

**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): **April 27, 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 April 27, 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 first quarter of 2023, ended March 31, 2023.

As announced, the Company will host a conference call on Thursday, April 27, 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 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>
<u>99.1</u>	<u>Press Release issued April 27, 2023</u>

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: April 27, 2023

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



1720 N. First Street, San Jose, CA 95112



April 27, 2023
For immediate release

CALIFORNIA WATER SERVICE GROUP ANNOUNCES
FIRST QUARTER 2023 RESULTS

SAN JOSE, CA – California Water Service Group (NYSE: CWT) (“Group”) today announced a net loss attributable to Group of \$22.2 million and diluted loss per share of \$0.40 for the quarter ended March 31, 2023, as compared to net income attributable to Group of \$1.1 million and diluted earnings per share of \$0.02 for the quarter ended March 31, 2022.

First quarter results primarily reflect the impact of the delayed proposed decision from the California Public Utilities Commission (“CPUC”) on California Water Service Company’s (“Cal Water”) pending general rate case (“GRC”) to set new rates, implement new rate design, and establish new standard regulatory mechanisms. The decision was due to be effective on January 1, 2023. Water revenues billed in the first quarter of 2023 were based on 2022 adopted rates and rate design without any benefit from the Water Revenue Adjustment Mechanism (“WRAM”) and Modified Cost Balancing Account (“MCBA”) regulatory mechanisms, which ended on December 31, 2022. First quarter 2023 operating revenue does not include any benefit of new revenue mechanisms (Monterey-Style Water Revenue Adjustment Mechanism and Drought Response Memorandum Account) or rate relief (tracked in the Interim Rates Memorandum Account) due to the delay in the approval of our 2021 GRC Filing. We currently estimate the adverse impact of the delayed decision on first quarter 2023 operating revenue to be between approximately \$24.0 million and \$34.0 million, which is based on the current positions of the parties to the 2021 GRC Filing and consumption driven regulatory mechanisms.

In September 2022, Cal Water and the Public Advocates Office at the CPUC filed a joint settlement motion with the CPUC covering rate design, sales forecast, and other issues. Litigated items not included in the settlement were capital investment budgets, WRAM balancing account recovery, and recovery of certain expenses. Cal Water intends to implement an authorized 4% interim rate increase beginning in May 2023. The final general rate case decision, once approved, will be retroactive to January 1, 2023, and a cumulative adjustment will be recorded in the quarter in which final approval is received.

Operating revenue was \$131.1 million for the quarter ended March 31, 2023, compared to \$173.0 million for the same period in 2022. The \$41.9 million, or 24.2%, revenue decrease was primarily attributable to an \$18.8 million increase in revenue deferral, a \$12.1 million decrease in WRAM and MCBA revenue, and a \$12.9 million decrease in customer usage. The increase in revenue deferral, which was accompanied by a \$15.4 million increase in cost deferral, was primarily due to the large net WRAM and MCBA balance and the recovery periods requested in the April 2023 WRAM/MCBA advice letter filing which extended beyond 24 months from the end of the first quarter of 2023.

Operating expenses for the first quarter of 2023 were \$148.6 million, compared to \$163.9 million in 2022, a decrease of \$15.3 million or 9.3%. Water production costs decreased \$6.5 million, or 10.6%, to \$55.0 million in 2023 compared to \$61.5 million in 2022. The decrease in water production costs was primarily attributable to an 8.8% decrease in customer usage. Other operations expenses for the first quarter of 2023 were \$16.6 million, compared to \$25.9 million in 2022, a decrease of 35.8%. The decrease was primarily attributed to the deferral of \$15.4 million in costs related to the revenue deferral. In addition, administrative and general expenses increased \$2.6 million, or 7.7%, to \$36.0 million during the quarter, primarily due to increased labor costs.

