

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**Current Report Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934**

Date of Report (date of earliest event reported): **February 24, 2022**

**CALIFORNIA WATER SERVICE GROUP**

(Exact name of Registrant as Specified in its Charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**1-13883**  
(Commission file number)

**77-0448994**  
(I.R.S. Employer  
Identification Number)

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

**95112**  
(Zip Code)

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

**N/A**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Shares, par value \$0.01	CWT	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined by Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

**Item 2.02. Results of Operations and Financial Condition**

On February 24, 2022, California Water Service Group (the "Company") issued a press release (a copy of which is attached hereto as Exhibit 99.1 and incorporated herein by reference) announcing its financial results for the fourth quarter and year-end of 2021, ended December 31, 2021. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

As announced, the Company will host a conference call and webcast on Thursday, February 24, 2022 at 11:00 am ET to discuss financial results and management's business outlook. The financial results announcement contains information about how to access the conference call. A slide presentation, which includes supplemental information relating to the Company, will be used by management during the conference call. A copy of the slide presentation is attached hereto as Exhibit 99.2 and is incorporated by reference herein. The Exhibits will be posted on the Company's website at [www.calwatergroup.com](http://www.calwatergroup.com) under the "Investor Relations" tab.

The information furnished pursuant to Item 2.02 of this Current Report shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

**Item 7.01. Regulation FD Disclosure.**

The information included in the Exhibits to this report is incorporated by reference in response to this Item 7.01.

The information furnished pursuant to Item 7.01 of this Current Report shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act, or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.**

We hereby furnish the following exhibits, which shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act, with this report:

<u>Exhibit No.</u>	<u>Description</u>
<a href="#">99.1</a>	<a href="#">Press Release issued February 24, 2022</a>
<a href="#">99.2</a>	<a href="#">Slide presentation relating to conference call</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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#### SIGNATURES

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

#### CALIFORNIA WATER SERVICE GROUP

Date: February 24, 2022

By: /s/ Thomas F. Smegal

Name: Thomas F. Smegal

Title: Vice President, Chief Financial Officer & Treasurer

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February 24, 2022  
For immediate release

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CALIFORNIA WATER SERVICE GROUP ANNOUNCES

2021 EARNINGS FOR YEAR AND FOURTH QUARTER

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SAN JOSE, CA – California Water Service Group (NYSE: CWT) (“Company”) today announced net income attributable to CWT of \$101.1 million and diluted earnings per share of \$1.96 for 2021, compared to net income attributable to CWT of \$96.8 million and diluted earnings per share of \$1.97 in 2020.

The \$4.3 million increase in net income attributable to CWT was driven primarily by general rate increases of \$14.0 million, non-regulated revenue of \$5.8 million, reduction in operating income tax expense of \$8.6 million, and decrease in bad debt expense of \$4.6 million. These positive factors were partially offset by increases in depreciation and amortization expenses of \$10.2 million, employee wages of \$3.2 million, uninsured loss expense of \$1.9 million, property and other taxes of \$2.4 million, and financing costs of \$1.4 million.

Additionally, certain factors outside the Company’s immediate control decreased net income attributable to CWT, including a \$0.5 million reduction in accrued unbilled revenue and \$0.5 million decrease in unrealized gain on certain benefit plan investments as compared to the prior year. Seasonal weather patterns and the number of unbilled days are the primary influences of accrued unbilled revenue.

President & Chief Executive Officer Martin A. Kropelnicki said he was pleased with the 2021 financial performance, which allowed the Company to increase the dividend by 8.7%. He made the following comments on the Company’s 2021 results:

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*“I’m really proud of our people, who continued to provide safe, reliable water and wastewater services in the face of worsening drought conditions, continuing pandemic concerns, and challenging supply chain disruptions.*

*We also made impressive progress on our Environmental, Social, and Governance (ESG) efforts, and were pleased to be named one of ‘America’s Most Responsible Companies’ by Newsweek magazine. The company ranked first among water utilities and 180<sup>th</sup> overall among companies nationwide. We will continue to focus ESG efforts on programs most relevant to our business and later this spring will issue our 2021 ESG report.*

*Success in managing the rate-setting process is key to our ability to meet customers’ needs today and achieve the ESG progress that will position us well to meet future needs. Currently, we are working diligently on rebuttal testimony for both our California GRC and the California Cost of Capital cases. A major focus for our team will be resolving these proceedings constructively in 2022.”*

Additional Financial Results for 2021

Operating revenue in 2021 was \$790.9 million and \$794.3 million in 2020, a decrease of \$3.4 million in 2021. The decrease in operating revenues was due to an increase in deferred revenue of \$11.7 million and decrease in accrued unbilled revenue of \$0.5 million partially offset by a net increase in general rates and regulatory cost mechanisms of \$8.3 million, \$6.1 million of which was related to increased water costs.

Total operating expenses increased \$6.5 million, or 1.0%, to \$664.1 million in 2021 compared to the prior year.

Water production expenses increased \$0.7 million to \$277.5 million in 2021, primarily due to increases in well water production costs. As designed, the California revenue decoupling mechanisms recorded an increase to revenue equal to the increase in California water production costs.

