

To Our Shareholders:

### Dividends Declared

I am pleased to inform you that on November 21, 2008, your Board of Directors declared a quarterly cash dividend of \$0.2225 per common share payable on December 15, 2008, for shareholders of record as of December 1, 2008. This quarterly dividend, which is unchanged from the previous quarter, translates into an annualized dividend of \$0.89. The Board also declared a quarterly cash dividend of \$0.20 per share on Preferred A shares payable on January 16, 2009, for shareholders of record as of January 2, 2009, and a quarterly cash dividend of \$0.225 on Preferred 90 shares (OTCBB:CTWSP) payable on February 2, 2009, for shareholders of record as of January 19, 2009. Connecticut Water has paid dividends on its common stock without interruption or reduction in each quarter since its founding in 1956, and has increased dividend payments for each of the last 39 years.

### Direct Deposit of Dividends

You may not be aware that **the Company offers direct deposit of dividends for its registered shareholders**. If you currently use direct deposit for your paycheck or Social Security check, why not use it for dividends too? There is no charge to shareholders for this service. The form to begin the direct deposit of dividends can be obtained at [www.ctwater.com/shareholderservices.htm](http://www.ctwater.com/shareholderservices.htm) or by calling 1-800-428-3985 x3016.

### Third-Quarter Earnings

Our earnings per share for the first nine months of 2008 were up two cents to \$0.89 per share when compared to the same period of 2007. This came despite the wettest third quarter in 53 years, which caused our residential water sales to fall about 10% compared to the third quarter of 2007. For the quarter, nearly 24 inches of rain fell, as measured at Bradley International Airport in our Northern service area. That is twice the normal historical rainfall for the quarter, and more than three times the amount that fell in the third quarter of 2007.

Partially offsetting the weather-related decline was an increase in revenues that resulted from our January 2008 acquisition of Birmingham Utilities' Eastern Operations, which brought us 2,300 new customers. Also offsetting the weather's effect were new water rates that began on April 1, 2008, for all customers except those of the Birmingham Eastern Operations. The new rates allowed us to recover financing and operating costs related to the \$15.5 million in infrastructure investments we placed in service in 2007 to better serve our customers.

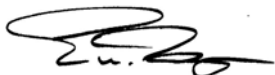
Net income for the 2008 third quarter totaled \$2.8 million, or \$0.34 per basic common share. This compares with net income of \$3.9 million, or \$0.47 per basic common share, in the 2007 third quarter. For the first nine months of 2008, the Company reported income of \$7.5 million, or \$0.89 per common share, on revenues of \$46.6 million. For the same period in 2007, the Company reported income of \$7.2 million, or \$0.87 per share, on operating revenues of \$44.6 million.

### Shareholder Letters

We are committed to providing our shareholders with information on developments at the Company. Many shareholders have internet access and are able to follow the Company through our news releases and our Web site. The Company also sends e-mail alerts when new news releases are posted ([www.ctwater.com/emailalerts.htm](http://www.ctwater.com/emailalerts.htm)). We mail Shareholder Letters in June, September, and December. The cost of printing and distributing these letters is more than \$20,000 a year. We would like to know if you find the quarterly letters beneficial, or if a single mid-year report, in addition to the Annual Report, would be preferred. If you have an opinion, let us know by calling 1-800-428-3985 x3016, sending an e-mail to [dmeaney@ctwater.com](mailto:dmeaney@ctwater.com), or by mail to Dan Meaney, Connecticut Water Service, Inc., 93 West Main Street, Clinton, CT 06413.

On behalf of the more than 200 professionals who work hard to keep your company successful, I thank you for your continued support.

Very truly yours,



Eric W. Thornburg  
Chairman, President and CEO

# Connecticut Water Service, Inc. & Subsidiaries

## Condensed Consolidated Statements of Income (unaudited)

(In thousands except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Operating Revenues	\$17,040	\$16,951	\$46,629	\$44,559
Other Utility Income, Net of Taxes	\$162	\$137	\$438	\$374
Utility Operating Income	\$3,994	\$5,021	\$10,788	\$10,402
Gain on Property Transactions, Net of Taxes	--	\$20	--	\$61
Non-Water Sales Earnings (Services and Rentals), Net of Taxes	\$136	\$149	\$530	\$472
Net Income	\$2,835	\$3,899	\$7,491	\$7,236
Net Income Applicable to Common Shareholders	\$2,825	\$3,889	\$7,462	\$7,207
Basic Earnings Per Average Common Share	\$0.34	\$0.47	\$0.89	\$0.87
Diluted Earnings Per Average Common Share	\$0.34	\$0.47	\$0.89	\$0.87
Basic Weighted Average Common Shares Outstanding	8,388	8,285	8,369	8,256
Diluted Weighted Average Common Shares Outstanding	8,442	8,293	8,422	8,266
Book Value Per Share	\$12.27	\$11.93	\$12.27	\$11.93

## Condensed Consolidated Balance Sheets (unaudited)

(In thousands)	As of	As of
	September 30, 2008	September 30, 2007
<b>ASSETS</b>		
Net Utility Plant	\$292,911	\$271,106
Current Assets	23,259	18,646
Other Assets	58,898	40,186
<b>Total Assets</b>	<b>\$375,068</b>	<b>\$329,938</b>
<b>CAPITALIZATION AND LIABILITIES</b>		
Shareholders' Equity	\$103,695	\$99,737
Preferred Stock	772	772
Long-Term Debt	92,229	77,342
Current Liabilities	23,532	20,950
Other Liabilities and Deferred Credits	154,840	131,137
<b>Total Capitalization and Liabilities</b>	<b>\$375,068</b>	<b>\$329,938</b>

	Equity Type	Record Date	Payable Date	Rate
<b>Dividends Declared</b>	Common (NASDAQ GS:CTWS)	December 1, 2008	December 15, 2008	\$0.2225
	Preferred A (not publicly traded)	January 2, 2009	January 16, 2009	\$0.20
	Preferred 90 (NASDAQ:CTWSP)	January 19, 2009	February 2, 2009	\$0.225

	Declaration date	Record Date	Payable Date
<b>Proposed Next Common Stock Dividend Dates</b>	January 7, 2009	March 2, 2009	March 16, 2009

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 Website: [www.ctwater.com](http://www.ctwater.com)

Stock Transfer, Dividend Disbursing Agent and  
 Agent to Administer Dividend Reinvestment Plan  
 Registrar and Transfer Company  
 10 Commerce Drive, Cranford, NJ 07016  
 1-800-368-5948  
 On-line information: <http://www.rtc.com>