Other income and expenses were \$7.2 million in the first quarter of 2023, an increase of \$4.5 million, or 167%, over the first quarter of 2022. The increase was primarily due to unrealized gains on certain non-qualified benefit plan investments of \$1.7 million in the first quarter of 2023 compared to \$2.9 million in unrealized losses on certain non-qualified benefit plan investments in the first quarter of 2022.

Net interest expense in the first quarter of 2023 increased \$1.1 million or 9.7% to \$12.0 million as compared to the first quarter of 2022, primarily due to an increase in short-term borrowing rates and higher outstanding line of credit balances.

The effective consolidated income tax rate was approximately 14.6% and 12.0% for the quarters ended March 31, 2023, and 2022, respectively. The change in effective tax rates was primarily due to a reduction in the amortization of the Tax Cuts and Jobs Act excess deferred income tax benefits in 2023 as compared to 2022.

According to President and Chief Executive Officer Martin A. Kropelnicki, first quarter operating results were in line with the Group’s expectations.

“Given the continuing delay on our 2021 General Rate Case for California, our results are not surprising to us and in line with our expectations given the regulatory lag. Eventually, the regulatory process will conclude, but while we wait, we continue to focus on our strategic priorities. In Q1, we completed our purchase of Bethel Greenacres Association in Washington and signed an agreement to purchase Lake Section Water in New Mexico; we introduced PromisePay to provide our customers with an even more convenient way to set up flexible payment plans with us; and we invested \$82.0 million in water system improvements that should help us deliver a reliable, high-quality water supply to our communities,” he said.

Liquidity and Financing

On March 31, 2023, the Group and Cal Water entered into syndicated credit agreements, which provide for unsecured revolving credit facilities of up to an initial aggregate amount of \$600.0 million for a term of five years. Group and subsidiaries that it designates may borrow up to \$200.0 million under Group's revolving credit facility. Cal Water may borrow up to \$400.0 million under its revolving credit facility. Additionally, the credit facilities may be increased by up to an incremental \$150.0 million under the Cal Water facility and \$50.0 million under the Group facility, subject in each case to certain conditions.

Group maintained \$52.3 million of cash as of March 31, 2023 and has additional short-term borrowing capacity of more than \$470 million, subject to meeting the borrowing conditions on Group and Cal Water's line of credit facilities.

The company invested \$82.0 million in infrastructure improvements during the first quarter of 2023 compared to \$68.5 million during the first quarter of 2022. For 2023, Cal Water's capital program will be dependent in part on the timing and nature of regulatory approvals in connection with our California GRC filing. Cal Water proposed to the CPUC spending \$1.0 billion on new projects in 2022-2024. Capital expenditures in California are evaluated in the context of the pending GRC filing and may change as the case moves forward.

Other Information

All stockholders and interested investors are invited to attend the conference call on April 27, 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# 4696636, or you may access the live audio webcast at <https://edge.media-server.com/mmc/p/r327ck3n>. Please join at least 15 minutes in advance to ensure a timely connection to the call. A replay of the call will be available from 3:00 p.m. ET on Thursday, April 27, 2023 through Monday, June 26, 2023, at 1-800-770-2030 or 1-609-800-9909, ID# 4696636, or by accessing the webcast above. The call will be hosted by President and Chief Executive Officer Martin A. Kropelnicki, Vice President and Chief Financial Officer Thomas F. Smegal, and Corporate Controller and Principal Accounting Officer, Thomas A. Scanlon. Prior to the call, Cal Water will furnish a slide presentation on its website at 9:00 a.m. ET.

