Distribution & Electric	CPK
Delta Natural Gas Company	Natural Gas Distribution	DGAS
Gas Natural, Inc.	Natural Gas Distribution	EGAS
Middlesex Water Company	Water & Waste Water Services	MSEX
Northwest Natural Gas Company	Natural Gas Distribution	NWN
RGC Resources	Natural Gas Distribution	RGCO
SJW Corporation	Water & Waste Water Services	SJW
Unitil Corporation	Electric Services & Gas	UTL
York Water Company	Water & Waste Water Services	YORW

The Company's size in relation to this peer group is approximately at the 25th percentile, as such, the Committee has benchmarked compensation for the executives at this level, as advised by the Consultant.

In 2017, the Committee refined the Company's total pay compensation philosophy to target the pay of our NEOs in a range of plus or minus 15% of the market median composite of our Regulated Utility Peer Group (25th percentile), and other survey resources using the 50th percentile.

The Committee reviewed data compiled by the Consultant from 2017 Proxy Statements for the Regulated Utility Peer Group which provided philosophy, program design and total direct compensation statistical data for the top five executive Officers by title and duties. The Consultants compared each NEO position to similar positions at other companies, seeking a minimum of five matches for each NEO as a benchmark for inclusion in the analysis. Such matches were made for the Chief Executive Officer, SVP and Chief Financial Officer, Vice President, Customer and Regulatory Affairs and Vice President, Service Delivery. Market Data was captured at the 25th, 50th, and 75th percentiles, consistent with the Company's current compensation philosophy, however to reflect the Company's size, data reflecting the 25th percentile of the primary peer group was utilized.

To determine the market value of each position, the Consultant calculated the Market Composite of the data. The resulting information was then presented to the Committee in the form of a comparative analysis of actual pay to the marketplace for compensation components including base pay, Total Cash Compensation and Total Direct

Compensation. This information was the basis for how each NEO position was assigned to a salary grade in the Company's Compensation Administration structure.

The Committee used these salary grades to determine the preliminary salary recommendation and the preliminary target annual, and long-term equity incentive award values for each executive position. Each salary grade is expressed as a range with a minimum, midpoint, and maximum. The Committee seeks to set the midpoint for Executive officer salaries, target annual and target long-term incentive award values to a position plus or minus 15% of the 25th percentile reported for executives in equivalent positions in the Regulated Utility Peer Group and other resources disclosed in the table above.

This framework provides a guide for the Committee's deliberations. The actual total compensation and/or amount of each compensation element for an individual executive officer may be more or less than this figure.

How We Make Compensation Decisions

In conjunction with the review and approval of the upcoming year's financial and strategic plans each fall, the Committee determines the level of potential awards through the Company's 2014 PSP for the upcoming year, and undertakes a risk analysis to identify any adverse material impacts that the incentives might pose and takes steps to mitigate such impacts. The specific performance goals are established and the corresponding maximum, target and threshold awards are determined by the

Committee taking into consideration guidance from the Consultant, which was most recently benchmarked in October 2017. At the conclusion of the 2014 PSP plan year when performance has been measured, the Committee determines for each NEO the portion of the awards that were actually earned, based upon the achievement of performance goals set in the financial and strategic business plans. The awards are then made to the participants. Long-term awards have pre-established goals that must be achieved, a vesting period that must be satisfied, and a continued employment term of three years, except in the case of an approved retirement, when vesting may be accelerated per the terms of the 2014 PSP.

In the first quarter of each year, the Committee reviews the current total compensation of our leadership team, the executive Officers reporting to the CEO, including salaries, target annual and long-term incentive award values, perquisites, other benefits (including retirement, health, and welfare benefits) and Employment Agreements. The Committee receives an annual report from the President and CEO in executive session on each individual executive's historical compensation information; each executive's performance; a progress report on the executive's results in achieving strategic objectives; and general competitive market information pertaining to salary increase budgets and executive compensation. As reported in detail beginning on page 35, every two years, or as frequently as the Committee desires, a recognized Independent Compensation Consultant is engaged to analyze executive compensation competitiveness and reasonableness of the Company's executive officer pay levels and programs. Comparisons have regularly been made to a sample of larger and smaller publicly-traded regulated utilities, including our Regulated Utility Peer Group members, as disclosed on page 36. The Consultant also provides recommendations regarding executive compensation program strategy, mix and award practices based upon competitive market trends as well as tax and financial efficiencies. The Wilson Group provided an analysis and recommendations on these matters to the Committee in September 2016 for the design of the 2017 DCP and then, with the assistance of independent legal counsel, in October of 2017.

The Committee then sets each executive's compensation target for the current year. Typically, this involves establishing annual merit opportunities. Beginning in 2015, the Committee has utilized a Merit Pay Distribution Matrix ("Merit Matrix") for setting executive pay as well as merit compensation for all Company employees. This Merit Matrix uses three data points to calculate merit pay adjustments, Company budget, performance rating and the incumbents' base pay position in their assigned salary grade, which is aligned with the market pay for that position. The Committee then reviews this information and uses its sound business judgment to approve or modify the Merit Matrix generated pay adjustments for the NEOs. In March of 2017, the Committee used negative discretion to modify the Merit Matrix generated pay adjustments to reflect their Company expense and in 2018, approved the generated increases per the Merit Matrix. Merit increases become effective on a date determined by the Committee, typically in the first half of the year. The Committee's decisions are then reported to and reviewed by the Board per the Committee Charter.

Decisions about individual compensation elements and total compensation are ultimately made by the Committee using its sound business judgment, focusing primarily on the executive officer's performance against his or her individual financial and strategic objectives, as well as the Company's overall performance. The Committee also considers a variety of qualitative factors, including the business environment in which the financial and strategic objectives were achieved. Thus, with the exception of the performance awards discussed later, the compensation of our executives is not entirely determined by formula.

Total Annual Cash Compensation

In the first quarter of 2017, using the analysis and work product provided by the Consultant in 2016, the Committee implemented reaffirmed the salary ranges and the Merit Matrix for all Company employees, including the NEOs. As discussed previously on this page, the Merit Matrix uses three data points to calculate merit pay adjustments, Company budget, performance rating and the incumbents base pay position in their assigned salary grade, which is aligned with the market pay for that position. The Committee, then using its sound business judgment, approves or adjusts the generated pay adjustments for the NEOs. In 2017, the Committee authorized the pay adjustments that resulted from the Merit Matrix assessing them as market and performance aligned.

The Committee, as advised by the Consultant, bases the annual and long-term incentive targets on each NEOs' base salary using the greater of the base salary in effect at the time of grant, or the midpoint of the grade range for the NEOs, which is based on the 50th percentile of the 25th percentile of the Regulated Utility Peer Group, to ensure that the awards are competitive.

The charts below illustrate the fiscal year 2017 percentages of total compensation related to base pay, annual and long-term plan incentives for each of the NEOs.

As mentioned previously, the primary reason for individual variation of salaries from the market median composite of the Regulated Utility Peer Group (25th percentile) and published survey resources includes individual performance, skills, experience and length of time in current position. Similarly, because annual incentive targets and the annualized value of long-term incentive targets are applied to base salary or the midpoint of the grade range, that is based on the 50th percentile of the 25th percentile of the Regulated Utility Peer Group, the Total Cash and Total Direct Compensation values may differ from market median composite of the Regulated Utility Peer Group (25th percentile) and published survey resources.

This practice results in a large percentage of total compensation (excluding benefits) for the NEOs being performance based. The following table shows 2017 total actual performance-related percentages for the NEOs, with the performance share elements valued at \$52.19, the closing price of March 13, 2018:

NEOs	Fixed and Performance Based Pay Percentages for Plan Year 2017				Total Performance Related (%) of Total	
	Fixed Salary (% of Total)	PSP-Annual Incentive (% of Total)	PSP-Long-Term Incentive (% of Total) ⁽¹⁾			
Mr. Thornburg ⁽²⁾	— %	— %	— %	— %	— %	— %
Mr. Benoit	52.40 %	25.51 %	22.08 %	— %	47.60 %	— %
Ms. Johnson	57.39 %	20.41 %	22.20 %	— %	42.61 %	— %
Mr. Patla	58.91 %	20.60 %	20.49 %	— %	41.09 %	— %
Ms. Westbrook	53.25 %	18.98 %	27.77 %	— %	46.75 %	— %

(1) Includes 33.33% of the 2015, 2016 and 2017 long-term PSP awards.

(2) Mr. Thornburg forfeited unearned and unvested equity awards upon his resignation from the Company on September 28, 2017 with his last day of employment as October 15, 2017.

Performance Objectives and Annual Incentive Awards Through the 2014 PSP

Although unusual to grant annual incentives in the form of equity, the Company chooses to reward our executive Officers, including the NEOs for the Company's annual performance in achieving pre-established financial, strategic and individual executive goals set at the Company level through the 2014 PSP. We believe that delivering equity based annual incentive awards aligns the interests of management with those of the shareholders and provides additional opportunity for executives to accumulate meaningful levels of stock ownership. In the fourth quarter of each year, based on the President and CEO's recommendations for his direct officer reports, the Committee reviews this information to determine if any material adverse impact may arise as a result of the recommendations and then establishes the threshold, target and maximum annual incentive award opportunity for each NEO, sets the performance objectives for the upcoming performance year and reviews those actions with the Board. All references to the President and CEO's recommendations relate to executives other than himself. All decisions related to the President and CEO are made by the Committee in consultation with the Consultant and are reviewed with the Board in accordance with the Committee's Charter.

Threshold, Target and Maximum Incentive Award Opportunities

The Committee established a threshold, target and maximum incentive award opportunity for each NEO expressed in 2017 as a percentage of the base pay or grade range midpoint for the annual and long-term awards as detailed in the chart below.

The 2014 PSP is a tool that the Committee employs to pay fully-competitive annual and long-term equity incentives when performance against goals meet or exceed the target level. The Committee has the authority to adjust salary ranges and incentive opportunity levels should an executive's responsibilities increase during the year and/or be promoted. The Committee and the Board adjusted Mr. Benoit's salary to \$400,000 and annual incentive opportunity to 40% at Threshold, 50% at Target and 60% at Maximum in recognition of his promotion to Interim President and CEO on September 28, 2017. The Committee also has the authority to determine the amounts of annual and long-term

awards and to adjust actual performance results for extraordinary

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circumstances when the Committee, exercising its sound business judgment, deems it prudent to do so. The following table displays the 2017 base pay or grade range midpoint for each of the NEOs and the award opportunities, as defined by the Compensation Committee, for achievement at threshold, target and maximum levels of performance in the annual plan.

2017 Performance Stock Plan Annual Awards as Percentage of Base Pay or Salary Grade Midpoint				
Achievement Levels	80%	100%	120%	
NEOs	2017 Base Pay at Grant (\$) ⁽¹⁾	PSP Annual Award at Threshold	PSP Annual Award at Target	PSP Annual Award at Maximum
Mr. Benoit ⁽²⁾	316,272	30%	40%	50%
Ms. Johnson	251,105	20%	30%	40%
Mr. Patla	209,383	20%	30%	40%
Ms. Westbrook	258,309	20%	30%	40%

(1) Base pay in effect at the time that the Committee granted awards for the 2017 performance period in January 2017.

(2) Effective September 28, 2017, Mr. Benoit's Target award opportunity was increased to 50% and an increase in compensation was granted to recognize his appointment as Interim President and CEO.

Annual Incentive Performance Objectives

Based on the President and CEO's recommendations and an analysis of the associated potential risk points, the Committee sets the financial, strategic and individual objectives for each executive officer, including the NEOs. In selecting the financial performance objectives, the Committee sought to have the executives focus on the following Annual Plan Metrics for 2017:

2017 Annual Incentive Performance Process

In December of 2016, the Committee selected and quantified Mr. Thornburg's goals at the CEO at the time, taking into consideration the Company's current financial and strategic priorities. The Committee recognizes that EPS should be emphasized, but also that performance against this metric may not be reflected in a single 12-month period. Each of these goals are further defined by identifying the threshold level of performance (80%), target or expected performance (100%) and maximum level of performance (120%).

The Committee selected these strategic goals based on its judgment that they represent areas where the CEO should focus his energies to continue to drive the Company's business forward. The potential risks associated with the CEO's performance goals were reviewed by the Committee and with the Board and his progress was periodically reviewed.

For 2017, annual incentives for our other NEOs, including Mr. Benoit who was appointed as the Interim President and CEO for the Company as of September 28, 2017, were based on performance measured against the same set of strategic Company goals assigned to the CEO and depicted in the chart above, and the individual project component was customized to each individual.