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Administrative and general expense increased \$9.6 million, or 8.2%, in 2021 as compared to 2020. The increase was mainly due to increases in employee wages of \$6.2 million, uninsured loss costs of \$1.9 million, outside consulting service costs of \$1.2 million, and employee healthcare costs of \$1.2 million. These cost increases were partially offset by a \$1.5 million decrease in employee pension and retiree healthcare benefit costs. Changes in employee pension benefits and employee and retiree medical costs for regulated California operations generally do not affect net income attributable to California Water Service Group, as the Company has been allowed by the California Public Utilities Commission (“CPUC”) to record these costs in balancing accounts for future recovery, creating a corresponding change to revenue.

Other operations expense decreased \$9.5 million, or 9.9%, in 2021 as compared to 2020. The decrease was primarily due to reductions of \$9.5 million in expenses associated with the deferral of operating revenue, \$4.6 million in bad debt expense, and \$2.1 million in employee wages, which was partially offset by increases in wastewater treatment expenses of \$1.9 million from recently acquired subsidiaries, customer account expenses of \$1.1 million, chemical and carbon filter costs of \$0.9 million, and conservation program costs of \$0.8 million. Changes in conservation program costs for regulated California operations generally do not affect net income attributable to California Water Service Group, as the CPUC has allowed the Company to record these costs in balancing accounts for future recovery, creating a corresponding change to revenue.

Maintenance expenses increased \$1.6 million, or 5.7%, to \$29.6 million in 2021, due to repairs of transmission and distribution mains, reservoirs, tanks, and amortization of reservoir coating projects in accordance with CPUC orders.

Depreciation and amortization increased \$10.2 million, or 10.4%, in 2021 primarily due to utility plant placed in service in 2020.

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Income taxes decreased \$8.6 million, or 75.5%, to \$2.8 million in 2021, mostly due to a \$9.9 million increase in customer refunds of excess deferred federal income taxes in 2021 as compared to 2020 which was partially offset by a reduction in the tax benefit from the flow-through method of accounting for “repairs” deductions on state corporate income tax filings.

Property and other taxes increased \$2.4 million, or 8.0%, to \$32.5 million, due mostly to an increase in our assessed property values for utility plant placed in service during the year.

In 2021, net other income and expenses increased \$15.4 million from \$2.0 million in 2020. The increase was due primarily to a \$5.8 million increase in non-regulated revenue and \$14.9 million decrease in other components of net periodic benefit costs. These were partially offset by a \$2.4 million increase in non-regulated expenses, \$1.8 million decrease in allowance for equity funds used during construction, and \$0.5 million decrease in unrealized gain from certain benefit plan investments due to market conditions. Changes in other components of net periodic benefit costs for regulated California operations generally do not affect net income, as the CPUC has allowed the Company to record these costs in balancing accounts for future recovery, creating a corresponding change to revenue.

In 2021 net interest expense increased \$1.4 million as compared to 2020. The increase was due primarily to an increase in long-term financing to support utility plant infrastructure investments.

#### Fourth Quarter 2021 Results

For the fourth quarter of 2021, net income attributable to CWT was \$3.5 million and diluted earnings per share was \$0.07, compared to net income attributable to CWT of \$15.5 million and diluted earnings per share of \$0.31 in the fourth quarter of 2020. The \$12.0 million decrease in net income attributable to CWT resulted primarily from a \$9.2 million decrease in unbilled revenue, \$2.4 million increase in depreciation expense, and \$1.4 million increase in maintenance expense.

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Operating revenue for the fourth quarter decreased \$15.8 million, or 8.4%, to \$173.3 million, mostly due to a decrease in regulatory cost mechanisms of \$9.6 million, decrease in unbilled revenue of \$9.2 million, and increase in deferred revenue of \$3.4 million. These decreases were partially offset by rate increases of \$4.0 million, of which \$1.9 million was related to increases in water production costs.

Total operating expenses for the quarter decreased \$1.2 million to \$162.9 million. The decrease was mostly due to decreases in water production costs of \$3.5 million, other operations expenses of \$3.2 million, and income tax expense of \$1.7 million which was partially offset by increases in administrative and general expenses of \$2.6 million, depreciation and amortization of \$2.4 million, and maintenance expense increased \$1.4 million.

Other income and expenses, net of income taxes, increased \$2.8 million. The increase was due primarily to an increase in non-regulated revenue and decrease in other components of net periodic benefit costs which was partially offset by an increase in non-regulated expenses.

Net interest expense increased \$0.3 million to \$11.3 million. The increase was due primarily to an increase in long-term financing to support utility plant infrastructure investments.

#### Liquidity and Financing

Our liquidity remains strong. We maintained \$78.4 million of cash as of December 31, 2021 and have additional short-term borrowing capacity of more than \$515 million, subject to meeting the borrowing conditions on the Company’s lines of credit facilities. Aged accounts receivable past due more than 60 days increased to \$26.2 million as of December 31, 2021 due to suspension of shutoff procedures. On January 25, 2022, Cal Water received \$20.8 million from the California Water and Wastewater Arrearages Payment Program to help customers unable to pay their water bills from March 4, 2020 to June 15, 2021. Additionally, Cal Water has interest and penalty free payment plans or extensions, subject to certain terms and conditions, to help customers pay water bills after June 15, 2021.

