

**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): **March 1, 2023**

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 March 1, 2023, 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 2022, ended December 31, 2022. 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 on Thursday, March 2, 2023 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. 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 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:

Exhibit No.	Description
<u>99.1</u>	<u>Press Release issued March 1, 2023</u>
<u>99.2</u>	<u>Slide presentation relating to conference call</u>
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: March 1, 2023

By: /s/ Thomas F. Smegal
Name: Thomas F. Smegal
Title: Vice President, Chief Financial Officer & Treasurer



CALIFORNIA
WATER SERVICE GROUP
INVESTING FOR LIFE

1720 N. First Street, San Jose, CA 95112



March 1, 2023
For immediate release

CALIFORNIA WATER SERVICE GROUP ANNOUNCES
2022 EARNINGS FOR YEAR AND FOURTH QUARTER

SAN JOSE, CA – California Water Service Group (NYSE: CWT) (“Company” or “CWT”) today announced net income attributable to CWT of \$96.0 million and diluted earnings per share of \$1.77 for 2022, compared to net income attributable to CWT of \$101.1 million and diluted earnings per share of \$1.96 in 2021.

The \$5.1 million decrease in net income was primarily due to a decrease of \$11.0 million in unrealized gains in non-qualified benefit plan investments and an increase of \$1.1 million in financing costs. Additionally, operating expenses increased \$54.6 million, driven primarily by increases in other operations expenses of \$29.8 million, water production costs of \$7.8 million, administrative and general expenses of \$6.0 million, depreciation and amortization expense of \$5.9 million, income taxes of \$0.5 million, property and other taxes of \$2.6 million, and maintenance expenses of \$2.1 million. These operating expense increases were offset by an increase in operating revenue of \$55.5 million, driven primarily by rate increases of \$34.5 million, changes in deferred revenue of \$16.5 million, and an accrued unbilled revenue increase of \$1.7 million. Additionally, the Company recorded a \$2.7 million gain from company-owned life insurance.

The Company considers changes in unrealized gains on non-qualified benefit plan investments, proceeds from company-owned life insurance, and accrued unbilled revenue as factors outside the company's immediate control. Seasonal weather patterns and the number of unbilled days have typically been the primary influences of accrued unbilled revenue.

President & Chief Executive Officer Martin A. Kropelnicki said that 2022 financial results were in line with expectations, given the challenges posed by regulatory delays, inflation, and other factors beyond the company's control.

“I am proud of all we accomplished despite these challenges. We met or surpassed all applicable water quality standards set to protect public health, we closed acquisitions in Hawaii, New Mexico, Texas, and Washington, and we invested \$327.8 million in the infrastructure needed to deliver a safe, reliable water supply, despite supply chain shortages. And we did all of this while continuing to provide excellent service to customers and support to our communities,” he said.

Additional Financial Results for 2022

Operating revenue in 2022 was \$846.4 million, a \$55.5 million increase over 2021 operating revenue of \$790.9 million. The increase in operating revenue was primarily due to rate increases of \$34.5 million, of which \$12.6 million was related to increased water costs, as well as a \$16.5 million change in deferred revenue.

Total operating expenses increased \$54.6 million, or 8.2%, to \$718.8 million in 2022 compared to the prior year.

Water production expenses increased \$7.9 million to \$285.3 million in 2022, primarily due to rate increases from our purchase power providers. As designed, the California revenue decoupling mechanisms recorded an increase to revenue equal to the increase in California water production costs.

Administrative and general expense increased \$6.0 million, or 4.8%, in 2022 compared to 2021. The increase was mainly due to increases in outside consulting service costs of \$1.8 million, employee and retiree medical costs of \$1.7 million, travel costs of \$1.3 million, legal costs of \$1.1 million, and training and seminars costs of \$0.7 million. These cost increases were partially offset by a \$0.9 million decrease in employee pension 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 CWT, 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 increased \$29.8 million, or 34.5%, in 2022 as compared to 2021. The increase was primarily due to increases of \$13.3 million in expenses associated with the deferral of operating revenue, \$5.0 million in conservation program costs, \$3.2 million in bad debt expense, \$1.5 million in water and waste water treatment costs, \$1.2 million in employee wages, \$1.1 million in customer accounts expenses, \$1.0 million in waste water system operating costs, \$1.0 million in district office maintenance and landscaping costs, \$0.6 million in transportation costs, and \$0.6 million in property loss. 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 \$2.1 million, or 7.2%, to \$31.7 million in 2022, due to increases in costs for repairs of pumping equipment, labor costs in maintaining the water systems, cost for repairs of reservoirs and tanks, as well as amortization of tank coating projects in accordance with CPUC orders, and transportation costs.