When setting the target levels for the financial, strategic and individual objectives related to the annual incentive awards, the Committee concluded that the relationship between the payments generated at the various levels of achievement for the NEOs and the degree of difficulty of attainment for the performance targets was significant and reasonable.

Performance Objectives and Long-Term Incentive Awards Through the 2014 PSP

We grant long-term incentives through the 2014 PSP to reward our executive Officers, including the NEOs, for the Company's longer-term performance in achieving pre-established financial and strategic goals set at the Company level. In the last quarter of each year, based on the President and CEO's recommendations for his direct officer reports, the Committee establishes the threshold, target and maximum long-term incentive award opportunities for each executive and approves the performance objectives for the upcoming performance year. All references to the President and CEO's recommendations relate to executives other than himself. All decisions related to the President and CEO are made by the Committee and are reviewed with the Board in accordance with the Committee's Charter.

Consistent with several previous performance metrics enhancements, for plan year 2017, the Committee, in consultation with the Consultant, approved two metrics for use in the long-term plan, both weighted at 50%:

▲ Absolute three-year average Return on Shareholders' Equity ("ROE"); and

▲ TSR Scorecard

ROE is the amount of net income returned as a percentage of shareholders equity and measures a company's profitability by revealing how much profit is generated with the money shareholders have invested. Awards are payable when the Company's three-year average performance achieves or exceeds targets set by the Committee before the performance period.

TSR is a term describing the total of the Company's stock price appreciation and aggregate dividends over a specified period of time. The TSR Scorecard is a weighted comparison of the Company's absolute three-year average annual TSR to three comparators; the S&P Small Cap Utilities Index, the S&P Mid Cap Utilities Index and to a component of the Company's publicly traded Water Utility Peers.

The Consultant and the Committee believe that measuring the Company's three-year average annual TSR performance against broader market indices in addition to the Water Utility Peers (American Water Company, Aqua America, American States Water, Artesian Water Company, Middlesex Water Company, York Water Company, SJW Group, California Water Company) provides for a better reflection of performance given that the current Water Utility Peers include only eight reference points. With such a narrow group of comparators, there is a high risk of substantial volatility due to the impact of specific actions on the part of one or two peers (for example, one peer does a significant acquisition or divestiture in the measurement period) on the total aggregate results of the group.

Awards are payable when the Company's three-year average annual TSR meets or exceeds certain benchmarks as compared to the comparators in the Scorecard.

Target Long-Term Award Opportunities

As reported in the table below, the 2017 target incentive opportunities for the NEOs ranged from 75% - 30% of base pay or salary range midpoint, in the long-term incentive plan. These target levels were determined to be at the 25th percentile for similar positions in the Regulated Water Utility Peer Group as recommended by the Consultant. Should an executive's responsibilities increase during the year and/or be promoted, the target incentive opportunity for the year may be adjusted to reflect the new salary range and target bonus opportunity. The Committee did not increase Mr. Benoit's long-term incentive eligibility upon his promotion to Interim President and CEO on September 28, 2017, yet subsequently, on March 6, 2018, upon his promotion to President and CEO, adjusted his long-term incentive target to 75%. The achievement levels for the long-term plan are 50% at threshold, 100% at target and 150% at maximum levels of performance to reflect market practices that provide more upside opportunity for performance that exceeds target while reducing the award that would be payable for performance below target.

NEOs	2017 Performance Stock Plan Long-Term Awards as Percentage of Base Pay or Salary Grade Midpoint			
	Achievement Levels	50%	100%	150%
	2017 Base Pay at Grant (\$)	PSP Long-Term Award at Threshold	PSP Long-Term Award at Target	PSP Long-Term Award at Maximum
Mr. Benoit	316,272	20%	40%	60%
Ms. Johnson	251,105	15%	30%	45%
Mr. Patla	209,383	15%	30%	45%
Ms. Westbrook	258,309	15%	30%	45%

2017 Long-Term Incentive Performance Objectives

Based on the President and CEO's recommendation, the Committee in consultation with the Consultant, set the following metrics for the 2017 long-term plan:

- Deliver 3-Year Average Return on Shareholder's Equity ("ROE") at a weight of 50%; and
- Achieve a relative three-year average annual TSR against the TSR Scorecard.

The TSR Scorecard permits the Committee to provide award opportunities when the Company's three-year annual average TSR performance meets or exceeds certain benchmarks when compared to the S&P Small and Mid Cap Utilities indices and the Water Utility Peer Group as defined on page 40.

2017 Long-Term Incentive Performance Process

The Committee selected and weighted the President and CEO's goals, taking into consideration the Company's current financial and strategic priorities and reviewing all associated elements of risk. The Committee recognizes that delivering sustained shareholder value and returns on that value is critical to the Company's success and as such set the CEO's 2017 long-term incentive award opportunity as previously detailed above.

The Committee set the target levels associated with this objective and concluded that the relationship between the payments generated at the various levels of achievement and the degree of difficulty of the target was significant and reasonable.

The CEO's goals were reviewed with the Board and his progress was periodically reviewed by the Committee and the Board during the year.

The 2017 long-term incentives for our other NEOs, including Mr. Benoit who was appointed Interim President and CEO on September 28, 2017, were based on the same performance measures used to assess the President and CEO's long-term incentive as detailed above.

PSP Annual and Long-Term Incentive Measurement

2016 Award Measurement Vested in 2017 or in Future Years

The Committee met on March 9, 2017, and finalized amounts payable as annual and long-term incentive awards to the NEOs. The annual results for the 2016 plan year were reported previously in the 2017 Proxy Statement but are reiterated here because the payments of such portions of the annual and long-term awards for 2016 had an impact on the NEO's compensation in 2017.

The annual plan metrics and achievement levels were as follows:

2016 EPS target was \$2.08; actual EPS was \$2.12 which met the maximum level of performance. The award was capped at 120% of target and provided 78% to the award allocation calculation for each NEO;

The Customer Satisfaction metric result for CWC was 91.5% (75% of the calculation) and 78.9% for MWC (25% of the calculation), delivering a calculated result that exceeded Threshold level performance, providing 9% toward the total award calculation for each NEO;

The Employee Satisfaction metric result for CWC was 92.1% (75% of the calculation) and 92.4% for MWC (25% of the calculation), delivering a calculated result that exceeded Maximum level performance, providing 12% toward the total award calculation for each NEO;

The Metered Ratio metric (measures our success in reducing lost water in our systems) results were achieved at 95.0% of target, contributing 4.8% toward the award calculations; and

Each NEO was assigned an initiative to accomplish under the Individual Component of the Annual Award, Messrs. Thornburg and Benoit achieved their award at Target level, providing 9.3% to the award calculation, while Mesdames Johnson and Westbrook and Mr. Patla achieved their award over Target level, providing 10.7% to the award allocation.

As a result of the final weighted calculations of the above measures, the CEO and SVP, CFO received 113.1% of target and mesdames Johnson and Westbrook and Mr. Patla received 114.5% of their target award allocation for the 2016 annual incentive plan, paid in 2017.

The Company's three-year annual average TSR for the period ending December 31, 2016 was 19.5%; which resulted in the following relative rankings and provided earnings toward the calculation of the long-term award as expressed through the TSR Scorecard:

The Company, if included in the S&P Small Cap Utilities Index would have exceeded the results of all entities in the Index. The Company exceeded the 75th percentile of the Index's three-year annual average TSR for the period ending December 31, 2016, delivering Maximum level of performance, capped at 150% and provided 37.5% of target to the award calculation;

Exceeded the 75th percentile of the S&P Mid Cap Utilities Index three-year annual average TSR for the period ending December 31, 2016, delivering Maximum level of performance, capped at 150% and provided 37.5% of target to the award calculation; and

Achieved the 50th percentile of the Water Utility Peers' (excluding American Water Company, Aqua America and American States Water) three-year annual average TSR for the period ending December 31, 2016 and provided 50% of target to the award calculation.

As a result of the final weighted calculation using the TSR Scorecard and the ROE measure, each of the NEOs received 62.5% and 75% of their target award allocation, respectively, allowing for a combined weighted total of 137.5% of target for the 2016 long-term incentive plan, to be vested in 2017, 2018 and 2019.

Total awards earned through the 2014 PSP for the 2016 plan year, paid in 2017 were as follows (previously disclosed in the 2017 Proxy Statement):

2016 Annual and Long-Term PSP Awards
Earned in 2017

	Total Annual PSP Award Value (\$)	Annual PSP Cash Award (\$)	Annual PSP Shares (#) ^{(1) (2) (3)}	Total Long-Term PSP Award Value (\$) ⁽⁴⁾	Long-Term PSP	
					PSP Cash Award (\$)	PSP Award Shares (#) ^{(1) (2)}
Mr. Thornburg ⁽⁵⁾	\$ 279,162	\$ 218,977	1,516	\$ 486,158	\$ 219,930	6,706
Mr. Benoit	\$ 142,933	\$ 112,245	773	\$ 168,883	\$ 132,041	928

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Ms. Johnson	\$ 89,494	\$ 70,279	484	\$ 99,120	\$ 77,484	545
Mr. Patla	\$ 75,345	\$ 59,148	408	\$ 83,450	\$ 56,136	688
Ms. Westbrook	\$ 92,951	\$ 53,013	1,006	\$ 102,949	\$ 58,009	1,132

(1) The grant date fair value of these awards was \$39.70.

(2) Ms. Westbrook made future payment date elections under the PSP for both her annual and long-term awards earned in 2016 as follows: (a) annual plan - payout to be made 45 days following the final vesting of the award, and (b) long-term plan - 33.33% per year for three years following the first (1st) anniversary of the final vesting of the award.

(3) Mr. Patla made future payment date elections under the PSP for both his annual and long-term awards earned in 2016 as follows: (a) annual plan - payout to be made at 33.33% per year for three years, and (b) long-term plan - 33.33% per year for three years following the first (1st) anniversary of the final vesting of the award.

(4) The long-term PSP awards will vest ratably at 33.33% in 2017, 2018 and 2019.

(5) Mr. Thornburg's PSU & PCU awards attributable to 2016, that were to be payable in 2018 & 2019 were forfeited upon his resignation on September 28, 2017.

2017 Award Measurement Payable in 2018

The Committee also met on March 13, 2018, and upon report to the Board on March 14, 2018, finalized amounts payable as annual and long-term incentive awards to the NEOs through the 2014 PSP for 2017 as follows:

2017 Annual Incentive Results

2016 EPS target was \$2.20; actual EPS was \$2.28 before adjustments related to the Tax Cuts and Jobs Act of 2017 which reduced EPS to \$2.17. The Committee, exercising its sound business judgment and authority as provided through the 2014 PSP, declared the metric achieved at Maximum level of performance. The award was capped at 120% of target and provided 72% to the award allocation calculation for each NEO;

The Customer Satisfaction metric result for CWC was 93.4% (75% of the calculation) and 92.9% for MWC (25% of the calculation) and the Public Opinion Leader Survey scores for both companies exceeded 91%, thereby achieving maximum levels of performance, providing 12% toward the total award calculation for each NEO;

The Employee Satisfaction metric result for CWC was 89.4% (75% of the calculation) and 80.4% for MWC (25% of the calculation), delivering a calculated result of 81.5% of Target, providing 8.2% toward the total award calculation for each NEO;

The Metered Ratio metric (measures our success in reducing lost water in our systems) results were achieved at 90.5% of target, contributing 4.5% toward the award calculations; and

Each NEO was assigned an initiative to accomplish under the Individual Component of the Annual Award, Messrs. Benoit and Patla achieved their award at 110% of Target, providing 16% to the award calculation, Mesdames Johnson and Westbrook achieved their award over Target levels, providing 16.8% and 16.5% respectively to their award allocation.

As a result of the final weighted calculation of the above measures, Messrs. Benoit and Patla received 112.7% of their target award allocation and Ms. Johnson and Ms. Westbrook received 113.5% and 113.2% respectively, of their target award allocation for the 2017 annual incentive plan. These awards were vested as of March 14, 2018.

The detailed calculations for each NEO are as follows:

David C. Benoit, Interim President &
CFO

2017 Annual Plan Shared Goals

Mr.

