



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

On February 29, 2024, 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 2023, ended December 31, 2023.

As announced, the Company will host a conference call on Thursday, February 29 2024, at 11:00 am EST to discuss financial results and management’s business outlook. The financial results announcement contains information about how to access the conference call and webcast. A slide presentation, which includes supplemental information relating to the Company, will be used by management during the conference call. A copy of the slide presentation is attached hereto as Exhibit 99.2 and is incorporated by reference herein. The Exhibits will be posted on the Company’s website at [www.calwatergroup.com](http://www.calwatergroup.com) under the “Investor Relations” tab.

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

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

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

Exhibit No.	Description
<a href="#">99.1</a>	<a href="#">Press Release issued February 29, 2024</a>
<a href="#">99.2</a>	<a href="#">Slide presentation relating to conference call</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

## SIGNATURES

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

### CALIFORNIA WATER SERVICE GROUP

Date: February 29, 2024

By: /s/ David B. Healey

Name: David B. Healey

Title: Principal Financial Officer

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1720 N. First Street, San Jose, CA 95112



February 29, 2024  
For immediate release

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CALIFORNIA WATER SERVICE GROUP ANNOUNCES  
2023 Earnings for Year and Fourth Quarter

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SAN JOSE, CA – California Water Service Group (NYSE: CWT) (“Company” or “CWT”) today announced 2023 full year net income attributable to CWT of \$51.9 million and diluted earnings per share of \$0.91 for 2023, as compared to net income attributable to CWT of \$96.0 million and diluted earnings per share of \$1.77 for 2022.

The \$44.1 million decrease in net income was primarily due to the delayed final decision from the California Public Utilities Commission (“CPUC”) on California Water Service Company’s (“Cal Water”) pending 2021 General Rate Case (“2021 GRC”) to set new revenue, rates, and regulatory mechanisms. The 2021 GRC was originally scheduled to be completed on December 31, 2022 with new rates effective on January 1, 2023. On January 24, 2024, the assigned CPUC Administrative Law Judges (“ALJs”) issued a Proposed Decision (“PD”) on the fully litigated 2021 GRC, and concurrently, the assigned CPUC Commissioner issued an Alternate Proposed Decision (“APD”) opposing and modifying certain decisions made by the ALJs. The PD issued by the ALJs was more closely aligned to Cal Water’s requested revenue requirement whereas the APD issued by the assigned Commissioner was more closely aligned to the Public Advocates’ requested revenue requirement. On February 13, 2024, Cal Water filed a request to change several elements in the PD and APD, including correction of possible technical issues. We are unable to determine which of the two proposed decisions will be adopted by the CPUC, or if a second alternate proposed decision will be issued. As a result of the uncertainty regarding the decision that will ultimately be made by the CPUC, we are unable to reasonably estimate the impact on 2023 operating revenue and expenses. Once approved by the CPUC, the 2021 GRC cumulative adjustment plus interest, which is retroactive to January 1, 2023, will be recorded.

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## Financial Results for 2023

Net income was positively impacted by increases of \$18.4 million in income tax benefit and \$12.1 million in net other income, which were partially offset by operating expense increases of \$3.2 million in water production, \$9.5 million in administrative and general, \$6.6 million in depreciation and amortization, and \$5.5 million in financing costs.

Operating revenue in 2023 was \$794.6 million, a \$51.8 million decrease from 2022 operating revenue of \$846.4 million. The decrease was primarily due to a \$66.9 million decrease in Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) revenue as these mechanisms concluded on December 31, 2022, a \$23.1 million decrease in customer usage, and a \$7.7 million revenue decrease from an increase in deferred revenue, which was partially offset by rate increases of \$30.7 million, revenue increases from new customers of \$6.7 million, and an increase in accrued unbilled revenue of \$3.5 million. 2023 operating revenue does not include rate relief tracked in the Interim Rates Memorandum Account (IRMA) or any benefit of the proposed Monterey-Style Water Revenue Adjustment Mechanism (MWRAM) and Drought Response Memorandum Account (DREMA) due to the delay in CPUC approval of our 2021 GRC.

Total operating expenses in 2023 were \$717.5 million, a \$1.3 million decrease from 2022 operating expenses of \$718.8 million.

