MODERATOR: Thank you for standing by, and welcome to the 2026 Second Quarter California Water Service Group Earnings Call. All lines have been placed on mute to prevent any background noise. After today's presentation, there will be an opportunity to ask questions.

To ask a question, you may press Star-1 on your touchtone phone. And to withdraw your question, please press Star-1 again. It is now my pleasure to turn the call over to Mr. James Lynch, senior vice president and chief financial officer. You may begin.

JAMES LYNCH: Thank you, Janine. Welcome, everyone, to the second quarter 2026 results call for California Water Service Group. With me today is Marty Kropelnicki, our chairman and CEO. Replay dial-in information for the call can be found in our quarterly results earnings release, which was issued earlier today. The call replay will be available until September 28, 2026.

As a reminder, before we begin, the company has a slide deck to accompany today's earnings call. The slide deck was furnished with an 8-K and is also available on the company's website at www.californiawatergroup.com. Before looking at our second quarter '26 results, I'd like to cover some forward-looking statements.

During the call, we may make certain forward-looking statements. And because these statements deal with future events, they are subject to various risks and uncertainties. Our actual results could differ materially from the company's current expectations.

As a result, we strongly advise all current shareholders and interested parties to carefully read the company's disclosures on risks and uncertainties found in our Form 10-K, Form 10-Qs, press releases, and the other reports we filed with the Securities and Exchange Commission. And now I'll turn the call over to Marty to provide a brief overview.

MARTY KROPELNICKI: Thanks, Jim. Good morning, everyone. Consistent with our past earnings call, I'm going to give you a quick overview of the agenda. And then Jim and I are going to jump into some of the details for the quarter.

There's really six items on the agenda today that we want to go through. Starting, obviously, in the second quarter, the end of April, we received a decision on our California general rate case. As part of that decision, during the quarter, we recognized our IRMA, which is the balancing account that takes the retroactive portion of the rate case back to January 1.

So this rate case was close to being on time, which was very good news. It was approximately 90 to 100 days delayed, but we are made whole back to the original date of January 1 that was recognized in the quarter, as well as other items that Jim will be talking about. In addition, during the quarter, we reached this full settlement in our rate case up in Washington, and I'll provide some more details about that when we get to that slide.

During the second quarter, we had record capital. We invested a record $276 million in new plants for the first six months of the year. That continues to move ahead, especially as we start to invest in our PFAS treatment programs throughout our service territory. And to partially offset that growth, we did raise about $88 million through our ATM, or at the market, stock program.

And the company declared its 326th quarterly consecutive dividend of 33.5 shares. In addition, this quarter, we continue to work on our Nexus integration plans. And Nexus has been great to work with, and things are progressing there. We'll give you some more details on that.

And then lastly, for those of you that like to look at some of the numbers on sustainability and some of our ESG numbers, we did publish our Water Quality and Sustainability Reports, as well as received a number of awards during the quarter. And later on, towards the end, I'll introduce the two new officers.

As some of you may know, Greg Milliman is not here. As you remember at the last call, that was his last call with us. And he retired and officially retired from the company. And I'll be talking a little bit about his replacement, as well as one other key promotion we had during the quarter. So that's the agenda for today. Jim, why don't I turn it over to you, and we'll go through the numbers?

JAMES LYNCH: Thanks, Marty. So as Marty mentioned, the Q2 results reflect the decision that we received in our 2024 California GRC and also the retroactive application of the decision through the IRMA to the beginning of 2026. The net income for the quarter was $56.5 million, or $0.93 per diluted share. That compares to Q2 2025 net income of $0.42-- or $42.2 million, or $0.71 per diluted share.

Revenue for the quarter was $308.6 million, compared to $265 million in the second quarter of 2025. The primary earnings drivers included $15.3 million of IRMA revenue related to the delayed 2024 California GRC, of which about $9.2 million of that was related to the first quarter. So that was the lookback portion that was recognized in Q2.