Weighted Achievement Level Benoit's
Award

Financial Performance — EPS	50 %	72.0 %	\$109,754
Customer Satisfaction	10 %	12.0 %	\$18,292
Employee Satisfaction	10 %	8.2 %	\$9,978
Metered Ratio	5 %	4.5 %	\$4,989
Individual Component	15 %	16.0 %	\$23,281
Total	100 %	112.7 %	\$166,294

Kristen A. Johnson, VP HR &
 Corporate Secretary Craig J. Patla,
 VP Service Delivery Maureen P.
 Westbrook, VP Customer &
 Regulatory Affairs
 2017 Annual Plan Shared Goals

	Weight	Achievement Level		Ms. Johnson's Award	Mr. Patla's Award	Ms. Westbrook's Award
Financial Performance — EPS	50 %	72.0 %	%	\$ 60,265	\$ 50,252	\$ 61,994
Customer Satisfaction	10 %	12.0 %	%	\$ 10,044	\$ 8,375	\$ 10,332
Employee Satisfaction	10 %	8.2 %	%	\$ 5,273	\$ 4,397	\$ 5,424
Metered Ratio	5 %	4.5 %	%	\$ 3,139	\$ 2,617	\$ 3,229
Individual Component *	15 %	16.4 %	%	\$ 13,560	\$ 10,469	\$ 13,561
Total	100 %	113.1 %	%	\$ 92,281	\$ 76,110	\$ 94,540

* The Individual Component achievement levels vary slightly for each of the above NEOs. The table provides an average of that component while reporting out actual award paid to each NEO.

2017 Long-Term Incentive Results

The Company's three-year average Return on Shareholders' Equity was calculated at 9.6% for the period which achieved Target level of performance and weighted at 50% of the long term plan, delivering 50% to the long-term award allocation.

The Company's three-year annual average TSR for the period ending December 31, 2017 was 17.9%; which resulted in the following relative rankings and provided earnings toward the calculation of the long-term award as expressed through the TSR Scorecard:

- Exceeded the 75th percentile of the Index's three-year annual average TSR for the period ending December 31, 2017, delivering Maximum level of performance, capped at 150% and provided 37.5% of target to the award calculation;
- Exceeded the 75th percentile of the S&P Mid Cap Utilities Index three-year annual average TSR for the period ending December 31, 2017, delivering Maximum level of performance, capped at 150% and provided 37.5% of target to the award calculation; and

- The Company's three year average TSR was ranked sixth of the nine companies that comprise the Water Utility Peer Index for the period ending December 31, 2017 and provided 60% of target to the award calculation.

The Committee added a modifier to the long-term plan beginning in 2012 that would allow for a Maximum level of achievement to be declared by the Committee if the Company were to do a significant acquisition during the period. The Company did in fact acquire two companies, the Heritage Village Water Company and Avon Water Company in 2017, a total of 8% growth but the Committee in their sound business judgment determined to pay the award at actual levels of performance.

As a result of the final weighted calculation using the TSR Scorecard and the ROE measure, each of the NEOs received 110% of their target award allocation for the 2017 long-term incentive plan, which will vest over a three year period beginning in 2018.

Total awards earned through the 2014 PSP for the 2017 long-term plan year were as follows:

2017

Long-Term PSP Awards Earned in 2018

	Target Achievement		Long-Term PSP Award (\$)
Mr. Benoit ⁽¹⁾	110 %	%	139,160
Ms. Johnson	110 %	%	82,865
Mr. Patla	110 %	%	69,096

Ms. Westbrook

110 % 85,242

(1) Effective September 28, 2017, Mr. Benoit served as both the Interim President, CEO and CFO and Treasurer.

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The Impact of Tax Considerations on Executive Compensation Decisions

While the Company's executive compensation program is structured to be sensitive to the deductibility of compensation for federal income tax purposes, the program is principally designed to achieve our objectives as described throughout this Compensation Discussion and Analysis section. Section 162(m) of the IRC of 1986 generally precludes the deduction for federal income tax purposes of more than \$1 million in compensation (including long-term incentives) paid individually to our Chief Executive Officer and the other NEOs in any one year, subject to certain specified exceptions. Until the Tax Cut and Jobs Act was signed into law on December 22, 2017, performance based compensation was deductible, even if it caused the covered employee to have compensation in excess of \$1 million. The Tax Cut and Jobs Act eliminated this performance-based compensation deduction going forward, but provided limited transition relief for compensation paid pursuant to a contract in effect as of November 2, 2017 that is not materially modified after such date. This means that certain outstanding performance-based compensation may continue to be deductible under Section 162(m), but that all compensation after November 2, 2017 will be subject to the \$1 million cap on deductibility. The Company, if it finds itself in a position to be eligible for the performance based deduction, will seek to take advantage of the transition relief consistent with applicable law. As previously noted, under the amended and restated employment agreement and change-in-control plan descriptions for Mr. Benoit, and Ms. Westbrook beginning on page 51, in the event that any payment or benefit received or to be received by the executive under the agreement would be an "excess parachute payment," as defined in IRC Section 280G, and subject to the federal excise tax imposed by IRC Section 4999, then an additional "gross-up" payment will be made to the named executive in the event that the benefits payable to the named executive under agreement becomes subject to the excise tax on excess parachute payments. The gross-up payment would compensate the named executive for the initial 20% excise tax payable on their excess parachute payments plus the income and excise taxes then becoming payable on the gross-up payment. We included these provisions in these agreements because we did not want the potential excise tax to serve as a disincentive to pursue a change-in-control transaction that might otherwise be in the best interests of our shareholders. We believe that, in light of our NEOs record of performance, this determination is appropriate. Neither Ms. Johnson's Amended and Restated Employment Agreement nor Mr. Patla's Employment Agreement provide for a tax gross-up, instead, their benefit is subject to a "Best of Net Cutback" provision. A "Best of Net Cutback" provision provides that the executive may receive his or her full change-in-control related payment and be responsible for all taxes, except that the payments will be reduced to an amount such that the payments would not constitute an "excess parachute payment," as defined in IRC Section 280G, if it would be more favorable to the executive on an after-tax basis.

Compensation Clawback Policy

The Committee has adopted a compensation clawback policy that applies to all incentive compensation received by executive Officers and augments the clawback policy, set by regulation and included in the 2014 PSP. Under the policy, the Company may recover from an executive officer the amount of previously paid incentive compensation (including both cash and equity awards) that the Board of Directors determines to be appropriate in two circumstances. The first circumstance arises if an executive officer's acts or omissions are a significant contributing factor to a requirement that the Company restate its reported financial results due to a material error. The second circumstance under which compensation may be recovered under the policy arises if the executive officer's employment is terminated for "cause." Under the policy, "cause" is defined to include instances of gross negligence, willful misconduct or willful malfeasance that materially adversely impact the Company's reputation or business; willful violations of law that materially adversely affect the Company's reputation or business; or theft, embezzlement or fraud. This clawback provision is intended to provide enhanced safeguards against certain types of executive misconduct, and allows for recovery of significant compensation paid to an executive officer who engages in such misconduct. In addition, the Committee has adopted a compensation clawback policy that applies to incentive compensation received by employees at large of the Company. The policy provides that if the Company is required to restate its financial results to correct a material error, and the Board of Directors reasonably determines that an employee's fraud or willful misconduct was a significant contributing factor to the need to issue such restatement, then, to the extent permitted by applicable law, the Company may recoup or "clawback" such incentive compensation that the Board of Directors, in its discretion, determines to be appropriate.

Anti-Hedging Policy

The Company does not allow Directors, Officers and specified employees to hedge the value of Company equity securities held directly or indirectly by the Directors, Officers or specified employees. Company policy prohibits the purchase or sale of puts, calls, options, or other derivative securities based on the Company's securities, as well as short sales of Company securities, hedging or monetization transactions or purchases of Company equity securities on margin.

Pledging of Company Securities.

The Company does not have a specific policy regarding the pledging of company securities but recognizes that pledging is not an accepted practice and has communicated this to all executives and Directors. Since 2006, there have not been any pledges of company securities by any director or executive of the Company.

Risk Assessment

The Committee of the Board regularly reviews the compensation policies and practices for all employees, including executive Officers, and has determined that our compensation policies do not, and are not reasonably likely to, have a material adverse effect on the Company. The Committee, following its review and approval of executive compensation matters, reports to the full Board for their ratification. The Company believes that this is an important step to assure that the decisions made by the Committee are aligned with the strategy of the Company and transparent to all constituencies, therefore exposing any potential risks for discussion and mitigation. The Committee makes decisions regarding incentive and other forms of compensation based on analysis and discussion of the following key factors, presented by knowledgeable industry professionals that have the potential to encourage excessive risk-taking:

- an excessive focus on equity compensation;
- a total direct compensation mix weighted toward annual incentives;
- uncapped payouts;
- unreasonable or undefined incentive plan goals; and
- incentive payout “cliffs” that may encourage short-term business decisions to achieve payout parameters.

The Committee highlights the following design features of our executive compensation programs that operate to mitigate the concern of excessive risk taking for participants:

- all plan parameters, including design, metrics, and payout targets are reviewed by an Independent Compensation Consultant engaged by the Committee;
- the incentive plan design provides for a conservative mix of cash and equity, annual and long-term incentives and performance metrics including relative three-year annual TSR comparisons, Return on Shareholders Equity, customer and employee satisfaction, reduction of loss water in our systems and an individual component tied to the accomplishment of key strategic initiatives;
- goals are appropriately defined to avoid targets that, if not achieved, result in a large percentage loss of compensation;
- rolling three-year, long-term performance targets that discourage short-term risk taking;
 - maximum payout levels for incentives are capped;

• all executives participate in the same incentive plan, the 2004 PSP through April 24, 2014 and then the 2014 PSP as of May 8, 2014;

• the Company does not currently grant stock options;

• the Committee has the power to reduce payouts at their discretion and did so in the 2017 long-term plan; and

• the 2014 PSP contains an appropriate clawback policy and the Company has augmented that to include additional situations that might give rise to a clawback on incentive compensation.

Senior Leader and Manager Incentive Plan

The Committee determined that, for all non-executive employees, the Company’s compensation programs are low risk. Each year from 2011 - 2018 the Committee has approved a short-term cash incentive program for non-officers called the Senior Leader and Manager Incentive Plan (“SLMIP”). The Committee designed this plan to encourage a team of senior leaders to accomplish goals related to key business drivers such as: to achieve sustainable, cost-effective efficiencies; enhance customer satisfaction and employee satisfaction as measured by an independent third party research firm; control unaccounted for and lost water through achieving an absolute “metered ratio” which is in alignment with our commitment to protecting the environment; and to meet the Company's strategic business plan. The Committee has determined that, beginning in 2017, some or all of awards made under the SLMIP will be made in the form of equity awards under the 2014 PSP. Ultimately, the SLMIP benefits shareholders and customers by appropriately reducing expenses or enhancing revenues while maintaining exceptional customer service and water quality and encouraging safety and infrastructure improvements. To date, this incentive plan achieved sustainable cost savings of \$4,800,802. In 2017, the SLMIP results were:

Metrics	CWC	MWC
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Earnings Per Share	24%	24%
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Customer Satisfaction	95.4%	95.8%
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Employee Satisfaction	87.2%	82.7%
Metered Ratio	82.4%	81%
Cost Savings	\$848,002	

In 2017, a total incentive payout of \$675,476 was awarded to plan participants. The Committee has determined that this program will not and does not pose a material adverse effect for the Company due to the fact that:

- goals are appropriately defined to avoid targets that, if not achieved, result in a large percentage loss of compensation;
- maximum payout levels for incentives are capped;
- the Committee has the power to reduce payouts at their discretion; and
- the 2014 PSP includes a clawback policy in the unlikely event that Plan awards have an unanticipated effect on risk.

ADDITIONAL INFORMATION REGARDING EXECUTIVE COMPENSATION

2017 Summary Compensation Table

Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$) ⁽²⁾	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
David C. Benoit, ⁽⁵⁾ Interim President and CEO	2017	341,457	—	—	—	310,424	763,581	11,170	1,426,632
	2016	314,146	—	49,130	—	244,286	517,935	10,463	1,135,960
	2015	304,332	—	47,238	—	165,160	298,961	7,950	823,641
Eric W. Thornburg, Former Chairman/President/CEO	2017	457,973	—	90,287	—	—	(192,923)	18,017	373,354
	2016	477,254	—	219,929	—	438,907	575,459	18,278	1,729,827
	2015	458,898	—	411,810	—	106,516	292,071	15,198	1,284,493
Kristen A. Johnson, VP, Human Resources & Corporate Secretary	2017	257,836	—	90,133	—	137,430	255,815	8,170	749,384
	2016	248,610	—	28,835	—	147,763	158,871	8,239	592,318
	2015	238,159	—	27,726	—	99,467	72,565	7,145	445,062
Craig J. Patla ⁽⁶⁾ VP, Service Delivery	2017	214,336	—	124,301	—	61,230	185,215	6,675	591,757
	2016	N/A	—	N/A	—	N/A	N/A	N/A	—
	2015	N/A	—	N/A	—	N/A	N/A	N/A	—
Maureen P. Westbrook, VP, Regulatory & Customer Affairs	2017	265,234	—	60,000	—	184,783	488,260	9,079	1,007,356
	2016	256,293	—	59,898	—	111,022	331,296	8,737	767,246
	2015	247,361	—	50,396	—	73,319	131,372	7,421	509,869

(1) In January 2017, NEOs received either restricted stock or performance shares which is performance based and determined in accordance with the Company's actual performance in comparison to strategic goals approved by the Committee, before the year begins. The amounts in the stock awards columns reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 and reported at target, the level of performance expected at grant. The amounts reported for all years have been calculated to conform to SEC regulations. If the highest level of performance criteria were achieved, the aggregate grant date fair value of the portion of PSP awards elected by Messrs Benoit and Patla, and Mesdames Westbrook and Johnson in performance shares or restricted stock would be disclosed in the following table. Performance conditions for these awards are disclosed on pages 43 and 44. At the Former Chairman and CEO's resignation, he forfeited all awards under the 2017 annual and long-term incentive awards. In December 2017, Ms. Westbrook, Ms. Johnson and Mr. Patla also received awards of restricted stock units (RSUs) which are included in the amounts shown in this column at their aggregate grant date fair values.