About California Water Service Group

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 ("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 future rates and the regulatory process and the estimated impacts related thereto and proposed capital expenditures. 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)	March 31 2023	December 31 2022
ASSETS		
Utility plant:		
Utility plant	\$ 4,612,350	\$ 4,536,272
Less accumulated depreciation and amortization	(1,508,913)	(1,477,402)
Net utility plant	<u>3,103,437</u>	<u>3,058,870</u>
Current assets:		
Cash and cash equivalents	52,286	62,100
Restricted cash	34,153	22,925
Receivables:		
Customers, net	46,539	55,079
Regulatory balancing accounts	50,335	66,826
Other, net	20,576	20,932
Unbilled revenue, net	29,546	33,140
Materials and supplies	13,287	12,564
Taxes, prepaid expenses, and other assets	22,561	21,969
Total current assets	<u>269,283</u>	<u>295,535</u>
Other assets:		
Regulatory assets	293,263	283,620
Goodwill	36,814	36,814
Other assets	184,065	175,913
Total other assets	<u>514,142</u>	<u>496,347</u>
TOTAL ASSETS	<u>\$ 3,886,862</u>	<u>\$ 3,850,752</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value; 136,000 shares authorized, 55,991 and 55,598 outstanding in 2023 and 2022, respectively	\$ 560	\$ 556
Additional paid-in capital	777,605	760,336
Retained earnings	520,031	556,698
Noncontrolling interests	4,792	4,804
Total equity	<u>1,302,988</u>	<u>1,322,394</u>
Long-term debt, net	<u>1,052,337</u>	<u>1,052,487</u>
Total capitalization	<u>2,355,325</u>	<u>2,374,881</u>
Current liabilities:		
Current maturities of long-term debt, net	3,300	3,310
Short-term borrowings	130,000	70,000
Accounts payable	120,198	140,986
Regulatory balancing accounts	17,272	12,240
Accrued interest	16,790	6,490
Accrued other liabilities	62,744	61,624
Total current liabilities	<u>350,304</u>	<u>294,650</u>
Deferred income taxes	<u>326,401</u>	<u>330,251</u>
Pension	<u>79,245</u>	<u>78,443</u>
Regulatory liabilities and other	<u>288,511</u>	<u>287,294</u>
Advances for construction	<u>199,305</u>	<u>199,832</u>
Contributions in aid of construction	<u>287,771</u>	<u>285,401</u>
Commitments and contingencies		
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 3,886,862</u>	<u>\$ 3,850,752</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited

(In thousands, except per share data)

For the Three Months ended:	March 31 2023	March 31 2022
Operating revenue	\$ 131,100	\$ 172,993
Operating expenses:		
Operations:		
Water production costs	55,008	61,538
Administrative and general	35,986	33,411
Other operations	16,604	25,852
Maintenance	7,978	7,341
Depreciation and amortization	29,915	28,770

Income tax benefits	(5,644)	(1,417)
Property and other taxes	8,777	8,360
Total operating expenses	148,624	163,855
Net operating (loss) income	(17,524)	9,138
Other income and expenses:		
Non-regulated revenue	4,623	5,197
Non-regulated expenses	(2,275)	(6,986)
Other components of net periodic benefit credit	5,221	4,014
Allowance for equity funds used during construction	1,404	975
Income tax expense on other income and expenses	(1,794)	(512)
Net other income	7,179	2,688
Interest expense:		
Interest expense	12,818	11,495
Allowance for borrowed funds used during construction	(829)	(563)
Net interest expense	11,989	10,932
Net (loss) income	(22,334)	894
Loss attributable to noncontrolling interests	(123)	(192)
Net (loss) income attributable to California Water Service Group	\$ (22,211)	\$ 1,086
(Loss) Earnings per share of common stock		
Basic	\$ (0.40)	\$ 0.02
Diluted	\$ (0.40)	\$ 0.02
Weighted average shares outstanding		
Basic	55,666	53,731
Diluted	55,666	53,775
Dividends per share of common stock	\$ 0.2600	\$ 0.2500



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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 droplets on its surface, also resting on rocks. The overall color palette is dominated by blues and greys.