Depreciation and amortization increased \$5.9 million, or 5.4%, in 2022 primarily due to utility plant placed in service in 2021.

Income taxes increased \$0.5 million, or 16.3%, to \$3.3 million in 2022, mostly due to a \$5.5 million decrease in customer refunds of excess deferred federal income taxes in 2022 as compared to 2021, which was partially offset by a tax benefit from life insurance proceeds.

Property and other taxes increased \$2.6 million, or 8.0%, to \$35.1 million, due mostly to an increase in our assessed property values for utility plant placed in service during the year.

In 2022, net other income and expenses decreased \$5.5 million from \$17.4 million in 2021. The decrease was due primarily to an \$11.0 million decrease in the unrealized gain from non-qualified benefit plan investments due to market conditions and a \$1.4 million increase in new business and community outreach program expenses. The decreases were partially offset by a \$4.6 million decrease in other components of net periodic benefit costs, a \$2.7 million gain on Company-owned life insurance, and a \$0.9 million increase in allowance for funds used during construction. 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 2022, net interest expense increased \$1.1 million as compared to 2021. The increase was due primarily to the 2021 issuance of \$280 million in First Mortgage Bonds to finance new infrastructure investment.

Fourth Quarter 2022 Results

For the fourth quarter of 2022, net income attributable to CWT was \$19.6 million and diluted earnings per share was \$0.35 compared to net income attributable to CWT of \$3.5 million and diluted earnings per share of \$0.07 in the fourth quarter of 2021. The \$16.1 million increase in net income attributable to CWT resulted primarily from an \$11.1 million increase in accrued unbilled revenue, \$10.7 million in rate increases, and \$5.7 million change in deferred revenue, which were partially offset by an \$11.2 million increase in other operations expenses.

Operating revenue for the fourth quarter increased \$27.6 million, or 15.9%, to \$200.9 million, mostly due to an increase in unbilled revenue of \$11.1 million, rate increases of \$10.1 million, of which \$4.6 million was related to increases in water production costs, and a decrease in deferred revenue of \$5.7 million.

Total operating expenses for the quarter increased \$11.8 million to \$174.7 million. The increase was mostly due to a \$4.6 million increase in costs associated with the deferral of operating revenue, conservation program costs of \$3.0 million, water production costs of \$1.3 million, employee and retiree medical costs of \$1.2 million, depreciation and amortization of \$1.0 million, and property and other taxes of 1.0 million, which were partially offset by a \$1.9 million income tax benefit increase.

Liquidity and Financing

Our liquidity remains strong. As of December 31, 2022 we maintained \$62.1 million of cash and had additional short-term borrowing capacity of \$480 million, subject to meeting the borrowing conditions on the Company's lines of credit facilities. Aged accounts receivable past due more than 60 days decreased to \$17.6 million as of December 31, 2022 from \$26.2 million as of December 31, 2021 due to net receipt of \$17.2 million from the Water Arrearages Payment Program (WAPP). On January 25, 2022, Cal Water received \$20.8 million from WAPP to help customers unable to pay their water bills from March 4, 2021 to June 15, 2022, and \$3.6 million in unused funds was returned to WAPP in July 2022. Additionally, Cal Water offers interest- and penalty-free payment plans or extensions, subject to certain terms and conditions, to help customers pay water bills after June 15, 2022.

We invested \$327.8 million in infrastructure in all of our subsidiaries in 2022 compared to \$293.2 million in 2021. At our Board of Directors meeting on January 25, 2023, the Board increased the quarterly cash dividend by 4.0%, declaring an annual dividend of \$1.04 per share of common stock.

Water Revenue Adjustment Mechanism (WRAM) Receivable

The net receivable balance in the WRAM and Modified Cost Balancing Account (MCBA) was \$104.7 million as of December 31, 2022, an increase of 43.8%, or \$31.9 million, from the receivable balance of \$72.8 million as of December 31, 2021. The decoupling program will not record additional changes in sales and costs in 2023, but the Company expects to be allowed to amortize the receivable balance in customer rates.