Water production costs increased \$3.2 million, or 1.0%, to \$288.5 million in 2023 compared to the prior year. The increase in water production costs was primarily attributable to rate increases in purchased power and pump taxes.

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Administrative and general expenses increased \$9.5 million, or 7.2%, in 2023 compared to 2022. The increase was mostly due to increases of \$9.0 million in employee wages and \$1.2 million in employee benefit costs, which was partially offset by a \$1.8 million decrease in uninsured loss costs.

Other operations expenses decreased \$3.7 million, or 3.2%, to \$112.5 million compared to 2022. The decrease was due mainly to a \$6.3 million decrease in costs associated with an increase in deferred revenue, a \$2.2 million decrease in conservation expenses, and a \$1.7 million decrease in bad debt costs, which was partially offset by a \$3.6 million increase in labor costs and \$1.4 million increase in water quality testing costs.

Maintenance expense was \$32.0 million in 2023 and \$31.7 million in 2022. The \$0.3 million increase was due to increases in reservoir, tank, well, and pumping equipment repairs.

Depreciation and amortization increased \$6.6 million, or 5.8%, to \$121.2 million in 2023 primarily due to utility plant placed in-service in 2022.

Income tax benefit increased \$18.5 million to \$15.2 million compared to 2022. The increase in 2023 was primarily from a decrease in pre-tax operating income due to the delay in the regulatory approval of the 2021 GRC.

Property and other taxes increased \$1.2 million, or 3.4%, to \$36.3 million, due mostly to an increase in our assessed property values for utility plant placed in service during the year.

Net other income increased \$12.1 million, or 101.4%, to \$24.1 million in 2023 compared to 2022. The increase was primarily due to a \$12.1 million increase in unrealized gains on certain non-qualified benefit plan investments due to market conditions, \$5.7 million increase in other components of net periodic benefit credit, and a \$1.4 million increase in allowance for equity funds used during construction, which was partially offset by a \$2.8 million decrease in non-regulated revenue and \$5.3 million increase in income tax expense.

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In 2023, net interest expense increased \$5.5 million, or 12.4%, to \$49.8 million compared to 2022. The increase was due mostly to higher short-term borrowing rates and higher outstanding borrowings on our short-term credit facilities.

According to Chairman and Chief Executive Officer Martin A. Kropelnicki, the Company achieved several positive outcomes in 2023, despite the continued California 2021 GRC regulatory delays.

“The continued delay in Cal Water’s 2021 GRC clearly had an adverse impact on full year 2023 earnings results. I am hopeful the issuance of the PD and APD on January 24, 2024 will result in a final decision during the first half of 2024. While the continued delay coupled with inflation was challenging, there are other updates to report at year-end:

- The CPUC postponed Cal Water’s Cost of Capital filing to May 1, 2025. As a result, Cal Water’s authorized return on equity will be 10.27% in 2024, and in 2025 it will be 10.27% plus or minus any changes from the Water Cost of Capital Adjustment Mechanism.
  - The Company invested \$383.7 million in infrastructure improvements in 2023, which was a 17.1% increase from the same period last year. We continue to invest diligently in our water system infrastructure so that we are positioned to provide reliable quality service to our customers and adapt to the effects of climate change.
  - Our efforts to reduce customer monthly bills include requesting \$83.0 million from the State of California Water Arrearages Payment Program in November 2023 to pay residential and commercial customer delinquent and uncollected account balances. Our request is pending approval.
  - We remain focused on the ESG topics that we believe are most important to our business and to our key stakeholders, and we are proud of the significant progress made in 2023 in the areas of climate change, affordability, infrastructure investment, and sustainability. The details of our accomplishments will be reported in our 2023 ESG Report, which we expect to publish in May 2024.
  - We declared our 316<sup>th</sup> consecutive quarterly dividend and increased the Company’s 2024 annual dividends by 7.7%.
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The bottom line, we expect the California regulatory delay to be resolved soon, and we remain laser focused on executing our strategy and serving our customers,” Kropelnicki said.