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We invested \$293.2 million in infrastructure in 2021 as compared to \$298.7 million in 2020, which is in line with our estimated range of between \$270.0 and \$300.0 million. At our Board of Directors meeting on January 26, 2022, the Board increased the quarterly cash dividend by 8.7%, representing an indicated annual dividend of \$1.00 per share of common stock.

#### WRAM Receivable

The under-collected net receivable balance in the WRAM and modified cost balancing account (MCBA) was \$72.8 million as of December 31, 2021, an increase of 7.4%, or \$5.0 million, from the balance of \$67.8 million as of December 31, 2020.

#### Other Information

All stockholders and interested investors are invited to listen to the 2021 year-end and fourth quarter conference call on February 24, 2022 at 8:00 a.m. PT (11:00 a.m. ET) by dialing 1-833-832-5130 or 1-509-844-0151 and keying in ID #5577942, or you may access the live audio webcast at <https://ir.calwatergroup.com/calendar/upcoming-events>. Please join at least 15 minutes in advance of the call to ensure a timely connection. A replay of the call will be available from 11:00 a.m. PT (2:00 p.m. ET) on February 24, 2022 through April 27, 2022, at 1-855-859-2056 or 1-404-537-3406, ID #5577942. The replay will also be available under the investor relations tab at [www.calwatergroup.com](http://www.calwatergroup.com). Prior to the call, Cal Water will post a slide presentation on its website. The presentation can be found at [www.calwatergroup.com/docs/q42021slides.pdf](http://www.calwatergroup.com/docs/q42021slides.pdf) after 6:00 a.m. PT. The call will be hosted by President and Chief Executive Officer Martin A. Kropelnicki, Vice President and Chief Financial Officer Thomas F. Smegal, Vice President of Corporate Development Paul G. Townsley, and Vice President and Corporate Controller David B. Healey.

California Water Service Group is the parent company of California Water Service, Washington Water Service, New Mexico Water Service, Hawaii Water Service, Inc., Texas Water Service, CWS Utility Services, and HWS Utility Services LLC. Together, these companies provide regulated and non-regulated water service to more than 2.1 million people in California, Washington, New Mexico, Hawaii and Texas. California Water Service Group's common stock trades on the New York Stock Exchange under the symbol "CWT." Additional information is available online at [www.calwatergroup.com](http://www.calwatergroup.com).

*This news release contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 ("Act"). The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the Act. Forward-looking statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the Company, the water utility industry and general economic conditions. Such words as would, expects, intends, plans, believes, may, estimates, assumes, anticipates, projects, progress, predicts, hopes, targets, forecasts or variations of such words or similar expressions are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance. They are subject to uncertainty and changes in circumstances. Actual results may vary materially from what is contained in a forward-looking statement. Factors that may cause a result different than 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; the outcome and timeliness of regulatory commissions' actions concerning rate relief and other matters; increased risk of inverse condemnation losses as a result of climate conditions; inability 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; 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, including as a result of drought conditions; our ability to complete, in a timely manner or at all, 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; and other risks and unforeseen events. When considering forward-looking statements, you should keep in mind the cautionary statements included in this paragraph, as well as the Annual 10-K, Quarterly 10-Q, and other reports filed from time-to-time with the Securities and Exchange Commission (SEC). The Company assumes no obligation to provide public updates of forward-looking statements.*

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## Contact

Tom Smegal  
(408) 367-8200 (analysts)

Shannon Dean  
(408) 367-8243 (media)

## CALIFORNIA WATER SERVICE GROUP CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited

(In thousands, except per share data)

	December 31 2021	December 31 2020
<b>ASSETS</b>		
<b>Utility plant:</b>		
Utility plant	\$ 4,197,344	\$ 3,890,423
Less accumulated depreciation and amortization	(1,350,482)	(1,239,865)
Net utility plant	2,846,862	2,650,558
<b>Current assets:</b>		
Cash and cash equivalents	78,380	44,555
Receivables:		
Customers, net	60,785	44,025
Regulatory balancing accounts	78,597	96,241
Other, net	18,452	20,331
Unbilled revenue, net	32,760	34,069
Materials and supplies at weighted average cost	9,511	8,831
Taxes, prepaid expenses, and other assets	21,973	17,964
Total current assets	300,458	266,016
<b>Other assets:</b>		
Regulatory assets	285,692	325,376
Goodwill	36,814	31,842
Other assets	153,445	120,456
Total other assets	475,951	477,674
<b>TOTAL ASSETS</b>	<b>\$ 3,623,271</b>	<b>\$ 3,394,248</b>

**CAPITALIZATION AND LIABILITIES****Capitalization:**

Common stock, \$.01 par value; 68,000 shares authorized, 53,716 and 50,334 outstanding in 2021 and 2020, respectively	\$ 537	\$ 503
Additional paid-in capital	651,121	448,632
Retained earnings	525,936	472,209
Noncontrolling interests	5,386	-
Total equity	1,182,980	921,344
Long-term debt, net	1,055,794	781,100
Total capitalization	2,238,774	1,702,444

