

**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): **July 28, 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 July 28, 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 second quarter of 2022, ended June 30, 2022.

As announced, the Company will host a conference call on Thursday, July 28, 2022 at 11:00 am EST to discuss financial results and management's business outlook. The financial results announcement contains information about how to access the conference call and webcast. 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 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:

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">99.1</a>	<a href="#">Press Release issued July 28, 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)

**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: July 28, 2022

By: /s/ Thomas F. Smegal

Name: Thomas F. Smegal

Title: Vice President, Chief Financial Officer & Treasurer



July 28, 2022  
For immediate release

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CALIFORNIA WATER SERVICE GROUP ANNOUNCES  
SECOND QUARTER 2022 RESULTS

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SAN JOSE, CA – California Water Service Group (NYSE: CWT) (“Group”) today announced net income attributable to Group of \$19.5 million or \$0.36 earnings per diluted common share for the second quarter of 2022, compared to net income attributable to Group of \$38.2 million or \$0.75 earnings per diluted common share for the second quarter of 2021.

The \$18.7 million decrease in net income attributable to Group was primarily due to a reduction of \$15.2 million in accrued unbilled revenue and a \$6.2 million decrease in unrealized gains on non-qualified benefit plan investments. Increases of \$8.7 million in other operations expense, \$1.6 million in depreciation and amortization, and \$1.0 million in maintenance expense also reduced net income. The decrease in net income was partially offset by general rate increases of \$6.9 million, increase in operating revenue from a change in deferred revenue of \$5.1 million, and gain from company owned life insurance of \$2.3 million. The \$5.1 million change in deferred revenue offset \$4.2 million of the increase in other operations expense.

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The change in accrued unbilled revenue was mostly driven by the timing of when meter reads were completed during the month of June 2022 as compared to June 2021 and a decrease in customer consumption. In the second quarter of 2022, accrued unbilled revenue added \$3.8 million to revenue as compared to \$19.0 million for the same period last year. Over the past ten years, annual changes in accrued unbilled revenue have typically been less than \$2.0 million. We expect the difference between 2022 and 2021 annual accrued unbilled revenue to be less than \$2.0 million. Changes to unrealized gains on non-qualified benefit plan investments were caused by unfavorable market conditions.

According to President and Chief Executive Officer Martin A. Kropelnicki, results were in line with company expectations. “Although we were impacted by a few factors outside of our control, I’m pleased with second quarter results for our core operations. I’d also highlight that we:

- Completed acquisitions in California, New Mexico, and Texas and entered into an agreement to acquire a system serving 900 customers in Washington.
- Secured nearly \$2.4 million in grants to fund improvements in two of our water-stressed, disadvantaged communities.
- Moved all California districts into Stage 2 of our Water Shortage Contingency Plan and continued to respond to worsening drought conditions.
- Renewed our at-the-market equity program with a planned size of up to \$350 million over a three-year period to help fund our capital program.
- Continued to work toward a successful conclusion of our 2021 California cost of capital review and general rate case filing.
- And continued to invest in our water system infrastructure, including investments designed to better prepare us for wildfire and other climate change impacts.

Given the state of the economy and the uncertain timing of the conclusion of our general rate case in California, I expect the remainder of the year to be challenging. But I know I’m working alongside a strong, dedicated team of professionals who have a track record of performing in difficult times,” Kropelnicki said.

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Additional Financial Results for the second quarter of 2022

Operating revenue decreased 3.3% to \$206.2 million in the second quarter of 2022, a decrease of \$6.9 million as compared to \$213.1 million in the second quarter of 2021. The decrease was due primarily to a \$15.2 million decrease in accrued unbilled revenue which was partially offset by general rate increases of \$6.9 million and an increase from a change in deferred revenue of \$5.1 million.

Total operating expenses increased \$8.0 million, or 4.7%, to \$178.9 million in the second quarter of 2022 compared to the prior year.

Water production costs decreased \$4.0 million, or 5.3%, to \$70.9 million in the second quarter of 2022, primarily due to a reduction in purchased water costs.

Administrative and general expenses increased \$0.9 million, or 2.9%, to \$32.7 million in the second quarter of 2022, due to increases in outside legal and consulting service costs of \$0.8 million.

