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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-13883

CALIFORNIA WATER SERVICE GROUP
(Exact name of registrant as specified in its charter)

Delaware	**77-0448994**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification No.)

1720 North First Street
San Jose, California 95112
(Address of principal executive offices)

408-367-8200
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Trading Symbol(s)	Name of Each Exchange on Which Registered:
Common Stock, $0.01 par value per share	CWT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act) Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common shares outstanding as of March 31, 2021 — 50,835,000

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PART I FINANCIAL INFORMATION

Item 1.

FINANCIAL STATEMENTS

The condensed consolidated financial statements presented in this filing on Form 10-Q have been prepared by management and are unaudited.

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited (In thousands, except per share data)

	March 31, 2021	December 31, 2020
ASSETS		
Utility plant:		
Utility plant	$ 3,952,681	$ 3,890,423
Less accumulated depreciation and amortization	(1,267,745)	(1,239,865)
Net utility plant	2,684,936	2,650,558
Current assets:		
Cash and cash equivalents	84,387	44,555
Receivables:		
Customers, net	39,652	44,025
Regulatory balancing accounts	97,820	96,241
Other, net	19,470	20,331
Unbilled revenue, net	33,945	34,069
Materials and supplies at weighted average cost	9,201	8,831
Taxes, prepaid expenses, and other assets	17,925	17,964
Total current assets	302,400	266,016
Other assets:		
Regulatory assets	328,336	325,376
Goodwill	31,390	31,842
Other assets	124,405	120,456
Total other assets	484,131	477,674
TOTAL ASSETS	$ 3,471,467	$ 3,394,248
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $0.01 par value; 68,000 shares authorized, 50,835 and 50,334 outstanding in 2021 and 2020, respectively	$ 508	$ 503
Additional paid-in capital	471,698	448,632
Retained earnings	457,596	472,209
Total common stockholders' equity	929,802	921,344
Long-term debt, net	780,951	781,100
Total capitalization	1,710,753	1,702,444
Current liabilities:		
Current maturities of long-term debt, net	5,136	5,127
Short-term borrowings	435,000	370,000
Accounts payable	120,549	131,725
Regulatory balancing accounts	34,215	34,636
Accrued interest	14,728	6,178
Accrued expenses and other liabilities	45,838	41,040
Total current liabilities	655,466	588,706
Deferred income taxes	275,987	276,032
Pension and postretirement benefits other than pensions	111,926	115,581
Regulatory liabilities and other	251,851	247,810
Advances for construction	197,715	195,625
Contributions in aid of construction	267,769	268,050
Commitments and contingencies (Note 10)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 3,471,467	$ 3,394,248

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited (In thousands, except per share data)

For the three months ended	March 31, 2021	March 31, 2020
Operating revenue	$ 147,737	$ 125,563
Operating expenses:		
Operations:		
Water production costs	54,826	53,976
Administrative and general	30,369	29,680
Other operations	17,912	13,974
Maintenance	6,769	7,073
Depreciation and amortization	27,047	24,492
Income tax benefit	(101)	(3,937)
Property and other taxes	7,996	7,228
Total operating expenses	144,818	132,486
Net operating income (loss)	2,919	(6,923)
Other income and expenses:		
Non-regulated revenue	5,572	3,827
Non-regulated expenses	(4,760)	(8,454)
Other components of net periodic benefit credit (cost)	2,979	(1,430)
Allowance for equity funds used during construction	544	1,614
Income tax (expense) benefit on other income and expenses	(358)	913
Net other income (loss)	3,977	(3,530)
Interest expense:		
Interest expense	10,222	10,798
Allowance for borrowed funds used during construction	(294)	(944)
Net interest expense	9,928	9,854
Net loss	$ (3,032)	$ (20,307)
Loss per share:		
Basic	$ (0.06)	$ (0.42)
Diluted	(0.06)	(0.42)
Weighted average shares outstanding:		
Basic	50,440	48,583
Diluted	50,440	48,583

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited (In thousands)

For the three months ended	March 31, 2021	March 31, 2020
Operating activities:		
Net loss	$ (3,032)	$ (20,307)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	27,669	25,093
Change in value of life insurance contracts	(349)	4,717
Allowance for equity funds used during construction	(544)	(1,614)
Changes in operating assets and liabilities:		
Receivables and unbilled revenue	6,265	7,261
Accounts payable	(10,222)	(7,379)
Other current assets	(152)	(3,768)
Other current liabilities	12,367	3,316
Other changes in noncurrent assets and liabilities	(2,023)	(3,252)
Net cash provided by operating activities	29,979	4,067
Investing activities:		
Utility plant expenditures	(66,817)	(65,270)
Payment for investment	(2,900)	—
Refund of investment	1,000	—
Net cash used in investing activities	(68,717)	(65,270)
Financing activities:		
Short-term borrowings	105,000	170,000
Repayment of short-term borrowings	(40,000)	(10,000)
Repayment of long-term debt	(176)	(197)
Advances and contributions in aid of construction	6,469	6,432
Refunds of advances for construction	(2,711)	(2,157)
Repurchase of common stock	(1,415)	(1,373)
Issuance of common stock	23,175	6,511
Dividends paid	(11,581)	(10,315)
Net cash provided by financing activities	78,761	158,901
Change in cash, cash equivalents, and restricted cash	40,023	97,698
Cash, cash equivalents, and restricted cash at beginning of period	45,129	43,298
Cash, cash equivalents, and restricted cash at end of period	$ 85,152	$ 140,996
Supplemental information:		
Cash paid for interest (net of amounts capitalized)	$ 1,225	$ 909
Supplemental disclosure of non-cash activities:		
Accrued payables for investments in utility plant	$ 48,552	$ 38,018
Utility plant contribution by developers	$ 5,899	$ 8,007

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

CALIFORNIA WATER SERVICE GROUP
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2021
Dollar amounts in thousands unless otherwise stated

Note 1. Organization and Operations and Basis of Presentation

California Water Service Group (the Company) is a holding company that provides water utility and other related services in California, Washington, New Mexico and Hawaii through its wholly-owned subsidiaries. California Water Service Company (Cal Water), Washington Water Service Company (Washington Water), New Mexico Water Service Company (New Mexico Water), and Hawaii Water Service Company, Inc. (Hawaii Water) provide regulated utility services under the rules and regulations of their respective state's regulatory commissions (jointly referred to herein as the Commissions). CWS Utility Services and HWS Utility Services LLC provide non-regulated water utility and utility-related services.

The Company operates in one reportable segment, providing water and related utility services.

Basis of Presentation

The unaudited condensed consolidated interim financial information has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission (SEC) and therefore do not contain all of the information and footnotes required by GAAP and the SEC for annual financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2020 as filed with the SEC on February 25, 2021.

The preparation of the Company's unaudited condensed consolidated interim financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses for the periods presented. These include, but are not limited to, estimates and assumptions used in determining the Company's regulatory asset and liability balances based upon probability assessments of regulatory recovery, revenues earned but not yet billed, asset retirement obligations, allowance for credit losses, pension and other employee benefit plan liabilities, and income tax-related assets and liabilities. Actual results could differ from these estimates.

In the opinion of management, the accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of normal recurring transactions that are necessary to provide a fair presentation of the results for the periods covered.

Due to the seasonal nature of the water business, the results for interim periods are not indicative of the results for a 12-month period. Revenue and income are generally higher in the warm, dry summer months when water usage and sales are greater. Revenue and income are generally lower in the winter months when cooler temperatures and rainfall curtail water usage and sales.

Note 2. Summary of Significant Accounting Policies

Operating revenue

The following table disaggregates the Company’s operating revenue by source for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31	
	2021	2020
Revenue from contracts with customers	$ 146,528	$ 134,833
Regulatory balancing account revenue (a)	1,209	(9,270)
Total operating revenue	$ 147,737	$ 125,563

(a) As further discussed below, no amounts were recorded for the Company’s Water Revenue Adjustment Mechanism (WRAM), Modified Cost Balancing Account (MCBA), Pension Cost Balancing Account (PCBA), and Health Cost Balancing Account (HCBA) for the three months ended March 31, 2020 due to the delay in the resolution of the 2018 General Rate Case (GRC).