Name	Year ^(A)	Maximum	Maximum
		Annual Award (\$)	Long-Term Award (\$)
Mr. Thornburg	2017	—	—
	2016	60,191	266,230
	2015	133,560	467,460
Mr. Benoit ^(B)	2017	—	—
	2016	30,706	36,847
	2015	29,524	35,429
Ms. Johnson	2017	20,088	22,599
	2016	19,223	21,626
	2015	18,484	20,794
Mr. Patla	2017	41,877	47,111
	2016	N/A	N/A
	2015	N/A	N/A
Ms. Westbrook ^(B)	2017	—	—
	2016	39,932	44,923
	2015	38,397	32,398

The amounts reported in this table represent the equity portions of the Annual and Long-Term PSP Awards as elected by the NEOs before the start of each year for 2015, 2016, and 2017. The Long-Term Incentive Awards vest ratably at 33.33%, per year, over a three-year period. All vesting periods also carry a requirement that the executive remain employed by the Company to the completion of the vesting period to receive the earned award.

Mr. Benoit and Ms. Westbrook, before the start of the 2017 incentive plan year, elected to have their annual and long-term awards paid in a combination of performance cash units and incentive cash deferrals which amounts are recorded under the Non-Equity Incentive Plan Compensation.

(2) The compensation reported in this column consists of (i) an amount of cash incentive deferral under the 2017 DCP for Mr. Benoit and Mesdames Johnson and Westbrook in the amounts of \$47,411; \$42,687; and \$131,737 respectively; (ii) cash units issued under the PSP for each plan year represented. Both the annual award and vested and unvested portion of each year's long-term award under the PSP are included in this column for each NEO. The long-term component has a continued employment vesting schedule, in addition to the attainment of specific performance conditions as disclosed beginning on page 44; and (iii) A \$5,000 Special Integration Incentive Award, made in cash, to each NEO to recognize their efforts to integrate Heritage Village and Avon Water Companies in 2017.

(3) Reflects the increases from 2015 through 2017 in the actuarial present values of each NEOs' accumulated benefits under the Company's pension plan and Supplemental Executive Retirement Program ("SERP"). In addition, this column reflects the above market interest earned through the Executive Non-Qualified Deferred Compensation Agreements for Mr. Benoit and Mesdames Westbrook and Johnson of \$41,100, \$10,007, and \$7,723, respectively. These Agreements were amended to freeze the participant accounts to new deferrals after December 31, 2017 as discussed on page 59. The year-over-year change in pension value increased in 2017 primarily due to the discount rate decrease year-over-year from 4.10% to 3.60%.

(4) Amounts reflected in this column include the Company's 401(k) safe harbor, non-elective contributions for each NEO in 2017. In addition, the NEOs have been granted supplemental long-term disability policies at premiums of \$4,797 for Mr. Thornburg, \$2,371 for Mr. Benoit, \$1,205 for Ms. Johnson, \$250 for Mr. Patla, and \$1,604 for Ms. Westbrook in 2017. These supplemental long-term disability policies, when combined with the standard long-term disability policy benefit provided to other Company employees, will provide the NEOs a benefit equal to 60% of their compensation in the event that they become disabled. Mr. Thornburg and Mr. Benoit have supplemental life insurance

policies, with premiums made by the Company equal to \$2,199 and \$735 respectively. Mr. Thornburg's 2017 amount also includes \$2,921 for reimbursement of miscellaneous expenses.

Mr. Benoit served as the Company's Senior Vice President Finance and CFO until his promotion to Interim (5)President & CEO. Mr. Benoit continued to serve in the capacity of CFO & Treasurer from September 28, 2017 until his promotion to President and CEO on March 6, 2018.

(6) Mr. Patla was not a named executive officer for the years of 2015 or 2016 and as such no amounts are shown for those years.

Grants of Plan-Based Awards for 2017

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Units (#) ⁽²⁾	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards ⁽³⁾ (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#) ⁽¹⁾	Target (#) ⁽¹⁾	Maximum (#) ⁽¹⁾				
E. W. Thornburg ⁽⁴⁾	1/19/2017	192,611	240,764	312,993	896	1,680	2,577	—	—	—	138,462
D. C. Benoit	1/19/2017	129,672	215,065	300,458	—	—	—	—	—	—	—
K. A. Johnson	1/19/2017	52,732	90,398	128,063	327	560	795	—	—	—	42,715
	12/8/2017	—	—	—	—	—	—	1,023	—	—	60,050
C. J. Patla	1/19/2017	36,642	62,815	88,988	682	1,170	1,656	—	—	—	88,977
	12/8/2017	—	—	—	—	—	—	1,023	—	—	60,050
M. P. Westbrook	1/19/2017	36,163	61,994	87,825	—	—	—	—	—	—	—
	12/8/2017	—	—	—	—	—	—	1,023	—	—	60,050

(1) The closing share price of the Company's Common Stock was \$53.73 on January 18, 2017, the day prior to the grant date.

(2) Amounts reflect the grant date fair value (\$58.70) of restricted cash settled shares awarded to named executives on December 8, 2017.

(3) Amounts reflect the grant date fair value of restricted stock and performance shares issued to named executives on January 18, 2017, for incentive awards, if awards were earned for maximum levels of performance. Reported amounts are determined according to accounting principles generally accepted in the United States.

(4) Mr. Thornburg resigned his officer positions with the Company effective September 28, 2017, his last day with the Company was October 15, 2017 and in accordance with the Plan forfeited 100% of his then unvested awards.

As described previously in the Compensation Discussion and Analysis on page 24, the Committee allocates a threshold, target, and maximum award for each participant annually in December of the year proceeding the award measurement period. Specific targets disclosed on page 39 herein, covering a range of shareholder, customer, and employee driven strategic goals are established before the year begins. At the conclusion of the fiscal year, the Committee reviews a management report, comparing the actual performance against the pre-established goals to determine the level of earned award. The award is paid in accordance with the elections made by the participant between restricted stock, performance shares, performance cash units and incentive cash deferrals for the 2017 DCP, made prior to the fiscal year being measured and the future date payment option elected by the participant in accordance with the 2014 PSP and 409A.

Outstanding Equity Awards at Fiscal Year-End 2017

Name	Option Awards			Option Exercise Price (\$)	Option Expiration Date	Stock Awards		Equity Incentive Awards: Number of Shares or Other	Equity Incentive Awards: Market or Payout Value of Unearned Shares, Units
	Number of Securities Underlying Unexercised Options (#)	Number of Equity Incentive Plan Awards: Number of Securities	Number of Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units			Number of Shares or Units	Market Value of Shares or Units That Have Not		

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	Exercisable	Unexercisable	Underlying Unexercised or Unearned Options (#)		That Have Not Vested (#)(1)	Vested (\$)	Rights That Have Not Vested (#)(2)	or Other Rights That Have Not Vested (\$)
E. W. Thornburg ⁽³⁾	—	—	—	—	—	—	—	—
D. C. Benoit	—	—	—	—	—	—	948	54,425
K.A. Johnson	—	—	—	—	1,023	58,730	977	56,090
C.J. Patla	—	—	—	—	1,023	58,730	1,663	95,473
M.P. Westbrook	—	—	—	—	1,023	58,730	1,055	60,568

The December 31, 2017 closing price of the Company's Common Stock was \$57.41.

(1) Reporting 100% of the restricted cash-settled awards granted in December, 2017. These awards have a three year cliff vesting.

(2) Reporting 100% of long-term incentive award shares including all unvested portions of the 2015, 2016, and 2017 awards.

(3) Mr. Thornburg resigned from the Company on September 28, 2017 and forfeited all unvested awards.

Material Features of Equity-Based Awards

The Company's 2014 PSP provides for an aggregate of up to 450,000 shares of Common Stock of the Company to be issued as awards of incentive or non-qualified stock options, shares of restricted stock or awards of performance share units, performance cash units or other stock-based awards (each, an "Award"). Options must be issued at an option price no less than the fair market value of the Company's Common Stock on the date of the grant. Under the 2014 PSP, a maximum of 33.33% of the shares subject to option awards vest in equal annual installments, beginning on the first anniversary of the date of the grant of the award and ratably over the following three anniversaries of such date. The Company has not awarded any stock options under the 2004 or 2014 PSPs since December 2003.

Restricted stock awards are conditioned upon time and or the attainment of performance goals established by the Committee for the performance period to which the award relates and the award recipient's continued employment with the Company through the end of the performance period. During the performance period, the participant has all of the rights of a shareholder of the Company, including the right to vote and receive dividends. Participants may elect to have these awards made in the form of performance shares.

Restricted Stock Unit awards are conditioned upon the award recipient's continued employment with the Company through the end of the applicable vesting period. Restricted Stock Units may be settled in Stock, Cash or both as granted by the Board and as evidenced in the Award Agreement.

The Committee may grant stock appreciation rights ("SARs") under the 2014 PSP either alone or in tandem with stock options. The grant price of an SAR cannot be less than the fair market value of the Company's Common Stock as of the date of grant and no SAR granted under the 2014 PSP may be exercised more than ten (10) years after the date it is granted.

The Committee may also grant awards of performance share or performance cash units pursuant to the 2014 PSP. At the completion of a performance award period, the Committee will determine the award to be made to each participant by multiplying the number of performance units granted to each participant by a performance factor representing the degree of attainment of the performance goals. Performance share units will be paid in the form of Common Stock upon the participant's retirement or termination and cash units are paid in cash. Awards through the annual plan become 100% vested after results are evaluated at the conclusion of the measurement period. Awards will vest 33.33% per year ratably over three years, as long as the participant is employed by the Company.

2017 Options Exercised and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
E. W. Thornburg	—	—	8,298	432,990
D. C. Benoit	—	—	1,413	73,730
K. A. Johnson	—	—	1,050	54,789
C.J. Patla	—	—	965	50,354
M. P. Westbrook	—	—	2,263	118,083

(1) Includes 33.33% of the 2014, 2015, and 2016 long-term PSP awards. The figures also include 100% of the 2016 Annual PSP awards, see page 41.

(2) The value is calculated using the closing price of March 9, 2017 (the date as defined by provisions in the 2014 PSP) for each NEO's awards at \$52.18 per share.

CHANGE-IN-CONTROL AND TERMINATION AGREEMENTS

On November 21, 2008, the Company and the Connecticut Water Company ("CWC") entered into Amended and Restated Employment Agreements with certain executives, including Mr. Benoit and Mesdames Johnson and Westbrook. On April 1, 2014, the Company entered into an Employment Agreement with Mr. Patla. In March 2014, the Committee and Board acted to remove the "stay-on bonus" feature from all Employment Agreements recognizing that they are no longer a favored market practice. The intent of the agreements is to ensure continuity in the management of the Company in the event of a change-in-control of the Company. The agreements do not become effective until a change-in-control occurs (the "Effective Date"). A change-in-control is deemed to occur when (i) any person, other than the Company, CWC or any employee benefit plan sponsored by the Company or CWC, becomes the beneficial owner, directly or indirectly, of 20% or more of the Common

Stock of the Company or CWC; (ii) the shareholders of the Company or CWC approve (A) any consolidation or merger of the Company or CWC in which the Company or CWC is not the continuing or surviving corporation (other than a consolidation or merger of the Company or CWC in which holders of the Common Stock of the Company or CWC have the same proportionate ownership of Common Stock of the surviving corporation) or pursuant to which the Common Stock of the Company or CWC would be converted into cash, securities, or other property; or (B) any sale, lease, exchange, or other transfer of all or substantially all the assets of the Company or CWC; (iii) there is a change in the majority of the Board of the Company or CWC during a 24-month period, or (iv) the Board adopts a resolution to the effect that a change-in-control has occurred.