**First Quarter 2023 Results
Presentation**

April 27, 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 anticipate, 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, imperatives, mission and promise, and our expectations regarding the effects of DREMA and MWRAM, deferred revenue and costs, future rate increases, future credit availability, IRMA and ICBA balances, our estimated capital requirements should certain PFAS regulations become effective, completion of pending acquisitions, estimated investments and depreciation, rate base estimates, and our California General Rate Case and Cost of Capital Case, including timing, potential decisions by the CPUC and related impacts. 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, instability of certain financial institutions 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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Today's Participants

Marty Kropelnicki
President & CEO



Tom Scanlon
Corporate Controller



Tom Smegal
Vice President, CFO & Treasurer



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Presentation Overview

- Our Values and Priorities
- Financial Results
- Financial Discussion and Earnings Bridges
- Unrecorded Regulatory Mechanisms
- California Regulatory Update
- California Drought Update
- ESG Update
- PFAS Regulation
- Business Development Status
- CapEx and Rate Base Tables
- In Summary



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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: First Quarter 2023

(Amounts are in millions, except for EPS)	Q1 2022		Q1 2023	Variance
Operating Revenue	\$173.0	▼	\$131.1	(24.2%)
Operating Expenses	\$163.9	▼	\$148.6	(9.3%)
Net Interest Expense	\$10.9	▲	\$12.0	10.1%
Net Income (Loss) Attributable to CWT	\$1.1	▼	(\$22.2)	-
Diluted EPS (LPS)	\$0.02	▼	(\$0.40)	-
Capital Investments	\$68.5	▲	\$82.0	19.7%



First Quarter Revenue Discussion

2022 vs 2023 BILLED AND UNBILLED REVENUES

Due to the extremely wet winter in California, Q1 Cal Water sales fell 12% from Q1 2022

Weather also pushed unbilled revenue accrual down \$5.8M

Also, in 2022, sales and production cost changes had been offset \$12.1M by the WRAM/MCBA

In 2023, we anticipate that the effects of sales changes would be offset by the drought response memorandum account (“DREMA”) and the Monterey-Style Revenue Adjustment Mechanism (“MWRAM”); however due to the delayed CPUC decision, we are unable to record these amounts.

- Estimated potential DREMA balance for q1* \$6.5-7M
- Estimated potential MWRAM balance for q1* \$9.5-11M

REVENUE DEFERRAL

In accordance with GAAP, we defer revenue and cost related to regulatory balancing accounts not projected to be recovered within 24 months. Accordingly, we deferred an additional \$18.8M of revenue, offset by an additional \$15.4M of deferred costs, in Q1.

*DREMA is an authorized account but the value will be based on final GRC rates. MWRAM was requested in the 2021 GRC and was not disputed by any other party to the proceeding. If approved, its value would also depend on final GRC rates. Ranges are current estimates based on available information and may change as the GRC progresses. Due to the mechanisms’ connection to customer billings, first quarter estimates are not necessarily indicative of potential impacts in future quarters.

ADDITIONAL Q1 FINANCIAL NOTES

Q1 HAD A \$4.6M INCREASED GAIN ON CERTAIN NONQUALIFIED RETIREMENT PLAN ASSETS AS COMPARED TO Q1 2022

WATER PRODUCTION COSTS FELL \$6.5M DUE TO LOWER DEMAND

INVESTED \$82.0M IN CAPITAL IMPROVEMENTS DURING THE QUARTER, A 19.7% INCREASE OVER Q1 2022 DESPITE HEAVY RAINS IMPACTING CONSTRUCTION

NEW REVOLVING CREDIT AGREEMENT, INCREASING THE AMOUNT AVAILABLE TO CALIFORNIA WATER SERVICE COMPANY AND GROUP TO \$600M THROUGH 2028

BEGINNING IN Q2, CAL WATER EXPECTS TO INCREASE MOST CUSTOMER RATES BY 4% ON AN INTERIM BASIS PENDING THE RESOLUTION OF THE GRC