Revenue from contracts with customers

The Company principally generates operating revenue from contracts with customers by providing regulated water and wastewater services at tariff-rates authorized by the Commissions in the states in which they operate and non-regulated water and wastewater services at rates authorized by contracts with government agencies. Revenue from contracts with customers reflects amounts billed for the volume of consumption at authorized per unit rates, for a service charge, and for other authorized charges.

The Company satisfies its performance obligation to provide water and wastewater services over time as services are rendered. The Company applies the invoice practical expedient and recognizes revenue from contracts with customers in the amount for which the Company has a right to invoice. The Company has a right to invoice for the volume of consumption, for the service charge, and for other authorized charges.

The measurement of sales to customers is generally based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, the Company estimates consumption since the date of the last meter reading and a corresponding unbilled revenue is recognized. The estimate is based upon the number of unbilled days that month and the average daily customer billing rate from the previous month (which fluctuates based upon customer usage).

Contract terms are generally short-term and at will by customers and, as a result, no separate financing component is recognized for the Company's collections from customers, which generally require payment within 30 days of billing. The Company applies judgment, based principally on historical payment experience, in estimating its customers’ ability to pay.

Certain customers are not billed for volumetric consumption, but are instead billed a flat rate at the beginning of each monthly service period. The amount billed is initially deferred and subsequently recognized over the monthly service period, as the performance obligation is satisfied. The deferred revenue balance or contract liability, which is included in "accrued expenses and other liabilities" on the unaudited condensed consolidated balance sheets, is inconsequential.

In the following table, revenue from contracts with customers is disaggregated by class of customers for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31	
	2021	2020
Residential	$ 101,371	$ 92,544
Business	27,721	27,693
Industrial	6,043	7,878
Public authorities	6,403	5,897
Other (a)	4,990	821
Total revenue from contracts with customers	$ 146,528	$ 134,833

(a) Other includes accrued unbilled revenue.

Regulatory balancing account revenue

The Company's ability to recover revenue requirements authorized by the California Public Utilities Commission (CPUC) in its triennial GRC is decoupled from the volume of the sales. Regulatory balancing account revenue is revenue related to rate mechanisms authorized in California by the CPUC, which allow the Company to recover the authorized revenue and are not considered contracts with customers. These mechanisms include the following:

The WRAM allows the Company to recognize the adopted level of volumetric revenues. The variance between adopted volumetric revenues and actual billed volumetric revenues for metered accounts is recorded as regulatory balancing account revenue.

Cost-recovery rates, such as the MCBA, Conservation Expense Balancing Account (CEBA), PCBA, and HCBA, generally provide for recovery of the adopted levels of expenses for purchased water, purchased power, pump taxes, water conservation program costs, pension, and health care. Variances between adopted and actual costs are recorded as regulatory balancing account revenue.

For 2021, the WRAM, MCBA, PCBA, and HCBA have all been authorized by the CPUC with the approval of the 2018 GRC in the fourth quarter of 2020. For 2020, the WRAM, MCBA, PCBA, and HCBA were being litigated in the 2018 GRC. As a result, the Company determined that the regulatory asset and liability recognition criteria under accounting standards for regulated entities was not met and the Company did not record regulatory assets or liabilities with respect to these mechanisms for the first quarter of 2020. As the CEBA was not being litigated in the then-pending 2018 GRC, the Company recorded a regulatory liability for the CEBA for the first three months of 2020. The Company determined that the CEBA met the regulatory liability recognition criteria under accounting standards for regulated utilities.

Due to the delay in the resolution of the 2018 GRC, the CPUC authorized Cal Water to track the effect of the delay on customer billings in an interim rates memorandum account (IRMA) effective January 1, 2020. Variances between actual customer billings and those that would have been billed assuming the GRC had been effective January 1, 2020 are recorded as regulatory balancing account revenue. Rates for the 2018 GRC were implemented on February 1, 2021; as a result, Cal Water recorded an IRMA regulatory asset for January of 2021. For the first quarter of 2020, the Company did not record a regulatory asset for the IRMA because the regulatory asset recognition criteria under accounting standards for regulated entities was not met as the 2018 GRC was still pending resolution as of the end of the quarter.

Each district's WRAM and MCBA regulatory assets and liabilities are allowed to be netted against one another. The Company recognizes regulatory balancing account revenues that have been authorized for rate recovery, are objectively determinable and probable of recovery, and are expected to be collected within 24 months. To the extent that regulatory balancing account revenue is estimated to be collectible beyond 24 months, recognition is deferred.

Non-regulated Revenue

The following table disaggregates the Company’s non-regulated revenue by source for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31	
	2021	2020
Operating and maintenance revenue	$ 4,087	$ 2,499
Other non-regulated revenue	860	765
Non-regulated revenue from contracts with customers	$ 4,947	$ 3,264
Lease revenue	$ 625	$ 563
Total non-regulated revenue	$ 5,572	$ 3,827

Operating and maintenance services are provided for non-regulated water and wastewater systems owned by private companies and municipalities. The Company negotiates formal agreements with the customers, under which they provide operating, maintenance and customer billing services related to the customers’ water system. The formal agreements outline the fee schedule for the services provided. The agreements typically call for a fee-per-service or a flat-rate amount per month. The Company satisfies its performance obligation of providing operating and maintenance services over time as services are rendered; as a result, the Company employs the invoice practical expedient and recognizes revenue in the amount that it has the right to invoice. Contract terms are generally short-term and, as a result, no separate financing component is recognized for its collections from customers, which generally require payment within 30 days of billing.

Other non-regulated revenue primarily relates to services for the design and installation of water mains and other water infrastructure for customers outside the regulated service areas and insurance program administration.

Lease revenue is not considered revenue from contracts with customers and is recognized following operating lease standards. The Company is the lessor in operating lease agreements with telecommunications companies under which cellular phone antennas are placed on the Company's property.

Allowance for credit losses

The Company measures expected credit losses for Customer Receivables, Other Receivables, and Unbilled Revenue on an aggregated level. These receivables are generally trade receivables due in one year or less or expected to be billed and collected in one year or less. The expected credit losses for Other Receivables and Unbilled Revenue are inconsequential. Customer receivables include receivables for water and wastewater services provided to residential customers, business, industrial, public authorities, and other customers. The expected credit losses for business, industrial, public authorities, and other customers are inconsequential. The overall risks related to the Company’s receivables are low as water and wastewater services are seen as essential services. The estimate for the allowance for credit losses is based on a historical loss ratio, in conjunction with a qualitative assessment of elements that impact the collectability of receivables to determine if the allowance for credit losses should be further adjusted in accordance with the accounting guidance for credit losses. Management contemplates available current information such as changes in economic factors, regulatory matters, industry trends, payment options and programs available to customers, and the methods that the Company is able to utilize to ensure payment.

The Company reviewed its allowance for credit losses utilizing a quantitative assessment, which included trend analysis of customer billing and collection, aging by customer class, and unemployment rates since the outbreak of COVID-19 in the first quarter of 2020. The Company also utilized a qualitative assessment, which considered the future collectability on customer outstanding balances, management's estimate of the cash recovery, and a general assessment of the economic conditions of the locations the Company serves due to the outbreak of COVID-19. The Company is complying with the CPUC requirements to suspend customer disconnections for non-payment and ceased agency collection activities, and anticipates this situation will continue until further notice. Based on the above assessments, the Company expects an increase in customer receivable write-offs as compared to historical experiences and adjusted its allowance for credit losses, accordingly.

The following table presents the activity in the allowance for credit losses for the period ended March 31, 2021 and December 31, 2020:

Allowance for credit losses	March 31, 2021	December 31, 2020
Beginning balance	5,246	771
Provision for credit loss expense	893	5,716
Write-offs	(579)	(1,730)
Recoveries	98	489
Total ending allowance balance	$ 5,658	$ 5,246

Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash within the Condensed Consolidated Balance Sheets that sum to the total of the same such amounts shown on the Condensed Consolidated Statements of Cash Flows:

	March 31, 2021	December 31, 2020
Cash and cash equivalents	84,387	44,555
Restricted cash (included in "taxes, prepaid expenses and other assets")	765	574
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 85,152	$ 45,129

Adoption of New Accounting Standards

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12, *Simplifying the Accounting for Income Taxes (Topic 740)*. ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions for performing intraperiod tax allocations, recognizing deferred taxes for investments, and calculating income taxes in interim periods. The guidance also simplifies the accounting for franchise taxes, transactions that result in a step-up in the tax basis of goodwill, and the effect of enacted changes in tax laws or rates in interim periods. The Company adopted ASU 2019-12 in the first quarter of 2021 and the adoption did not have a material impact to the Company’s Condensed Consolidated Financial Statements.