Other Information

All stockholders and interested investors are invited to listen to the 2022 year-end and fourth quarter conference call on March 2, 2023 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 #3437186, or you may access the live audio webcast at www.calwatergroup.com/2022q4-call. 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 March 2, 2023 through May 1, 2023, at 1-800-770-2030 or 1-609-800-9909, ID #3437186. The replay will also be available under the investor relations tab at www.calwatergroup.com/2022q4-call. Prior to the call, Cal Water will post a slide presentation on its website. The presentation can be found at www.calwatergroup.com/2022q4-call after 4:00 p.m. PT today. 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 Rates and Regulatory Affairs Greg Milleman, and Corporate Controller Thomas A. Scanlon.

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.

This news release contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 ("PSLRA"). The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the PSLRA. Forward-looking statements in this news release 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. 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, could, estimates, assumes, anticipates, projects, progress, predicts, hopes, targets, forecasts, should, seeks or variations of these words or similar expressions are intended to identify forward-looking statements. Examples of forward-looking statements in this news release include, but are not limited to, statements describing an indicated annual dividend. 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; the impact of market conditions and volatility on unrealized gains or losses on our non-qualified benefit plan investments and our operating results; the impact of weather and timing of meter reads on our accrued unbilled revenue; 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)

	December 31 2022	December 31 2021
ASSETS		
Utility plant:		
Utility plant	\$ 4,536,272	\$ 4,197,344
Less accumulated depreciation and amortization	(1,477,402)	(1,350,482)
Net utility plant	3,058,870	2,846,862
Current assets:		
Cash and cash equivalents	62,100	78,380
Restricted cash	22,925	2,273
Receivables:		
Customers	55,079	60,785
Regulatory balancing accounts	66,826	78,597
Other, net	20,932	18,452
Unbilled revenue, net	33,140	32,760
Materials and supplies at weighted average cost	12,564	9,511
Taxes, prepaid expenses, and other assets	21,969	19,700
Total current assets	295,535	300,458
Other assets:		
Regulatory assets	283,620	285,692
Goodwill	36,814	36,814
Other assets	175,913	153,445
Total other assets	496,347	475,951
TOTAL ASSETS	\$ 3,850,752	\$ 3,623,271
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value; 136,000 shares authorized, 55,598 and 53,716 outstanding in 2022 and 2021, respectively	\$ 556	\$ 537
Additional paid-in capital	760,336	651,121
Retained earnings	556,698	514,873
Noncontrolling interests	4,804	5,386
Total equity	1,322,394	1,171,917
Long-term debt, net	1,052,487	1,055,794
Total capitalization	2,374,881	2,227,711
Current liabilities:		
Current maturities of long-term debt, net	3,310	5,192
Short-term borrowings	70,000	35,000
Accounts payable	140,986	144,369
Regulatory balancing accounts	12,240	32,908
Accrued interest	6,490	6,542
Accrued other liabilities	61,624	47,926
Total current liabilities	294,650	271,937
Deferred income taxes	330,251	294,647
Pension	78,443	92,287

Regulatory liabilities and other	287,294	252,938
Advances for construction	199,832	198,086
Contributions in aid of construction	285,401	285,665
Commitments and contingencies		
TOTAL CAPITALIZATION AND LIABILITIES	\$ 3,850,752	\$ 3,623,271

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited
(In thousands, except per share data)

For the Three Months ended:

	December 31, 2022	December 31, 2021
Operating revenue	\$ 200,937	\$ 173,326
Operating expenses:		
Operations:		
Water production costs	64,069	62,786
Administrative and general	33,293	33,849
Other operations	34,227	23,074
Maintenance	8,326	8,474
Depreciation and amortization	28,188	27,199
Income tax benefits	(2,665)	(771)
Property and other taxes	9,212	8,262
Total operating expenses	174,650	162,873
Net operating income	26,287	10,453
Other income and expenses:		
Non-regulated revenue	4,504	6,003
Non-regulated expenses	(2,389)	(4,786)
Other components of net periodic benefit credit	2,960	2,383
Allowance for equity funds used during construction	1,106	896
Income tax expense on other income and expenses	(1,903)	(210)
Net other income	4,278	4,286
Interest expense:		
Interest expense	11,714	11,816
Allowance for borrowed funds used during construction	(620)	(513)
Net interest expense	11,094	11,303
Net income	19,471	3,436
Loss attributable to noncontrolling interests	(98)	(67)
Net income attributable to California Water Service Group	\$ 19,569	\$ 3,503
Earnings per share of common stock		
Basic	\$ 0.36	\$ 0.07
Diluted	\$ 0.35	\$ 0.07
Weighted average shares outstanding		
Basic	55,083	53,157
Diluted	55,133	53,157
Dividends per share of common stock	\$ 0.2500	\$ 0.2300

