

**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): **October 27, 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 October 27, 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 third quarter of 2022, ended September 30, 2022.

As announced, the Company will host a conference call on Thursday, October 27, 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 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:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued October 27, 2022
99.2	Slide presentation relating to conference call
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: October 27, 2022

By: /s/ Thomas F. Smegal

Name: Thomas F. Smegal

Title: Vice President, Chief Financial Officer & Treasurer



October 27, 2022
For immediate release

CALIFORNIA WATER SERVICE GROUP ANNOUNCES
THIRD QUARTER 2022 RESULTS

SAN JOSE, CA – California Water Service Group (NYSE: CWT) (“Group”) today announced net income attributable to Group of \$55.9 million or \$1.03 earnings per diluted common share for the third quarter of 2022, compared to a net income attributable to Group of \$62.4 million or \$1.20 earnings per diluted common share for the third quarter of 2021.

The \$6.5 million decrease in net income was primarily due to an increase in total operating expenses of \$15.8 million, driven mostly by increases in water production costs of \$3.8 million, administrative and general expenses of \$2.6 million, other operations expenses of \$2.0 million, depreciation and amortization expense of \$1.6 million, and income taxes of \$4.2 million. Additionally, there was a \$2.0 million decrease in unrealized gains on non-qualified benefit plan investments during the third quarter of 2022 compared to the third quarter of 2021. The expense increases were partially offset by an increase in operating revenue of \$9.6 million, driven primarily by rate increases of \$12.3 million and accrued unbilled revenue increase of \$3.4 million, which was partially offset by decreases from changes in regulatory balancing account revenue of \$4.7 million and changes in deferred revenue of \$3.8 million.

The change in accrued unbilled revenue was driven by weather and timing of when meter reads were completed during the month of September 2022 compared to September 2021. The change in unrealized gains on non-qualified benefit plan investments was caused by unfavorable market conditions.

During the third quarter of 2022, the company invested \$77.5 million in infrastructure improvements, up 12% from the third quarter of 2021. According to President and Chief Executive Officer Martin A. Kropelnicki, results were in line with company expectations. “We anticipated that regulatory delays and inflation would impact our financial performance and the third quarter was no exception. While we wait for important decisions from the California Public Utilities Commission, we are focused on investing in our water systems, responding to historic drought conditions, and managing controllable expenses,” he said. “There were many accomplishments in the quarter to be proud of, including the passage of a California law that reintroduces the possibility of decoupling sales from revenues, continuing improvement in our customers’ water conservation efforts, growth in our capital investments, and growth in Texas,” he said.

Additional Financial Results for the third quarter of 2022

Operating revenue increased 3.7% to \$266.3 million in the third quarter of 2022, an increase of \$9.6 million compared to \$256.7 million in the third quarter of 2021. The increase was due primarily to rate increases of \$12.3 million and accrued unbilled revenue increase of \$3.4 million, which was partially offset by decreases from changes in regulatory balancing account revenue of \$4.7 million and changes in deferred revenue of \$3.8 million.

Total operating expenses increased \$15.8 million, or 8.5%, to \$201.4 million in the third quarter of 2022 compared to the prior year.

Water production costs increased \$3.8 million, or 4.5%, to \$88.8 million in the third quarter of 2022, primarily due to an increase in purchased water and power rates.

Administrative and general expenses increased \$2.6 million, or 8.5%, to \$33.3 million in the third quarter of 2022, primarily due to increases of \$1.5 million in uninsured loss costs and \$1.0 million in employee labor costs.

Other operations expenses increased \$2.0 million, or 8.1%, to \$26.7 million in the third quarter of 2022, mostly due to increases of \$2.5 million in bad debt costs, \$0.8 million in conservation program expenses, and \$0.5 million in employee labor costs, which was partially offset by a reduction in costs associated with deferred Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) operating revenue. 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.

Depreciation and amortization expense increased \$1.6 million, or 5.9%, to \$28.8 million in the third quarter of 2022 due to utility plant placed in service in 2021.

Income taxes increased \$4.2 million to \$5.9 million in the third quarter of 2022 mostly due to a \$4.0 million decrease in Tax Cuts and Jobs Act refunds to ratepayers in the third quarter of 2022 as compared to the prior year.