Note 3. Stock-based Compensation

The Company's equity incentive plan was approved and amended by stockholders on April 27, 2005 and May 20, 2014. The Company is authorized to issue awards up to 2,000,000 shares of common stock.

During the first quarter of 2021, the Company granted Restricted Stock Awards (RSAs) to Officers and to members of the Board of Directors. An RSA share represents a restricted share of the Company's common stock and is valued based on the fair market value of the Company's common stock at the date of grant. RSAs granted to Officers vest over 36 months with the first year cliff vesting. In general, RSAs granted to Board members vest at the end of12 months. The RSAs are recognized as expense evenly over 36 months for the shares granted to Officers and12 months for the shares granted to Board members. As of March 31, 2021, there was approximately $3.6 million of total unrecognized compensation cost related to RSAs. The cost is expected to be recognized over a weighted average period of 1.8 years.

A summary of the status of the outstanding RSAs as of March 31, 2021 is presented below:

	Number of RSA Shares	Weighted-Average Grant-Date Fair Value
RSAs at January 1, 2021	51,561	$ 50.92
Granted	49,960	53.84
Vested	(28,402)	50.16
Forfeited	—	—
RSAs at March 31, 2021	73,119	$ 53.22

During the first quarter of 2021, the Company granted performance-based Restricted Stock Units (RSUs) to Officers. An RSU represents the right to receive a share of the Company's common stock. Each award reflects a target number shares of common stock that may be issued to the award recipient. The 2021 awards may be earned upon the completion of a 3-year performance period. Whether RSUs are earned at the end of the performance period will be determined based on the achievement of certain performance objectives set by the Organization and Compensation Committee of the Board of Directors in connection with the issuance of the RSUs. The performance objectives are based on the Company's business plan covering the performance period. The performance objectives include achieving the budgeted return on equity, budgeted investment in utility plant, customer service standards, employee safety standards and water quality standards. Depending on the results achieved during the 3-year performance period, the actual number of shares that a grant recipient receives at the end of the performance period may range from 0% to 200% of the target shares granted, provided that the grantee is continuously employed by the Company through the vesting date. If prior to the vesting date employment is terminated by reason of death, disability or normal retirement, then a pro rata portion of this award will vest. RSUs are not included in diluted shares until earned. The RSUs are recognized as expense ratably over the 3-year performance period using a fair market value of the Company's common share at the date of grant and an estimated number of RSUs earned during the performance period. As of March 31, 2021, there was approximately $3.2 million of total unrecognized compensation cost related to RSUs. The cost is expected to be recognized over a weighted average period of 2.0 years.

A summary of the status of the outstanding RSUs as of March 31, 2021 is presented below:

	Number of RSU Shares	Weighted-Average Grant-Date Fair Value
RSUs at January 1, 2021	87,787	$ 46.62
Granted	31,749	53.96
Performance criteria adjustment	12,257	52.96
Vested	(38,897)	52.96
Forfeited	(1,954)	35.40
RSUs at March 31, 2021	90,942	$ 52.71

The Company has recorded compensation costs for the RSAs and RSUs that are included in administrative and general operating expenses in the amount of $1.3 million for the first quarter of 2021 and $0.8 million for the first quarter of 2020.

Note 4. Equity

The Company sold 429,061 shares of common stock through its at-the-market equity program and raised proceeds of $22.7 million net of $0.2 million in commissions paid under the equity distribution agreement during the three months ended March 31, 2021. During the three months ended March 31, 2020, the Company sold 115,834 shares of common stock through its at-the-market equity program and raised proceeds of $6.0 million net of $0.1 million in commissions paid under the equity distribution agreement.

The Company's changes in total common stockholders' equity for the three months ended March 31, 2021 and 2020 were as follows:

	Three months ended March 31, 2021				
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
	(In thousands)				
Balance at January 1, 2021	50,334	$ 503	$ 448,632	$ 472,209	$ 921,344
Net loss				(3,032)	(3,032)
Issuance of common stock	528	5	24,481		24,486
Repurchase of common stock	(27)	—	(1,415)		(1,415)
Dividends paid on common stock ($0.2300 per share)				(11,581)	(11,581)
Balance at March 31, 2021	50,835	508	471,698	457,596	929,802

	Three months ended March 31, 2020				
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
	(In thousands)				
Balance at January 1, 2020	48,532	$ 485	$ 362,275	$ 417,146	$ 779,906
Net loss				(20,307)	(20,307)
Issuance of common stock	210	2	7,227		7,229
Repurchase of common stock	(28)	—	(1,373)		(1,373)
Dividends paid on common stock ($0.2125 per share)				(10,315)	(10,315)
Balance at March 31, 2020	48,714	487	368,129	386,524	755,140

Note 5. Loss Per Share

The computations of basic and diluted loss per share are noted in the table below. Basic loss per share is computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding during the period. RSAs are included in the weighted average common shares outstanding because the shares have all the same voting and dividend rights as issued and unrestricted common stock. RSUs are not included in diluted shares for financial reporting until authorized by the Organization & Compensation Committee of the Board of Directors.

	Three Months Ended March 31	
	2021	2020
	(In thousands, except per share data)	
Net loss available to common stockholders	$ (3,032)	$ (20,307)
Weighted average common shares outstanding, basic	50,440	48,583
Weighted average common shares outstanding, dilutive	50,440	48,583
Loss per share - basic	$ (0.06)	$ (0.42)
Loss per share - diluted	$ (0.06)	$ (0.42)

Note 6. Pension Plan and Other Postretirement Benefits

The Company provides a qualified, defined-benefit, non-contributory pension plan for substantially all employees. The Company makes annual contributions to fund the amounts accrued for in the qualified pension plan. The Company also maintains an unfunded, non-qualified, supplemental executive retirement plan. The costs of the plans are charged to expense or are capitalized in utility plant as appropriate.

The Company offers medical, dental, vision, and life insurance benefits for retirees and their spouses and dependents. Participants are required to pay a premium, which offsets a portion of the cost.

Cash contributions made by the Company to the pension plans were $9.4 million and $7.9 million for the three months ended March 31, 2021 and 2020, respectively. Cash contributions made by the Company to the other postretirement benefit plans were $1.2 million and $2.2 million for the three months ended March 31, 2021 and 2020, respectively. The total 2021 estimated cash contribution to the pension plans and other postretirement benefits plans are expected to be approximately $23.5 million and $2.2 million, respectively.

The following table lists components of net periodic benefit costs for the pension plans and other postretirement benefits. The data listed under "pension plan" includes the qualified pension plan and the non-qualified supplemental executive retirement plan. The data listed under "other benefits" is for all other postretirement benefits.

	Three Months Ended March 31			
	Pension Plan		Other Benefits	
	2021	2020	2021	2020
Service cost	$ 9,010	$ 8,811	$ 1,611	$ 2,106
Interest cost	5,319	6,433	805	1,210
Expected return on plan assets	(9,866)	(8,265)	(2,192)	(1,811)
Amortization of prior service cost	253	1,057	49	49
Recognized net actuarial loss	1,924	3,196	(110)	14
Net periodic benefit cost	$ 6,640	$ 11,232	$ 163	$ 1,568

Service cost portion of the pension plan and other postretirement benefits is recognized in "administrative and general" expenses within the Condensed Consolidated Statements of Operations. Other components of net periodic benefit costs include interest costs, expected return on plan assets, amortization of prior service costs, and recognized net actuarial loss and are reported together as "other components of net periodic benefit cost" within the Condensed Consolidated Statements of Operations.

Note 7. Short-term and Long-term Borrowings

On March 29, 2019, the Company and Cal Water entered into certain syndicated credit agreements, which provide for unsecured revolving credit facilities of up to an initial aggregate amount of $550.0 million for a term of five years. The Company and subsidiaries that it designates may borrow up to $150.0 million under the Company's revolving credit facility. Cal Water may borrow up to $400.0 million under its revolving credit facility. Additionally, the credit facilities may be increased by up to an incremental $150.0 million under the Cal Water facility and $50.0 million under the Company facility, subject in each case to certain conditions.