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited
(In thousands, except per share data)

For the Twelve Months ended:

	December 31, 2022	December 31, 2021
Operating revenue	\$ 846,431	\$ 790,909
Operating expenses:		
Operations:		
Water production costs	285,264	277,474
Administrative and General	132,718	126,686
Other operations	116,172	86,392
Maintenance	31,715	29,592
Depreciation and amortization	114,575	108,715
Income taxes	3,262	2,805
Property and other taxes	35,065	32,475
Total operating expenses	718,771	664,139
Net operating income	127,660	126,770
Other income and expenses:		

Non-regulated revenue	21,276	22,761
Non-regulated expenses	(24,821)	(17,140)
Other components of net periodic benefit credit	14,476	9,903
Allowance for equity funds used during construction	4,127	3,186
Income tax expense on other income and expenses	(3,113)	(1,287)
Net other income	<u>11,945</u>	<u>17,423</u>
Interest expense:		
Interest expense	46,686	44,980
Allowance for borrowed funds used during construction	(2,344)	(1,766)
Net interest expense	<u>44,342</u>	<u>43,214</u>
Net income	<u>95,263</u>	<u>100,979</u>
Loss attributable to noncontrolling interests	<u>(748)</u>	<u>(146)</u>
Net income attributable to California Water Service Group	<u>\$ 96,011</u>	<u>\$ 101,125</u>
Earnings per share of common stock		
Basic	<u>\$ 1.77</u>	<u>\$ 1.96</u>
Diluted	<u>\$ 1.77</u>	<u>\$ 1.96</u>
Weighted average shares outstanding		
Basic	<u>54,320</u>	<u>51,633</u>
Diluted	<u>54,363</u>	<u>51,633</u>
Dividends per share of common stock	<u>\$ 1.0000</u>	<u>\$ 0.9200</u>



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Fourth Quarter and Year End 2022 Results Presentation

March 2, 2023





Forward-Looking Statements

This presentation contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 ("PSLRA"). The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the PSLRA. Forward-looking statements in this presentation 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. 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, could, should, estimates, assumes, anticipates, projects, progress, predicts, hopes, targets, forecasts, should, seeks, mission, goals, promise or variations of these words or similar expressions are intended to identify forward-looking statements. Examples of forward-looking statements in this presentation include, but are not limited to, statements describing our strategic goals, mission and promise, expectations regarding the California General Rate Case, California Cost of Capital, impacts from decoupling, our ability to estimate for certain mechanisms, drought conditions, expected or target capital expenditure, completion of pending acquisitions, estimated investments and depreciation, rate base estimates and our expectations regarding regulatory outcomes and potential impacts, growth efforts and risk management. 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; the impact of market conditions and volatility on unrealized gains or losses on our non-qualified benefit plan investments and our operating results; the impact of weather and timing of meter reads on our accrued unbilled revenue; 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

Marty Kropelnicki
President & CEO



Tom Smegal
Vice President, CFO & Treasurer



Tom Scanlon
Corporate Controller




Greg Milleman
Vice President, Rates
& Regulatory Affairs



CALIFORNIA
WATER SERVICE GROUP
INVESTING FOR LIFE

INVESTOR
RELATIONS

2



Presentation Overview

- Our Values and Priorities
- Financial Results
- Financial Highlights and Earnings Bridges
- California Regulatory Update
- California Drought Update
- Capital Update
- Business Development Status
- CapEx and Rate Base Tables
- Looking Forward



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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