Other operations expenses increased \$8.7 million, or 42.0%, to \$29.4 million in the second quarter of 2022, primarily due to a \$4.2 million increase in costs associated with a change in deferred revenue, \$1.2 million increase in bad debt costs, and \$0.9 million increase in conservation program expenses. Changes in conservation program expenses in regulated California operations generally do not affect net income, as the company has been allowed by the California Public Utilities Commission (CPUC) to record these costs in a balancing account for future recovery.

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Depreciation and amortization expense increased \$1.6 million, or 5.7%, to \$28.8 million in the second quarter of 2022 due to utility plant placed in service in 2021.

Income taxes decreased \$0.5 million, or 26.3%, to \$1.5 million in the second quarter of 2022 mostly due to a reduction in net operating income in the second quarter of 2022 as compared to the prior year.

Property and other taxes increased \$0.4 million, or 5.0%, to \$8.1 million in the second quarter of 2022, due primarily to an increase in our assessed property values for utility plant placed in service.

Net other income decreased \$3.7 million, or 55.6%, to \$2.9 million in the second quarter of 2022, due primarily to a \$6.2 million decrease in unrealized gains on non-qualified benefit plan investments, which was partially offset by a \$2.3 million gain on company owned life insurance and \$1.1 million increase in other components of net periodic benefit credit.

#### Year-to-Date Results

For the six month period ended June 30, 2022, net income attributable to Group was \$20.6 million or \$0.38 earnings per diluted common share, compared to a net income attributable to Group of \$35.2 million or \$0.69 earnings per diluted common share for the six month period ended June 30, 2021.

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The \$14.6 million decrease in net income attributable to Group was primarily due to a reduction of \$12.8 million in accrued unbilled revenue and a \$9.4 million decrease in unrealized gains on non-qualified benefit plan investments. Increases of \$16.7 million in other operations expense, \$4.0 million in administrative and general expense, \$3.2 million in depreciation and amortization, \$1.6 million in maintenance expense, and \$1.2 million in net interest expense also reduced net income. The decrease in net income was partially offset by general rate increases of \$12.1 million, increase in operating revenue from a change in deferred revenue of \$14.5 million, gain from company owned life insurance of \$2.7 million, increase in other components of net periodic benefit credit of \$2.1 million, decrease in income tax expense of \$1.8 million, and increase in non-regulated revenue of \$1.3 million. The \$14.5 million change in deferred revenue offset \$11.9 million of the increase in other operations expense.

The change in accrued unbilled revenue was mostly driven by the timing of when meter reads were completed during the month of June 2022 as compared to June 2021 and a decrease in customer consumption. In the first six months of 2022, accrued unbilled revenue added \$6.1 million to revenue as compared to \$18.9 million in the same period last year. We expect the difference between 2022 and 2021 annual accrued unbilled revenue to be less than \$2.0 million. Changes to unrealized gains on benefit plan investments were caused by unfavorable market conditions.

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#### Liquidity and Financing

The company maintained \$61.7 million of cash as of June 30, 2022 and had additional short-term borrowing capacity of more than \$480.0 million, subject to meeting the borrowing conditions on the company's line of credit facilities. Aged accounts receivable past due more than 60 days increased from \$15.3 million as of March 31, 2022 to \$20.6 million as of June 30, 2022; however, as of July 26, 2022 Cal Water is allowed to disconnect service for nonpayment of bills.

The company invested \$144.6 million in infrastructure improvements during the six month period ended June 30, 2022. For 2022, the company's capital program will be dependent in part on the timing and nature of regulatory approvals in connection with our California general rate case (GRC) filing. The company proposed to the CPUC spending \$1.0 billion on new capital projects in 2022-2024. We evaluate new capital project expenditures in California in the context of the pending GRC and these may change as the case moves forward.

On July 27, 2022, the Board of Directors approved a quarterly cash dividend of \$0.25 per share of common stock.

#### Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA)

The under-collected net receivable balance in the WRAM and MCBA balancing account was \$77.4 million as of June 30, 2022, a decrease of 2.7% or \$2.2 million from the balance of \$79.6 million as of March 31, 2022.