Property and other taxes increased \$0.9 million, or 10.5%, to \$9.4 million in the third quarter of 2022, due primarily to an increase in our assessed property values for utility plant placed in service.

Net other income decreased \$0.5 million, or 20.3%, to \$2.1 million in the third quarter of 2022, due primarily to a \$2.0 million decrease in unrealized gains on certain non-qualified benefit plan investments, which was partially offset by a \$1.9 million increase in other components of net periodic benefit credit.

Year-to-Date Results

For the nine month period ended September 30, 2022, net income attributable to Group was \$76.4 million or \$1.41 earnings per diluted common share, compared to net income attributable to Group of \$97.6 million or \$1.91 earnings per diluted common share for the nine month period ended September 30, 2021.

The \$21.2 million decrease in net income was primarily due to a decrease of \$11.4 million in unrealized gains on certain non-qualified benefit plan investments, a decrease of \$9.4 million in accrued unbilled revenue, and an increase of \$1.3 million of financing costs. Additionally, the increase in total operating expenses of \$42.8 million, driven primarily by increases in water production costs of \$6.5 million, administrative and general expenses of \$6.6 million, other operations expenses of \$18.6 million, maintenance expenses of \$2.3 million, depreciation and amortization expense of \$4.9 million, income taxes of \$2.4 million, and property and other taxes of \$1.7 million. These operating expense increases were offset by rate increases of \$24.5 million, an increase of \$10.8 million in operating revenue from a change in deferred revenue, and a \$2.7 million gain from company-owned life insurance.

The change in accrued unbilled revenue was driven by weather and timing of when meter reads were completed during the month of September 2022 compared to September 2021. In the first nine months of 2022, accrued unbilled revenue added \$10.7 million to revenue compared to \$20.1 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 by the end of the year. Changes to unrealized gains on certain benefit plan investments were caused by unfavorable market conditions.

Liquidity and Financing

The company maintained \$90.5 million of cash as of September 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 decreased from \$20.6 million as of June 30, 2022 to \$15.8 million as of September 30, 2022 mostly due to regulatory approval to begin collection efforts during the month of July 2022.

The company invested \$222.1 million in infrastructure improvements during the nine month period ended September 30, 2022, up 6.9% for the same period last year. 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 October 26, 2022, the Board of Directors approved a quarterly cash dividend of \$0.25 per share of common stock.

WRAM and MCBA

The under-collected net receivable balance in the WRAM and MCBA balancing account was \$94.8 million as of September 30, 2022, an increase of 22.4% or \$17.3 million from the balance of \$77.4 million as of June 30, 2022.

Other Information

All stockholders and interested investors are invited to listen to the 2022 third quarter conference call on October 27, 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 #5254006. 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 noon PT (3:00 p.m. ET) on October 27, 2022 through December 26, 2022, at 1-800-770-2030 or 1-609-800-9909, ID #5254006. The replay will also be available under the investor relations tab at 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/q32022slides.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.

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 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 will, would, expects, intends, plans, believes, may, estimates, assumes, anticipates, projects, progress, predicts, hopes, targets, forecasts 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 that 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 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 and our Cost of Capital 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). 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.

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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)

	September 30, 2022	December 31, 2021
ASSETS		
Utility plant:		
Utility plant	\$ 4,422,312	\$ 4,197,344
Less accumulated depreciation and amortization	(1,434,700)	(1,350,482)
Net utility plant	<u>2,987,612</u>	<u>2,846,862</u>
Current assets:		
Cash and cash equivalents	90,458	78,380
Restricted cash	22,984	2,273
Receivables:		
Customers, net	79,239	60,785
Regulatory balancing accounts	54,654	78,597