We also had $15 million that was due to rate changes and changes in regulatory mechanisms and $9.3 million of remaining deferred WRAM revenue that's now expected to be collected over the next two years. If you remember, when we stopped decoupling, we still had some residual WRAM balances that were deferred until we reached the proper accounting guidance that would allow us to record the revenue. So we've now reached that place. And at this point, we have recognized the remaining deferred balances.

These increases were partially offset by $6.3 million in higher per-unit water supply costs, about $7.9 million in costs related to the deferred WRAM revenue and $7 million in higher income taxes that was due primarily to higher income and an increase in our effective tax rate. If we move on to slide 6, you can see the impact of the activity of our second quarter on our diluted earnings per share. The primary drivers were customer rate changes, the IRMA, the deferred WRAM revenue, each of which contributed $0.20, $0.15, and $0.11 per diluted share, respectively.

And these increases were partially offset by the water production cost and deferred WRAM-related expenses of $0.08 and $0.10 per diluted share, respectively. If we turn to slide 7, on a year to date basis, net income through the end of the quarter was $60.5 million, or $1.01 per diluted share. And that compared to year to date net income in the prior year of $55.5 million, or $0.93 per diluted share.

Revenue was $523.2 million, compared to $468.9 million year to date in 2025. The primary earnings drivers were largely the same as those we experienced for the quarter. And so turning to slide 8, you can see the impact on the year to date drivers with regards to our diluted earnings per share.

Customer rate changes, the IRMA, and deferred WRAM revenue contributed $0.30, $0.20, and $0.11 per diluted share, respectively. And these were partially offset by higher water production costs and the deferred WRAM-related expenses of $0.19 and $0.10 per diluted share. So that's a summary of the financial performance. And so now I'll turn the call back over to Marty to walk us through some of our capital activities.

MARTY KROPELNICKI: Great. Thanks, Jim. I'm on slide 9 for everyone on the call. So looking at our infrastructure investment through the second quarter, for the quarter, CapEx was $147 million. That was up from $119.4 million the prior year. That's about a 23% increase year over year.

Our 10-year compound annual growth rate increase in capital or growth capital is hovering right around 11% right now. As a reminder, the capital estimates for 2026 and going out now until we complete the projects include an estimated net $155 million that's been budgeted for PFAS. And I say net because we have approximately $60 million of recovery from polluters that's being used.

So the sum of the two numbers will get you back close to the original estimates that we provided about a year and a half ago, two years ago when we started looking at that PFAS. I will say the PFAS numbers will still tend to move around a little bit, as our legal team has continued to do an outstanding job at getting recoveries to offset the cost in PFAS treatment on behalf of our customers from the polluters. So they continue to get more dollars coming in, as well as some grant dollars that are coming in.

But the main theme is being consistent with what we've had the last 20 years, which is our compound annual growth rate on the capital investment or our growth. capital is holding in a little north of 10%. And our internal target that we try to strive for is 10%. So it's up a little bit, really driven by the PFAS investment. I think, as everyone knows-- and you go to the next slide-- when you are increasing your rate base at 10%-plus a year, your CapEx-- excuse me, you're growing your rate base.

And right now, we have a compound annual growth rate of almost 12% on our rate base growth. The slides that you see here today have all been trued up for the California decision based on the numbers that were in that decision. So we anticipate having approximately $3.5 billion in rate base by the end of 2028, assuming we can get all the capital in the ground on time. So obviously, the company remains very capital focused.

So obviously, CapEx continues to be strong. The company continues to execute the capital plans well. We were able to get that capital built into rates in California. It's pre-approved. So I think that it's a little bit easier in California for earnings modeling because it is a prospective state. The other states we have are all historical.

But overall, we're very happy with the CapEx growth and the rate base growth that we have as we move through this next rate cycle on the West Coast. So Jim, why don't I turn it back to you to cover liquidity and some of our capital plans for the second half of '26?