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#### Other Information

All stockholders and interested investors are invited to listen to the 2022 second quarter conference call on July 28, 2022 at 8:00 a.m. PT (11:00 a.m. ET) by



dialing 1-800-715-9871 or 1-646-307-1963 and keying in ID #1318225. Please dial in 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 July 28, 2022 through September 28, 2022, at 1-800-715-9871 or 1-646-307-1963, ID #1318225. The replay will also be available under the investor relations tab at [www.calwatergroup.com](http://www.calwatergroup.com). Prior to the call, the company will post a slide presentation on its website. The presentation can be found at [www.calwatergroup.com/docs/q22022slides.pdf](http://www.calwatergroup.com/docs/q22022slides.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 III, and Vice President and Corporate Controller David B. Healey.

California Water Service Group is the parent company of regulated utilities California Water Service, Hawaii Water Service, New Mexico Water Service, and Washington Water Service, as well as Texas Water Service, a utility holding company. Together, these companies provide regulated and non-regulated water and wastewater service to more than 2.1 million people in California, Hawaii, New Mexico, Washington, 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).

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*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 will, 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, such as the CPUC's decision in 2020 to preclude companies from proposing fully decoupled WRAMs in their next GRC filing (which impacted our 2021 GRC filing related to our operations commencing in 2023); the outcome and timeliness of regulatory commissions' actions concerning rate relief and other matters, including with respect to our 2021 GRC filing; increased risk of inverse condemnation losses as a result of climate change and drought; 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, 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 change, 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; the impact of stagnating or worsening business and economic conditions, including inflationary pressures, general economic slowdown or a recession, increasing interest rates, and changes in monetary policy; and other risks and unforeseen events described in our SEC filings. 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)

	2022	2021
<b>ASSETS</b>		
<b>Utility plant:</b>		
Utility plant	\$ 4,341,433	\$ 4,197,344
Less accumulated depreciation and amortization	(1,406,757)	(1,350,482)
Net utility plant	<u>2,934,676</u>	<u>2,846,862</u>
<b>Current assets:</b>		
Cash and cash equivalents	61,749	78,380
Receivables:		
Customers, net	68,404	60,785
Regulatory balancing accounts	56,625	78,597
Other, net	19,803	18,452
Unbilled revenue, net	38,796	32,760
Materials and supplies at weighted average cost	10,567	9,511
Taxes, prepaid expenses, and other assets	20,708	21,973
Total current assets	<u>276,652</u>	<u>300,458</u>
<b>Other assets:</b>		
Regulatory assets	287,625	285,692
Goodwill	36,814	36,814
Other assets	146,985	153,445
Total other assets	<u>471,424</u>	<u>475,951</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,682,752</u>	<u>\$ 3,623,271</u>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization:</b>		
Common stock, \$.01 par value; 68,000 shares authorized, 54,356 and 53,716 outstanding in 2022 and 2021, respectively	\$ 544	\$ 537
Additional paid-in capital	682,353	651,121
Retained earnings	519,625	525,936
Noncontrolling interests	4,784	5,386
Total equity	<u>1,207,306</u>	<u>1,182,980</u>
Long-term debt, net	1,054,170	1,055,794
Total capitalization	<u>2,261,476</u>	<u>2,238,774</u>
<b>Current liabilities:</b>		
Current maturities of long-term debt, net	5,783	5,192
Short-term borrowings	70,000	35,000
Accounts payable	139,732	144,369
Regulatory balancing accounts	9,627	17,547
Accrued interest	6,740	6,542
Accrued expenses and other liabilities	54,201	47,926
Total current liabilities	<u>286,083</u>	<u>256,576</u>
<b>Deferred income taxes</b>	300,489	298,945
<b>Pension</b>	94,796	92,287
<b>Regulatory liabilities and other</b>	254,109	252,938
<b>Advances for construction</b>	198,674	198,086
<b>Contributions in aid of construction</b>	287,125	285,665
<b>Commitments and contingencies</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u>\$ 3,682,752</u>	<u>\$ 3,623,271</u>

**CALIFORNIA WATER SERVICE GROUP**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

Unaudited  
(In thousands, except per share data)

**For the Three Months ended:**

	June 30, 2022	June 30, 2021
<b>Operating revenue</b>	\$ 206,194	\$ 213,123
<b>Operating expenses:</b>		
Operations:		
Water production costs	70,907	74,911
Administrative and general	32,686	31,756
Other operations	29,417	20,720
Maintenance	7,615	6,610
Depreciation and amortization	28,773	27,237
Income taxes	1,454	1,972