Other, net	22,496	18,452
Unbilled revenue, net	43,417	32,760
Materials and supplies at weighted average cost	10,994	9,511
Taxes, prepaid expenses, and other assets	14,923	19,700
Total current assets	339,165	300,458
Other assets:		
Regulatory assets	298,362	285,692
Goodwill	36,814	36,814
Other assets	144,445	153,445
Total other assets	479,621	475,951
TOTAL ASSETS	\$ 3,806,398	\$ 3,623,271
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value; 136,000 shares authorized, 54,824 and 53,716 outstanding in 2022 and 2021, respectively	\$ 548	\$ 537
Additional paid-in capital	711,004	651,121
Retained earnings	561,907	525,936
Noncontrolling interests	4,873	5,386
Total equity	1,278,332	1,182,980
Long-term debt, net	1,053,944	1,055,794
Total capitalization	2,332,276	2,238,774
Current liabilities:		
Current maturities of long-term debt, net	5,790	5,192
Short-term borrowings	70,000	35,000
Accounts payable	157,911	144,369
Regulatory balancing accounts	9,684	17,547
Accrued interest	17,338	6,542
Accrued expenses and other liabilities	61,824	47,926
Total current liabilities	322,547	256,576
Deferred income taxes	312,193	298,945
Pension	96,063	92,287
Regulatory liabilities and other	256,611	252,938
Advances for construction	199,277	198,086
Contributions in aid of construction	287,431	285,665
Commitments and contingencies		
TOTAL CAPITALIZATION AND LIABILITIES	\$ 3,806,398	\$ 3,623,271

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited
(In thousands, except per share data)

For the Three Months ended:

	September 30, 2022	September 30, 2021
Operating revenue	\$ 266,307	\$ 256,723
Operating expenses:		
Operations:		
Water production costs	88,750	84,951
Administrative and general	33,328	30,712
Other operations	26,676	24,686
Maintenance	8,433	7,739
Depreciation and amortization	28,844	27,232
Income taxes	5,890	1,705
Property and other taxes	9,440	8,546
Total operating expenses	201,361	185,571
Net operating income	64,946	71,152
Other income and expenses:		
Non-regulated revenue	4,573	5,813
Non-regulated expenses	(6,905)	(5,779)
Other components of net periodic benefit credit	3,737	1,853
Allowance for equity funds used during construction	1,004	898
Income tax expense on other income and expenses	(353)	(207)
Net other income	2,056	2,578

Interest expense:		
Interest expense	11,891	11,737
Allowance for borrowed funds used during construction	(572)	(506)
Net interest expense	11,319	11,231
Net income	55,683	62,499
Net (loss) income attributable to noncontrolling interests	(189)	70
Net income attributable to California Water Service Group	\$ 55,872	\$ 62,429
Earnings per share of common stock		
Basic	\$ 1.03	\$ 1.20
Diluted	\$ 1.03	\$ 1.20
Weighted average shares outstanding		
Basic	54,444	51,823
Diluted	54,487	51,823
Dividends per share of common stock	\$ 0.25	\$ 0.23

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited
(In thousands, except per share data)

For the Nine Months ended:

	September 30, 2022	September 30, 2021
Operating revenue	\$ 645,494	\$ 617,583
Operating expenses:		
Operations:		
Water production costs	221,195	214,688
Administrative and general	99,425	92,837
Other operations	81,945	63,318
Maintenance	23,389	21,118
Depreciation and amortization	86,387	81,516
Income taxes	5,927	3,576
Property and other taxes	25,853	24,213
Total operating expenses	544,121	501,266
Net operating income	101,373	116,317
Other income and expenses:		
Non-regulated revenue	16,772	16,759
Non-regulated expenses	(22,432)	(12,354)
Other components of net periodic benefit credit	11,516	7,520
Allowance for equity funds used during construction	3,021	2,290
Income tax expense on other income and expenses	(1,210)	(1,077)
Net other income	7,667	13,138
Interest expense:		
Interest expense	34,972	33,165
Allowance for borrowed funds used during construction	(1,724)	(1,253)
Net interest expense	33,248	31,912
Net income	75,792	97,543
Net loss attributable to noncontrolling interests	(650)	(79)
Net income attributable to California Water Service Group	\$ 76,442	\$ 97,622
Earnings per share of common stock		
Basic	\$ 1.41	\$ 1.91
Diluted	\$ 1.41	\$ 1.91
Weighted average shares outstanding		
Basic	54,063	51,119
Diluted	54,104	51,119
Dividends per share of common stock	\$ 0.75	\$ 0.69



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The background is a composite image. 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.