The revolving credit facilities contain affirmative and negative covenants and events of default customary for credit facilities of this type including, among other things, limitations and prohibitions relating to additional indebtedness, liens, mergers, and asset sales. Also, these unsecured credit agreements contain financial covenants governing the Company and its subsidiaries' consolidated total capitalization ratio and interest coverage ratio.

The outstanding borrowings on the Company line of credit were $95.0 million and $100 million as of March 31, 2021 and December 31, 2020, respectively. There were $340.0 million and $270.0 million of borrowings on the Cal Water line of credit as of March 31, 2021 and December 31, 2020, respectively. The average borrowing rate for borrowings on the Company and Cal Water lines of credit during the three months ended March 31, 2021 was 0.98% compared to 2.59% for the same period last year.

Note 8. Income Taxes

The Company adjusts its effective tax rate each quarter to be consistent with the estimated annual effective tax rate. The Company also records the tax effect of unusual or infrequently occurring discrete items.

The provision for income taxes is shown in the table below:

	Three Months Ended March 31	
	2021	2020
Income tax expense (benefit)	$ 257	$ (4,850)

The income tax expense increased $5.2 million to $0.3 million in the first quarter of 2021 as compared to $4.9 million income tax benefit in the first quarter of 2020. The increase was mainly due to an increase in operating income, partially offset by amortization of excess deferred income tax as a result of the Tax Cuts and Jobs Acts (TCJA) in the 2018 GRC decision.

The Company's effective tax rate was6.02% before discrete items in the first quarter of 2021 as compared to19.3% in the first quarter of 2020. The difference in effective income tax rate was primary due to the amortization of the excess deferred taxes as a result of the TCJA in the 2018 GRC decision.

The Company had unrecognized tax benefits of approximately $14.1 million and $11.7 million as of March 31, 2021 and 2020, respectively. Included in the balance of unrecognized tax benefits as of March 31, 2021 and 2020, is $3.7 million and $3.3 million, respectively, of tax benefits that, if recognized, would result in an adjustment to the Company's effective tax rate. The Company does not expect its unrecognized tax benefits to change significantly within the next 12 months.

Note 9. Regulatory Assets and Liabilities

Regulatory assets and liabilities were comprised of the following as of March 31, 2021 and December 31, 2020:

	Recovery Period	March 31, 2021	December 31, 2020
Regulatory Assets			
Pension and retiree group health	Indefinitely	$ 59,424	$ 59,588
Property-related temporary differences (tax benefits flowed through to customers)	Indefinitely	120,590	120,365
Other accrued benefits	Indefinitely	22,192	21,692
Net WRAM and MCBA long-term accounts receivable	1 - 2 years	38,676	33,136
Asset retirement obligations, net	Indefinitely	21,624	21,110
IRMA long-term accounts receivable	1 year	10,962	14,705
Tank coating	10 years	13,777	14,018
Recoverable property losses	9 years	4,361	4,531
PCBA	1 year	21,210	19,647
Other components of net periodic benefit cost	Indefinitely	5,988	6,736
General district balancing account receivable	1 year	724	1,830
Low-income rate assistance (LIRA) and Rate support fund (RSF) accounts receivable	1 year	6,202	5,310
Other regulatory assets	Various	2,606	2,708
Total Regulatory Assets		$ 328,336	$ 325,376
Regulatory Liabilities			
Future tax benefits due to customers		$ 151,088	$ 151,011
Retiree group health		18,472	18,472
HCBA		7,165	5,320
CEBA		4,313	3,837
Net WRAM and MCBA long-term payable		1,397	479
Other regulatory liabilities		1,162	1,599
Total Regulatory Liabilities		$ 183,597	$ 180,718

Short-term regulatory assets and liabilities are excluded from the above table.

The short-term regulatory assets were $97.8 million as of March 31, 2021 and $96.2 million as of December 31, 2020. These short-term regulatory assets primarily consist of net WRAM and MCBA, IRMA, and PCBA receivables

The short-term portions of regulatory liabilities were $34.2 million as of March 31, 2021 and $34.6 million as of December 31, 2020. The short-term regulatory liabilities as of March 31, 2021 and December 31, 2020 primarily consist of TCJA and HCBA refunds and TCP settlement proceeds

Note 10. Commitments and Contingencies

Commitments

The Company has significant commitments to purchase water from water wholesalers. The Company also has operating and finance leases for water systems, offices, land easements, licenses, equipment, and other facilities. These commitments and leases are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

As of March 31, 2021, there were no significant changes in these commitments from December 31, 2020.

Contingencies

Groundwater Contamination

The Company has undertaken litigation against third parties to recover past and anticipated costs related to groundwater contamination in our service areas. The cost of litigation is expensed as incurred and any settlement is first offset against such costs. The CPUC's general policy requires all proceeds from groundwater contamination litigation to be used first to pay transactional expenses, then to make customers whole for water treatment costs to comply with the CPUC's water quality standards. The CPUC allows for a risk-based consideration of contamination proceeds which exceed the costs of the remediation described above and may result in some sharing of proceeds with the shareholder, determined on a case by case basis. The CPUC has authorized various memorandum accounts that allow the Company to track significant litigation costs and to request recovery of these costs in future filings.

Other Legal Matters

From time to time, the Company is involved in various disputes and litigation matters that arise in the ordinary course of business. The status of each significant matter is reviewed and assessed for potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount of the range of loss can be estimated, a liability is accrued for the estimated loss in accordance with the accounting standards for contingencies. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based on the best information available at the time. While the outcome of these disputes and litigation matters cannot be predicted with any certainty, management does not believe when taking into account existing reserves the ultimate resolution of these matters will materially affect the Company's financial position, results of operations, or cash flows. As of March 31, 2021 and December 31, 2020, the Company recognized a liability of $4.6 million and $2.6 million, respectively, for known legal matters. The cost of litigation is expensed as incurred and any settlement is first offset against such costs. Any settlement in excess of the cost to litigate is accounted for on a case by case basis, dependent on the nature of the settlement.

Note 11. Fair Value of Financial Assets and Liabilities

The accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires certain disclosures about assets and liabilities measured at fair value. A hierarchical framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value is established by this guidance. The three levels in the hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Specific valuation methods include the following:

Accounts receivable and accounts payable carrying amounts approximated the fair value because of the short-term maturity of the instruments.

Long-term debt fair values were estimated using the published quoted market price of similar securities, if available, or the discounted cash flow analysis, based on the current rates available using a risk-free rate (a U.S. Treasury securities yield curve) plus a risk premium of 1.83%.

	March 31, 2021				
		Fair Value			
	Cost	Level 1	Level 2	Level 3	Total
Long-term debt, including current maturities, net	$ 786,087	—	$ 860,403	—	$ 860,403

	December 31, 2020				
		Fair Value			
	Cost	Level 1	Level 2	Level 3	Total
Long-term debt, including current maturities, net	$ 786,227	$ —	$ 944,447	$ —	$ 944,447

Item 2

MANAGEMENT’S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Dollar amounts in thousands unless otherwise stated

FORWARD LOOKING STATEMENTS

This quarterly report, including all documents incorporated by reference, contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this quarterly report are based on currently available information, expectations, estimates, assumptions and projections, and our management’s beliefs, assumptions, judgments and expectations about us, the water utility industry and general economic conditions, including statements regarding the anticipated impact on our business of the ongoing COVID-19 pandemic and related public health measures. These statements are not statements of historical fact. When used in our documents, statements that are not historical in nature, including words like “expects,” “intends,” “plans,” “believes,” “may,” “estimates,” “assumes,” “anticipates,” “projects,” “predicts,” “forecasts,” “should,” “seeks,” or variations of these words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. They are based on numerous assumptions that we believe are reasonable, but they are open to a wide range of uncertainties and business risks. Consequently, actual results may vary materially from what is contained in a forward-looking statement.