Property and other taxes	8,053	7,671
Total operating expenses	178,905	170,877
Net operating income	27,289	42,246
<b>Other income and expenses:</b>		
Non-regulated revenue	7,002	5,374
Non-regulated expenses	(8,541)	(1,815)
Other components of net periodic benefit credit	3,765	2,688
Allowance for equity funds used during construction	1,042	848
Income tax expense on other income and expenses	(345)	(512)
Net other income	2,923	6,583
<b>Interest expense:</b>		
Interest expense	11,586	11,206
Allowance for borrowed funds used during construction	(589)	(453)
Net interest expense	10,997	10,753
<b>Net income</b>	19,215	38,076
<b>Net loss attributable to noncontrolling interests</b>	(269)	(149)
<b>Net income attributable to California Water Service Group</b>	\$ 19,484	\$ 38,225
<b>Earnings per share of common stock</b>		
Basic	\$ 0.36	\$ 0.75
Diluted	\$ 0.36	\$ 0.75
<b>Weighted average shares outstanding</b>		
Basic	54,007	51,080
Diluted	54,042	51,080
<b>Dividends per share of common stock</b>	\$ 0.25	\$ 0.23

**CALIFORNIA WATER SERVICE GROUP**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

Unaudited  
(In thousands, except per share data)

For the Six Months ended:

	June 30, 2022	June 30, 2021
<b>Operating revenue</b>	\$ 379,187	\$ 360,860
<b>Operating expenses:</b>		
Operations:		
Water production costs	132,445	129,737
Administrative and general	66,097	62,125
Other operations	55,269	38,632
Maintenance	14,956	13,379
Depreciation and amortization	57,543	54,284
Income taxes	37	1,871
Property and other taxes	16,413	15,667
Total operating expenses	342,760	315,695
Net operating income	36,427	45,165
<b>Other income and expenses:</b>		
Non-regulated revenue	12,199	10,946
Non-regulated expenses	(15,527)	(6,575)
Other components of net periodic benefit credit	7,779	5,667
Allowance for equity funds used during construction	2,017	1,392
Income tax expense on other income and expenses	(857)	(870)
Net other income	5,611	10,560
<b>Interest expense:</b>		
Interest expense	23,081	21,428
Allowance for borrowed funds used during construction	(1,152)	(747)
Net interest expense	21,929	20,681
<b>Net income</b>	20,109	35,044
<b>Net loss attributable to noncontrolling interests</b>	(461)	(149)
<b>Net income attributable to California Water Service Group</b>	\$ 20,570	\$ 35,193
<b>Earnings per share of common stock</b>		
Basic	\$ 0.38	\$ 0.69
Diluted	\$ 0.38	\$ 0.69
<b>Weighted average shares outstanding</b>		
Basic	53,870	50,762
Diluted	53,918	50,762

Dividends per share of common stock

\$ 0.50 \$ 0.46

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CALIFORNIA  
**WATER SERVICE GROUP**  
INVESTING FOR LIFE

**CWT**  
LISTED  
**NYSE**

The background image is a composite of two photographs. The left side shows water cascading over dark, wet rocks. The right side shows a clear glass of water with condensation on its surface, sitting on a rock with water splashing around it. The overall color palette is dominated by blues and greys.

**Second Quarter  
2022 Results Presentation**

July 28, 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 will, 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, such as the CPUC's decision in 2020 to preclude companies from proposing fully decoupled WRAMs in their next GRC filing (which impacted our 2021 GRC filing related to our operations commencing in 2023); the outcome and timeliness of regulatory commissions' actions concerning rate relief and other matters, including with respect to our 2021 GRC filing; increased risk of inverse condemnation losses as a result of climate change and drought; 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; the impact of stagnating or worsening business and economic conditions, including inflationary pressures, general economic slowdown or a recession, increasing interest rates, and changes in monetary policy; 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, in a timely manner or at all, successfully integrate and achieve anticipated benefits from announced acquisitions; the impact of weather, climate change, 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 other risks and unforeseen events described in our SEC filings. 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.*



# Today's Participants

**Marty Kropelnicki**

President & CEO



**Tom Smegal**

Vice President, CFO & Treasurer




**Dave Healey**

Vice President, Controller



CALIFORNIA  
**WATER SERVICE GROUP**  
INVESTING FOR LIFE



## Presentation Overview

- Our Values and Priorities
- Financial Results
- Financial Highlights and Earnings Bridges
- California Regulatory Update
- California Drought Update
- Items to Watch in Second Half of 2022
- Business Development Status
- CapEx and Rate Base Tables
- In Summary



CALIFORNIA  
**WATER SERVICE GROUP**  
INVESTING FOR LIFE

INVESTOR  
RELATIONS | 3





**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



**OUR MISSION**

To be the leading provider of sustainable water & wastewater services.