**Third Quarter
2022 Results Presentation**

October 27, 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 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 will, would, expects, intends, plans, believes, may, estimates, assumes, anticipates, projects, progress, predicts, hopes, targets, forecasts 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 that 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 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 and our Cost of Capital 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). 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..



Today's Participants

Tom Smegal

Vice President, CFO & Treasurer



Marty Kropelnicki

President & CEO



Dave Healey

Vice President, Controller



Paul Townsley

Vice President, Corporate Development



Greg Milleman

Vice President, Rates & Regulatory Affairs



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
- Capital Update
- Customer Debt Update
- Business Development Status
- CapEx and Rate Base Tables
- In Summary



CALIFORNIA
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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: Third Quarter 2022

(Amounts are in millions, except for EPS)	Q3 2021		Q3 2022	Variance
Operating Revenue	\$256.7	▲	\$266.3	3.7%
Operating Expenses	\$185.6	▲	\$201.4	8.5%
Net Interest Expense	\$11.2	▲	\$11.3	0.8%
Net Income Attributable to CWT	\$62.4	▼	\$55.9	(10.5%)
EPS	\$1.20	▼	\$1.03	(14.1%)
Capital Investments	\$69.2	▲	\$77.5	12.0%

Financial Results: YTD 2022

(Amounts are in millions, except for EPS)	YTD 2021		YTD 2022	Variance
Operating Revenue	\$617.6	▲	\$645.5	4.5%
Operating Expenses	\$501.3	▲	\$544.1	8.5%
Net Interest Expense	\$31.9	▲	\$33.2	4.2%
Net Income Attributable to CWT	\$97.6	▼	\$76.4	(21.7%)
EPS	\$1.91	▼	\$1.41	(26.0%)
Capital Investments	\$207.7	▲	\$222.1	6.9%

Third Quarter Financial Highlights

NET INCOME ATTRIBUTABLE TO CWT DECREASED \$6.5M

UNBILLED REVENUE INCREASED \$3.4M AND WE RECORDED A \$2.0M LOWER CHANGE IN VALUATION OF THE COMPANY'S NONQUALIFIED PLAN ASSETS AS COMPARED TO Q3 2021.

\$13.3M INCREASED TOTAL OPERATING EXPENSES DUE MAINLY TO WAGE INCREASES, INCREASES IN THE COST OF GOODS AND SERVICES, INCREASED UNINSURED LOSS EXPENSE, AND INCREASED RESERVE FOR BAD DEBTS AS COMPARED TO Q3 2021

\$2.5M INCREASED DEPRECIATION, PROPERTY TAXES, AND INTEREST RELATED TO CAPITAL ADDITIONS

GENERAL RATE INCREASES OF \$7.3M

\$77.5M CAPEX, UP 12% FROM 2021 DESPITE SUPPLY CHAIN PRESSURES



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Year to Date Financial Highlights

NET INCOME ATTRIBUTABLE TO CWT DECREASED \$21.2M

PRIMARILY DUE TO \$9.4M REDUCTION IN UNBILLED REVENUE, AN \$11.4M UNREALIZED CHANGE IN THE VALUATION OF NONQUALIFIED PLAN ASSETS, AND A \$1.3M INCREASE IN INTEREST

OVERALL, OPERATING EXPENSE INCREASES WERE MOSTLY DUE TO INCREASES IN LABOR COSTS, COST OF GOODS AND SERVICES, DEPRECIATION AND AMORTIZATION EXPENSE, AND TAXES

MOSTLY OFFSET BY RATE INCREASES OF \$24.5M, AN INCREASE OF \$10.8M IN OPERATING REVENUE FROM A CHANGE IN DEFERRED REVENUE, AND A \$2.7M GAIN FROM COMPANY-OWNED LIFE INSURANCE