Factors which may cause actual results to be different than those expected or anticipated include, but are not limited to:

- the impact of the ongoing COVID-19 pandemic and related public health measures;
- our ability to invest or apply the proceeds from the issuance of common stock in an accretive manner;
- governmental and regulatory commissions' decisions, including decisions on proper disposition of property;
- consequences of eminent domain actions relating to our water systems;
- changes in regulatory commissions' policies and procedures, such as the CPUC’s decision in 2020 to preclude companies from proposing fully decoupled WRAMs in their next GRC filing (which impacts our planned 2021 GRC filing related to our operations commencing in 2023);
- the outcome and timeliness of regulatory commissions' actions concerning rate relief and other actions;
- increased risk of inverse condemnation losses as a result of climate conditions;
- our ability to renew leases to operate water systems owned by others on beneficial terms;
- changes in California State Water Resources Control Board water quality standards;
- changes in environmental compliance and water quality requirements;
- electric power interruptions, especially as a result of Public Safety Power Shutoff (PSPS) programs;
- housing and customer growth;
- the impact of opposition to rate increases;
- our ability to recover costs;

- availability of water supplies;
- issues with the implementation, maintenance or security of our information technology systems;
- civil disturbances or terrorist threats or acts;
- the adequacy of our efforts to mitigate physical and cyber security risks and threats;
- the ability of our enterprise risk management processes to identify or address risks adequately;
- labor relations matters as we negotiate with the unions;
- changes in customer water use patterns and the effects of conservation;
- our ability to complete, successfully integrate and achieve anticipated benefits from announced acquisitions;
- the impact of weather, climate, natural disasters, and actual or threatened public health emergencies, including disease outbreaks, on our operations, water quality, water availability, water sales and operating results and the adequacy of our emergency preparedness;
- restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends;
- risks associated with expanding our business and operations geographically; and
- the risks set forth in “Risk Factors” included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

In light of these risks, uncertainties and assumptions, investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this quarterly report or as of the date of any document incorporated by reference in this report, as applicable. When considering forward-looking statements, investors should keep in mind the cautionary statements in this quarterly report and the documents incorporated by reference. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING POLICIES

We maintain our accounting records in accordance with GAAP and as directed by the Commissions to which our operations are subject. The process of preparing financial statements in accordance with GAAP requires the use of estimates on the part of management. The estimates used by management are based on historic experience and an understanding of current facts and circumstances. Management believes that the following accounting policies are critical because they involve a higher degree of complexity and judgment, and can have a material impact on our results of operations, financial condition, and cash flows of the business. These policies and their key characteristics are discussed in detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. They include:

- revenue recognition;
- regulated utility accounting;
- income taxes;
- pension and postretirement health care benefits;

For the three months ended March 31, 2021, there were no changes in the methodology for computing critical accounting estimates, no additional accounting estimates met the standards for critical accounting policies, and there were no material changes to the important assumptions underlying the critical accounting estimates.

COVID-19

During the course of 2020 and continuing into the first quarter of 2021, as a result of the COVID-19 pandemic, shelter-in-place and social distancing ordinances of varying durations and scope were implemented in all of the states in which we operate. Such governmental orders resulted in temporary closures of non-essential businesses and self-quarantining on non-essential workers. As an “essential business” during times of emergencies pursuant to the U.S. Critical Infrastructures Protection Act of 2001, we are working to continue to provide high quality water and wastewater services to our two million customers. During 2020 and for the three months ended March 31, 2021 and through April 29, 2021, the COVID-19 pandemic has not had a significant impact on our business or operations. We have, however, increased our allowance for credit losses as we have ceased all shutoffs for non-payment during the pandemic and anticipate this situation will continue until further notice. We are expecting segments of our customer base to continue to experience employment layoffs and business closures that negatively impact their ability to pay utility bills. We have also incurred costs to promote the health and safety of our employees and facilities.

If we need to close any of our facilities due to outbreaks of COVID-19 or if a critical number of our employees become too ill to work, our business operations could be materially adversely affected in a rapid manner. The impact of the COVID-19 pandemic is fluid and continues to evolve, and therefore, we cannot predict the extent to which our business, results of operations, financial condition or liquidity will ultimately be impacted.

RESULTS OF FIRST QUARTER 2021 OPERATIONS
COMPARED TO FIRST QUARTER 2020 OPERATIONS
Dollar amounts in thousands unless otherwise stated

Overview

Net Loss

Net loss for the first quarter of 2021 was $3.0 million or $0.06 net loss per diluted common share, compared to net loss of $20.3 million or $0.42 net loss per diluted common share for the first quarter of 2020.

The $17.3 million decrease in net loss was primarily due to the December 2020 decision by the CPUC for Cal Water's 2018 GRC. The decision authorized rate increases and the continuation of regulatory mechanisms which Cal Water had not recorded in the first quarter of 2020. First quarter 2021 results included cumulative 2018 GRC and other rate relief of $6.4 million, representing 2020 and 2021 rate changes, and regulatory mechanism net revenue increases of $7.6 million. The decrease in net loss resulting from the adoption of the 2018 GRC was partially offset by increases in other operating expenses of $3.9 million, depreciation expense of $2.5 million and uninsured loss costs of $2.1 million.

Additional factors outside the Company's immediate control contributed to the decrease in net loss, including a $5.1 million decrease in unrealized loss on certain benefit plan investments and $3.6 million increase in accrued unbilled revenue. Seasonal weather patterns and the number of unbilled days are the primary drivers of accrued unbilled revenue.

Operating Revenue

Operating revenue increased $22.2 million, or 17.7%, to $147.7 million in the first quarter of 2021 as compared to the first quarter of 2020, with such change attributed to the following:

Net change due to rate changes, usage, and other (1)	$	11,900
WRAM Revenue (2)		2,182
MCBA Revenue (3)		4,056
IRMA Revenue (4)		2,475
Other balancing account revenue (5)		(1,453)
Deferral of revenue (6)		3,014
Net operating revenue increase	$	22,174

1. The net change due to rate changes, usage, and other in the above table was mainly driven by rate increases, the components of which are set forth in the table below. In addition, there was a $3.6 million increase in accrued unbilled revenue.

General rate case	$	1,814
Escalation rate increases		1,569
Purchased water and pump tax offsets		1,267
Rate base offsets		1,745
Total increase in rates	$	6,395

2. WRAM revenue is the variance between adopted volumetric revenues and actual billed volumetric revenues for metered accounts. For the first quarter of 2021, we recognized $2.2 million of WRAM revenue. Actual volumetric revenue was lower than adopted volumetric billings due to a shift in customer usage from nonresidential to residential usage. Due to the delay in the resolution of the 2018 GRC, WRAM revenue was not recorded in the first quarter of 2020.

3. MCBA revenue is the variance between adopted water production costs and actual water production costs. For the first quarter of 2021, we recognized $4.1 million of MCBA revenue. Actual water production costs were higher than adopted production costs in the first quarter of 2021 due to a shift in water production mix from well water to purchased water in certain of our service territories. As required by the MCBA mechanism, the increase in actual water production costs relative to adopted water production costs in California also increased operating revenue for the same amount. Due to the delay in the resolution of the 2018 GRC, MCBA revenue was not recorded in the first quarter of 2020.

4. Due to the delay in the resolution of the 2018 GRC, the CPUC authorized Cal Water to track the effect of the delay on customer billings in an IRMA effective January 1, 2020. Variances between actual customer billings and those that would have been billed assuming the GRC had been effective January 1, 2020 are recorded as regulatory balancing account revenue. The 2018 GRC was approved in December of 2020 and final rates for the 2018 GRC were implemented as of February 1, 2021; as a result, Cal Water recorded IRMA revenue for January 2021. Due to the delay in the resolution of the 2018 GRC, IRMA revenue was not recorded in the first quarter of 2020.

5. The other balancing account revenue consists of the pension, conservation and health care balancing account revenues. Pension and conservation balancing account revenues are the differences between actual expenses and adopted rate recovery. Health care balancing account revenue is 85% of the difference between actual health care expenses and adopted rate recovery. For the first quarter of 2021, we recognized a decrease to revenue of $1.5 million for these balancing accounts. The decrease in revenue was mainly due to a decrease in actual health care expenses relative to adopted in the first quarter of 2021. Due to the delay in the resolution of the 2018 GRC, PCBA and HCBA revenue were not recorded in the first quarter of 2020.