**OUR PURPOSE**

To enhance the quality of life for our customers, communities, employees & stockholders.

**OUR PROMISE**

Quality. Service. Value.®

**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: Second Quarter 2022

(Amounts are in millions, except for EPS)	Q2 2021		Q2 2022	Variance
Operating Revenue	\$213.1	▼	\$206.2	(3.3%)
Operating Expenses	\$170.9	▲	\$178.9	4.7%
Net Interest Expense	\$10.8	▲	\$11.0	2.3%
Net Income Attributable to CWT	\$38.2	▼	\$19.5	(49.0%)
EPS	\$0.75	▼	\$0.36	(51.8%)
Capital Investments	\$71.7	▲	\$76.1	6.1%

# Financial Results: YTD 2022

(Amounts are in millions, except for EPS)	YTD 2021		YTD 2022	Variance
Operating Revenue	\$360.9	▲	\$379.2	5.1%
Operating Expenses	\$315.7	▲	\$342.8	8.6%
Net Interest Expense	\$20.7	▲	\$21.9	6.0%
Net Income attributable to CWT	\$35.2	▼	\$20.6	(41.6%)
EPS	\$0.69	▼	\$0.38	(45.0%)
Capital Investments	\$138.5	▲	\$144.6	4.4%

# Second Quarter Financial Highlights

UNBILLED REVENUE ACCRUAL IS THE VALUE OF WATER USED BUT NOT YET BILLED AND THEREFORE OUTSIDE OF REGULATORY BALANCING MECHANISMS. FOR A FULL YEAR, THE CHANGE IN UNBILLED REVENUE IS GENERALLY LESS THAN \$2M.

**A CHANGE IN UNBILLED REVENUE REDUCED EARNINGS \$15.2M OR \$0.29 AS COMPARED TO Q2 2021. IN 2021 UNBILLED ACCRUALS FOR Q2 WERE UNUSUALLY LARGE BUT RETURNED TO NORMAL RANGES BY YEAR END.**