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 2022

(Amounts are in millions, except for EPS)	2021		2022	Variance
Operating Revenue	\$790.9	▲	\$846.4	7.0%
Operating Expenses	\$664.1	▲	\$718.8	8.2%
Net Interest Expense	\$43.2	▲	\$44.3	2.6%
Net Income attributable to CWT	\$101.1	▼	\$96.0	(5.1%)
Diluted EPS	\$1.96	▼	\$1.77	(9.8%)
Capital Investments	\$293.2	▲	\$327.8	11.8%

Full Year Financial Highlights

NET INCOME ATTRIBUTABLE TO CWT DECREASED \$5.1M

PRIMARILY DUE TO AN \$11.0M UNREALIZED CHANGE IN THE VALUATION OF NONQUALIFIED RETIREMENT PLAN ASSETS AND A \$1.1M INCREASE IN INTEREST EXPENSE, OFFSET BY A \$1.7M INCREASE IN UNBILLED REVENUE

AS EXPECTED, THE THIRD YEAR OF A CALIFORNIA GENERAL RATE CASE (GRC) RESULTED IN OPERATING EXPENSE INCREASES ALONG WITH CAPITAL-RELATED COSTS INCREASING FASTER THAN RATE RELIEF

HIGHER CAPITAL INVESTMENTS IN THE 4TH QUARTER LED TO A RECORD AMOUNT OF CAPEX FOR THE FULL YEAR 2022



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Financial Results: Fourth Quarter 2022

(Amounts are in millions, except for EPS)	Q4 2021		Q4 2022	Variance
Operating Revenue	\$173.3	▲	\$200.9	15.9%
Operating Expenses	\$162.9	▲	\$174.7	7.2%
Net Interest Expense	\$11.3	▼	\$11.1	(1.8%)
Net Income Attributable to CWT	\$3.5	▲	\$19.6	458.6%
Diluted EPS	\$0.07	▲	\$0.35	438.6%
Capital Investments	\$85.4	▲	\$105.7	23.8%



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Fourth Quarter Financial Highlights

NET INCOME ATTRIBUTABLE TO CWT INCREASED \$16.1M

UNBILLED REVENUE INCREASED \$11.1M AND WE RECORDED A \$0.5M INCREASED CHANGE IN VALUATION OF THE COMPANY'S NONQUALIFIED RETIREMENT PLAN ASSETS AS COMPARED TO Q4 2021.

\$11.8M INCREASED TOTAL OPERATING EXPENSES DUE MAINLY TO COST CHANGES TIED TO UPDATED DEFERRAL OF OPERATING REVENUE AND INCREASES IN CONSERVATION, WATER PRODUCTION, AND MEDICAL EXPENSES AS COMPARED TO Q4 2021

GENERAL RATE INCREASES OF \$5.5M



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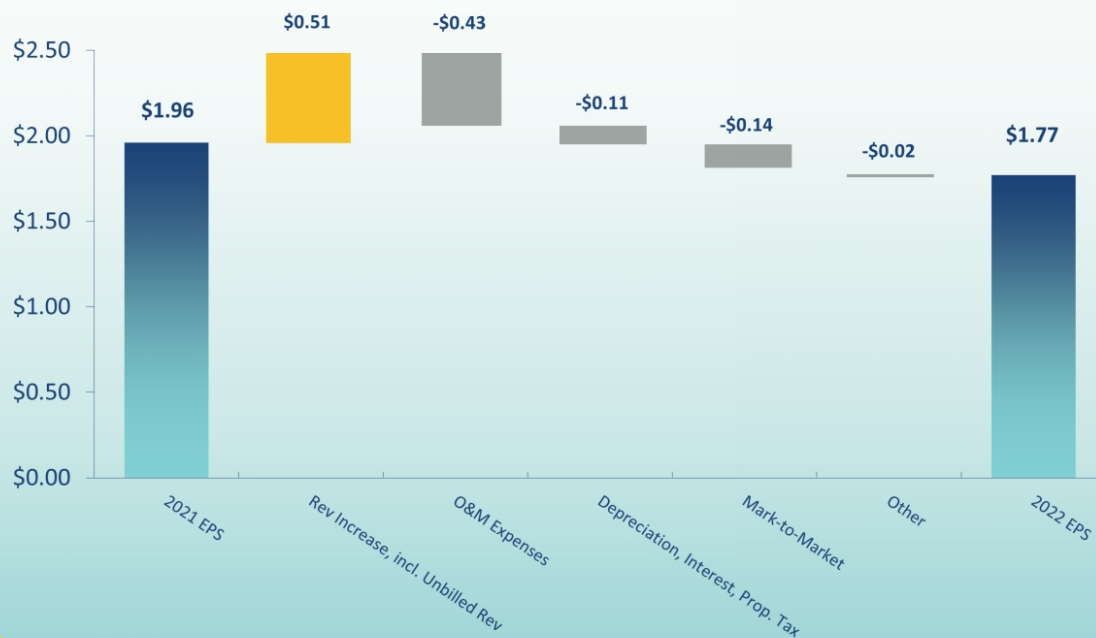
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EPS Bridge Q4 2021 to Q4 2022