6. The deferral of revenue consists of amounts that are expected to be collected from customers beyond 24 months following the end of the accounting period in which these revenues were recorded. The deferral decreased in the first quarter of 2021 as compared to the first quarter of 2020 due to a decrease in the balancing account revenue expected to be collected beyond 24 months.

Total Operating Expenses

Total operating expenses increased $12.3 million, or 9.3%, to $144.8 million in the first quarter of 2021, as compared to $132.5 million in the first quarter of 2020.

Water production costs consists of purchased water, purchased power, and pump taxes. It represents the largest component of total operating expenses, accounting for approximately 37.9% of total operating expenses in the first quarter of 2021, as compared to 40.7% of total operating expenses in the first quarter of 2020. Water production costs increased 1.6% in the first quarter of 2021 as compared to the same period last year mainly due to an increase in customer usage, changes in water production mix in certain of our service territories, and an increase in rates from our purchased water wholesalers.

Sources of water as a percent of total water production are listed in the following table:

	Three Months Ended March 31	
	2021	**2020**
Well production	48 %	43 %
Purchased	47 %	52 %
Surface	5 %	5 %
Total	100 %	100 %

The components of water production costs are shown in the table below:

	Three Months Ended March 31		
	2021	2020	Change
Purchased water	$ 44,765	$ 45,349	$ (584)
Purchased power	6,504	5,776	728
Pump taxes	3,557	2,851	706
Total	$ 54,826	$ 53,976	$ 850

Administrative and general and other operations expenses increased $4.6 million, or 10.6%, to $48.3 million in the first quarter of 2021, as compared to $43.7 million in the first quarter of 2020. The increase was primarily due to a $2.7 million increase in costs associated with deferred WRAM revenue, $2.1 million increase in uninsured loss costs, $0.5 million increase in retirement benefits, $0.4 million increase in water treatment costs, and $0.4 million increase in bad debt expense. The cost increases were partially offset by decreases in employee and retiree health care costs of $0.9 million, travel costs of $0.5 million, and employee wages of $0.4 million. Changes in employee pension benefits and water conservation program costs for regulated California operations generally do not affect earnings, as the Company is allowed by the CPUC to record these costs in balancing accounts for future recovery, creating a corresponding change to revenue. Employee and retiree medical expenses are recovered up to 85% of the variance between adopted and recorded expenses.

Maintenance expense decreased $0.3 million, or 4.3%, to $6.8 million in the first quarter of 2021, as compared to $7.1 million in the first quarter of 2020, mostly due to a reduction in repairs for services and mains.

Depreciation and amortization expense increased $2.5 million, or 10.4%, to $27.0 million in the first quarter of 2021, as compared to $24.5 million in the first quarter of 2020, mostly due to capital additions in 2020.

Income tax benefit decreased $3.8 million to $0.1 million in the first quarter of 2021, as compared to $3.9 million income tax benefitin the first quarter of 2020. The decrease was mainly due to a decrease in the loss from operations and a reduction in the 2021 estimated effective tax rate due to a $10.0 million increase in refund of excess deferred federal income taxes in 2021 as compared to 2020.

Property and other taxes increased $0.8 million to $8.0 million in the first quarter of 2021, as compared to $7.2 million in the same period of 2020, mostly due to an increase in assessed property values.

Other Income and Expenses

Net other income increased $7.5 million to $4.0 million in the first quarter of 2021, as compared to a net other loss of $3.5 million in the first quarter of 2020, due primarily to a $5.1 million decrease in unrealized loss on certain benefit plan investments due to favorable market conditions and a $4.4 million decrease in other components of net periodic benefit costs. The increase was partially offset by a $1.1 million decrease in allowance for equity funds used during construction.

Interest Expense

Net interest expense stayed the same at $9.9 million in the first quarter of 2021 and in the first quarter of 2020.

REGULATORY MATTERS

2021 California Regulatory Activity

California GRC Filing

On October 14, 2020, an ALJ with the CPUC issued a proposed decision for Cal Water's 2018 GRC filing, which was approved by the CPUC on December 4, 2020. The new rates were implemented on February 1, 2021.

The CPUC follows a rate case plan, which requires Cal Water to file a GRC for each of its regulated operating districts (except Grand Oaks) every three years. In a GRC proceeding, the CPUC not only considers the utility's rate setting requests, but may also consider other issues that affect the utility's rates and operations. The CPUC is generally required to issue its GRC decision prior to the first day of the test year or authorize interim rates. In accordance with the rate case plan, Cal Water expects to file its next GRC application in the second quarter of 2021.

IRMA

The 2018 GRC was approved in December of 2020 and final rates for the 2018 GRC were implemented as of February 1, 2021; as a result, Cal Water calculated and recorded a regulatory asset of $55.6 million and a corresponding increase to revenue for the difference between final rates and interim rates for the 13-month period January 1, 2020 to January 31, 2021. Cal Water also recorded a regulatory liability of $1.6 million and a corresponding decrease to regulatory assets for LIRA and RSF program credits that would have been given to customers had the rate case been approved on time.

In April of 2021, Cal Water submitted an advice letter to request amortization of the IRMA. The new rates were implemented on April 15, 2021.

Escalation Increase Requests

As a part of the decision on the 2018 GRC, Cal Water was authorized to request annual escalation rate increases for 2021 for those districts that passed the earnings test. In December of 2020, Cal Water requested escalation rate increases for 2021 in 13 of its regulated districts. The annual adopted gross revenue associated with the December 2020 filing was $8.2 million. The new rates were implemented on February 1, 2021.

Expense Offset Requests

Expense offsets are dollar-for-dollar increases in revenue to match increased expenses, and therefore do not affect net operating income. In December of 2020, Cal Water submitted an advice letter to request offsets for increases in purchased water costs and pump taxes in seven of its regulated districts totaling $5.5 million. The new rates were implemented on February 1, 2021.

Rate Base Offset Requests

For construction projects authorized in GRCs as advice letter projects, Cal Water is allowed to request rate base offsets to increase revenues after the project goes into service. In July of 2020, Cal Water submitted an advice letter to recover $9.0 million of annual revenue increase for a rate base offset in one of its regulated districts. The new rates were implemented on February 1, 2021.

WRAM/MCBA Filings

In April of 2021, Cal Water submitted advice letters to true up the revenue under-collections for the 2020 annual WRAMs/MCBAs of its regulated districts. A net under-collection of $39.6 million is being recovered/refunded from/to customers in the form of 12, 18, and greather-than-18-month surcharges and 6 and 12 month surcredits. The new rates incorporate net WRAM/MCBA balances that were previously approved for recovery, and were implemented on April 15, 2021.

Regulatory Activity - Other States

Kapalua Water Company and Kapalua Waste Treatment (Hawaii Water)

In the first quarter of 2021, Hawaii Water Service received approval from the Hawaii Public Utilities Commission to acquire the assets of Kapalua Water Company and Kapalua Waste Treatment Company from Maui Land and Pineapple Company. The transaction remains subject to customary closing conditions

LIQUIDITY

Cash flow from Operations

Cash flow from operations for the first three months of 2021 was $30.0 million compared to $4.1 million for the same period in 2020. Cash generated by operations varies during the year due to customer billings, and timing of collections and contributions to our benefit plans.

During the first three months of 2021, we made contributions of $9.4 million to our employee pension plan compared to contributions of $7.9 million during the first three months of 2020. During the first three months of 2021, we made contributions of $1.2 million to the other postretirement benefit plans compared to contributions of $2.2 million during the first three months of 2020. The full-year 2021 estimated cash contribution to the pension plans and other postretirement benefits plans are expected to be approximately $23.5 million and $2.2 million, respectively.

The water business is seasonal. Billed revenue is lower in the cool, wet winter months when less water is used compared to the warm, dry summer months when water use is highest. This seasonality results in the possible need for short-term borrowings under the unsecured revolving credit facilities in the event cash is not available to cover operating and utility plant costs during the winter period. The increase in cash flows during the summer allows short-term borrowings to be paid down. Customer water usage can be lower than normal in drought years and when greater-than-normal precipitation falls in our service areas or temperatures are lower than normal, especially in the summer months.

Investing Activities

During the first three months of 2021 and 2020, we used $66.8 million and $65.3 million, respectively, of cash for Company-funded and developer-funded utility plant expenditures. Annual expenditures fluctuate each year due to the availability of construction resources and our ability to obtain construction permits in a timely manner. For 2021, we estimate utility plant expenditures to be between $270.0 million and $300.0 million.