**\$6.2M DECREASE IN UNREALIZED GAINS OF COMPANY'S NONQUALIFIED PLAN ASSETS**

**GENERAL RATE INCREASES OF \$6.9M PARTIALLY OFFSET BY WAGES, DEPRECIATION, INTEREST AS EXPECTED**

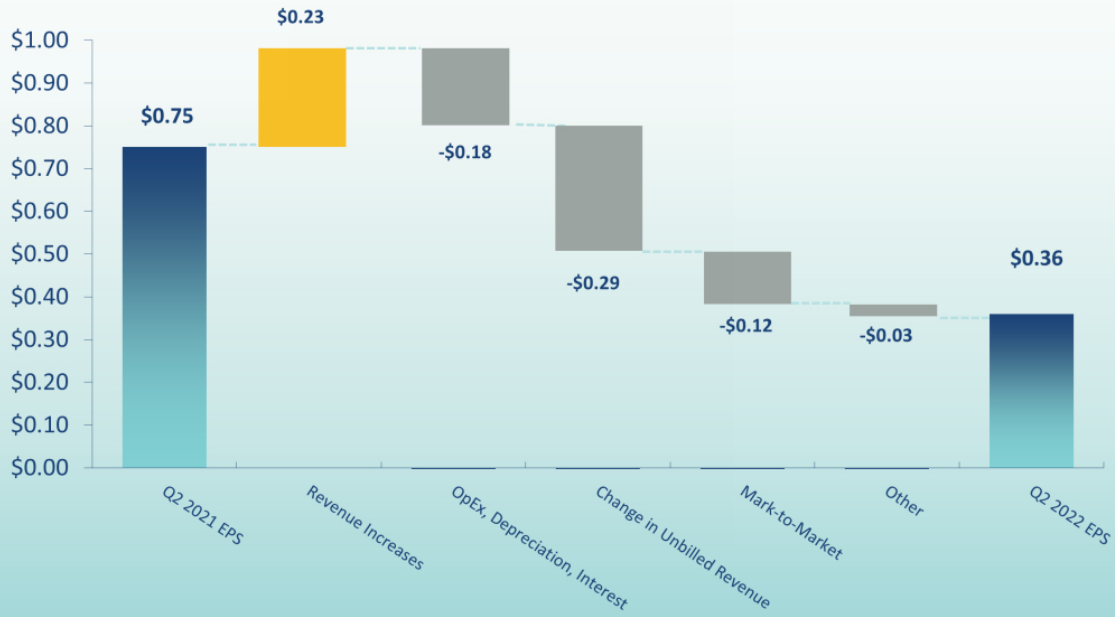
**\$76.1M CAPEX, UP 6% FROM 2021 DESPITE SUPPLY CHAIN PRESSURES**



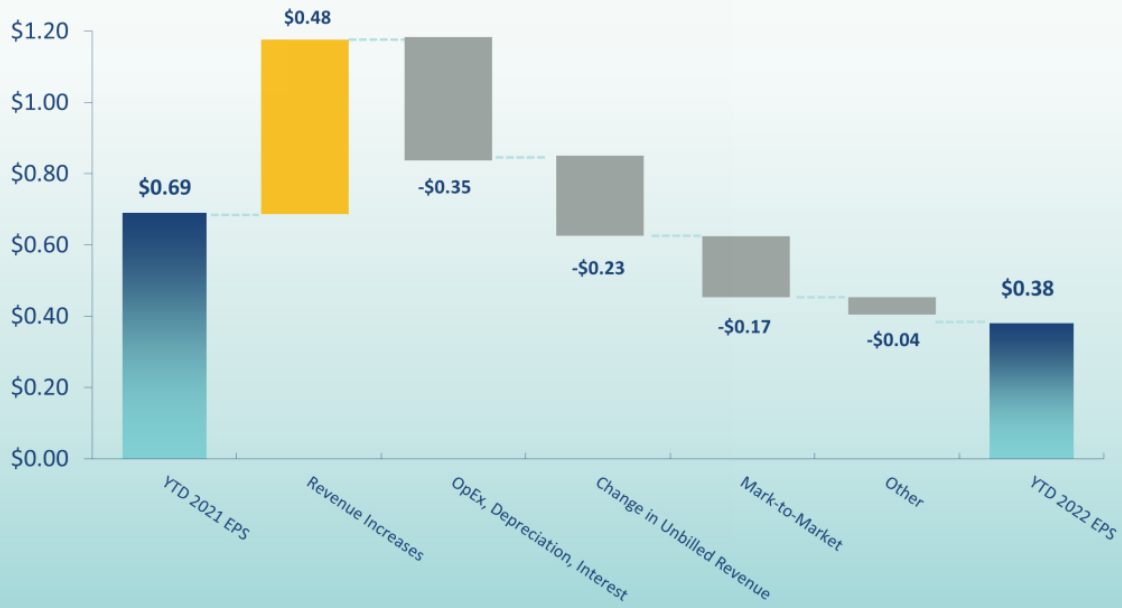
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# EPS Bridge Q2 2021 to Q2 2022



# EPS Bridge YTD 2021 to YTD 2022





# California Regulatory Update

GENERAL RATE CASE (GRC) CONTINUES WITH HEARINGS CONCLUDED AND BRIEFS FILED IN JULY. PARTIES HAVE ALERTED THE ADMINISTRATIVE LAW JUDGE (ALJ) THAT A PARTIAL SETTLEMENT MAY BE FILED IN AUGUST.