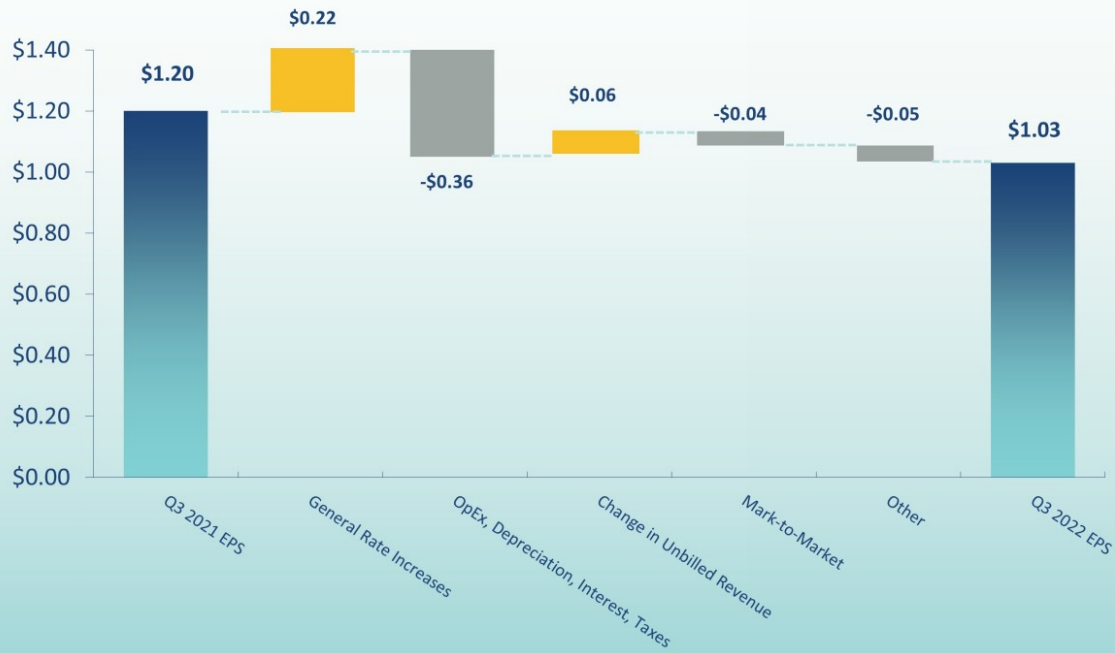
TO FINANCE THE ONGOING CAPITAL IMPROVEMENT PROGRAM, THE COMPANY ISSUED 470,000 SHARES DURING Q3 AND HAS ISSUED 2.2M SHARES IN THE LAST 12 MONTHS USING ITS ATM PROGRAM



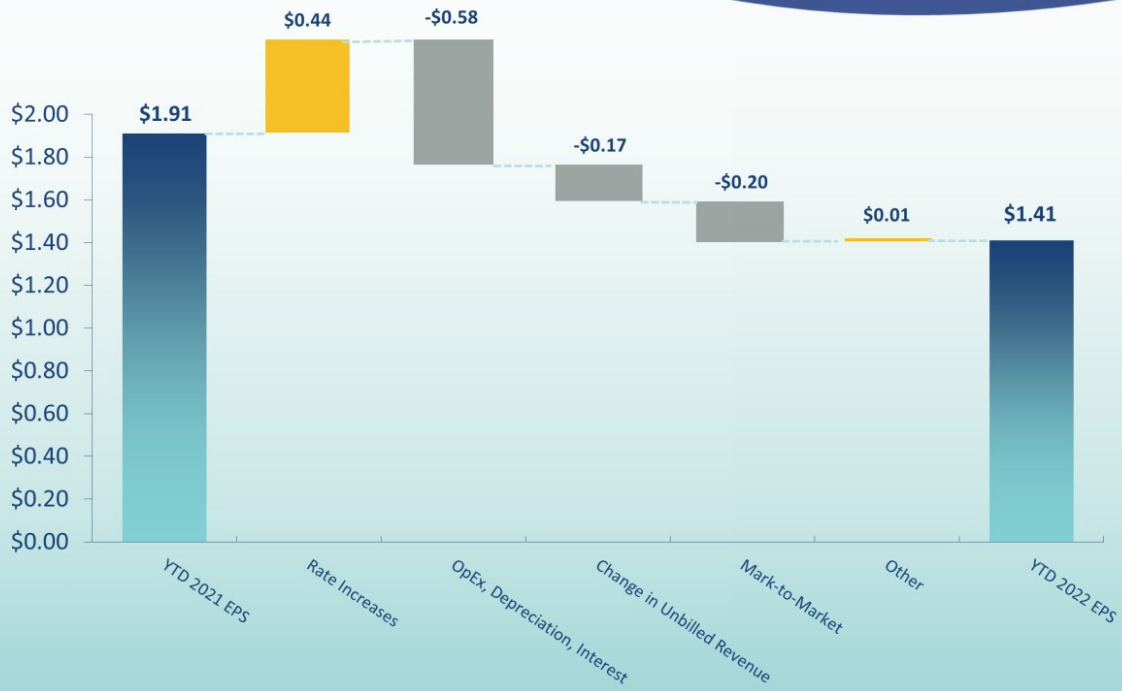
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EPS Bridge Q3 2021 to Q3 2022