**Current liabilities:**

Current maturities of long-term debt, net	5,192	5,127
Short-term borrowings	35,000	370,000
Accounts payable	144,369	131,725
Regulatory balancing accounts	17,547	34,636
Accrued interest	6,542	6,178
Accrued other liabilities	47,926	41,040
Total current liabilities	256,576	588,706

**Deferred income taxes**

	298,945	276,032
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**Pension**

	92,287	115,581
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**Regulatory liabilities and other**

	252,938	247,810
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**Advances for construction**

	198,086	195,625
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**Contributions in aid of construction**

	285,665	268,050
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**Commitments and contingencies**

<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 3,623,271</b>	<b>\$ 3,394,248</b>
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**CALIFORNIA WATER SERVICE GROUP  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

Unaudited

(In thousands, except per share data)

**For the Three Months ended:**

	December 31, 2021	December 31, 2020
<b>Operating revenue</b>	\$ 173,326	\$ 189,152
<b>Operating expenses:</b>		
Operations:		
Water production costs	62,786	66,267
Administrative and general	33,849	31,231
Other operations	23,074	26,241
Maintenance	8,474	7,102
Depreciation and amortization	27,199	24,772
Income tax (benefit) expense	(771)	946
Property and other taxes	8,262	7,559
Total operating expenses	162,873	164,118
Net operating income	10,453	25,034
<b>Other income and expenses:</b>		
Non-regulated revenue	6,002	4,953
Non-regulated expenses	(4,786)	(2,489)
Other components of net periodic benefit credit (cost)	2,383	(1,218)
Allowance for equity funds used during construction	896	684
Income tax expense on other income and expenses	(210)	(431)
Net other income	4,285	1,499
<b>Interest expense:</b>		
Interest expense	11,815	11,474
Allowance for borrowed funds used during construction	(513)	(438)
Net interest expense	11,302	11,036
<b>Net income</b>	3,436	15,497
<b>Loss attributable to noncontrolling interests</b>	(67)	-
<b>Net income attributable to California Water Service Group</b>	\$ 3,503	\$ 15,497
<b>Earnings per share:</b>		
Basic	\$ 0.07	\$ 0.31
Diluted	\$ 0.07	\$ 0.31
<b>Weighted average number of common shares outstanding:</b>		
Basic	53,157	49,990
Diluted	53,157	49,990
<b>Dividends per share of common stock</b>	\$ 0.2300	\$ 0.2125

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

Unaudited

(In thousands, except per share data)

For the Twelve Months ended:

	December 31, 2021	December 31, 2020
<b>Operating revenue</b>	\$ 790,909	\$ 794,307
<b>Operating expenses:</b>		
Operations:		
Water production costs	277,474	276,729
Administrative and general	126,686	117,058
Other operations	86,392	95,859
Maintenance	29,592	28,026
Depreciation and amortization	108,715	98,505
Income taxes	2,805	11,435
Property and other taxes	32,475	30,029
Total operating expenses	<u>664,139</u>	<u>657,641</u>
Net operating income	<u>126,770</u>	<u>136,666</u>
<b>Other income and expenses:</b>		
Non-regulated revenue	22,761	16,922
Non-regulated expenses	(17,140)	(14,300)
Other components of net periodic benefit credit (cost)	9,903	(4,988)
Allowance for equity funds used during construction	3,186	4,976
Income tax expense on other income and expenses	(1,287)	(583)
Net other income	<u>17,423</u>	<u>2,027</u>
<b>Interest expense:</b>		
Interest Expense	44,980	45,047
Allowance for borrowed funds used during construction	(1,766)	(3,185)
Net interest expense	<u>43,214</u>	<u>41,862</u>
<b>Net income</b>	<u>100,979</u>	<u>96,831</u>
<b>Net loss attributable to noncontrolling interests</b>	<u>(146)</u>	<u>-</u>
<b>Net income attributable to California Water Service Group</b>	<u>\$ 101,125</u>	<u>\$ 96,831</u>
<b>Earnings per share:</b>		
Basic	<u>\$ 1.96</u>	<u>\$ 1.97</u>
Diluted	<u>\$ 1.96</u>	<u>\$ 1.97</u>
<b>Weighted average number of common shares outstanding:</b>		
Basic	<u>51,633</u>	<u>49,274</u>
Diluted	<u>51,633</u>	<u>49,274</u>
<b>Dividends per share of common stock</b>	<u>\$ 0.9200</u>	<u>\$ 0.8500</u>



CALIFORNIA  
**WATER SERVICE GROUP**  
INVESTING FOR LIFE



**Full Year & Fourth Quarter  
2021 Results Presentation**

February 24, 2022





# Forward-Looking Statements

***This presentation contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 ("Act").***

*The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the Act. Forward-looking statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the Company, the water utility industry and general economic conditions.*