**COST OF CAPITAL HEARINGS ARE CONCLUDED AND THE CASE, FOCUSING ON COST OF EQUITY AND CAPITAL STRUCTURE, IS WITH THE ALJ.**

2021 GRC IS ANTICIPATED TO HAVE AN EFFECTIVE DATE OF JANUARY 1, 2023

CONTESTED ITEMS INCLUDE CAPITAL INVESTMENT BUDGETS, RATE DESIGN, RECOVERY OF WRAM BALANCING ACCOUNTS AND SOME EXPENSES

THERE IS NOT A MAJOR DISAGREEMENT BETWEEN PARTIES' POSITIONS ON SALES AND WATER PRODUCTION MIX

THE COMPANY'S FINANCING PROGRAM PRODUCED A LOWER COST OF DEBT THAN LAST ADOPTED. AT OUR PROPOSED CAPITAL STRUCTURE, THE CHANGE IN COST OF DEBT WOULD LOWER REVENUES \$11M ANNUALLY. POTENTIAL CHANGES IN CAPITAL STRUCTURE AND ADOPTED RETURN ON EQUITY COULD ALSO IMPACT REVENUES.

THE COMPANY HAS NOT RESERVED FOR ANY POTENTIAL OUTCOME OF THE PROCEEDING. IN THE EVENT THE CPUC ADOPTS CAPITAL COMPONENTS RETROACTIVELY, 2022 RESULTS MAY INCLUDE A REGULATORY LIABILITY OF UP TO \$11M FOR REDUCED DEBT COSTS, WITH ADDITIONAL UNKNOWN IMPACTS FROM POTENTIAL CHANGES TO ADOPTED CAPITAL STRUCTURE AND COST OF EQUITY

# California Drought Update



ALL CALIFORNIA DISTRICTS IN "STAGE 2" DROUGHT RESTRICTIONS

CAL WATER'S Q2 DROUGHT EXPENDITURES OF \$0.4M ARE RECORDED IN A MEMORANDUM ACCOUNT FOR POTENTIAL FUTURE RECOVERY. TOTAL BALANCE SINCE 2021 IS \$1.2M.

CALIFORNIA DROUGHT CONTINUES, PRIMARILY IMPACTING SURFACE WATER AVAILABILITY

CALIFORNIA STATE WATER PROJECT DELIVERIES ARE AT 5%, IMPACTING SOME REGIONS SOLELY RELIANT ON IT

CALIFORNIA CUSTOMER USAGE DOWN 5% IN Q2 AS COMPARED TO 2021

DROUGHT CONTINUES TO HIGHLIGHT NEED FOR WATER SUPPLY RESILIENCY IN THE FACE OF CLIMATE CHANGE



# Other Issues to Watch in the Second Half of 2022

Capital Spending	Bad Debt Expense
<p>Capital spending for Q2 remains on track, but risks continue to be elevated</p> <ul style="list-style-type: none"><li>• Supply chains, inflation, availability of contractors may contribute to slower spending rate</li><li>• Uncertainty of regulatory approval in California</li></ul>	<p>Reserve for bad debt remains elevated at \$6.7M</p> <ul style="list-style-type: none"><li>◦ California regulatory process has recently begun allowing shutoffs for nonpayment</li><li>◦ Customer response will be critical</li><li>◦ Other state operations have seen reductions in bad debt once collection activity restarted</li></ul>



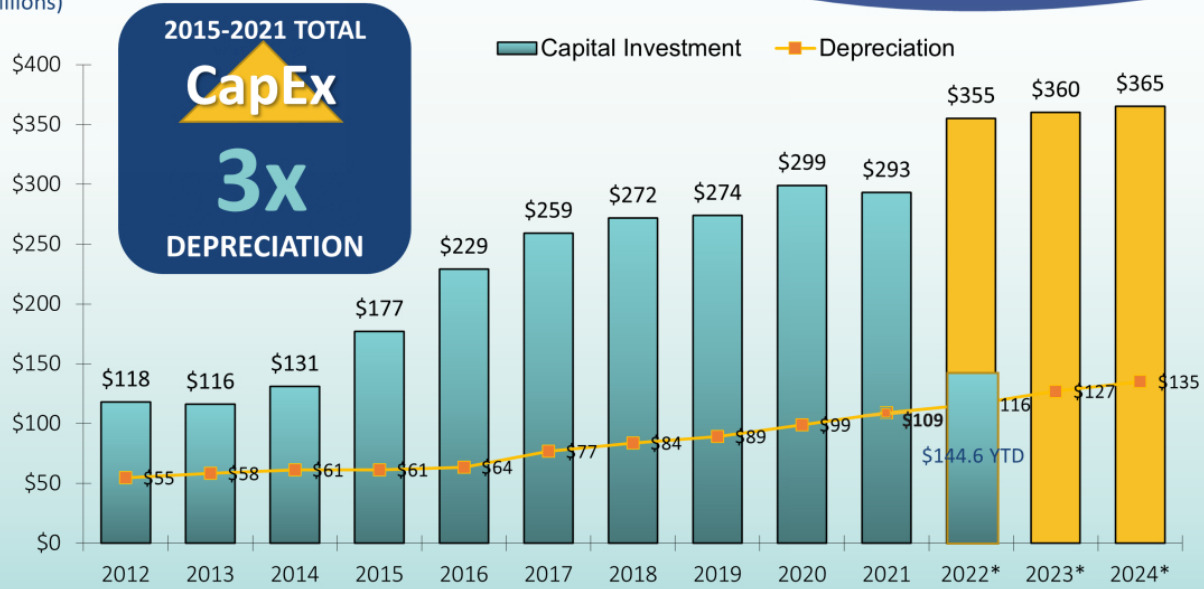
## 2022 Business Development Project Updates