JAMES LYNCH: Great. Thanks, Marty. So we do continue to maintain a really strong liquidity profile to execute the capital plan and also as we continue to pursue tuck-in M&A and look to integrate Nevada, Oregon, and the BBRT acquisitions. As of June 30, 2026, we had $43.4 million in unrestricted cash and about $45.7 million in restricted cash, along with approximately $395 million available on our bank lines of credit. Just as a reminder that restricted cash is really earmarked for a project we have in Texas with a water agency, there GBRA and building a pipeline into one of the new areas that we hope to be delivering potable water in here in the near term in Texas. So it's our first potable water system in Texas, and we're really looking forward to that initiative.

In addition, we maintain credit facilities totaling 600 million. Those credit facilities are expandable up to 800 million, and they have maturities that extend into March of 2028. So we're really well-positioned with regards to our existing credit facilities. We also renewed our ATM stock program in May of 2025, with $350 million on the shelf registration.

During the second quarter, we did raise 88 million in proceeds from stock sales under the ATM program. We believe the balance sheet is in pretty good shape, and that any additional financing we raise in the second half of 2026 will be primarily tied to growth, and that growth is really earmarked for constructing the remaining of our 2026 capital program and closing of Nevada and Oregon in terms of those acquisitions. And we also will look to pay down our line of credit in California as we head towards the end of the year and begin to prepare for our activities in 2027.

Importantly, both group and Cal Water maintain a strong credit rating of A+ stable from S&P Global. And I think that really just serves to the strength of our balance sheet. And finally, yesterday we did declare our 326 consecutive quarterly dividend of 33.5 per share. And that represents about a 7.6 EGR growth in our five year dividend. So really pleased and happy with our ability to deliver that to the shareholders. Marty?

MARTY KROPELNICKI: Thanks, Jim. I'm now on slide 12 and I want to talk a little bit about what's happening on the regulatory front. Again, just to recap the major components of the approved 2024 general rate case in the State of California. The approved rate case will drive significant infrastructure investment from 2024 to 2027. I know that's a little confusing, but it's 24, 25, 26, and 27. You have to include the stub year or the year that you file your general rate case.

So in total in California, a prospective year so that capital gets approved in advance, we got about 1.45 billion of pre-approved capital. In addition, the commission approved approximately $229 million of advice that our projects. And that gets us to just shy of $1.7 billion over that four-year period.

In addition, in the rate case, the commission also affirmed the Monterey-style RAM. We have continued to have in the past, since continued through this next cycle of pension balancing account, health balance account, a conservation expense balancing account, and an incremental cost balance account for water production costs.

In addition, what's new in this settlement that was authorized is we have a sales adjustment mechanism, which I think really is a big deal. Since we did not get full decoupling, but we got the Monterey-style RAM. The sales adjustment mechanism allows us to adjust our sales forecast the following year if the sales numbers are out of a certain percent from what the forecast was.

So previously when we decoupled, we didn't have that option. And that tended to set up growing balances, uncollected balances from customers as the decoupling mechanism would balance from month to month, quarter to quarter. So having the sales adjustment mechanism, I think is a big deal that will help smooth out the revenue forecast and actual revenue in the second and third year of the rate case.

In addition, a new thing that we got this year that we asked for was a liability balance account. And I think we're well into wildfire season, for all of you that have studied trying to procure insurance as a homeowner or as a consumer out on the West Coast. I think it's harder even as a company. So the commission did authorize us to have an insurance balancing account for the state of California, which I think is a good thing.

So overall, it's nice to have the '24 rate case wrapped up. We started recognizing the revenue from that rate case in the actual Billings on July 1. So it is live, and now we're moving on to fully implementing that capital. In addition, during the quarter, we reached a settlement on the Washington water generate rate case. Now, keep in mind Washington is a historic test year for capital purposes.

We filed our rate case on September 25, 2025. We asked for just under $4.3 million-- 4.29 was the actual filing number. And it was for increases across two of our largest Washington systems. And we requested a 10.2 ROE. And the final settlement that we reached with the commission, we reached a full all-party settlement of 4.12 million, as well as a ROE of 10.18.