As of the Effective Date, CWC agrees to employ the executives for a continuously renewing three-year period commencing on the Effective Date. Compensation under the agreements for Messrs Benoit and Patla and Mesdames Johnson and Westbrook is paid by CWC and consists of (i) base salary, (ii) annual bonus, (iii) participation in incentive, savings and retirement plans, and welfare plans applicable to executive employees, (iv) fringe benefits, and (v) an office and support staff. In the event that any payment or benefit received or to be received by Mr. Benoit and Ms. Westbrook under the agreement would be an "excess parachute payment," as defined in IRC Section 280G, and subject to the federal excise tax imposed by IRC Section 4999, then a "gross-up" payment will be made to the named executive in the event that the benefits payable to the named executive under the agreement becomes subject to the excise tax on excess parachute payments. The gross-up payment would compensate the named executive for the initial 20% excise tax payable on their excess parachute payments plus the income and excise taxes then becoming payable on the gross-up payment.

As noted previously, In January 2013, the Board approved the 1st Amendment to Ms. Johnson's Amended and Restated Employment Agreement and on April 1, 2014, entered into an Employment Agreement with Mr. Patla providing for a "Best of Net Cutback" provision to address the calculation of their benefits in the event of a potential termination in association with a change-in-control. The "Best of Net Cutback" instructs that the executive will receive their full change-in-control related payments and be personally responsible for all taxes, except that the payments will be reduced to an amount such that it would not constitute an "excess parachute payment," as defined in IRC Section 280G, if it would be more favorable to the executive on an after-tax basis.

If the executive's employment is terminated for cause or by reason of the executive's death or attainment of age 65 or voluntarily by the executive other than for good reason, the obligations of CWC under the agreements cease and the executive forfeits all rights to receive any compensation or other benefits under the agreement except compensation or benefits accrued or earned and vested by the executive as of the date of termination, including base salary through the date of termination and benefits payable under the terms of any qualified or non-qualified retirement or deferred compensation plans maintained by the Company; provided, that if the executive's employment is terminated by reason of the executive's death, in addition to the preceding and any other death benefits which may become payable, base salary continues to be paid at the then current rate for a period of six months to the executive's beneficiary or estate. If the executive's employment is terminated for any reason other than cause, death, or attainment of age 65, or if the executive's employment is terminated by reason of the executive's disability, or if the executive voluntarily terminates employment for good reason, the obligations of CWC are payment or provision of: (i) a lump-sum payment in consideration of the executive's covenants regarding confidential information and non-competition (the "Covenants"), in an amount determined by an independent expert to be the reasonable value of such Covenants as of the termination date (the "Covenant Value"), but in no event greater than the aggregate value of the benefits provided in subparagraphs (ii) — (ix) below (the "Termination Benefits"); such Termination Benefits are to be offset by the Covenant Value, provided, however, that the executive may elect to receive any Termination Benefit that would be so offset, but in such event the Covenant Value will be reduced by the value of such Termination Benefit; (ii) an amount equal to three times the base salary of the executive plus three times the target bonus for the executive under the Officers Incentive Program for the year in which termination occurs, reduced by any amount payable under any applicable severance plan, payable over the three years following termination; (iii) the value of the aggregate amounts that would have been contributed on behalf of the executive under any qualified defined contribution retirement plan(s) then in effect, plus estimated earnings thereon had the executive continued to participate in such plan(s) for an additional three years; (iv) an amount equal to the difference between benefits which would have been payable to the executive under any

deferred compensation agreement had the executive continued in the employ of CWC for an additional three years and the benefits actually payable; (v) additional retirement benefits equal to the present value of the difference between the annual pension benefits that would have been payable to the executive under CWC's qualified defined benefit retirement plan and under any non-qualified supplemental executive retirement plan covering the executive had the executive continued to participate in such plan(s) for an additional three years and the benefits actually payable; (vi) if the executive's employment is terminated by reason of disability, disability benefits at least equal to the most favorable of those provided by CWC or the Company; (vii) a lump sum payment equal to all life, health, disability and similar welfare benefit plans and programs of CWC for a period of three years, plus three additional years of credit for purposes of determining eligibility to participate in any such plan for retirees; (viii) three additional years of all other perquisites as the executive was receiving at the date of termination; and (ix) outplacement services for one year.

The Compensation Committee, with the assistance of the Independent Compensation Consultant and legal counsel, recommended approval of and the Board did approve the Connecticut Water Change in Control Severance Plan (“CIC Plan”) in December 2017. The CIC Plan provides a certain group of essential non-NEO officers and other Key Seat individuals with severance benefits upon a double trigger, the occurrence of a change in control of the Company followed by a subsequent qualifying termination of employment during a specified protected period following the change in control. The CIC Plan provides for three Tiers of severance benefits offering cash payments of a specific multiple of (i) base salary plus (ii) target bonus in the year of termination; a pro rata bonus at target for the year in which termination of employment occurs; outplacement services for one year, not to exceed \$25,000 per participant; and continuation of health insurance benefits for a specific period of time, upon a qualifying termination of employment occurring within the protection period. Participants designated as Tier I, Tier 2 or Tier 3 are eligible for a severance multiple of 2.5 times; 2 times; or 1.5 times, respectively, after applying a “280G Best of Net Cutback” and confidentiality and non-compete requirements.

Post-Termination Payments and Benefits

The Company estimates the payments to each of the NEOs that would be made under various triggering events are described in the tables on the following pages, which were prepared as though each of our NEO’s employment was terminated on December 31, 2017, using a share price of \$57.41 for our Common Stock.

2017 Change-in-Control Summary

David C. Benoit

Benefit	Retirement (\$)	Death (\$)	Disability (\$)	Termination for Cause (\$)	Termination for Change-in-Control (\$)
Cash Severance ⁽¹⁾					1,379,847
Retirement Benefits					
Pension Plan ⁽²⁾	1,103,493	683,608	1,115,263	1,103,493	1,103,493
SERP ⁽³⁾	1,198,589	1,161,442	1,905,303		2,721,694
Deferred Compensation ⁽⁴⁾					231,191
Defined Contribution Plan ⁽⁵⁾					78,764
Equity Awards: Stock Options, Restricted Stock & Performance Shares ⁽⁶⁾	522,275	522,275	522,275		522,275
Other Benefits					
Health & Welfare ⁽⁷⁾					76,244
Outplacement & Legal ⁽⁸⁾					25,000
280G Tax Gross-Up ⁽⁹⁾⁽¹¹⁾					1,071,039
TOTAL	2,824,357	2,367,325	3,542,841	1,103,493	7,209,547

Eric W. Thornburg^(A)

Benefit	Voluntary Resignation (\$)
Cash Severance ⁽¹⁾	
Retirement Benefits	
Pension Plan ⁽²⁾	516,757
SERP ⁽³⁾	1,787,589
Deferred Compensation ⁽⁴⁾	86,745
Defined Contribution Plan ⁽⁵⁾	
Equity Awards: Stock Options, Restricted Stock & Performance Shares ⁽⁶⁾	
Other Benefits	
Health & Welfare ⁽⁷⁾	
Outplacement & Legal ⁽⁸⁾	
280G Tax Gross-Up ⁽⁹⁾⁽¹¹⁾	—
TOTAL	2,391,091

(A) Mr. Thornburg resigned from the Company on September 28, 2017 with his last day of employment as October 15, 2017. The compensation paid to Mr. Thornburg upon termination of employment is provided in the table.

Kristen A. Johnson

Benefit	Retirement (\$)	Death (\$)	Disability (\$)	Termination for Cause (\$)	Termination for Change-in-Control (\$)
Cash Severance ⁽¹⁾					1,004,922
Retirement Benefits					
Pension Plan ⁽²⁾	—	113,918	271,778	334,040	334,040
SERP ⁽³⁾			1,461,581		2,171,187
Deferred Compensation ⁽⁴⁾					46,926
Defined Contribution Plan ⁽⁵⁾					68,030
Equity Awards: Stock Options, Restricted Stock & Performance Shares ⁽⁶⁾	337,738	337,738	337,738		337,738
Other Benefits					
Health & Welfare ⁽⁷⁾					56,269
Outplacement & Legal ⁽⁸⁾					25,000
TOTAL	337,738	451,656	2,071,097	334,040	4,044,112
280G Tax Severance Reduction ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾					1,895,511

Craig J. Patla

Benefit	Retirement (\$)	Death (\$)	Disability (\$)	Termination for Cause (\$)	Termination for Change-in-Control (\$)
Cash Severance ⁽¹⁾					835,438
Retirement Benefits					
Pension Plan ⁽²⁾	—	458,471	947,787	641,337	761,508
SERP ⁽³⁾					—
Deferred Compensation ⁽⁴⁾					—
Defined Contribution Plan ⁽⁵⁾					62,772
Equity Awards: Stock Options, Restricted Stock & Performance Shares ⁽⁶⁾	324,881	324,881	324,881		324,881
Other Benefits					
Health & Welfare ⁽⁷⁾					82,701
Outplacement & Legal ⁽⁸⁾					25,000
TOTAL	324,881	783,352	1,272,668	641,337	2,092,300
280G Tax Severance Reduction ⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾					—

Maureen P. Westbrook

Benefit	Retirement (\$)	Death (\$)	Disability (\$)	Termination for Cause (\$)	Termination for Change-in-Control (\$)
Cash Severance ⁽¹⁾					1,033,753
Retirement Benefits					
Pension Plan ⁽²⁾	1,271,604	709,645	1,664,111	1,271,604	1,271,604
SERP ⁽³⁾	479,067	604,747	1,228,112		1,492,986
Deferred Compensation ⁽⁴⁾					58,580
Defined Contribution Plan ⁽⁵⁾					73,013
Equity Awards: Stock Options, Restricted Stock & Performance Shares ⁽⁶⁾	296,501	296,501	296,501		296,501
Other Benefits					
Health & Welfare ⁽⁷⁾					14,326
Outplacement & Legal ⁽⁸⁾					25,000
280G Tax Gross-Up ⁽⁹⁾⁽¹¹⁾					—
TOTAL	2,047,172	1,610,893	3,188,724	1,271,604	4,265,763

If the named executive's employment is terminated for any reason other than cause, death, or the attainment of age 65, or if the executive is terminated by reason of the executive's disability, or if the executive voluntarily terminates employment for good reason, the Company, in return for the executive's covenants regarding confidential information and non-competition (the "Covenants"), will pay an amount equal to three times the base salary of the named executive plus three times the target bonus for the named executive under the short-term incentive award program.

The amounts reported for retirement benefits equal the present value (using an assumed discount rate of 3.60%) of the accumulated benefit at December 31, 2017, for each of the named executives. The additional retirement benefits would be equal to the present value (using an assumed discount rate of 3.60%) of the difference between the annual pension benefits that would have been payable under the CWC employee's Retirement Plan (the "Retirement Plan") had the executive continued to participate in the plan for an additional three years and the vested benefits at the time of termination.

Under a change-in-control, the NEOs would receive additional retirement benefits for the three years covered under the employment agreement. The additional retirement benefits would be equal to the present value (using an assumed discount rate of 3.55%) of the difference between the annual pension benefits that would have been payable under the CWC Employees' Retirement Plan (the "Retirement Plan") and under the non-qualified Supplemental Executive Retirement Program had the executive continued to participate in the plans for an additional three years and the vested benefits at the time of termination. The Amended and Restated SERP Agreements provide for an unreduced benefit upon termination not for cause and death. The benefit associated with termination due to disability will be unreduced unless the participant is under age 55.

The amounts reported are equal to the difference between the benefits which would have been payable to the named executive under any deferred compensation agreement had the named executive continued in the employ of the Company for an additional three years and the benefits actually payable.

The amounts reported are aggregate amounts that would have been contributed on behalf of the named executive under the CWC Employee Savings Plan (401(k)) for an additional three years, plus estimated earnings had the named executive continued to participate.

(6)

Named executive will become fully vested in equity compensation awards previously granted, such as stock options, restricted stock, and performance shares. Unvested shares would be forfeited under termination for cause.

Amounts reported represent a lump sum payment equal in value of the benefits provided to the NEOs under the (7) life, health, disability, and welfare benefit programs of the Company for a period of three years, plus three years of additional credit for purposes of determining eligibility to participate in any such plan for retirees.

(8) Represents estimate of value of outplacement services for one year.