EPS Bridge YTD 2021 to YTD 2022



California Cost of Capital Update

- No update in the quarter from the Administrative Law Judge on the submitted case. While there is still a potential for the CPUC to issue a decision this year, it is increasingly likely that a final decision will be made in 2023.
- Because of the delay in issuing a decision, the company cannot determine how or whether changed market conditions in 2022 might affect the final decision on any of the components of cost of capital.
- Given the company's financing program, our proposed cost of debt in the application was lower than last adopted. 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 \$11 million for reduced debt costs, with additional unknown impacts from potential changes to adopted capital structure and allowed return on equity.

California General Rate Case Update

- Cal Water and the Public Advocates Office filed a settlement on September 2, covering issues of rate design, sales forecast, and other less-controversial issues.
- Litigated items not included in the settlement included capital investment budgets, WRAM balancing account recovery, and some expenses.
- The rate case is now in the hands of the ALJ.
- While the case has proceeded on schedule thus far, it is unlikely the CPUC will reach a final decision before the end of 2022.
- Cal Water is entitled to file for interim rates including an adjustment for up to CPI-U for 2023 and currently anticipates making that filing in the fourth quarter so that it would become effective on January 1, 2023.
 - Interim rates are subject to adjustment based on the final outcome of the case.



Focus on Decoupling for 2023

- In 2023, Cal Water will no longer be decoupled and again experience revenue (sales) and production cost (source mix) variability not seen since 2008.
- The 2021 General Rate Case settlement and stipulations contain provisions designed to mitigate the absence of a decoupling program:
 - Lower estimated sales factoring in continued conservation efforts
 - Rates designed to reduce revenue volatility but still send a price signal to the highest users
 - Estimated production costs accounting for a realistic mix of water sources
- In the event drought conditions persist in 2023, Cal Water will track lost revenue in a memorandum account for potential future recovery.
- Legislation asking the CPUC to reconsider decoupling was signed into law by Governor Newsom on September 30.
- Cal Water and others have appealed the CPUC decoupling decision to the California Supreme Court – oral arguments are scheduled for Q1 2023, though the CPUC recently filed a Motion to Dismiss based on the legislation

California Drought Update

ALL CALIFORNIA DISTRICTS IN "STAGE 2" DROUGHT RESTRICTIONS

CAL WATER'S Q3 DROUGHT EXPENDITURES OF \$0.4M ARE RECORDED IN A MEMORANDUM ACCOUNT FOR POTENTIAL FUTURE RECOVERY. TOTAL BALANCE SINCE 2021 IS \$1.4M.

CONSERVATION IS WORKING - CALIFORNIA CUSTOMER USAGE DOWN 19% IN Q3 AS COMPARED TO ADOPTED, AND DOWN 7% COMPARED TO 2021

WATER REVENUE ADJUSTMENT MECHANISM BALANCE HAS INCREASED TO \$94.8 MILLION DUE TO LOWER THAN ADOPTED SALES

NOAA FORECASTS A WARMER AND DRIER WINTER IN 2022-2023 IN THE SOUTHWEST DUE TO LA NIÑA CONDITIONS.