Financing Activities

Net cash provided by financing activities was $78.8 million during the first three months of 2021 compared to $158.9 million of net cash provided by financing activities for the same period in 2020. For 2021, this includes our issuance of $22.7 million of Company common stock through our at-the-market equity program, and $0.5 million through our employee stock purchase plan.

During the first three months of 2021 and 2020, we borrowed $105.0 million and $170.0 million, respectively, on our unsecured revolving credit facilities. We made a repayment on our unsecured revolving credit facilities of $40.0 million and $10.0 million during the first three months of 2021 and 2020, respectively.

The undercollected net WRAM and MCBA receivable balances were $69.7 million and $58.4 million as of March 31, 2021 and 2020, respectively. The undercollected balances were primarily financed by Cal Water using short-term and long-term financing arrangements to meet operational cash requirements. Interest on the undercollected balances, which represents the interest recoverable from customers, is limited to the then-current 90-day commercial paper rates which typically are significantly lower than Cal Water's short and long-term financing rates.

Short-Term and Long-Term Financing

During the first three months of 2021, we utilized cash generated from operations, borrowings on the unsecured revolving credit facilities, and cash received from the sale of Company common stock through our at-the-market equity program to fund operations and capital investments.

In future periods, management anticipates funding our utility plant needs through a relatively balanced approach between debt and equity.

Short-term liquidity is provided by our unsecured revolving credit facilities and internally generated funds. Long-term financing is accomplished through the use of both debt and equity. The Company and subsidiaries that it designates may borrow up to $150.0 million under the Company's revolving credit facility. Cal Water may borrow up to $400.0 million under its revolving credit facility; however, all borrowings must be repaid within 24 months unless a different period is required or authorized by the CPUC. The proceeds from the unsecured revolving credit facilities may be used for working capital purposes, including the short-term financing of utility plant projects.

As of March 31, 2021 and December 31, 2020, there were short-term borrowings of $435.0 million and $370.0 million, respectively, outstanding on the unsecured revolving credit facilities.

Given our ability to access our lines of credit on a daily basis, cash balances are managed to levels required for daily cash needs and excess cash is invested in short-term or cash equivalent instruments. Minimal operating levels of cash are maintained for Washington Water, New Mexico Water, and Hawaii Water.

Both short-term credit agreements contain affirmative and negative covenants and events of default customary for credit facilities of this type including, among other things, limitations and prohibitions relating to additional indebtedness, liens, mergers, and asset sales. Also, these unsecured credit agreements contain financial covenants governing the Company and its subsidiaries' consolidated total capitalization ratio not to exceed 66.7% and an interest coverage ratio of three or more. As of March 31, 2021, we are in compliance with all of the covenant requirements and are eligible to use the full amount of the undrawn portion of our unsecured revolving credit facilities.

Long-term financing, which includes First Mortgage Bonds, other debt securities, and common stock, has typically been used to replace short-term borrowings and fund utility plant expenditures. Internally generated funds, after making dividend payments, provide positive cash flow, but have not been at a level to meet the needs of our utility plant expenditure requirements. Management expects this trend to continue given our planned utility plant expenditures for the next five years. Some utility plant expenditures are funded by payments received from developers for contributions in aid of construction or advances for construction. Funds received for contributions in aid of construction are non-refundable, whereas funds classified as advances in construction are generally refundable over 40 years. Management believes long-term financing is available to meet our cash flow needs through issuances in both debt and equity instruments.

Summarized Financial Information for Guarantors and the Issuer of Guaranteed Securities.

On April 17, 2009, Cal Water (Issuer) issued $100.0 million aggregate principal amount of 5.500% First Mortgage Bonds due 2040, all of which are fully and unconditionally guaranteed by the Company (Guarantor). Certain subsidiaries of the Company do not guarantee the security and are referred to as Non-guarantors. The Guarantor fully, absolutely, irrevocably and unconditionally guarantees the due and punctual payment when due, whether at stated maturity, by acceleration, by notice of prepayment or otherwise, of the principal of, premium, if any, and interest on the bonds. The bonds rank equally among Cal Water's other first mortgage bonds.

The following tables present summarized financial information of the Issuer subsidiary and the Guarantor. The information presented below excludes eliminations necessary to arrive at the information on a consolidated basis. In presenting the summarized financial statements, the equity method of accounting has been applied to the Guarantor interests in the Issuer. The summarized information excludes financial information of the Non-issuers, including (loss) earnings from and investments in these entities.

Summarized Statement of Operations

(in thousands)	Three Months Ended March 31, 2021		Twelve Months Ended December 31, 2020	
	Issuer	Guarantor	Issuer	Guarantor
Net sales	$ 135,518	$ —	$ 745,034	$ —
Gross profit	$ 83,275	$ —	$ 477,915	$ —
Income from operations	$ 3,353	$ 24	$ 130,761	$ 331
Equity in (loss) earnings of guarantor	$ —	$ (2,844)	$ —	$ 92,244
Net loss (income)	$ (2,844)	$ (3,032)	$ 92,244	$ 92,760

Summarized Balance Sheet Information

(in thousands)	As of March 31, 2021		As of December 31, 2020	
	Issuer	Guarantor	Issuer	Guarantor
Current assets	$ 274,112	$ 11,019	$ 227,030	$ 20,075
Intercompany receivable from non-issuer and issuer subsidiaries	$ 1,513	$ 22,351	$ 4,905	$ 20,022
Other assets	$ 438,143	$ 955,479	$ 433,837	$ 943,665
Long-term intercompany receivable from non-issuer subsidiaries	$ —	$ 37,595	$ —	$ 37,985
Net utility plant	$ 2,494,040	$ 94	$ 2,459,992	$ 117
Total assets	$ 3,207,808	$ 1,026,538	$ 3,125,764	$ 1,021,864
Current liabilities	$ 552,316	$ 95,045	$ 481,247	$ 100,124
Intercompany payable to guarantor and non-issuer subsidiary	$ 550	$ —	$ 402	$ —
Long-term debt	$ 780,641	$ —	$ 780,790	$ —
Other liabilities	$ 1,036,267	$ 1,870	$ 1,034,098	$ 1,725
Total Liabilities	$ 2,369,774	$ 96,915	$ 2,296,537	$ 101,849

Dividends

During the first three months of 2021, our quarterly common stock dividend payments were $0.2300 per share compared to $0.2125 per share during the first three months of 2020. For the full year 2020, the payout ratio was 43.1% of net income. On a long-term basis, our goal is to achieve a dividend payout ratio of 60% of net income accomplished through future earnings growth.

At the April 28, 2021 meeting, the Company's Board of Directors declared the second quarter dividend of $0.2300 per share payable on May 21, 2021, to stockholders of record on May 10, 2021. This was our 305th consecutive quarterly dividend.

2021 Financing Plan

We intend to fund our utility plant needs in future periods through a relatively balanced approach between long-term debt and equity. The Company and Cal Water have a syndicated unsecured revolving line of credit of $150.0 million and $400.0 million, respectively, for short-term borrowings. As of March 31, 2021, the Company’s and Cal Water’s availability on these unsecured revolving lines of credit was $55.0 million and $60.0 million, respectively.

On February 25, 2021, Cal Water entered into a Bond Purchase Agreement which provides for the issuance of First Mortgage Bonds in an aggregate principal amount of $280.0 million. The bonds will be issued in two series: $130.0 million of 2.87% bonds due 2051, series ZZZ; and $150.0 million of 3.02% bonds due 2061, series 1 (Bonds). The Bonds are expected to be issued on May 11, 2021 pursuant to a Sixty-Third Supplemental Indenture. Interest on the Bonds will accrue semi-annually and be payable in arrears on May 11 and November 11 of each year, commencing November 11, 2021. The Bonds will rank equally with all of Cal Water's other First Mortgage Bonds and will be secured by liens on Cal Water's properties, subject to certain exceptions and permitted liens. Cal Water plans to use the net proceeds from the sale of the Bonds to refinance California Water Service Group’s existing indebtedness and for general corporate purposes.

Book Value and Stockholders of Record

Book value per common share was $18.29 at March 31, 2021 compared to $18.30 at December 31, 2020. There were approximately 1,941 stockholders of record for our common stock as of February 8, 2021.