EPS Bridge Full Year 2021 to 2022



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California Cost of Capital Update

- Once again, no new updates in the quarter from the Administrative Law Judge on the open cost of capital case. It is not clear to the parties when a proposed decision will be issued, but as of today the earliest a final decision could be approved is April 2023.
- Because of the delay in issuing a decision, the company cannot determine whether changes in market conditions since the filing could affect the final decision on any of the components of cost of capital.
- Given the success of 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, 2023 results may include any customer refund liability associated with that retroactivity, including up to an \$11 million annual impact 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

- No update on timing of a proposed decision.
- The ALJ assigned to our case is also assigned to Golden State Water's GRC, which is currently delayed over 15 months.
- Cal Water and the Public Advocates Office filed a settlement on September 2, 2022 covering issues of rate design, sales forecast, and other issues.
- Litigated items not included in the settlement included capital investment budgets, WRAM balancing account recovery, and some expenses.
- The ALJ ruled on February 13, 2023 that Cal Water's interim rates, effective January 1, 2023, can include a 4% rate increase in most California districts beginning April 15, 2023.
 - Interim rates are subject to adjustment based on the final outcome of the case.

Focus on Decoupling for 2023

- Starting in 2023, Cal Water will no longer be decoupled and expects again to experience revenue (sales) and production cost (source mix) variability.
- 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 by increasing the amount collected in fixed monthly service charges but still send a price signal to the highest users
 - Estimated production costs accounting for a realistic mix of water sources
- Legislation asking the CPUC to reconsider decoupling was signed into law by Governor Newsom on September 30, 2022.
- Cal Water and others have appealed the CPUC decoupling decision to the California Supreme Court – the case is fully briefed and we anticipate oral arguments by mid-2023.

CA Tracker Status for 2023

- Mechanisms we should be able to estimate prior to a GRC decision:
 - Incremental Cost Balancing Account (ICBA) covers changes in unit prices for production costs.
 - Conservation Balancing Account covers conservation expenses
- Mechanisms which are in effect, but which we will not be able to estimate due to uncertainty of the GRC adopted revenue requirement:
 - Drought Lost Revenue Account tracks lost sales revenue due to the drought
 - Interim Rate Memorandum account tracks the difference between interim rates and final rates adopted in the GRC
- Unopposed mechanisms, but which we do not currently have enough information to estimate:
 - Monterey-style revenue adjustment mechanism would track differential effect of tiered pricing on changes in water sales
 - 2023-2025 Health Care Balancing account (HCBA) covers changes in medical costs
 - 2023-2025 Pension Balancing Account would track changes in pension costs

California Drought Update

CONSERVATION CONTINUES – CALIFORNIA CUSTOMER USAGE IN Q4 2022 WAS 8.2% LOWER THAN 2021 AND 17% LOWER THAN ADOPTED

CAL WATER'S Q4 DROUGHT EXPENDITURES OF \$0.5M ARE RECORDED IN A MEMORANDUM ACCOUNT FOR POTENTIAL FUTURE RECOVERY. TOTAL BALANCE SINCE 2021 IS \$1.9M.