System	Water Connections	Wastewater Connections	Total	Status
Animas Valley Water (NM)	2,000		2,000	Closed April 2022
Railyard (TX) – New service area of BVRT		350 (up to 1,500 at buildout)	350 (up to 1,500 at buildout)	Closed June 2022
Skylonda (CA)	176		176	CPUC Approved June 2022*
HOH Utilities (HI)		1,800 Equivalent Dwelling Units (EDUs)	1,800 EDUs	HPUC Approved June 2022*
Keahou (HI)		1,500 EDUs	1,500 EDUs	Awaiting regulatory approval*
Monterey Water (NM)	380		380	Announced March 2022*
Stroh's Water (WA)	900		900	Announced April 2022*
KSSCS (HI)		400 EDUs	400 EDUs	Announced April 2022*
Bethel Green Acres (WA)	200		200	Announced July 2022*

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

# Capital Investment and Depreciation

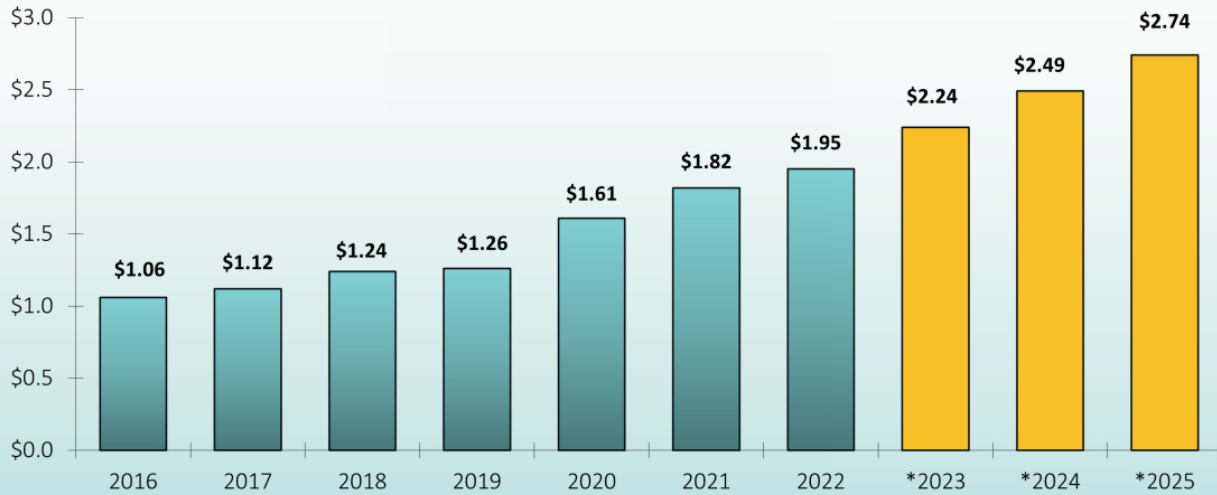
(in millions)



\* 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.



## In Summary

- Change in unbilled revenue, which we expect not to materially impact full year earnings, was due to comparison with high unbilled in Q2 2021, lower water sales, and timing of meter reads
- Market headwinds lowered unrealized valuation of certain retirement assets
- Core business remains strong as we await regulatory outcomes in California
- Management focused on drought, fire season, supply chains, and resolution of California delinquent balances
- Growth opportunities remain robust







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