*Such words as would, expects, intends, plans, believes, may, estimates, assumes, anticipates, projects, predicts, targets, forecasts, priorities, outlook or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. They are subject to uncertainty and changes in circumstances. Actual results may vary materially from what is contained in a forward-looking statement. Factors that may cause a result different than 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; the outcome and timeliness of regulatory commissions' actions concerning rate relief and other matters; increased risk of inverse condemnation losses as a result of climate conditions; inability 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; 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; and, other risks and unforeseen events. When considering forward-looking statements, you should keep in mind the cautionary statements included in this paragraph, as well as the annual 10-K, Quarterly 10-Q, and other reports filed from time-to-time with the Securities and Exchange Commission. The Company assumes no obligation to provide public updates of forward-looking statements.*



# Today's Participants

**Marty Kropelnicki**  
President & CEO



**Tom Smegal**  
Vice President, CFO & Treasurer



**Paul Townsley**  
Vice President, Corporate Development



**Dave Healey**  
Vice President, Controller





## Presentation Overview

- Our Values and Priorities
- Financial Results
- Earnings Breakdown for 2021
- Anticipated Factors in 2022 Results
- California GRC Update
- California Cost of Capital and Financing Update
- California Drought Update
- Business Development Status and Recap
- ESG Update
- CapEx and Rate Base Tables
- 2022 Business Priorities
- In Summary



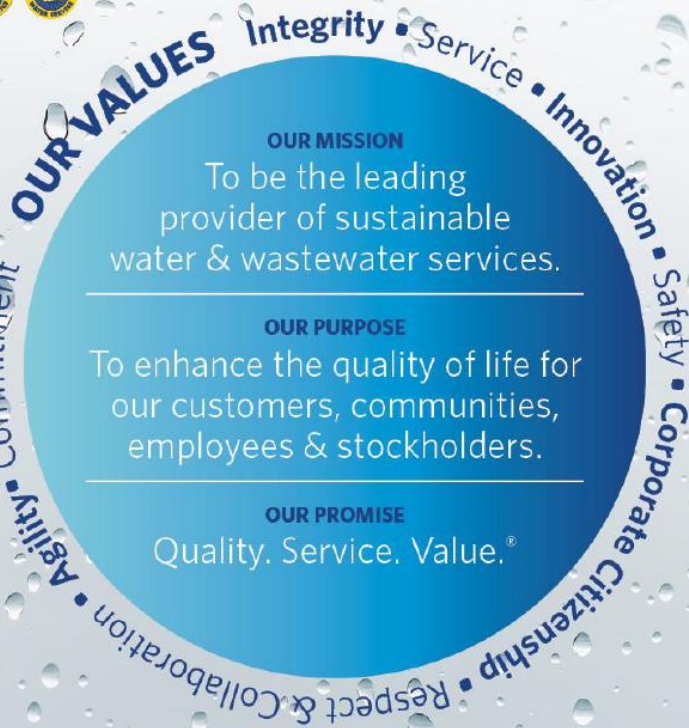
**OUR STRATEGIC GOALS & IMPERATIVES**

**Affordable, Excellent Service**

- Continuous improvement, efficiency & innovation
- Technology as enabler
- Centralized platform & process standardization
- Active stakeholder engagement
- Support for low-income customers
- Efficiency in capital deployment
- Progressive ratemaking & innovative funding

**Sustainability & Community Impact**

- Environmental stewardship
- Water supply & infrastructure resilience
- Community leadership & support
- Water conservation leadership
- Energy efficiency
- Corporate governance
- Responsible sourcing & resource management



**Public Health & Safety**

- Rigorous water quality sampling & monitoring
- Use of best available water quality treatment technologies
- Emergency preparedness & business continuity

**Enhanced Stockholder Value**

- Sustainable infrastructure investment
- Responsible growth through acquisitions & partnerships
- Enterprise risk management & effective physical & cybersecurity
- Progressive regulatory management
- Effective investor relations
- Strong credit rating

**Employees as Best Advocates**

- Diversity, equality & inclusion
- Safe workplace
- Talent attraction & retention
- Succession planning & professional development
- Active employee engagement

# Financial Results: Full Year 2021

(Amounts are in millions, except for EPS)	2020		2021	Variance
Operating Revenue	\$794.3	▼	\$790.9	-0.4%
Operating Expenses	\$657.6	▲	\$664.1	1.0%
Net Interest Expense	\$41.9	▲	\$43.2	3.2%
Net Income Attributable to CWT	\$96.8	▲	\$101.1	4.4%
EPS	\$1.97	▼	\$1.96	-0.5%
Capital Investments	\$298.7	▼	\$293.2	-1.8%

# Financial Results: Fourth Quarter 2021

(Amounts are in millions, except for EPS)	Q4 2020		Q4 2021	Variance
Operating Revenue	\$189.2	▼	\$173.3	-8.4%
Operating Expenses	\$164.1	▼	\$162.9	-0.8%
Net Interest Expense	\$11.0	▲	\$11.3	2.4%
Net Income Attributable to CWT	\$15.5	▼	\$3.5	-77.4%
EPS	\$0.31	▼	\$0.07	-77.4%
Capital Investments	\$77.4	▲	\$85.4	10.3%