A SERIES OF "ATMOSPHERIC RIVER" STORMS IN JANUARY 2023 AND A WET, COLD FEBRUARY HAS DRAMATICALLY IMPROVED WATER SUPPLY CONDITIONS FOR CALIFORNIA'S REGIONAL SURFACE WATER SYSTEMS

GROUNDWATER LEVELS REACT SLOWLY TO SEASONAL PRECIPITATION AND MAY RECOVER SOMEWHAT THIS YEAR

COLORADO RIVER CONTINUES IN LONG-TERM DEFICIT WITH CONTINUED IMPACTS TO SUPPLY IN SOUTHERN CALIFORNIA



Capital Investment Update

- We invested a record amount in capital in 2022, in part due to growth in spending in all subsidiaries
- Q4 capital spending increased due to good weather conditions during the quarter and previous planning efforts to improve materials availability
- 2023 target capital spending will still be in a wide range due to uncertainty over the California GRC outcome
- We expect increased capital expenditures in non-California utilities in 2023 due to the recent acquisitions and expansions



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Business Development Project Updates

System	Water Connections	Wastewater Connections	Total	Status
Animas Valley (NM)	2,000		2,000	Closed April 2022
Railyard (TX) – BVRT Utility		350 (up to 1,500 at buildout)	350 (up to 1,500 at buildout)	Closed June 2022
Keahou (HI)		1,500 Equivalent Dwelling Units (EDUs)	1,500 EDUs	Closed December 2022
Skylonda (CA)	176		176	CPUC Approved June 2022*
HOH Utilities (HI)		1,800 EDUs	1,800 EDUs	HPUC Approved June 2022*
Stroh's Water (WA)	900		900	WUTC Approved January 2023*
Bethel Green Acres (WA)	200		200	WUTC Approved February 2023*
Monterey Water (NM)	380		380	Announced March 2022*
KSSCS (HI)		400 EDUs	400 EDUs	Announced April 2022*
Camino Real (TX) – BVRT Utility	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*
Lake Section (NM)	5,000		5,000	Announced January 2023*

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



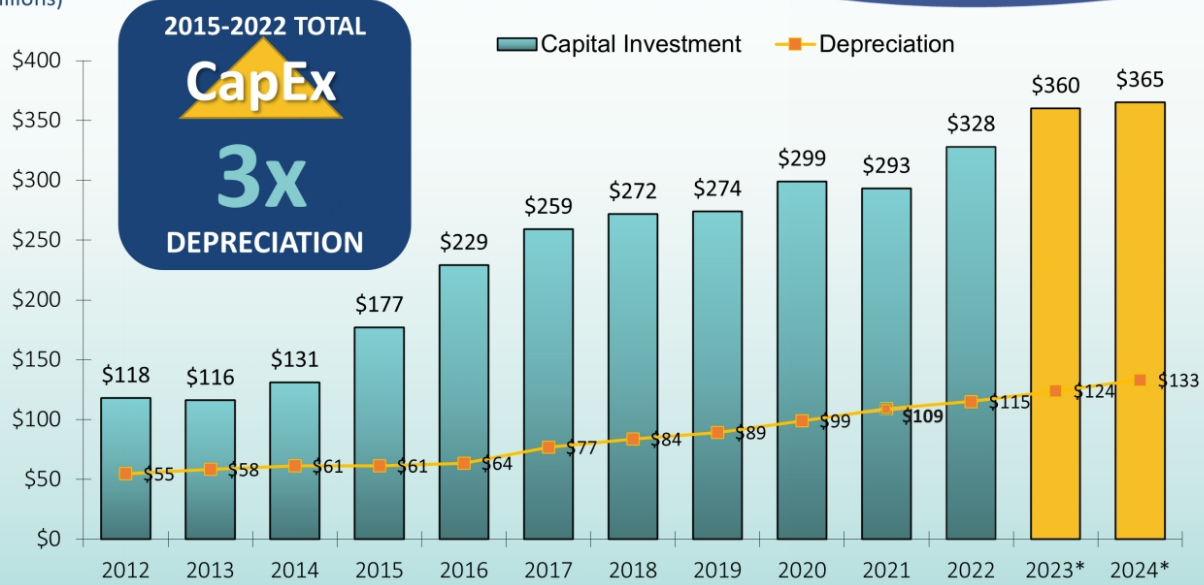
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Capital Investment and Depreciation

(in millions)




* 2023-2024 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.



Looking Forward

- Short-term regulatory uncertainty remains in California as we await two significant case outcomes. Over the long-term, we remain optimistic about the CPUC regulatory compact and our long-term capital investment growth
- Our quarterly financial results will not include the potential effects of several regulatory mechanisms in the California GRC until the outcome of that case is clear
- While focused on regulation, we continue to make progress on business development efforts and risk management, including close attention to supply chains, drought, and climate change issues



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