So overall, pretty close to the ask. So very happy with the outcome, with the all-party settlement. It's been filed and it has not been approved yet by the commission, but we expect it to get approved here sometime in the third quarter. And we'll start recognizing that revenue for Washington in the third quarter.

So overall, good news on the rate case front. Going to the next slide talking about our strategic initiatives. The other big thing that companies are working on in addition to the capital, is really acquiring the Nexus assets in Oregon and Washington. Changes for applications have been filed. Integration planning with nexus and Cal Water has been moving very, very well. Nexus is an excellent partner to work with. We're very happy with the level of support we're getting from them, and we're continuing to move forward for our close through-- for year end, excuse me.

I anticipate with Nevada, we will likely get their decision first to have a statutory timeline to approve the merger, and we've been in discussions with them and answering their questions. Oregon does not have a statutory timeline, but we are in the process of answering their questions and working with them as well. So our goal would be to try to close this acquisition before the end of the year and moving forward.

In addition, with the BVRT joint venture, as you may recall, we have submitted an application to buy out the rest of that partnership to become the sole owner of BVRT team. That change of control application was deemed-- it was reviewed by the commission. They go through a review process. It was deemed quote unquote "complete," meaning it goes to the commission for approval. So we're waiting to hear back from them.

In addition, we also have a consolidated rate case that was settled, and we're waiting for final commission in Texas. So Texas has been very busy between the rate case settlement as well as the application. In addition, during the quarter, the team conducted additional 200 new connections to our wastewater systems in that South Boston markets. That market kind of continues to go-- grow, excuse me.

Looking at slide 14, looking at some of our other highlights for the quarter. Obviously, we have been celebrating the company's 100 years of service, essentially. And we set up a number of regional events. So we're halfway through that process. Those have been well received by our employees, and a lot of the government officials in the areas that we serve.

So we're trying to make it a highly visible, well-branded wear in your community, here's-what-we-do type of event. So that process continues to go very, very well. The company has a lot of pride in the fact that we've been around for hundreds years, and the fact that we were started by three World War I veterans back in 1926.

In addition, we're seeing a lot of customer engagement. We've had tens of thousands of customers visit our website that's been dedicated to our 100 year anniversary. And likewise, I'd encourage you to look at that if you want to see some of the history of the company and how we've grown from three small districts in Northern California to now being the largest investor owned water utility in the State of California, as well as in Hawaii and Washington.

During the quarter, we won a number of awards, which is great recognition. We tend not to talk about that a lot, but it is something the company takes a lot of pride in. We recently won the Alliance for Water Efficiency award. We've been named a top workplace by USA Today, and we've been noted by time as being one of the world's most impactful companies for our continued work on sustainability and renewability.

So all really good stuff, all happening around our 100 year anniversary, and we will be ringing the bell in the NYSE on November 30 with our board and a number of employees to celebrate our 100 years of service, as we like to say.

As you may recall, at the end of the last conference call, we did a little tribute to Greg Milliman. For those of you who work with Greg, he's a big personality. And before the call, Jim and I were joking around about it. It's kind of hard not having Greg in the room with us, because he's a fun person to work with.

So Greg has officially retired. He is consulting on some of our great projects for us and still available to help us, but I think he's actually in the Caribbean this week, which really, as Jim and I worked a lot of hours the last couple of weeks, I wish we were with Greg, actually, and we could razz him up a little bit.

Having said that, we had a great internal candidate ready to replace Greg. And it's Greg, another Greg. So the last name changes. First name doesn't. But Greg Shimansky was named vice president of rates by our board of directors. And Greg has a long history in the rate and regulatory world, starting way back working with San Diego Gas & Electric.

He worked for American Water for a number of years and joined us a few years ago. Very, very well qualified as his undergraduate degree from UCLA in economics, as well as an MBA in finance from Purdue University. So Greg has officially taken over leading our Rates team, and he certainly will qualify to do so.

In addition, given the growth of the company, we added a VP of operations who just runs the California entity. We've had a senior vice president of operations who has run all of our operations in all five of our states, and given the growth that we've been experiencing, we thought it was time to have a vice president of operations just for California, who reports to the senior VP of operations.