#### Fourth Quarter 2023 Results

For the fourth quarter of 2023, net income attributable to CWT was \$30.1 million and diluted earnings per share was \$0.52 compared to a net income attributable to CWT of \$19.6 million and diluted earnings per share was or \$0.35 for the fourth quarter of 2022. The \$10.6 million increase was primarily due to a \$12.3 million revenue increase from a decrease in deferred revenue, \$11.2 million increase in income tax benefit, and a \$2.8 million increase in net other income, which was partially offset by expense increases of \$6.2 million in water production expenses, \$5.3 million in employee wages, \$3.4 million in depreciation and amortization, and \$1.2 million in financing costs.

Results for the fourth quarter of 2023 were negatively impacted by the delayed decision on Cal Water’s pending 2021 GRC to establish new revenue, rates, and regulatory mechanisms.

Operating revenue for the fourth quarter increased \$13.6 million, or 6.8%, to \$214.5 million primarily due to rate increases of \$13.8 million, an increase of \$12.3 million in revenue from a decrease in deferred revenue, an increase in customer usage of \$3.3 million, and an increase in accrued unbilled revenue of \$2.1 million, which was partially offset by a decrease in WRAM and MCBA balancing account revenues of \$18.1 million.

Total operating expenses for the fourth quarter increased \$4.6 million to \$179.3 million. The increase was mainly due to increases of \$6.2 million in water production expenses, \$5.3 million in employee wages, \$3.4 million in depreciation and amortization, and \$1.2 million in financing costs, which was partially offset by an \$11.2 million increase in income tax benefits.

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Income tax benefit for the fourth quarter of 2023 increased \$11.2 million to \$13.8 million compared to the fourth quarter of 2022. The increase was primarily from a decrease in pre-tax operating income due to the delay in the regulatory approval of the 2021 GRC.

In the fourth quarter of 2023, net other income increased \$2.7 million to \$7.0 million from \$4.3 million in the fourth quarter of 2022. The fourth quarter increase was mostly due to a \$2.0 million increase in unrealized gains on non-qualified benefit plan investments and a \$2.5 million increase in other components of net periodic benefit credit.

Net interest expense in the fourth quarter of 2023 increased \$1.2 million, or 11.2%, to \$29.9 million compared to the same period in 2022, primarily due to increases in short-term borrowing rates and higher outstanding borrowings on our short-term credit facilities.

#### Liquidity and Financing

CWT's liquidity remains strong. As of December 31, 2023, CWT maintained \$85.0 million of cash, of which \$45.4 million was classified as restricted, and had additional short-term borrowing capacity of \$420.0 million, subject to meeting the borrowing conditions on the CWT and Cal Water lines of credit. CWT's At-the-Market equity program and Employee Stock Purchase Program provided cash of \$115.1 million in 2023. Cal Water requested \$83.0 million from the State of California Water Arrearages Payment Program in November 2023 to pay residential and commercial customer delinquent and uncollected account balances during the period from June 16, 2021 to December 31, 2022. Our request is pending approval. CWT's customer accounts receivable balances more than 60 days as of December 31, 2023 was \$15.5 million, a decrease of \$2.1 million compared to customer accounts receivable balances more than 60 days as of December 31, 2022.

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CWT's capital investments in 2023 was \$383.7 million which was a 17.1% increase from the same period last year.

On January 25, 2024, the Board of Directors increased the quarterly cash dividend by 7.7% and approved a quarterly cash dividend of \$0.28 per share of common stock.

#### Other Information

All stockholders and interested investors are invited to attend the conference call on February 29, 2024 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# 4241548, or you may access the live audio webcast at <https://edge.media-server.com/mmc/p/denrydyv>. 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 2:00 p.m. ET on Thursday, February 29, 2024 through Monday, April 29, 2024, at 1-800-770-2030 or 1-609-800-9909, ID# 4241548, or by accessing the webcast above. The call will be hosted by Chairman and Chief Executive Officer Martin A. Kropelnicki, Senior Vice President, Chief Financial Officer and Treasurer James P. Lynch, Principal Financial Officer David B. Healey, and Vice President, Rates and Regulatory Affairs Greg A. Milleman. 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](http://www.calwatergroup.com).