In the event that any payment or benefit received or to be received by the executive under the agreement would be

(9) an “excess parachute payment,” as defined in IRC Section 280G, and subject to the federal excise tax imposed by IRC

Section 4999, then a "gross-up" payment will be made to the named executive in the event that the benefits payable to the named executive under agreement becomes subject to the excise tax on excess parachute payments. The gross-up payment would compensate the executive for the initial 20% excise tax payable on their excess parachute payments plus the income and excise taxes then becoming payable on the gross-up payment. The gross-up payment would compensate the executive for the initial 20% excise tax payable on their excess parachute payments plus the income and excise taxes then becoming payable on the gross-up payment. However, the value of a non-competition covenant with an executive would not be considered a part of a parachute payment. The Company hired an Independent Actuary in 2015 to determine the value of the non-competition covenants for the NEOs. Based on the Company's most recent calculations, the Company believes that no such excise tax would have been payable upon employment termination for Mr. Benoit nor Ms. Westbrook in connection with, or upon, a change-of-control having an effective date as of December 31, 2017. For purposes of these calculations, the Company assumed that the portion of the required payments to each of Mr. Benoit and Ms. Westbrook represents reasonable compensation for the non-competition covenants set forth in each of their agreements.

Ms. Johnson's and Mr. Patla's employment agreements do not contain a 280G gross up provision, instead they provide for a "Best of Net Cutback" further explained in footnote 12. The value of the non-competition covenant for these executives would not be considered a part of a parachute payment. The Company hired an Independent Actuary in 2015 and 2017 to determine the value of the non-competition covenants for Ms. Johnson and Mr. Patla. (10) Based on the Company's most recent calculations, the Company believes that no such excise tax would have been payable upon the employment termination for these executive in connection with, or upon, a change-of-control having an effective date as of December 31, 2017. For purposes of these calculations, the Company assumed that the portion of the required payments to each of Mr. Johnson and Mr. Patla represents reasonable compensation for the non-competition covenants set forth in each of their agreements.

If the Company did not have non-competition covenants in place with the executives named in the above table, the estimated supplemental 280G tax gross-up payments to Mr. Benoit and Ms. Westbrook would have been (11) \$995,523 and \$627,522, respectively. In addition, the corporate deductibility for the change-in-control payments listed above for Messrs. Benoit and Patla and Mesdames Westbrook and Johnson would have been limited to \$1,318,372; \$753,014; \$992,706 and \$937,878, respectively.

In January 2013, the Board approved an amendment to Ms. Johnson's Amended and Restated Employment Agreement providing a "Best of Net Cutback" provision and in 2014 provided a similar Employment Agreement to Mr. Patla. This provision allows for the NEO to receive full change-in-control related payments and be (12) responsible for all taxes, except that the payments will be reduced to an amount such that it would not constitute an "excess parachute payment," as defined in IRC Section 280G, if it would be more favorable to the executive on an after-tax basis.

The following Pension Benefit Table shows the present value of accumulated benefits payable to each of our NEOs under their retirement plans.

Pension Benefits Table for 2017

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Payments Accumulated Benefit (\$) ⁽¹⁾	During Last Fiscal Year(\$)
E. W. Thornburg	Connecticut Water Company Employees Retirement Plan	12.00	550,676	—
	Supplemental Executive Retirement Program	11.83	1,691,564	—
D. C. Benoit	Connecticut Water Company Employees Retirement Plan	22.00	1,242,164	—
	Supplemental Executive Retirement Program	21.67	2,088,943	—
K.A. Johnson	Connecticut Water Company Employees Retirement Plan	11.00	390,079	—

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	Supplemental Executive Retirement Program	10.58	489,503	—
C.J. Patla	Connecticut Water Company Employees Retirement Plan	28.00	808,689	—
	Supplemental Executive Retirement Program	N/A	N/A	—
M. P. Westbrook	Connecticut Water Company Employees Retirement Plan	29.50	1,512,701	—
	Supplemental Executive Retirement Program	29.25	961,413	—

In determining the present value of the accumulated benefits for the CWC Employees Retirement Plan, we used a discount rate of 3.60% for December 31, 2017. For the Supplemental Executive Retirement Program, we used a (1) discount rate of 3.55% for December 31, 2017. For the CWC Employees Retirement Plan, we have assumed the form of payment would be 75% lump sum and 25% annuity with a 3.55% lump sum discount rate. For the Supplemental

Executive Retirement Plan, we have assumed the form of payment would be 100% annuity. For other assumptions used in estimating these amounts, see Note 12 “Long-Term Compensation Arrangements” in the Company’s 2017 Form 10-K.

Retirement Plans

All employees and Officers of CWC hired prior to January 1, 2009, MWC (formerly Aqua Maine, Inc., including Consumers Maine Water Company or related entities) employees and Officers hired prior to April 1, 2003 and the Biddeford and Saco Water Company (“BSWC”) hired and eligible to participate before the March 1, 2012 “Biddeford Plan Freeze Date” are entitled to participate in the CWC Employees Retirement Plan as amended and restated on January 1, 2015, a noncontributory qualified defined benefit plan. Retirement benefits for eligible employees and Officers of CWC are based on years of credited service and average earnings, which is defined to mean the highest average annual regular basis compensation received by an individual for the Company during any 60 consecutive months for CWC employees. Retirement benefits under the Retirement Plan are not reduced by employees’ Social Security benefits. Retirement benefits for eligible MWC employees and Officers previously employed by Aqua Maine, Inc., or related entities are based on the formula carried over from the Aqua America Plan and is based upon years of credited service and compensation averaged over the highest five (5) consecutive years, and are not reduced by employee’s Social Security benefits. The former participants in the Plan maintained by BSWC are participants in the CWC Employees’ Retirement Plan, but they do not accrue any benefits under the Plan since accruals were frozen under the BSWC Plan effective March 1, 2012. Contributions, which are actuarially determined, are made to the Retirement Plan by CWC and MWC for the benefit of all employees and vested retirees covered by the Retirement Plan. Employees of The Heritage Village Water Company and the Avon Water Company are not eligible to participate in the CWC Employees Retirement Plan.

The IRC of 1986, as amended, imposes limits upon the amount of compensation that may be used in calculating retirement benefits and the maximum annual benefit that can be paid to a participant from a tax-qualified benefit plan. These limits affect the benefit calculation for certain individuals and effectively reduce their benefits under the Retirement Plan. In order to supplement Retirement Plan benefits, CWC maintains a Supplemental Executive Retirement Program (“SERP”), for certain executives. On November 15, 2017 the Board approved amended and restated SERP Agreements (“Amended and Restated SERP”) to Mr. Benoit, Ms. Johnson, Ms. Westbrook and an additional executive officer. If the executive meets the age and any applicable service requirements under such an agreement, the annual retirement benefit payable will be equal to 60% of average earnings, as defined under the CWC Employees Retirement Plan but without the IRC compensation limit, offset by his or her benefit payable under the Retirement Plan. Participants are part of the Retirement Plan, a defined benefit plan covering all CWC employees hired before January 1, 2009. If the participating executive retires after attaining age 62, average earnings also include the value of cash units, restricted stock, and performance share units awarded under the Company’s 1994 (as amended and restated in 2002), 2004 or 2014 Performance Stock Programs. The Amended and Restated SERP agreements now provide that if the Executive undergoes a “separation from service” with CWC either without cause (as defined in each Executive’s employment agreement) or due to Executive’s death or disability at any time before the attainment of age 62, the Executive’s supplemental retirement benefit under the SERP will generally be treated as if the “separation from service” occurred after the Executive attained age 62 in two respects: (1) the Executive’s supplemental retirement benefit will not be reduced by an early retirement factor and (2) the components of compensation used to calculate average earnings for purposes of the supplemental retirement benefit will be consistent with the components used following a “separation from service” after attaining age 62.

In the case of each of Mr. Benoit and Ms. Johnson, the annual benefit amounts are also reduced by benefits payable under the retirement plan of a prior employer. All supplemental executive retirement agreements provide an early retirement benefit if the NEOs retires from service to the Company at any age between 55 and 65, outside of a “separation from Service” without cause.

NEOs also participate in the amended Savings Plan (401(k)) of CWC, as amended and restated as of January 1, 2016, and other benefit plans generally available to all levels of salaried employees. Also, NEOs may elect to defer

compensation under a non-qualified salary deferral plan, described below:

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Non-qualified Deferred Compensation Table for 2017

Name	Executive Contributions in Last Fiscal Year (\$)	Registrant Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$) ⁽¹⁾	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)
E. W. Thornburg	—	—	5,000	—	86,745
D. C. Benoit	34,569	—	77,064	—	1,102,281
K. A. Johnson	27,021	—	15,642	—	228,831
C. J. Patla ⁽²⁾	—	—	—	—	—
M. P. Westbrook	16,788	—	19,527	—	277,534

Above market interest credited for Messrs. Thornburg and Benoit and Mesdames Johnson, and Westbrook of (1)\$2,683, \$41,100, \$7,723, and \$10,007 respectively are reported in the 2017 Summary Compensation Table in the amounts shown in the “Change in Pension Values and Non-Qualified Deferred Compensation Earnings” column.

(2)Mr. Patla currently does not participate in the Non-Qualified Deferred Compensation Plan.

NEOs may elect to defer compensation under the 2017 DCP as of January 1, 2017. Participants may elect to defer up to 50% of their base salary and up to 100% of annual and long-term incentive compensation earned. In addition to elective deferrals made by Plan Participants, the Plan permits, but does not require, the Company to make discretionary contributions. At this time the Company has not made any discretionary contributions to participant accounts. Participants’ accounts increase or decrease based on the hypothetical investment of the account balances in one or more investment funds. Participants elect the investment funds in which their accounts are hypothetically invested. Participants may elect to receive payment of their vested account balances in a single cash payment or in annual installments for a period of up to ten (10) years.

Payments will be made on the first to occur of the following: on the fixed date or dates (if any) specified in the Participant’s deferral election; upon a Participant’s separation from service; or upon the Participant’s death. If the payment event is the Participant’s separation from service or death, payment shall be made within 90 days of such payment event.

Compensation that is deferred under the Plan will represent general unsecured obligations of the Company to pay such amounts in accordance with the terms of the Plan. The Company may at any time, in its sole discretion, terminate the Plan or amend or modify the Plan, in whole or in part, provided that Participants’ vested account balances are not reduced.

The NEOs also have individual non-qualified deferred compensation agreements, amended as of December 2016, to freeze the participant accounts to new deferrals. The NEOs’ deferred compensation balances, if any, are credited with interest on a semi-annual basis at an Interest Equivalent equal to fifty percent (50%) of the product of (i) the AAA Corporate Bond Yield Averages published by Moody’s Bond Survey for the Friday ending on or immediately preceding the applicable January 1 and July 1 plus 4 percentage points (the “Interest Factor”), multiplied by (ii) the balance of the Employee’s Deferred Compensation Account, including the amount of Interest Equivalent previously credited to such employee’s account, as of the preceding day (i.e., December 31 or June 30). Compensation deferred under the Deferred Compensation Agreement, plus all accrued interest, shall be paid to each participant (or to the executive officer’s designated beneficiary) upon termination of employment by the Company. The payment is in the form of an annual annuity if the participant terminates on or after the age of 55. The payment is a lump sum if the NEO terminates prior to age 55. If the participant is terminated for “cause” as defined in the Deferred Compensation Agreement, the participant shall be entitled only to a return of amounts deferred without payment of accrued interest.

Pay Ratio Disclosure

Pursuant to a mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission adopted a rule requiring an annual disclosure of the ratio of the median employee's annual total compensation to the total annual compensation of the Interim President and Chief Executive Officer (CEO). The Company's Interim President and CEO is Mr. David C. Benoit. Connecticut Water Service, Inc. is a regulated public water utility company providing high quality water and service to the New England area and has 280 employees (excluding employees of companies acquired in 2017); 72.5% of Connecticut Water and 27.5% of Maine Water.

In determining the median employee, a listing was prepared of all employees as of the twelve (12) month period ending December 31, 2017. The annual total compensation is the Consistently Applied Compensation Measure used to select the median employee. Wages and salaries were annualized for those employees that were not employed for the full year of 2017. Two acquired companies, Heritage Village Water Company with 9 employees and Avon Water Company with 7 employees, were excluded. We applied a simple ranking method of the annual total compensation of all employees (with the exception of the Interim President and CEO) from lowest to highest. Pay elements comprising the annual total compensation for each employee are:

- Salary received in fiscal year 2017;
- Overtime pay received in fiscal year 2017;
- Incentive payment received in fiscal year 2017;
- Company-paid Savings Plan 401(k) safe harbor, non-elective contributions in fiscal year 2017;
- Actuarial change in Pension and SERP values from December 31, 2016 to December 31, 2017;
- Fair value of Stock and Deferred Stock Awards earned in 2016 paid in 2017; and
- Company-paid Life and Long Term Disability (LTD) premiums during fiscal year 2017.