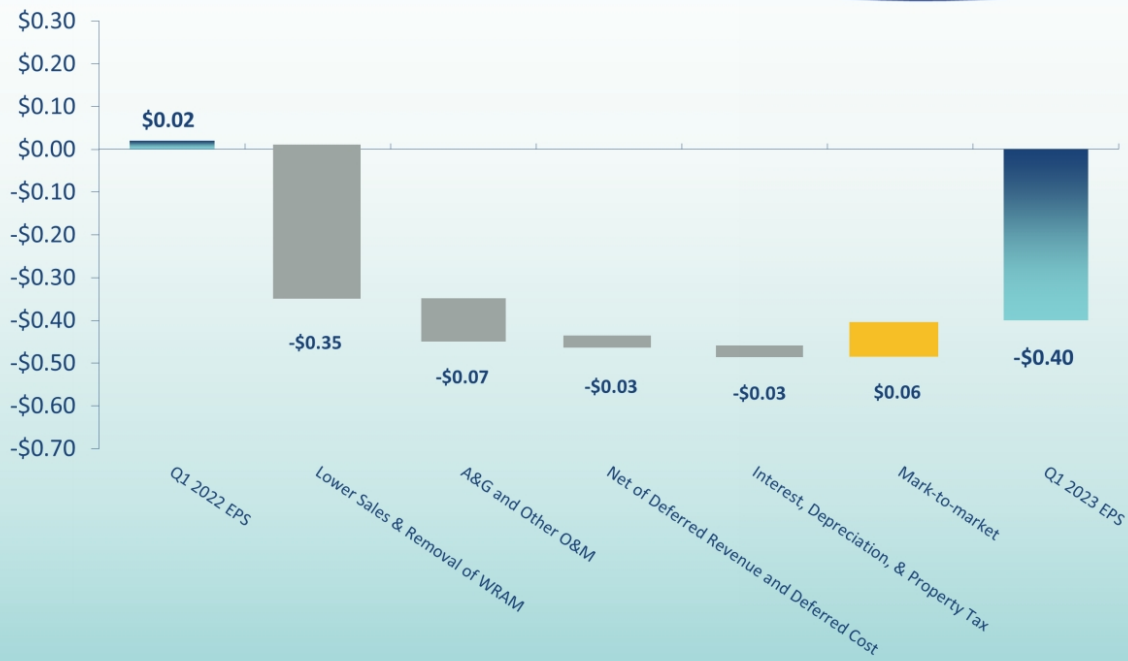


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EPS Bridge Q1 2022 to Q1 2023



Unrecorded Regulatory Mechanisms

Due to the delayed GRC we did not record certain regulatory mechanisms in the quarter:

Interim Rate Memorandum Account (IRMA): Tracks the difference between interim rates and final rates authorized by the CPUC in our 2021 GRC Filing. For the quarter, the IRMA balance would have recorded between \$8M and \$15M if a final decision on revenue requirements falls within the range set by the positions of the parties. Our practice is to record IRMA balances as revenue when amounts are known and authorized for recovery after a GRC decision.

Incremental Cost Balancing Account (ICBA): Tracks the difference between adopted and recorded water production costs. Due to the delay in the GRC, we are not able to record these amounts.

MWRAM: Tracks the difference between sales revenue and modeled single-quantity rate revenue. We cannot record these amounts due to the pending GRC. A range was provided above.

DREMA: Tracks reduced sales revenues when customer demand is affected by requests for voluntary or mandatory usage reductions. We cannot record these amounts due to the pending GRC. A range was provided above.



California Regulatory Update

- In March, the CPUC extended the statutory deadline for the cost of capital case to August 2023. The Commission may issue a proposed decision any time before that date, or it may extend the deadline in a subsequent action.
- 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 to January 1, 2022, we estimate the reduced cost of debt, if adopted at our proposed equity capital structure, would reduce 2022 authorized annual revenue by approximately \$11.0 million. This amount could be offset or increased depending on the final cost of equity and capital structure adopted by the CPUC. The potential impact to 2023 authorized annual revenue is dependent on the resolution of the 2021 GRC Filing.
- There has been no update on the California General Rate Case during the quarter.