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



Capital Investment Update

- Q3 Capital spending tracked to our expectations with an increase in spending from 2021
- We continue to monitor supply chains for major materials, particularly ductile iron pipe and electrical equipment
- We continue to look for risk mitigations including potentially stockpiling materials
- Q4 construction activity can be affected by weather



Customer COVID Debt Update

- Cal Water began shutting off past-due customers for nonpayment starting in late July
 - Under COVID guidelines, no collections were allowed from March 2020 until now
 - While California state aid resulted in a reduced number of delinquent accounts, it will still take months to address remaining 90-day delinquencies.
 - Delinquent accounts over 90 days were reduced by \$3.5M in the quarter due to collection efforts
 - Reserve for bad debt increased relative to 2021 due to the recognition in 2021 of state aid that mitigated some delinquent balances
- Other states received earlier authorization to begin collections and have improved delinquencies faster than California

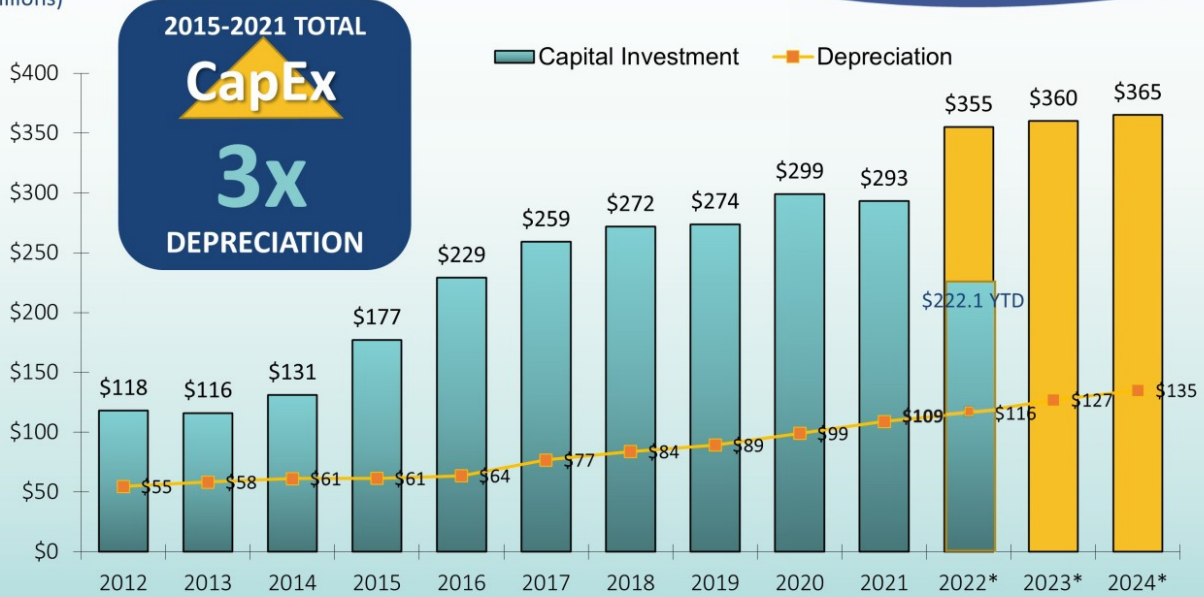
2022 Business Development Project Updates

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	HPUC Approved October 2022*
Stroh's Water (WA)	900		900	Announced April 2022*
Monterey Water (NM)	380		380	Announced March 2022*
KSSCS (HI)		400 EDUs	400 EDUs	Announced April 2022*
Bethel Green Acres (WA)	200		200	Announced July 2022*
Camino Real (TX) – New service area of BVRT	Up to 5,000 for current phase	Up to 5,000 for current phase	Up to 10,000 for current phase	Announced water supply agreement August 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



*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

- Core business remains strong in 3rd year of California GRC cycle, while we face increases in wages, goods and services costs due to the inflationary environment
- Market headwinds continue to lower unrealized valuation of certain retirement assets
- Management focused on preparation for 2023: concluding GRC and Cost of Capital proceedings, drought, supply chains, managing to new regulatory paradigms, and continued execution of growth efforts





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