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*This news release contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 ("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 Cal Water's expected financial performance, authorized return on equity and expectations regarding the 2021 GRC Filing and the regulatory process, including timing and business and financial impact. 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: 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, which impacted the 2021 GRC Filing; the outcome and timeliness of regulatory commissions' actions concerning rate relief and other matters, including with respect to the 2021 GRC Filing; increased risk of inverse condemnation losses as a result of climate change and drought; our ability to renew leases to operate water systems owned by others on beneficial terms; changes in California State Water Resources Control Board water quality standards; changes in environmental compliance and water quality requirements; electric power interruptions, especially as a result of Public Safety Power Shutoff (PSPS) programs; housing and customer growth; the impact of opposition to rate increases; our ability to recover costs; availability of water supplies; issues with the implementation, maintenance or security of our information technology systems; civil disturbances or terrorist threats or acts; the adequacy of our efforts to mitigate physical and cyber security risks and threats; the ability of our enterprise risk management processes to identify or address risks adequately; labor relations matters as we negotiate with the unions; changes in customer water use patterns and the effects of conservation, including as a result of drought conditions; our ability to complete, in a timely manner or at all, successfully integrate and achieve anticipated benefits from announced acquisitions; the impact of weather, climate change, natural disasters, and actual or threatened public health emergencies, including disease outbreaks, on our operations, water quality, water availability, water sales and operating results and the adequacy of our emergency preparedness; restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends; risks associated with expanding our business and operations geographically; the impact of stagnating or worsening business and economic conditions, including inflationary pressures, general economic slowdown or a recession, increasing interest rates, instability of certain financial institutions, changes in monetary policy, adverse capital markets activity or macroeconomic conditions as a result of the geopolitical conflicts, and the prospect of a shutdown of the U.S. federal government; 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; the impact of evolving legal and regulatory requirements, including emerging environmental, social and governance requirements; and other risks and unforeseen events described in our SEC filings. In light of these risks, uncertainties and assumptions, investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this news release. 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

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**CALIFORNIA WATER SERVICE GROUP**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

Unaudited

	December 31 2023	December 31 2022
(In thousands, except per share data)		
<b>ASSETS</b>		
<b>Utility plant:</b>		
Utility plant	\$ 4,925,483	\$ 4,536,272
Less accumulated depreciation and amortization	(1,152,228)	(1,063,341)
Net utility plant	3,773,255	3,472,931
<b>Current assets:</b>		
Cash and cash equivalents	39,591	62,100
Restricted cash	45,375	22,925
<b>Receivables:</b>		
Customers, net	59,349	55,079
Regulatory balancing accounts	64,240	66,826
Other, net	16,431	20,932
Unbilled revenue, net	36,999	33,140
Materials and supplies	16,170	12,564
Taxes, prepaid expenses, and other assets	18,130	21,969
Total current assets	296,285	295,535
<b>Other assets:</b>		
Regulatory assets	257,621	283,620
Goodwill	37,039	36,814
Other assets	231,333	175,913
Total other assets	525,993	496,347
<b>TOTAL ASSETS</b>	<b>\$ 4,595,533</b>	<b>\$ 4,264,813</b>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization:</b>		
Common stock, \$.01 par value; 136,000 shares authorized, 57,724 and 55,598 outstanding in 2023 and 2022, respectively	\$ 577	\$ 556
Additional paid-in capital	876,583	760,336
Retained earnings	549,573	556,698
Noncontrolling interests	3,579	4,804
Total equity	1,430,312	1,322,394
Long-term debt, net	1,052,768	1,052,487
Total capitalization	2,483,080	2,374,881
<b>Current liabilities:</b>		
Current maturities of long-term debt, net	672	3,310
Short-term borrowings	180,000	70,000
Accounts payable	157,305	140,986
Regulatory balancing accounts	21,540	12,240
Accrued interest	6,625	6,490
Accrued other liabilities	64,197	61,624
Total current liabilities	430,339	294,650
<b>Deferred income taxes</b>	<b>352,762</b>	<b>330,251</b>
<b>Pension</b>	<b>82,920</b>	<b>78,443</b>
<b>Regulatory liabilities and other</b>	<b>760,493</b>	<b>701,355</b>
<b>Advances for construction</b>	<b>199,448</b>	<b>199,832</b>
<b>Contributions in aid of construction</b>	<b>286,491</b>	<b>285,401</b>
<b>Commitments and contingencies</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 4,595,533</b>	<b>\$ 4,264,813</b>
	\$ -	\$ -