The annual total compensation of our Interim President and CEO, David C. Benoit, \$1,426,631 is reported in the "Total" column of the 2017 Summary Compensation Table included in this Proxy Statement and incorporated by reference in our annual Report.

The 2017 compensation disclosure ratio of the median annual total compensation of all Company employees to the annual total compensation of the Company's Interim President and CEO is as follows:

Median Employee total annual compensation of all employees (excluding Mr. Benoit): \$85,054.

Interim President and CEO total annual compensation: \$1,426,632.

Ratio of the median annual total compensation of all employees to the annual total compensation of the Interim President and CEO: 16.77 to 1.0.

CACM Median	\$85,054
Median annual total compensation of all employees (excluding Mr. Benoit)	\$85,054
Ratio of the median annual total compensation of all employees to the annual total compensation of Mr. Benoit	16.77
The resulting ratio of our CEO's pay to the pay of our Median Employee for fiscal year 2017 is	16.77 to 1.0

PROPOSAL (2) – THE NON-BINDING ADVISORY RESOLUTION REGARDING APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires that we request our shareholders provide an advisory vote to approve the compensation of our NEOs as disclosed in this Proxy Statement in accordance

with SEC rules. In May 2017, the Board recommended, and our shareholders voted to approve, a non-binding advisory resolution establishing that the advisory vote on compensation of our NEOs would be conducted on an annual basis.

Material Changes to Executive Compensation

Our shareholders showed strong support (94.19%) for our compensation practices in 2017. Since that time, the Committee and the Board have made the following modifications to executive compensation plans and programs for fiscal years 2017 and 2018:

The Committee engaged the Independent Compensation Consultant and legal counsel for strategic compensation assessments in 2016 and 2017 that led to the following:

Amended the Executive Deferred Compensation Agreements with the Company's Officers to freeze the Agreements to new deferral elections as of January 1, 2017, eliminating the crediting of new deferrals with the rate provided in the Agreements, the Moody's AAA Corporate Bond rate, plus 4%. The Amendments also provide that the amounts payable under the original Agreements, prior to the Amendments, will remain subject to the terms of the original Agreement, including the time and form of payment specified in the original Agreements;

Implemented and made effective the new 2017 Connecticut Water Company Deferred Compensation Plan ("DCP") on January 1, 2017 plan for executives and certain other highly compensated leaders that would allow participants to defer eligible base salary and incentives and allocate their deferral accounts among several notional investments, the value of which will be increased or decreased to reflect deemed returns under the selected investment; and

Reviewed the appropriateness and competitiveness of the Company's long-term incentive plan metrics. The Committee concluded, based on the results and counsel of the Consultant to maintain the metrics used in the 2016 long-term incentive for 2017 and 2018 with one modification, the Company's relative 3 year average TSR will be measured against all eight of the Water Utility Peers, without exclusions.

Implemented revised Stock Ownership Guidelines for executives, requiring increased levels of ownership for the CEO at four times base salary; the SVP, CFO at three times base salary; and the Company Vice Presidents and President of Maine Water at two times base salary. In addition, executives that have not attained their ownership requirement must elect to receive at least 50% of their annual and long-term incentive awards in Performance Shares Units;

- Upon the appointment of the Interim President & CEO on September 28, 2017, adjusted salary from \$325,760 to \$400,000 per year and his annual target award opportunity to 50% of salary to align with market practices.

Mr. Benoit's Long-Term target award remained at 40%;

Maintained the annual and long-term incentive award opportunity levels for NEOs other than the Interim President and CEO to meet market averages when performance against metrics is achieved or exceeded;

To encourage retention following the resignation of the Chairman, President and CEO, the Board took the following actions:

On November 15, 2017, the Board approved amended and restated Supplemental Executive Retirement Agreements ("SERP") for the active NEOs, providing that if the NEO undergoes a separation from service ("Separation") with CWC either without cause or due to the NEOs' death or disability at any time before the age of 62, the SERP benefit will generally be treated as if the Separation occurred after the NEO attained age 62 in two respects; the NEOs' SERP benefit will not be reduced by an early retirement factor, and; the components of compensation used to calculate average earnings for purposes of the SERP benefit will be consistent with the components used following a Separation after attaining age 62; and

On December 8, 2017, the Board approved a \$60,000 award of restricted stock units ("RSU") to the three Vice President NEOs. The RSUs have a three-year cliff vesting requirement and will be forfeited if the executive is not actively employed on the vesting date.

Refined metrics in our annual incentive in 2017 to:

Focus on our commitment to the Environment by reducing lost water in our systems;

Set management's focus on successfully delivering on key organizational projects; and

Set threshold levels of performance in Customer and Employee Satisfaction significantly over "World Class Levels" as defined by our survey partner, GreatBlue Research, Inc.

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Approved revised metrics and granted equity participation in the 2014 PSP for participants of the Senior Leader and Manager Incentive Program ("SLMIP") for fiscal year 2017.

The Committee engaged the Independent Compensation Consultant and legal counsel for strategic compensation assessments in 2018 that led to the following:

On March 6, 2018, the Board of Directors acted to promote Mr. Benoit to President and CEO of the Company and made certain compensation adjustments upon review of competitive data from the Independent Compensation Consultant:

Set Mr. Benoit's annual salary at \$430,000;
Affirmed his target annual incentive at 50% of his salary;
set his long-term incentive target to 75% of his salary; and
Granted an award of RSU's with a grant date fair value of \$162,500 and a three year cliff vesting requirement.
Applied negative discretion to the NEOs' 2017 Long Term Incentive results, resulting in award payments at 110% of target versus 150%, an average forfeiture of \$34,200 for the President & CEO, and the Vice Presidents;
Authorized a special Integration Cash Award in recognition of the efforts of employees at all levels within the organization to effectively integrate Heritage Village Water and Avon Water and attain "World Class" levels of customer satisfaction in 2017. Awards of \$5,000 were made to the active NEOs, thirty special mention awards of \$1,500 or \$1,000 were made to non-officer employees and an award of \$300 was made to all remaining employees;
Refined metrics in our 2018 annual incentive to:

Focus on our commitment to the Environment by reducing lost water in our systems;

Set management's focus on successfully delivering on key organizational projects; and
Set threshold levels of performance in Customer and Employee Satisfaction significantly over "World Class Levels" as defined by our survey partner, GreatBlue Research, Inc.

Approved revised metrics and granted equity participation in the 2014 PSP for participants of the Senior Leader and Manager Incentive Program ("SLMIP") for fiscal year 2018.

We encourage long-term stock ownership by our executive Officers through our Ownership and Retention Guidelines and all NEOs' awards include graduated vesting on performance share and restricted stock awards through our 1994 (as amended and restated in 2002), 2004 and 2014 PSPs at 33.33% per year beginning on the first anniversary of the grant date and on Restricted Stock Units at 100% after the third anniversary of the grant.

Our annual incentive compensation plans are aligned between Company executives and other management employees of the Company eligible to participate in an incentive plan to ensure unified achievement of Company goals and objectives.

We establish total compensation packages such that, when our fundamental financial performance is at target levels, total compensation (base salary, annual short-term cash incentives, and long-term incentives) for each NEO is competitive with the size adjusted market value total compensation for executives in comparable positions at companies in our peer comparator groups, in 2017 and 2018, that was approximately the 25th percentile of the Regulated Utility Peer Group.

We place a strong emphasis on variable compensation, which is designed so that the payout opportunity is directly linked to the achievement of pre-determined financial and other key performance metrics, with upside opportunity for exceeding the pre-determined goals.

Our allocation of cash to non-cash compensation is weighted toward cash-based compensation in order to (1) minimize the extent to which the interests of existing shareholders are diluted by equity used as compensation; and (2) align the majority of our variable compensation with our fundamental financial performance (on which management has a great deal of direct influence) and to the creation of TSR (on which management has relatively less direct influence) to establish balance and ownership behavior in our executives.

We believe that proper administration of our executive compensation program should result in the development of a management team that improves our fundamental financial performance and provides value to the long-term interests of the Company and its shareholders. Additional information relevant to your vote can be found in the "Compensation Discussion and Analysis" and additional information regarding "Executive Compensation" sections of this Proxy Statement on pages 24 to 60.

The Committee and the entire Board believes the Company's executive compensation programs have been effective at incenting the achievement of strong financial performance and competitive relative returns to shareholders.

Following are highlights of the Company's financial performance in 2017:
Definitive Merger Agreement with SJW Group

CTWS and SJW Group (NYSE: SJW) announced that both companies' Boards of Directors unanimously approved a definitive agreement to combine through a merger of equals to create the 3rd largest investor-owned water and wastewater utility in the United States, based on pro forma enterprise value and combined rate base. The increased scale and more diverse geographic footprint of the new organization provide the opportunity for investments in service and reliability that can enhance value for shareholders as well as benefits for customers and communities. The news release is available at <http://ir.ctwater.com> and additional information regarding the transaction is available at www.sjw-ctws.com.

Leadership Transition in Connecticut and Maine

On September 28, 2017, Chairman, President and CEO Eric W. Thornburg resigned his officer positions after almost twelve years of excellent service with and for the Company. Mr. Thornburg's many valuable contributions made meaningful impacts on shareholders, customers and employees;

Carol P. Wallace, the Company's Lead Director was elected as the Independent Chairman of the Board of Directors as of September 28, 2017;

David C. Benoit, the Company's Senior Vice President, Chief Financial Officer ("CFO") and Treasurer was appointed by the Board on September 28, 2017, upon Mr. Thornburg's resignation to serve the Interim President and CEO while retaining his CFO responsibilities; and

On March 31, 2017, the President of Maine Water Company, Judy E. Wallingford, retired after 36 years of inspiring service and contributions to the Company, the water utility industry, our communities and her Maine and Connecticut Water colleagues. Effective April 1, 2017, Richard L. Knowlton was appointed by the Board as Ms. Wallingford's successor as President of Maine Water Company.

2017 Company Financial Performance

Net Income grew by 7.1% to \$25.1 million and basic Earnings per Share ("EPS") grew 2.4% to \$2.17, compared to \$23.4 million and \$2.12 in 2016. 2017 EPS included a \$0.13 per share negative impact from the Tax Cuts and Jobs Act passed in December 2017;

Total revenue, from all business segments, grew to \$113.8 million from \$105.3 million, an increase of 8.1%. Total revenue includes all revenues generated by the Company's three business segments: Water Activities, Services and Rentals, and Real Estate;

Net income in the Company's core business, the Water Operations segment was \$23.9 million on revenues of \$108.5 million. In 2016, net income from the segment totaled \$22.2 million, on revenues of \$100 million. The increase in revenues was related to the acquisitions of the Heritage Village Water Company in February 2017 and the Avon Water Company in July 2017, as well as the recovery of costs for completed infrastructure replacement projects through the Water Infrastructure and Conservation Adjustment (WICA) in Connecticut and the Water Infrastructure Charge (WISC) in Maine. Also contributing was a general rate increase approved in the Maine Water Company's (Maine Water) Biddeford Saco division that took effect in December 2017;

The quarterly common stock dividend was increased in 2017 by 5.3%. Over the past three years our annual dividend payments have increased by 11.9%. The Company has paid dividends for 62 consecutive years and has increased its dividend now for 247 consecutive quarters;

Our share price at year-end 2017 closed 2.8% higher than at the previous year end and 51% over the last three years' end closing price. In every year since 2012, our closing share price at year-end has been higher than the previous year end;

The Company's long-term performance is strong with three-year average annual TSR at 19.5%, exceeding the S&P Small Cap Utilities Index;

The Company's five-year Net Income and EPS compounded annual growth rates were 16% and 10%, respectively, demonstrating the high quality of our earnings; and

The Company's five-year compounded annual growth rate for stock price (inclusive of dividends) was 15.5% for the period 2011-2016.

2017 Acquisitions and Growth

Since January 2012, CWS has grown its customer base by more than 54%, or nearly 45,000 water customers and 3,000 wastewater customers, primarily through sizable acquisitions in both Maine and Connecticut;

On February 27, 2017, the Company completed the acquisition of the Heritage Village Water Company ("HVWC") in a transaction with a total enterprise value of \$20.7 million. HVWC serves approximately 4,700 water and 3,000 wastewater customers in the communities of Middlebury, Oxford, and Southbury, Connecticut. The wastewater operation is the only wastewater utility in the state regulated by the Connecticut Public Utilities Regulatory Authority ("PURA"); and

On July 1, 2017, the Company completed the acquisition of The Avon Water Company ("AWC") in a transaction that reflects a total enterprise value of \$40.1 million. AWC serves approximately 4,800 water customers in three

communities.