# Full Year Financial Highlights

NET INCOME  
INCREASED BY

**\$4.3M**

TO

**\$101.1M**

## SOLID YEAR IN THE FACE OF PANDEMIC, DROUGHT, REGULATORY ACTIVITY

Infrastructure investment of **\$293M** despite nation-wide supply-chain and COVID-19 challenges

Acted on growth opportunities, adding Texas investments

Ongoing work on California GRC and Cost of Capital

Continued ESG development

Major California funding to support our customers also reduced bad debt reserve

### PLUS:

Company completed its ATM program, selling **3.3M** new shares and helping us invest in needed infrastructure



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# Q4 2021 Financial Highlights

Q4 Net income decreased by **\$12M** to **\$3.5M** due mostly to the seasonal reversion of unbilled revenue accrual

## MAJOR DRIVERS

- \$9.2M** Decrease in accrued unbilled revenue. For the full year, unbilled revenue decreased \$0.5M as compared to the full year of 2020.
- \$2.1M** Rate increases, excluding pass-through increases for purchased water
- \$3.7M** Increase in depreciation and maintenance costs
- \$2.0M** Reduction in unrealized gains associated with nonqualified retirement plan assets



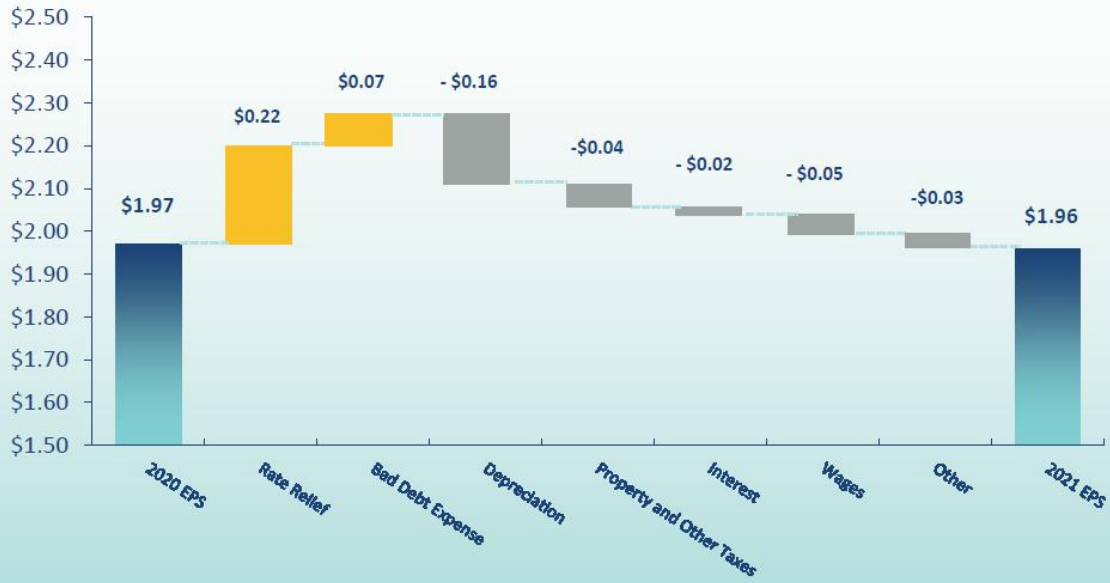
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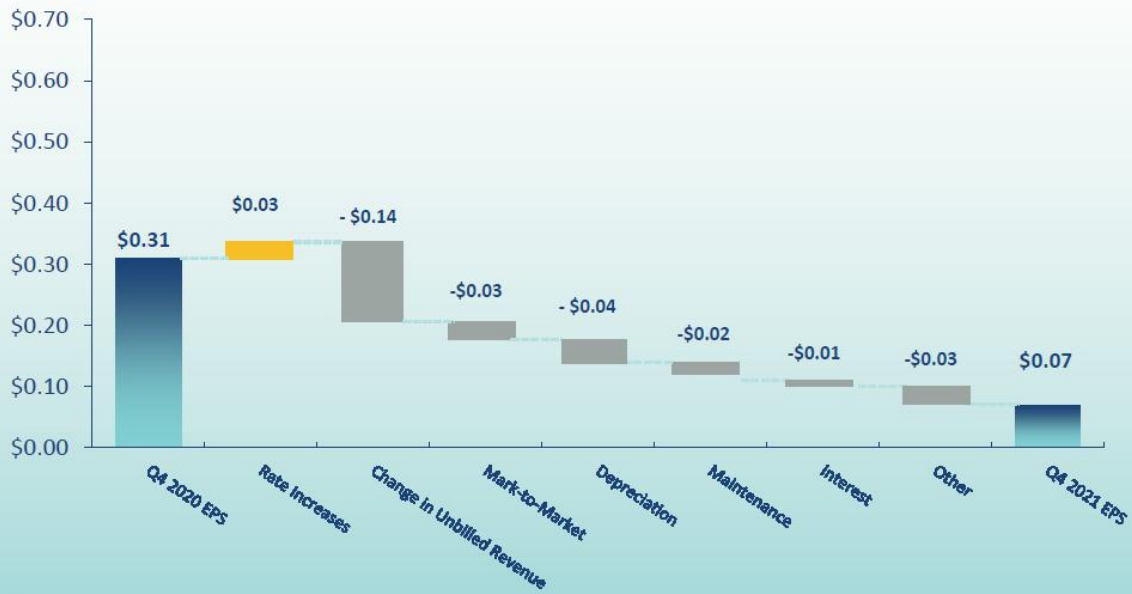
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# EPS Bridge 2020 to 2021