So very, very happy to announce the promotion of Tammy Johnson. Tammy is no stranger to the water business. She has 40 years of experience. Tammy started as a field worker in the Union back in the 80s. And I say that because she started in the field at a time when there wasn't a lot of female utility workers in the field, and she started in Bakersfield, which I think was a great place to start. But I would imagine it was a pretty rough group to break into being a female.

And she's just done a fabulous job. She continued to move up through the union ranks. She was a union officer. She has all her certifications. She's actually at D5, so she has the highest level operating license you can have in the State of California. She went back to school after she had kids and completed her bachelor's degree, and then went on to complete her MBA as well. And just knows operations very, very well.

And for those of you that me, I'm very big about having someone who's been an actual operator operate in our system. So we're very happy that we have both Tammy Johnson and Greg Shimansky joining the officer team here. Effective July 1.

So with that, looking ahead into the second half of 2026, the agenda is really simple. We got to continue to get the capital on the ground, including our PFAS program. Year to date, we spent about $30 million on that program. And we'll give you an update every quarter on where the spending is on that program. We have a couple new officers. We have a lot of great stuff going on. And, of course, our goal is to get the Nexus deal closed before the end of the year.

So we have plenty to do, a lot of capital to get into the ground, and the company remains very, very focused on executing on those tasks. So with that, Janine, we will take a pause. And why don't we open it up for questions, please.

JANINE ZANELLI: Thank you. Ladies and gentlemen, we will now begin the question and answer session to ask a question, you may press star 1 on your touchtone phone and to withdraw your question, please press star 1, again. If you're using a speaker phone, please lift the handset before pressing any keys. One moment please, while we gather question.

We have a question from David Sunderland from Baird. Please go ahead.

DAVID SUNDERLAND: Marty, Jim, good morning, guys. Thank you for the update. And thank you for taking our questions.

MARTY KROPELNICKI: Sure. Good morning, David.

DAVID SUNDERLAND: Maybe if I could start off, Marty, I would just be curious to get your thoughts on affordability. And I know there's been a lot of rhetoric around utility models, push back against rate increases, just some different things happening in different parts of the country, and just would love to hear if any of this has changed your guys' strategy or how you guys think about this.

MARTY KROPELNICKI: Yeah, well, and, David, you've been following us for a while. And we've been out on a number of non-deal roadshows with Baird. And so affordability has always been on the forefront for us. There are two broad measures that you use for affordability. One is the EPA generally looks at water bills and the average household budget. And as long as you're below 2%, you're considered affordable. We're below 2% in all of our districts.

And then in the State of California, before we can actually file a rate case, we have to do this affordability test and file it, review it with the commission. And in the '24 rate case, we passed the affordability test really in all of our districts, but one. And that one district was a very small district that had a lot of capital needs. And in California, we have a couple tools. We have a rate support fund, and we have a low income rate assistance fund.

And so we work with the commission through the rate case process to apply some of those things to make sure the rates are affordable for this one small district. So we haven't had any big issues with that. As you may recall, prior to filing a large rate case, we always meet with our customers. We hire a third-party firm. We do a number of focus groups and interview literally thousands of customers to get their ideas, their thoughts, their perceptions on things.

And part of that discussion of those focus groups is really affordability. So for us, we haven't had really any major issues with affordability. And even when you look at things-- I think what you're seeing in back East is you're seeing a lot of government agencies, not just the commissions, but governors, et cetera, push back on rates, especially electrical rates, because they've been rising so high, and then the fear with data centers are rising those costs and passing those costs on to customers as they build out new infrastructure.

We haven't had any of those problems. And we have that 10.27 ROE in California. We just got through a rate case. The rate case was approved. We didn't have really any major interveners in California. A rate case up in Washington, that's pending approval. That's a 10.18 ROE that's in that settlement.