California Drought



CAL WATER'S Q1 DROUGHT EXPENDITURES OF \$0.3M ARE RECORDED IN A MEMORANDUM ACCOUNT FOR POTENTIAL FUTURE RECOVERY. TOTAL BALANCE SINCE 2021 IS \$2.2M.

CALIFORNIA EXPERIENCED ONE OF ITS WETTEST WINTERS IN ON RECORD

AS A RESULT, GOVERNOR NEWSOM ISSUED AN EXECUTIVE ORDER EASING DROUGHT RESTRICTIONS

THE EMERGENCY REGULATION ADOPTED BY THE STATE WATER RESOURCES CONTROL BOARD REMAINS IN EFFECT

CAL WATER MANAGEMENT EXPECTS THE DREMA ACCOUNT WILL BE IN EFFECT UNTIL THIS EMERGENCY REGULATION IS LIFTED

ESG Update

2022 Key Accomplishments

- invested more than \$6.1 million in water conservation rebates and programs for customers, helping them save about 180 million gallons of drinking water.
- completed a fleet study to identify optimal replacement cycles and opportunities to downsize vehicles.
- cleared fire breaks around key facilities to minimize risk of wildfire damage and installed additional backup generators to enable us to operate during power interruptions.
- developed and refined contingency plans for operating our water treatment plants when they are impacted by climate change-driven events, including fires, floods, and droughts.
- provided unconscious bias training to 95% of our employees.
- Increased our spending with diverse suppliers to 24%.

Details will be available in our ESG report for 2022, available at calwatergroup.com/esg/ on May 16



PFAS Regulation

- In March, the US EPA published a set of draft Maximum Contaminant Levels (MCLs) for PFAS compounds
- Based on current information, if the regulation is adopted in its current form, we estimate capital investments of approximately \$200M would be needed to comply
 - The draft regulation, if unchanged, would require compliance by 2026
- While our regulators have a strong track record of allowing recovery for water treatment investments, there are also other potential sources of funds which could offset some or all of the investment over time

Business Development Project Updates

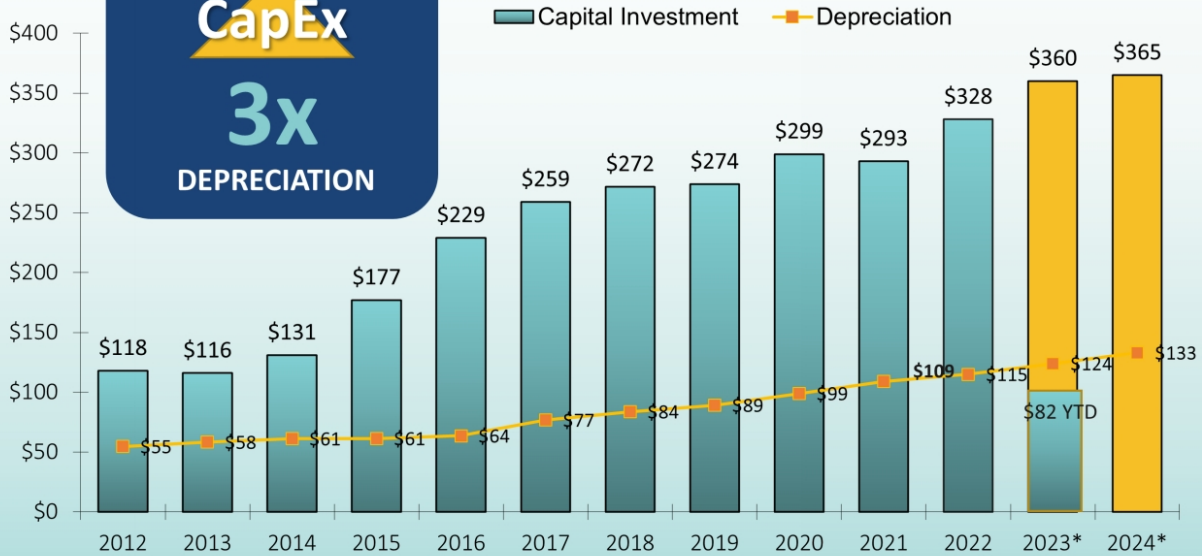
System	Water Connections	Wastewater Connections	Total	Status
Bethel Green Acres (WA)	200		200	Closed March 2023
Skylonda (CA)	176		176	CPUC Approved June 2022*
HOH Utilities (HI)		1,800 EDUs	1,800 EDUs	HPUC Approved June 2022*
Stroh's Water (WA)	900		900	WUTC Approved January 2023*
Monterey Water (NM)	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