# EPS Bridge Q4 2020 to Q4 2021





## Anticipated Factors in 2022 Results

2022 California regulated operations adopted rate base of **\$1.84B** and adopted net income of **\$90.5M**. Other states, with **\$110M** in rate base, are expected to add net income in line with their size.

Third year of the California GRC process in 2022 with significant near-term inflation may pressure earned returns. 2022 California step increase was **\$21.7M**.

Reduction in cost of debt authorized in California, not challenged in Cost of Capital case, will, by itself, reduce revenues by **\$11M** when the adjusted cost of capital rates become effective.

Reduction in bad debt reserve of **\$4.6M** due to California State Aid to pandemic impacted customers is not likely to repeat.

Additional factors which can affect net income are variable and outside our control:

- **Mark-to-market** increased earnings **\$3.8M** in 2021 and **\$4.3M** in 2020
- Changes in accrued **unbilled revenue** which can vary seasonally, decreased earnings **\$1.3M** in 2021 and **\$0.8M** in 2020



# California General Rate Case Update

FILED ON JULY 1 REQUESTING \$1.02B CAPITAL SPENDING 2022-2024, \$913M ON NEW PROJECTS INCLUDING MAIN REPLACEMENT PROGRAM AND WILDFIRE HARDENING

**LOWER SALES FORECAST, NEW RATE DESIGN, WATER MIX FORECAST ARE DESIGNED TO MITIGATE LOSS OF DECOUPLING**

CAL ADVOCATES FEBRUARY TESTIMONY TAKES ISSUE WITH CAPITAL SPENDING, RATE DESIGN, SOME EXPENSES

**AREAS OF ALIGNMENT: SIMILAR SALES FORECAST, WATER MIX; AGREED WITH MOST BALANCING ACCOUNTS**

NEXT MILESTONE IS OUR REBUTTAL TESTIMONY, TO BE FILED IN APRIL 2022

THE CASE IS CURRENTLY RUNNING ON SCHEDULE FOR A DECISION BEFORE THE END OF 2022. RATES WILL BE EFFECTIVE IN JANUARY 2023.



# Cost of Capital Proceeding and 2021 Financing Activities

On May 1, 2021 Cal Water filed for review of Cost of Capital for 2022-2024 requesting a 10.35% ROE on 53.4% equity, with a cost of debt of 4.23%

Cal Advocates testimony recommends a 7.81% ROE on 49.44% equity. They agree on cost of debt. Our rebuttal will be filed in March. We anticipate a final decision in Q3 2022.

In 2021, we made significant progress financing our current and near-term infrastructure investments. Cal Water sold \$280 million in First Mortgage Bonds in May, and the company sold \$197.9 million in stock through its ATM program

Actual capital structure at end-of-year is 52.8% equity at CWT, 48.5% equity at Cal Water. We proposed to the CPUC that we would add equity between 2022 and 2024 to reach the requested Cal Water capital structure.





## 2021-2022 CALIFORNIA DROUGHT UPDATE

CAL WATER HAS MOVED TO STAGE 2 DROUGHT RESTRICTIONS IN 6 DISTRICTS  
EXPANDING CONSERVATION PROGRAMS IN 2022  
CONTINUED FOCUS ON WATER SUPPLY RESILIENCY IN ALL DISTRICTS

GOVERNOR NEWSOM EXPANDED DROUGHT DECLARATION STATEWIDE ON OCTOBER 19, 2021  
RECORD RAINS/SNOW IN NORTHERN CALIFORNIA IN OCTOBER AND DECEMBER HAVE BEEN FOLLOWED BY DRIEST RECORDED JANUARY/FEBRUARY ON RECORD  
CALIFORNIA CUSTOMER USAGE DOWN 11% IN Q3, 7% IN Q4 AS COMPARED TO 2020

## Recap of 2021 Acquisitions

System	Water Connections	Wastewater Connections	Total	Status
BVRT Texas Partnership		2,500* (up to 61,000 in the future in existing service areas)	2,500* (up to 61,000 in the future in existing service areas)	Closed
Kapalua (HI)	500	500	1,000	Closed
The Preserve at Millerton (CA)	Future up to 1,400	Future up to 1,400	Future up to 2,800	Received regulatory approval. Close pending occupancy.
Valencia Mesa (NM)	85		85	Closed February 2022
<b>Totals</b>	<b>585 - Up to 3,985 at buildout</b>	<b>3,000 - Up to 62,900 at buildout</b>	<b>3,585 - Up to 64,885 at buildout</b>	

\* Connected and committed customers as of May 4, 2021. At year-end BVRT had 3,810 connected and committed customers.