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Other Notable Performance Matters

On December 5, 2017, the Maine Public Utilities Commission (MPUC) approved a water rate increase for customers of Maine Water's Biddeford Saco division. Maine Water had requested an increase in annual revenues of \$1.57 million. The MPUC approved an increase of \$1.56 million, which was effective with customer bills issued on or after December 1, 2017;

Since the adoption of WICA in 2007, Connecticut Water has replaced more than 118 miles of aging water main with an average age of 75 years, approximately 7.5% of our distribution system piping. WISC became available in Maine in 2013 and effective in 2014 and has been used to replace 15 miles of aging water mains, upgraded pump stations, constructed a 3-million-gallon storage tank, funded treatment improvements and replaced IT systems;

In 2017, Connecticut Water completed the replacement of the Rockville Drinking Water Treatment Facility using an innovative “design-build” approach allowing us to collaborate with the consultant and contractors and the Connecticut Department of Public Health to deliver the project ahead of schedule and on budget. This new facility can treat more water, maintain consistent output during facility maintenance, provide greater energy and operating efficiencies and generate significant environmental benefits; and

In 2017, we took our first steps to replace our largest water treatment facility in Maine, the Biddeford Water Treatment Facility that went on line in 1884. In addition to serving our customers, this new facility has the ability to be a resource to neighboring communities in southern Maine. Construction will begin in 2018 and expected to be completed in 2020.

We are asking our shareholders to indicate their support for the reasonable and appropriate compensation arrangements with our NEOs as described in this Proxy Statement. This Proposal, commonly known as a “Say-on-Pay” Proposal, gives our shareholders the opportunity to express their views on our NEOs’ compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we are asking our shareholders to vote “FOR” the following resolution to be presented at the Annual Meeting:

“RESOLVED, that the Company’s shareholders approve, on an advisory basis, the compensation of the NEOs, as disclosed in the Company’s Proxy Statement for the 2018 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the 2017 Summary Compensation Table and the other related tables and disclosure.”

This “Say-on-Pay” vote is advisory, and therefore is not binding on the Company, the Committee or our Board of Directors. Our Board of Directors and our Committee value the opinions of our shareholders, and to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, we will consider our shareholders’ concerns and the Committee will evaluate whether any actions are appropriate to address those concerns.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE APPROVAL OF THE FOREGOING RESOLUTION, RELATING TO THE COMPENSATION OF OUR NEOs AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC — PROPOSAL (2)

AUDIT
COMMITTEE
REPORT

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors.

Management is responsible for the Company's financial statements and the financial reporting process, including implementing and maintaining effective internal control over financial reporting and for the assessment of, and reporting on, the effectiveness of internal control over financial reporting.

The Independent Auditor is responsible for expressing an opinion on the conformity of those audited financial statements with U.S. GAAP and for expressing an opinion on the effectiveness of the Company's internal control over financial reporting.

In connection with the preparation and filing of the Company's audited consolidated financial statements for the fiscal year ended

December 31, 2017
(the "audited financial
statements"), the
Audit Committee
performed the
following functions:

- The Audit
Committee reviewed
and discussed with
senior management
and Baker Tilly
Virchow Krause, LLP
("Baker Tilly"), the
Company's
independent
registered public
accounting firm for
the fiscal year ended
December 31, 2017,
the audited financial
statements,
management's report
on the effectiveness
of the Company's
internal control over
financial reporting
and Baker Tilly's
evaluation of the
Company's internal
control over financial
reporting.

- The Audit
Committee also
discussed with Baker
Tilly the matters
required to be
discussed by Auditing
Standards No. 1301,
"Communications
with Audit
Committees", as
adopted by the Public
Company Accounting
Oversight Board
("PCAOB") in
Release No.
2012-004.

- The Audit

Committee received the written disclosures and an independence letter from Baker Tilly confirming their independence with respect to the Company as required by applicable requirements of the PCAOB. The Audit Committee discussed with Baker Tilly its independence from the Company, including whether the provision of non-audit services provided by Baker Tilly to the Company is consistent with maintaining their independence.

Based upon the functions performed, the Audit Committee recommended to the Board, and the Board approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for filing with the U.S. Securities and Exchange Commission.

Ms. Lisa
J.
Thibdaue,
Chairman
Mr.
Richard

H. Forde
Ms. Mary
Ann
Hanley
Ms. Ellen
C. Wolf

This report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Exchange Act, as amended, and shall not otherwise be deemed filed under such statutes.

PROPOSAL (3) – RATIFICATION OF THE APPOINTMENT BY THE AUDIT COMMITTEE OF BAKER TILLY VIRCHOW KRAUSE, LLP

The Audit Committee has appointed Baker Tilly Virchow Krause, LLP ("Baker Tilly") to serve as the Company's independent registered public accounting firm and to audit our financial statements for the fiscal year ending December 31, 2018. Although we are not required to seek shareholder approval of this appointment, it has been our practice for many years to do so. No determination has been made as to what action the Audit Committee and the Board would take if our shareholders fail to ratify the appointment.

Even if the appointment is ratified by shareholders, the Audit Committee retains discretion to appoint a new independent registered public accounting firm at any time if the Audit Committee concludes such a change would be in the best interests of the Company.

Representatives of Baker Tilly will attend the Annual Meeting of Shareholders, will have the opportunity to make a statement, if they desire to do so, and are expected to be available to respond to appropriate questions.

Principal Accounting Fees and Services

During fiscal year 2017, the Company retained its independent registered public accountants, Baker Tilly to provide services in the following categories and amounts.

Audit Fees

The aggregate fees billed by Baker Tilly for professional services rendered for the audit of the Company's annual consolidated financial statements included in the Company's Annual Report on Form 10-K and for the review of the financial statements included in the Company's Quarterly Reports on Form 10-Q were \$600,290 for the fiscal year-ended December 31, 2017, and \$478,709 for the fiscal year-ended December 31, 2016. These amounts also included the audits of the subsidiary financial statements of the Connecticut Water Company and the Maine Water Company for 2017 and the Connecticut Water Company, the Maine Water Company and the Biddeford and Saco Water Company for 2016 and associated travel related costs and administrative expenses.

Audit Related Fees

	2016	2017
Audit Related Fees	\$ —	\$ —

All Other Fees

	2016	2017
All Other Fees	\$ —	\$ —

Tax Fees

In addition to the services and fees stated above, in 2016 and 2017 Baker Tilly billed the Company for the following:

	2016	2017
Tax Services Fee ⁽¹⁾	\$ 12,394	\$ 36,252

(1) During 2016 and 2017, the Company prepared the 2016 and 2017 tax returns, respectively, in house and Baker Tilly reviewed the returns.

In accordance with its Charter, the Audit Committee pre-approved all audit and non-audit fees for 2016 and 2017 as listed above.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" PROPOSAL (3)

Other Matters

The Board knows of no other matters which may be presented for consideration at the meeting. However, if any other matters properly come before the meeting, the persons named in the enclosed proxy will vote in their discretion on such matters.

Householding of Annual Meeting Materials

Some banks, brokers, and other nominee record holders may participate in the practice of “householding” proxy statements, annual reports, and related notices. This means that only one copy of our Proxy Statement and/or our 2017 Annual Report may have been sent to multiple shareholders in your household. If you would like to obtain another copy of any of these documents, please contact our Assistant Corporate Secretary, Laurie I. Felleman at Connecticut Water Service, Inc., 93 West Main Street, Clinton, CT 06413, or by telephone at 1-800-428-3985, ext. 6015. If you want to receive separate copies of the Proxy Statement, and/or Annual Report in the future, or if you are receiving multiple copies and would like to receive only one copy of any of these documents for all shareholders in your household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address or telephone number.

REQUIREMENTS AND DEADLINES FOR PROXY PROPOSALS, NOMINATION OF DIRECTORS, AND OTHER BUSINESS OF SHAREHOLDERS

For business to be properly brought before an annual meeting by a shareholder, the business must be an appropriate matter to be voted by the shareholders at an annual meeting and the shareholder must have given proper and timely notice in writing to the Secretary of the Company. To be timely, a shareholder’s notice must be delivered to or mailed and received by the Secretary of the Company at the Main Offices of the Company, 93 West Main Street, Clinton, CT 06413, no later than the close of business on a day which is not less than 120 days prior to the anniversary date of the immediately preceding annual meeting, which date for purposes of the 2019 Annual Meeting of Shareholders is January 10, 2019. A shareholder’s notice to the Secretary must set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Company’s books, of the shareholder proposing such business, (c) the class and number of shares of the Company which are beneficially owned by the shareholder, and (d) any material interest of the shareholder in such business. In addition, shareholder proposals intended to be presented at the Annual Meeting of Shareholders in 2019 must be received by the Company no later than December 3, 2018, in order to be considered for inclusion in the Company’s Proxy Statement and form of proxy relating to the 2019 Annual Meeting of Shareholders.

Kristen A. Johnson

Vice President, Human Resources
and Corporate Secretary

April 6, 2018

The Company is subject to the informational requirements of the Exchange Act and files an Annual Report on Form 10-K with the SEC. Additional copies of the 2017 Annual Report on Form 10-K filed by the Company, including the financial statements and schedules, but without exhibits, will be mailed to any shareholder upon written request without charge. The exhibits are obtainable from the Company upon payment of the reasonable cost of copying such exhibits. Shareholders can request this information by phone at 1-800-428-3985, ext. 6015, by email at lfelleman@ctwater.com, or by mail to Laurie I. Felleman, Assistant Corporate Secretary, Connecticut Water Service, Inc., 93 West Main Street, Clinton, CT 06413.

DIRECTIONS

Connecticut Water Service, Inc.
Annual Meeting of Shareholders
Held at the Madison Beach Hotel

94 W. Wharf Road, Madison, Connecticut

Meeting at 2:00 P.M. — Doors Open at 1:00 P.M.

IF YOU PLAN TO ATTEND THE MEETING, PLEASE CALL 1-800-428-3985, EXT. 6015, AND LEAVE YOUR NAME, ADDRESS, AND TELEPHONE NUMBER. ALSO, IF YOU NEED SPECIAL ASSISTANCE AT THE MEETING, PLEASE ALSO STATE THAT REQUEST WHEN YOU CALL.

The Madison Beach Hotel's website is

<http://www.madisonbeachhotel.com>

From New York City, New Haven and West:

Interstate 95 North to Connecticut Exit 61 (CT-79). Right turn at exit ramp onto CT-79 / Durham Road. Travel approximately .9 miles, turn right onto Boston Post Road / Route 1. Go up about half a mile, turn left onto W. Wharf Road. The Madison Beach Hotel is at the end of the road on the right. The hotel offers free valet parking of all vehicles.

From Hartford, Springfield and North:

Interstate 91 South or I-84 West to Hartford. From Hartford, take I-91 South to Route 9. Then Route 9 South to Exit 13 (CT-17S) towards New Haven. Continue straight on CT-17 for 6.8 miles. Make slight left at traffic light onto CT-79, travel for approximately 8 miles. Enter roundabout and take second exit CT-79S. Travel 6.2 miles, make a right onto Boston Post Road / Route 1. Go up about half a mile, turn left onto W. Wharf Road. The Madison Beach Hotel is at the end of the road on the right. The hotel offers free valet parking of all vehicles.

From Boston, Providence and East

Interstate 95 South to Connecticut Exit 61. Left turn at the exit ramp onto CT-79 / Durham Road. Travel approximately 1 mile, turn right onto Boston Post Road / Route 1. Go up about half a mile, turn left onto W. Wharf Road. The Madison Beach Hotel is at the end of the road on the right. The hotel offers free valet parking of all vehicles.

CLINTON, CT 06413-1600

Investor Address Line 1

In

May 10, 2012

2:00 PM EST

The undersigned shareholder of Connecticut Water Service, Inc. hereby appoints Eric W. Thornburg, David C. Benoit, and Kristen A. Johnson, or any one of them, attorneys or proxies for the undersigned, with power of substitution, to act, and to vote, as designated herein, with the same force and effect as the undersigned, all shares of the Company's Common Stock and Preferred A Stock standing in the name of the undersigned at the Annual Meeting of Shareholders of Connecticut Water Service, Inc. to be held at the Water's Edge Resort and Spa, 1525 Boston Post Road, Westbrook, Connecticut, May 10, 2012, 2:00 PM, and at any adjournment or postponement thereof.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

Address change/comments:

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

Continued an

d to be signed on reverse side

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