



93 West Main Street
Clinton, CT 06413-1600

February 18, 2010

Dear Customer:

On January 6, 2010, Connecticut Water filed an application with the Department of Public Utility Control (DPUC) for new rates that would affect customers served by our Crystal water systems. The new rates are expected to become effective in July 2010. The rate application filing follows a format and process established by the DPUC and includes extensive supporting evidence of the need for the rate increase.

Customers are welcome to provide comments on the application at any of the hearings or in writing to the DPUC at Ten Franklin Square, New Britain, CT 06051, or by sending an e-mail to dpuc.executivesecretary@po.state.ct.us. Please refer to Docket No. 09-12-11 in any written or electronic correspondence. If you have any questions about the public hearing, the DPUC's phone number is 1-800-382-4586 (toll free in Connecticut), or you may check our Web site at www.ctwater.com for information on the rate case process. In addition to hearings that will be held at the DPUC's office in New Britain, a number of local public hearings have been scheduled as follows:

- **Monday, March 8, at 6:30 p.m., Auditorium, Clinton Town Hall, 54 East Main Street, Clinton**
- **Tuesday, March 9, at 6:30 p.m., Auditorium, Killingly High School, 79 Westfield Avenue, Danielson**
- **Monday, March 15, at 6:30 p.m., Hall of Burgesses, Naugatuck Town Hall, 229 Church Street, Naugatuck**
- **Tuesday, March 16, at 6:30 p.m., Conference Rooms A & B, Farmington Community Center, 321 New Britain Avenue, Farmington**
- **Wednesday, March 17, at 6:30 p.m., Council Chambers, Enfield Town Hall, 820 Enfield Street, Enfield**
- **Wednesday, March 31, at 6:30 p.m., Council Chambers, South Windsor Town Hall, 1540 Sullivan Avenue, South Windsor**

Connecticut Water has taken a number of steps to control costs but is faced with the need for a rate increase to maintain our commitment to the environment, operations, water quality and customer service, and to make capital investments to sustain our systems. We have developed our current rate request to include a number of innovative approaches to minimize the impacts on our customers and the communities we serve; provide assistance to those faced with economic hardships; promote water conservation; and allow the company to meet our obligations to water quality and service.

Our current filing includes two options for the proposed rate design. Under the traditional rate filing, the water bill for the residential customer with a 5/8" meter served by our Crystal water systems who uses the company average of approximately 5,000 gallons per month (nearly 15,000 gallons per quarter) would increase by \$9.80 to \$11.47 for their monthly usage in 2010, or 31%, and then \$0.74 to \$0.87, or 1.8%, in July 2011 and July 2012. The alternative approach, which the Company prefers, is a three year rate phase in where water rates would increase evenly in each of the next three years. Under that approach water bills for the Crystal system residential customer with average usage of approximately 5,000 gallons per month would increase each year by about \$3.76 to \$4.40 for their monthly usage, or approximately 13 to 15 cents per day. That would be an increase of 9% to 12% in each of the three years. For information about your current rate, please visit www.ctwater.com, or call a Customer Service Representative at 1-800-286-5700.

Under either scenario, rates for commercial, industrial and public authority customer classes would see similar rate increases. Customers who are served by systems that were not part of Connecticut Water's previous rate filing, i.e., South Coventry, Ellington Acres and the former Birmingham Utilities, would see similar percentage increases.

Questions about the rate request can be sent to publicaffairs@ctwater.com, or call us at 1-800-428-3985, ext. 3014. If you have general questions about your water service, you can call a Customer Service representative at 1-800-286-5700.

Sincerely,

Eric W. Thornburg
President and CEO

Questions and Answers about Connecticut Water's Rate Application

Q: Why is Connecticut Water seeking a rate increase at this time?

A: Connecticut Water recognizes these are historic and unprecedented economic times. We have had a long-standing practice of avoiding rate applications unless absolutely necessary and would only pursue a rate increase when needed to maintain our commitment to the environment, operations, water quality and customer service, and to make capital investments to sustain our systems.

Although we understand that no one likes to pay more for water service, our current rates are based on projected 2007 costs which were made in 2006. Since that time we have experienced significant increases in our pension, healthcare and chemical costs, which have doubled or nearly doubled.

Q: What has the company done in the application to help minimize the impacts on customers?

A: Connecticut Water issued a temporary \$600,000 rate reduction that was in effect from July through December 2009. This was in response to our customers' need for rate relief during these tough economic times. At the same time, we delayed the filing of our rate application by six months.

The Company is proposing an alternate three-year rate phase in as well as the following innovative proposals:

- *The funding of the first program in the state by a water utility to promote customer water conservation.* This program would include \$100,000 a year in conservation expenditures for schools, municipal buildings and hardship customers, as well as customer incentives and rebates for appliances and fixtures that earn the Environmental Protection Agency's Water Sense label for water efficiency standards.
- *An expansion of the company's H2O Help to Our Customers hardship assistance program, which was offered on a pilot basis in 2009 in five service towns.* The program is based on federal and state income guidelines and has a provision for individuals with special circumstances or financial hardships that make it difficult for them to meet their obligations on a one-time basis. It will help those customers who are most impacted by the economic downturn.

Q: How much does a typical single family homeowner who is served by Connecticut Water's Crystal water systems currently pay for water service?

A: It costs a typical residential customer with a 5/8" meter who is served by our Crystal water system, and who uses the company average of nearly 15,000 gallons of water per quarter about \$0.88 to \$1.08 per day, or about \$80 to \$98 per quarter for all their water needs based on our current rates.

Q: What does a water company do to set, or increase its rates?

A: To increase its rates, a public service company must file an official rate application and get their rates approved by the Connecticut Department of Public Utility Control (DPUC). The application must be in the format prescribed by the Department and include extensive supporting evidence of the need for the rate increase. The company must demonstrate that any expenses are prudent and that any investments made are for the benefit of customers. The Office of Consumer Counsel acts as an advocate for consumers in any DPUC rate proceeding. Customers are given the opportunity to provide comments to the DPUC about the application, or at any of the scheduled public hearings.