Capital Investment and Depreciation

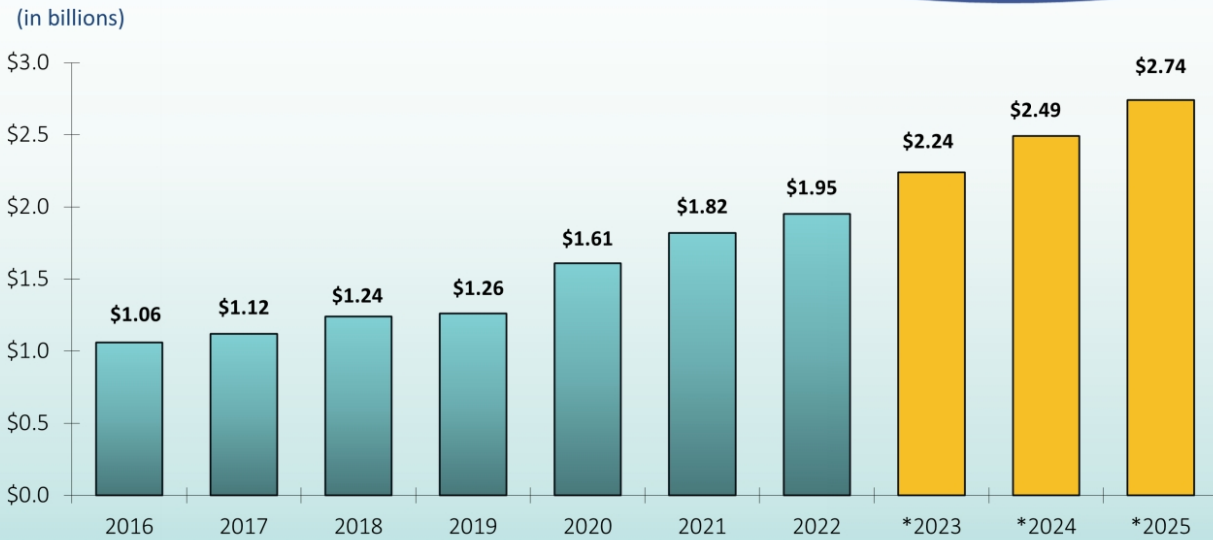
(in millions)

2015-2022 TOTAL
CapEx
3x
DEPRECIATION



* 2023-2024 Estimated investments and depreciation include amounts filed in the California 2021 GRC plus estimates for other states and does not yet include estimates for PFAS treatment.

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

- Results were driven by the revenue shortfall in Q1 due to the record wet winter, the temporary absence of regulatory mechanisms and delayed California GRC. We anticipate potential future recognition of these mechanisms would result in additional revenue in a future period.
- Our 2023 ESG report will be published on May 16.
- While we await regulatory decisions in California and continue to execute our business and capital plans, our operations teams are focused on the potential for floods and wildfires in the coming months.



CALIFORNIA
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DISCUSSION

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