

**CONNECTICUT WATER SERVICE, INC.
THE CONNECTICUT WATER COMPANY**

Charter of the Compensation Committee

I. Committee's Purpose

The Compensation Committee shall assist the Board in fulfilling the Board's responsibilities in relation to compensation of the Company's officers. The Committee has overall responsibility for evaluating, approving and revising (as needed) all compensation plans, policies, and programs for the officers and directors of the Company. The Committee is also responsible for preparing an annual report on executive compensation for inclusion in the Company's proxy statement.

II. Committee Membership

The Committee shall consist of no fewer than three members. All members of the Committee shall satisfy the independence standards adopted by the NASDAQ Stock Market, LLC, shall be "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, and shall be "non-employee" directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934.

The members shall be nominated by the Corporate Governance Committee and appointed by the Board of Directors. Committee members shall have terms of one year and may be removed by a majority vote of the full Board. Vacancies occurring in the membership of the Committee shall be filled by the Board.

III. Meetings

The Committee shall meet annually or as often as necessary to carry out its responsibilities.

IV. Committee Authority and Responsibilities

The basic responsibility of the members of the Committee is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company. In discharging that responsibility, the Committee should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors, to the extent it deems necessary or appropriate.

1. Professional Advisors, Meetings with Management - The Committee shall have the sole authority to retain and terminate any legal counsel, compensation consultant, or other consultant to be used to assist in the evaluation of director or executive compensation and shall have sole authority to approve the consultant's fees and other retention terms. All fees and other retention items for legal counsel, compensation consultants, or other consultants shall be paid by the Company. In addition, the

Committee shall have the authority to request any officer, director or employee of the Company, or any other persons whose advice and counsel are sought by the Committee, such as members of the Company's management or outside legal counsel and independent accountants, to meet with the Committee or any of its advisors and to respond to their inquiries.

2. Executive Compensation – The Committee shall annually review and have the sole authority to approve, increase, decrease, or otherwise amend annual and long term compensation of the Company's executives, including (a) the annual base salary level; (b) the annual incentive opportunity level; (c) the long-term incentive opportunity level; (d) employment agreements or severance arrangement; and (e) any special or supplemental benefits. The effective date for any actions taken regarding Executive Compensation items listed above is the date they are reported to the full Board as specified in item (9).
3. Director Compensation – The Committee shall periodically review and have the sole authority to approve, increase, decrease or otherwise amend the compensation of the Company's non-employee directors. The Committee shall consider director compensation policies and practices as the Company's principal competitors and other comparable companies to ensure that the compensation paid to the Company's non-executive directors is reasonable and appropriate. The effective date for any actions taken regarding Director Compensation items listed above is the date they are reported to the full Board as specified in item (9).
4. Incentive-Compensation Plan – The Committee shall have the sole authority to approve, amend, or terminate incentive-compensation plans, i.e. the Company's Performance Stock Plans, subject to any applicable shareholders' approval requirements provided by applicable law, SEC regulations or NASDAQ rules. The Committee shall also serve as the administrative committee for the Company's Performance Stock Program. The effective date for any actions taken regarding Incentive-Compensation Plan items listed above is the date they are reported to the full Board as specified in item (9).
5. Ratification Required by the Board – The following shall be presented as a recommendation to the full Board and approved by the full Board:
 - (i) any action, including the adoption or amendment of any non-qualified equity compensation plan that is required by law or regulation to be submitted to the shareholders for approval.
 - (ii) any approval, amendment or termination of employment, change in control or severance agreements related to the officers of the Company.
6. Annual and Other Disclosures – The Committee shall (a) review and discuss the

Company's annual Compensation Discussion and Analysis disclosure ("CD&A") with the Company's management and, based on such review and discussion, make a recommendation to the full Board as to whether the CD&A should be included in the Company's annual report filed with the Securities and Exchange Commission ("SEC") and, as applicable, the Company's annual proxy statement; (b) render a report annually which complies with SEC rules and regulations to be included in the Company's annual proxy statement; and (c) prepare any other reports to shareholders required by SEC regulations or any other legal requirements.

7. Competitive Compensation Position – The Committee shall periodically assess the Company's competitive position for each component of executive compensation (especially base salary, annual incentives, long-term incentives, and supplemental executive benefit programs) by reviewing market data for appropriate peer companies.
8. Cash Effect – The Committee shall monitor the cumulative cash effect on the Company financial position caused by the operation of the bonus and other cash-based incentive plans of the Company, especially in relation to the Company's net income for the applicable year(s).
9. Report to the Board – Following each action by the Committee, the Committee shall make a report to the full Board at its next regularly-scheduled meeting,
10. Charter Review – The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
11. Other Matters – The Committee shall undertake such additional activities within the scope of its primary function as the Committee may determine or any activities requested by the full Board.

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