And so we're not seeing any signs-- we're not getting any feedback from the commission that we have affordability issues as of right now. But again, there's a lot of care and nurturing that goes in when we prepare the rate case to make sure we're not tripping some of those trip wires. And I think the rates team, and our government affairs team, and our community affairs team have done an outstanding job at navigating the headwaters on that.

And I think we're going to continue to keep doing what we're doing in trying to balance affordability with the needs of the capital investment. And the best thing I can say to you or any of the analysts covering our stock is go back and look at our 20 year history. We've been able to do this 10% kind of growth rate on CapEx, which is growing rate base, and we've been able to do it, and be successful at getting rate recovery and again, not trip these affordability things that are popping up. So am I concerned about it? I am.

I'm concerned about it because you have things like the Democratic Socialist Americans popping up, and it's an agenda item for them. We've certainly seen our electric rates increase. California has the second highest electric rate increase-- electric rates in the US. So that affects our cost of production. But we are not driving the affordability crisis in America. It is not water. It's driven by the rate side.

And so continuing to differentiate ourselves on that front I think is part of the process when we meet with regulators and lawmakers in the state and that the federal government level. So watching it, concerned about it. Obviously, I think we've been navigating the waters around affordability quite well.

DAVID SUNDERLAND: Awesome. Great details. And thank you for all that, Marty. Maybe if I could ask another one. Lots of, I guess, forecasts now calling for a higher interest rate environment looking forward, maybe as soon as a couple of months from now, if not sooner. Just wondering any impact this might have on willingness to pursue other M&A or liquidity outlook, or just any other facets of the business, I guess, that might be impacted by this.

MARTY KROPELNICKI: Sure. And, David, you're asking a question. This is a subject of great debate with our board meeting. We spent a lot of time talking about the economic landscape, in particular, the instability of some of your major macroeconomic indicators that are out there. Now, inflation was down. If you saw the inflation numbers that came out this morning, they continue to trend down. So I think that gives the Fed a little bit more breathing room. I think that was a good sign. But concurrently, you have a whole bunch of government spending, given the conflict with Iran.

And government spending, especially with military spending, tends to be a boom for the economy, but not when it's deficit spending. And so that's the piece that kind of gives me a little bit of concern on the interest rate side. Just to remind everyone, especially in California, which is our largest entity, we do have this cost of capital adjustment mechanism that-- frankly, it's a two-way mechanism. It's good for our stockholders. It's also good for ratepayers.

And so if the Moody's AA utility bond index swings by more than 50 basis points up or down, we can apply to adjust our ROE with that mechanism. And so I don't think that mechanism gets a lot of PR. But frankly, one of the reasons why we have one of the highest ROEs in the country is because we've had this mechanism.

And that mechanism triggered upward during this last cycle. And so I think we have to watch and see. I'm glad I'm not Kevin Warsh, as I told the board. I know his boss is demanding lower interest rates. And I'm always looking at the Fed consensus of the board. And he had consensus in his first meeting. I had not seen the minutes for the second meeting. They won't be out for a couple of weeks. They met yesterday. But there is some instability in the economy.

And interest rates, if you look at the mix, as of yesterday, about 38% of the economists were calling for an increase and about 62% were calling in for to be flat or maybe trend down. So depending on what inflation does, you may see a tick up in interest rates here in the short term, i.e. the next six months. But I think as you go through 2027, if you can get the conflict in the Middle East resolved, those interest rates will ultimately start trending down.

And as an economist, I think this is a real important point. And economists tend to talk about it in their circles, but you don't hear a lot of coverage about it, broadly speaking, in the finance community. But if you think about from the subprime crisis until COVID, you had an ultra low interest rate environment. And in Keynesian economics, a big part of the economy is interest rates.

And you model the economic effects of GDP given those changes in interest rates. But what that period of ultra low interest rates showed to some extent is that interest rates has a lot smaller effect on the economy, I think, than what John Maynard Keynes thought about when he was developing his classic economic theories. And so they could have a little bit of effect on us. But obviously, our capital program, especially in California, is pre-approved.

