

May 30, 2018



# California Water Service Requests Rate Decreases Due to New Tax Law and Capital Financing Costs

## Filing Reflects Regulated Utility's Actual Cost of Service

SAN JOSE, Calif., May 30, 2018 (GLOBE NEWSWIRE) -- (NYSE:CWT) — California Water Service (Cal Water) submitted a filing with the California Public Utilities Commission (CPUC) yesterday to decrease revenue needed in its service areas by almost \$18 million, due to changes in federal tax laws and CPUC-authorized capital equity and debt financing costs. If approved as submitted, new rates reflecting the lower tax rates and financing costs will be effective July 1, 2018.

Since the 2018 Tax Cuts and Jobs Act was enacted in December 2017, Cal Water has been tracking the effect of the new corporate tax rate and other tax law changes to deductions and deferred income taxes. The July 1 rate changes will reflect a decrease in the corporate tax rate from 35% to 21% as well as elimination of the Domestic Production Activities Deduction. In a later filing, Cal Water will apply a credit to customer bills to reflect the impact of all federal tax changes from Jan. 1 to June 30, 2018.

Additionally, earlier this year, the CPUC authorized lower capital financing costs for Cal Water for Jan. 1, 2018, through Dec. 31, 2020. The July 1 rates will reflect the lower authorized return on rate base of 7.48%, based on a 9.20% return on equity and 5.51% cost of debt. Similarly, in a later filing, Cal Water will apply a credit to customer bills to reflect the lower authorized financing costs from Jan. 1 to June 30, 2018.

In some service areas, previously requested revenue increases for water production costs and infrastructure improvements will go into effect at the same time. This decrease will offset the impact of any increases.

“At Cal Water, we are committed to providing a reliable supply of high-quality water to our customers. And, as a regulated utility, our water rates reflect the true cost of providing that service,” said Martin A. Kropelnicki, President and CEO. “When costs increase, rates increase; however, when costs decrease, we will ensure our customers’ rates also decrease. This is part of our promise to provide quality, service, and value.”

California Water Service serves about 2 million people through 484,900 service connections in California. The utility has provided water service in the state since 1926. Additional information may be obtained online at [www.calwater.com](http://www.calwater.com).