## Pending Acquisitions

System	Water Connections	Wastewater Connections	Total	Status
Animas Valley Water (NM)	2,000		2,000	NMPRC approved transaction in February 2022. Close pending.*
Keahou (HI)		1,500 EDUs	1,500 EDUs	HPUC change of control filed*
HOH Utilities (HI)		1,800 EDUs	1,800 EDUs	HPUC change of control filed*
Skylonda (CA)	176		176	Announced March 2021
Railyard (TX) – New service area of BVRT		350 (up to 1,500 at buildout)	350 (up to 1,500 at buildout)	APA signed December 2021
Driftwood Valley (WA)	62		62	Announced February 2022
<b>Totals</b>	<b>2,238</b>	<b>3,650 Connections and EDUs</b>	<b>5,888 EDUs and connections (plus up to 1,150 more with future development)</b>	

\*All announced acquisitions are subject to customary closing conditions and regulatory approval unless noted



# 2021 ESG Accomplishments

## Published first framework-aligned ESG Report

- Aligned with SASB
- Guided by TCFD

## Adopted four new ESG-related policies

- Human Rights
- Environmental Sustainability
- Political Involvement
- Diversity, Equality, and Inclusion

## Established ESG governance framework

- Board level oversight: Nominating & Governance Committee
- Officer level accountability: ESG Oversight Committee
- Subject matter expert team: ESG Working Group

## Developed a climate change strategy

- Reduce our own and our customers' contributions to climate change
- Understand & plan for climate change impacts on our business
- Ramp up collaboration & advocacy
- Set time-bound goals
- Continue to mature disclosures

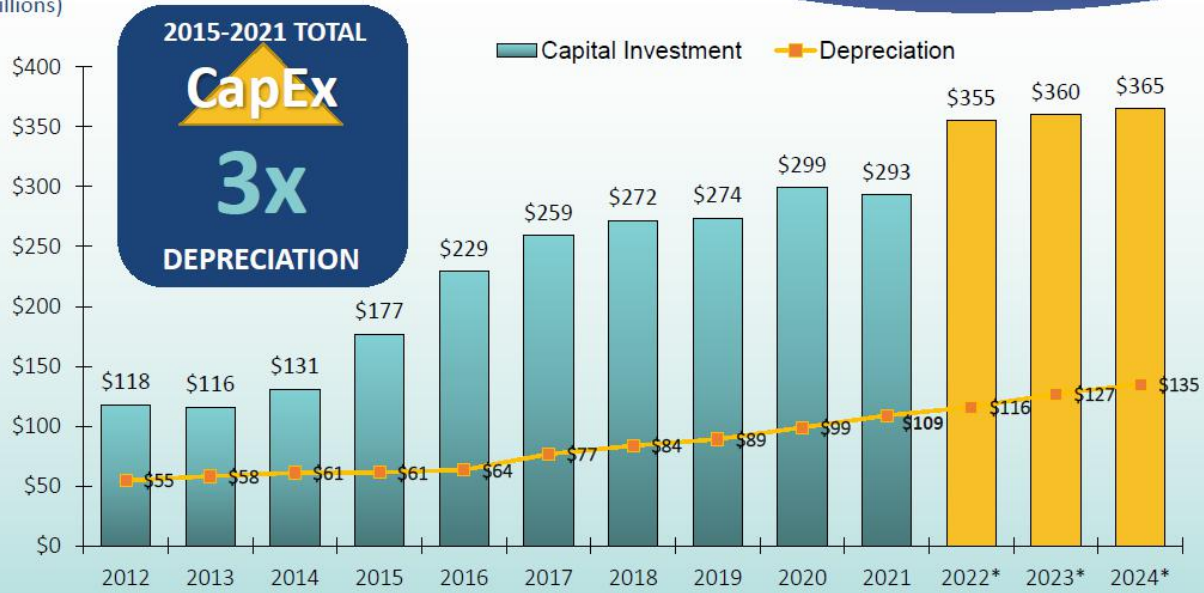
## Completed a robust ESG goal-setting process

- Short- and long-term objectives
- Based on collaboration by subject matter experts
- Now integrated into strategic planning process

**OUR 2021 ESG REPORT WILL BE PUBLISHED IN APRIL**

# Capital Investment and Depreciation

(in millions)



\* 2022-2024 Estimated investments and depreciation include amounts filed in the California 2021 GRC plus estimates for other states.

# Estimated Regulated Rate Base of CWT

(in billions)



\*2023-2025 Rate Base Estimates include filed proposal in 2021 California General Rate Case plus estimated rate base in other states. These values are not yet adopted and are subject to review and approval of the CPUC and other regulators.

# 2022 Business Priorities

Resolve  
California  
GRC

Resolve  
California  
Cost of  
Capital

Respond to  
California  
Drought

Invest in  
Infrastructure

Manage  
Supply  
Chains

ESG  
Progress



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## In Summary

- Solid performance on earnings and CapEx despite challenges
- Another strong year of business development
- Looking forward to resolving major regulatory proceedings in 2022 and managing our response to the California drought



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**DISCUSSION**