The cost of debt is a pass-through cost as we do our cost of capital applications, and then we have this cost of capital adjustment mechanism, which I think is a very good thing to help protect our stockholders' holders in the event of rapid increases in interest rates. So that's a long answer, and it's a lot of economic jargon, but I do love this stuff. And it was a source of discussion with our board over dinner on Tuesday night as well as into the board room yesterday.

[INTERPOSING VOICES]

JAMES LYNCH: Dave, it's just one other thing. Just a reminder. We're on, I think, our third extension on our cost of capital in California. And remember that the cost of capital is separate from-- that proceeding is separate from the general rate case proceeding. So we'll be filing or asking-- if we are unsuccessful at getting another extension, we would need to file in May for new rates in 2027, for new rates to begin 1/1/2028.

And so that does provide an opportunity not only for a relook at ROE, but also for a recasting of our average cost of debt. So any debt that we raise that is higher than our current average cost of debt recovery will have an opportunity to rightsize or get into that calculation when we go through that proceeding.

MARTY KROPELNICKI: Yeah, I would add one thing, David, on that. One of the things that's been nice in the Western half of the US, we haven't had any pushback from the commission about the need to invest in infrastructure. And I think given the fact we've been dealing with climate change, and wildfires, and you're going into an El Niño, super El Niño year, readiness of the infrastructure has been important.

So as we've gone through our rate cases, affordability has not been a big discussion with the commission. They've been very focused on our expansion capital, which is replacing infrastructure in our existing model and understanding the reasons why we need to do that. And based on the results of the rate case, I think the commission's understanding the mission at hand and supporting it.

From an M&A site, so the last part of your question, our primary growth engine is this replacement capital. It's doing great. It's above 10%. Strategic M&A is a secondary growth engine. But let me make sure I'm really clear about this. There is no gun to our head to go out and buy anyone because we need growth. We have plenty of growth internally in the states that we operate in, which is with the replacement capital that we have.

So we'll continue to be opportunistic, like we were with the Nexus acquisition. It gets us into Oregon. It gets us into Nevada. It's a good size acquisition. The valuation, we thought was fair. But we're not going to go out on a buying spree and buy assets at multiples of book because we need rate-based growth. We don't need rate-based growth. We have plenty of rate-based growth in our existing book of business.

DAVID SUNDERLAND: Super, super helpful. Lots of great details. And thank you both. Maybe if I could just be greedy and sneak in one more quick one. I guess, more of a housekeeping than anything, potentially for you, Jim, but just-- having not seen the queue, I'm sure there will be more details, but the big step up in other ops expenses, and then the step down in DNA, wondering if this is IRMA related or if there's just any other color you could give on the dynamics there. And thank you both very much.

JAMES LYNCH: Yeah, I think the big increase in other ops is really related to the deferred RAM revenue that we related-- or that we had. So rather than presenting those two net, we had to show the change in the revenue line item, but then there was also associated costs with that revenue.

So net recognition of the RAM deferred revenue was about $1 million, a $1.2 million, $1.3 million. When we presented on line items, it's $7.9 million in terms of cost and about $9.2, $9.3 million in terms of the revenue.

DAVID SUNDERLAND: Great. Thanks, guys.

MARTY KROPELNICKI: OK. Thanks, David.

JANINE ZANELLI: Thank you. And again, should you have a question, please press star 1. There are no further questions at this time. This concludes our question and answer session. I will now turn the call over to the management.

MARTY KROPELNICKI: Great. Thanks, Janine. Thanks, everyone for joining us. It's nice to have the 2024 general rate case done in California. We're just about done with the general rate case in Washington. Second half of the year is going to be busy with a lot of capital investment and obviously closing on the Nexus transaction as well as celebrating our 100 year anniversary.

So thank you all for joining us today and your support on our endeavors. And we'll look forward to updating everyone on these major programs at the end of the third quarter in 2026. So thank you very much. And everyone, have a great day. Bye-bye.

JANINE ZANELLI: Thank you for participating for today's call. You may now disconnect.