Utility Plant Expenditures

During the first three months of 2021, utility plant expenditures totaled $66.8 million for Company-funded and developer-funded projects. For 2021, we estimate utility plant expenditures to be between $270.0 million and $300.0 million. We do not control third-party-funded utility plant expenditures and therefore are unable to estimate the amount of such projects for 2021.

As of March 31, 2021, construction work in progress was $198.7 million. Construction work in progress includes projects that are under construction but not yet complete and placed in service.

WATER SUPPLY

Our source of supply varies among our operating districts. Certain districts obtain all of their supply from wells; some districts purchase all of their supply from wholesale suppliers; and other districts obtain supply from a combination of wells and wholesale suppliers. A small portion of supply comes from surface sources and is processed through Company-owned water treatment plants. To the best of management's knowledge, we are meeting water quality, environmental, and other regulatory standards for all Company-owned systems.

Historically, approximately half of our annual water supply is pumped from wells. State groundwater management agencies operate differently in each state. Some of our wells extract ground water from water basins under state ordinances. These are adjudicated groundwater basins, in which a court has settled the dispute between landowners or other parties over how much annual groundwater can be extracted by each party. All of our adjudicated groundwater basins are located in the State of California. Our annual groundwater extraction from adjudicated groundwater basins approximates 5.8 billion gallons or 12.3% of our total annual water supply pumped from wells. Historically, we have extracted less than 100% of our annual adjudicated groundwater rights and have the right to carry forward up to 20% of the unused amount to the next annual period. All of our remaining wells extract ground water from managed or unmanaged water basins. There are no set limits for the ground water extracted from these water basins. Our annual groundwater extraction from managed groundwater basins approximates 27.5 billion gallons or 58.0% of our total annual water supply pumped from wells. Our annual groundwater extraction from unmanaged groundwater basins approximates 14.1 billion gallons or 29.7% of our total annual water supply pumped from wells. Most of the managed groundwater basins we extract water from have groundwater recharge facilities. We are required to pay well pump taxes to financially support these groundwater recharge facilities. Our well pump taxes were $3.6 million and $2.9 million for the three months ended March 31, 2021 and 2020, respectively. In 2014, the State of California enacted the Sustainable Groundwater Management Act of 2014. The law and its implementing regulations require most basins to select a sustainability agency by 2017, develop a sustainability plan by 2022, and show progress toward sustainability by 2027. We expect that after the act's provisions are fully implemented, substantially all the Company's California groundwater will be produced from sustainably managed and adjudicated basins.

California's normal weather pattern yields little precipitation between mid-spring and mid-fall. The Washington Water service areas receive precipitation in all seasons, with the heaviest amounts during the winter. New Mexico Water's rainfall is heaviest in the summer monsoon season. Hawaii Water receives precipitation throughout the year, with the largest amounts in the winter months. Water usage in all service areas is highest during the warm and dry summers and declines in the cool winter months. Rain and snow during the winter months in California replenish underground water aquifers and fill reservoirs, providing the water supply for subsequent delivery to customers. As of March 31, 2021, the State of California snowpack water content during the 2020-2021 water year is 67% of long-term averages (per the California Department of Water Resources, Northern Sierra Precipitation Accumulation report). The northern Sierra region is the most important for the state's urban water supplies. The central and southern portions of the Sierras have recorded 64% and 42%, respectively, of long-term averages. Management believes that, notwithstanding lower-than-average snowpack water content, supply pumped from underground aquifers and purchased from wholesale suppliers will be adequate to meet customer demand during 2021 and beyond. Long-term water supply plans are developed for each of our districts to help assure an adequate water supply under various operating and supply conditions. Some districts have unique challenges in meeting water quality standards, but management believes that supplies will meet current standards using currently available treatment processes.

On May 31, 2018, California's Governor signed two bills (Assembly Bill 1668 and Senate Bill 606) into law that will establish long-term standards for water use efficiency. The bills revise and expand the existing urban water management plan requirements to include five year drought risk assessments, water shortage contingency plans, and annual water supply/demand assessments. By June 30, 2022, the California State Water Resources Control Board, in conjunction with the California Department of Water Resources, is expected to establish long-term water use standards for indoor residential use, outdoor residential use, water losses and other uses. Cal Water will also be required to calculate and report on urban water use target by November 1, 2023 and each November 1 thereafter that compares actual urban water use to the target. Management believes that Cal Water is well-positioned to comply with all such regulations.

CONTRACTUAL OBLIGATIONS

During the three months ended March 31, 2021, there were no material changes in contractual obligations outside the normal course of business.

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We do not hold, trade in or issue derivative financial instruments and therefore are not exposed to risks these instruments present. Our market risk to interest rate exposure is limited because the cost of long-term financing and short-term bank borrowings, including interest costs, is covered in consumer water rates as approved by the Commissions. We do not have foreign operations; therefore, we do not have a foreign currency exchange risk. Our business is sensitive to commodity prices and is most affected by changes in purchased water and purchased power costs.

Historically, the CPUC's balancing account or offsettable expense procedures allowed for increases in purchased water, pump tax, and purchased power costs to be flowed through to consumers. Traditionally, a significant percentage of our net income and cash flows come from California regulated operations; therefore the CPUC's actions have a significant impact on our business. See Item 2, “Management's Discussion and Analysis of Financial Condition and Results of Operations - Regulatory Matters.”

Item 4.

CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management, including the Chief Executive Officer and Chief Financial Officer, recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Accordingly, our disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2021. Based on that evaluation, we concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes to Internal Control over Financial Reporting

There was no change in our internal controls over financial reporting that occurred during the quarter ended March 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1.

LEGAL PROCEEDINGS

From time to time, the Company is involved in various disputes and litigation matters that arise in the ordinary course of business. The status of each significant matter is reviewed and assessed for potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount of the range of loss can be reasonably estimated, a liability is accrued for the estimated loss in accordance with the accounting standards for contingencies. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based on the best information available at the time. While the outcome of these disputes and litigation matters cannot be predicted with any certainty, management does not believe when taking into account existing reserves the ultimate resolution of these matters will materially affect the Company's financial position, results of operations, or cash flows. In the future, we may be involved in disputes and litigation related to a wide range of matters, including employment, construction, environmental issues and operations. Litigation can be time-consuming and expensive and could divert management's time and attention from our business. In addition, if we are subject to additional lawsuits or disputes, we might incur significant legal costs and it is uncertain whether we would be able to recover the legal costs from customers or other third parties. For more information refer to note 10.

Item 1A.

RISK FACTORS

There have been no material changes to the Company's risk factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year-ended December 31, 2020 filed with the SEC on February 25, 2021.

Item 6.

EXHIBITS

Exhibit	Description
4.0	The Company agrees to furnish upon request to the Securities and Exchange Commission a copy of each instrument defining the rights of holders of long-term debt of the Company
31.1	Chief Executive Officer certification of financial statements pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer certification of financial statements pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
32	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from this Quarterly Report on Form 10-Q formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to the Condensed Consolidated Financial Statements.
104	The cover page from this Quarterly Report on Form 10-Q formatted in iXBRL (included as exhibit 101)

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	CALIFORNIA WATER SERVICE GROUP Registrant	
April 29, 2021	By:	/s/ Thomas F. Smegal III Thomas F. Smegal III Vice President, Chief Financial Officer and Treasurer

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Martin A. Kropelnicki, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2021, of California Water Service Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2021

By: /s/ Martin A. Kropelnicki
MARTIN A. KROPELNICKI
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Thomas F. Smegal III, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2021, of California Water Service Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2021

By: /s/ Thomas F. Smegal III
THOMAS F. SMEGAL III
Vice President, Chief Financial Officer and Treasurer

Exhibit 32

CERTIFICATION OF CEO AND CFO
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies that this quarterly report on Form 10-Q for the period ended March 31, 2021 fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of California Water Service Group.

Date: April 29, 2021	By:	/s/ Martin A. Kropelnicki
		MARTIN A. KROPELNICKI President and Chief Executive Officer California Water Service Group
Date: April 29, 2021	By:	/s/ Thomas F. Smegal III
		THOMAS F. SMEGAL III Vice President, Chief Financial Officer and Treasurer California Water Service Group