

Connecticut Water Company

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June 15, 2009

To Our Valued Customers:

Connecticut Water Company is pleased to tell you that we received approval from the Department of Public Utility Control (DPUC) for our infrastructure replacement plan. Investing in infrastructure replacement is part of our Company's commitment to Sustainable Water Solutions to meet the needs of our current customers while protecting systems and resources for future generations. Replacement of infrastructure will improve water quality and reliability of service and help save precious water resources by minimizing breaks and leaks in the distribution system. The infrastructure replacement program also supports economic development and creates jobs.

Next we will be requesting approval of a Water Infrastructure and Conservation Adjustment (WICA) surcharge on water bills as eligible infrastructure projects are placed in service for the benefit of our customers. The WICA surcharge, authorized by a Connecticut law passed in 2007, covers the replacement of water distribution system pipes that have either reached the end of their useful life; are worn out; are in deteriorated condition; are or will be contributing to unacceptable levels of unaccounted for water; or are negatively impacting water quality or reliability of service.

These types of infrastructure projects are already eligible to be recovered in water customers' rates through a general rate case proceeding. WICA provides for incremental, interim rate adjustments to help minimize the impact on customers' bills that can occur if the expenses for infrastructure replacement are accumulated for years until a full general rate case proceeding.

The WICA charge may be adjusted on a semi-annual basis, as approved eligible infrastructure projects are completed and in service for the benefit of customers. The law limits the amount of the surcharge that can be applied to 5% per year or a maximum of 7.5% between general rate case filings. The percent increase for WICA would be applied to the total bill of each customer. The DPUC will review completed projects and their costs before a WICA charge is reflected on customers' bills.

Connecticut Water anticipates our WICA projects will represent an increase of approximately 2 to 3% per year, with the first charge appearing in July 2009. A typical residential customer uses an average of 18,000 gallons per quarter and is billed \$140 per quarter, so a customer would see an increase of about \$1.50 per quarter, or just 50 cents per month, as each adjustment is applied. If Connecticut Water invested the maximum of 5% per year in infrastructure replacement, the WICA adjustment on the average bill would be \$7 per quarter, or less than \$2.50 per month. Those incremental increases will support a proactive infrastructure replacement program that will maintain water quality and reliability of service and help preserve water resources.

Please feel free to contact our Customer Service Representatives at 1-800-286-5700 if you have any questions on the WICA charge or if we can assist you regarding your water or service. Should you still have questions or concerns after contacting our Customer Service staff, you may call the Department of Public Utility Control at 1-800-382-4586 (toll free in Connecticut).

We look forward to continuing to provide you with quality water and service and delivering Sustainable Water Solutions.

Sincerely,

A blue ink handwritten signature of Eric Thornburg.

Eric Thornburg
President and CEO

Frequently Asked Questions about the Water Infrastructure and Conservation Adjustment (WICA)

Q: What is WICA?

A: A Water Infrastructure and Conservation Adjustment (WICA) is an interim rate adjustment to cover costs for replacing existing water system infrastructure. These small semi-annual adjustments will lessen the impact on customers' rates at the time of the next general rate increase.

Q: How will WICA benefit customers?

A: The WICA charge will enable Connecticut Water to accelerate the replacement of aging water system infrastructure and sustain valuable water resources. It will ensure future generations of customers continue to have reliable water service. In addition, these infrastructure investments support economic development and create jobs.

Q: What can be included under WICA charges?

A: The replacement of mains, valves, meters and services in the water system can be included under WICA. In addition, the purchase of leak detection equipment or the installation of meters and pressure reducing valves that help reduce water losses and promote water conservation can also be included.

Q: How are WICA projects selected?

A: Connecticut Water will work to first replace the infrastructure that is in the greatest need. In deciding which projects are most important, we look at the age and condition of the pipes, frequency of main breaks, leakage and lost water, history of water quality complaints and needs for improved fire protection. We will also consider the timing of municipal projects to see if there are opportunities for savings by coordinating the work with the local communities.

Q: Will the WICA charge always be on my bill?

A: There will be a separate line item on customers' bills when there is a WICA charge. The WICA charge can be adjusted every six months but can never increase rates by more than 5 percent a year or 7.5 percent between full rate cases. WICA charges would be folded into customers' base rates at the time of the next full rate case. When that happens, the WICA line item would be removed from customers' bills until additional WICA projects are completed and a new WICA charge approved.