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

Unaudited

(In thousands, except per share data)

**For the Three Months ended:**

	<b>December 31 2023</b>	<b>December 31 2022</b>
<b>Operating revenue</b>	<b>\$ 214,512</b>	<b>\$ 200,937</b>
<b>Operating expenses:</b>		
Operations:		
Water production costs	70,290	64,069
Administrative and general	37,058	33,293
Other operations	37,723	34,227
Maintenance	7,912	8,326
Depreciation and amortization	31,576	28,188
Income tax benefit	(13,823)	(2,665)
Property and other taxes	8,540	9,212
Total operating expenses	<u>179,276</u>	<u>174,650</u>
Net operating income	<u>35,236</u>	<u>26,287</u>
<b>Other income and expenses:</b>		
Non-regulated revenue	4,866	4,504
Non-regulated expenses	(583)	(2,389)
Other components of net periodic benefit credit	5,462	2,960
Allowance for equity funds used during construction	1,405	1,106
Income tax expense on other income and expenses	(4,106)	(1,903)
Net other income	<u>7,044</u>	<u>4,278</u>
<b>Interest expense:</b>		
Interest expense	13,018	11,714
Allowance for borrowed funds used during construction	(676)	(620)
Net interest expense	<u>12,342</u>	<u>11,094</u>
<b>Net income</b>	<u>29,938</u>	<u>19,471</u>
<b>Net loss attributable to noncontrolling interests</b>	<u>(190)</u>	<u>(98)</u>
<b>Net income attributable to California Water Service Group</b>	<u>\$ 30,128</u>	<u>\$ 19,569</u>
<b>Earnings per share of common stock</b>		
Basic	<u>\$ 0.52</u>	<u>\$ 0.36</u>
Diluted	<u>\$ 0.52</u>	<u>\$ 0.35</u>
<b>Weighted average shares outstanding</b>		
Basic	<u>57,715</u>	<u>55,083</u>
Diluted	<u>57,756</u>	<u>55,133</u>
<b>Dividends per share of common stock</b>	<u>\$ 0.26</u>	<u>\$ 0.25</u>

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

Unaudited

(In thousands, except per share data)

**For the Twelve Months ended:**

	<b>December 31 2023</b>	<b>December 31 2022</b>
<b>Operating revenue</b>	\$ 794,632	\$ 846,431
<b>Operating expenses:</b>		
Operations:		
Water production costs	288,512#	285,264
Administrative and general	142,235	132,718
Other operations	112,481	116,172
Maintenance	31,975	31,715
Depreciation and amortization	121,212	114,575
Income tax (benefit) expense	(15,189)	3,262
Property and other taxes	36,271	35,065
Total operating expenses	717,497	718,771
Net operating income	77,135	127,660
<b>Other income and expenses:</b>		
Non-regulated revenue	18,509	21,276
Non-regulated expenses	(11,807)	(24,821)
Other components of net periodic benefit credit	20,215	14,476
Allowance for equity funds used during construction	5,551	4,127
Income tax expense on other income and expenses	(8,408)	(3,113)
Net other income	24,060	11,945
<b>Interest expense:</b>		
Interest expense	52,809	46,686
Allowance for borrowed funds used during construction	(2,990)	(2,344)
Net interest expense	49,819	44,342
<b>Net income</b>	51,376	95,263
<b>Net loss attributable to noncontrolling interests</b>	(535)	(748)
<b>Net income attributable to California Water Service Group</b>	\$ 51,911	\$ 96,011
<b>Earnings per share of common stock</b>		
Basic	\$ 0.91	\$ 1.77
Diluted	\$ 0.91	\$ 1.77
<b>Weighted average shares outstanding</b>		
Basic	56,952	54,320
Diluted	56,983	54,363
<b>Dividends per share of common stock</b>	\$ 1.04	\$ 1.00



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**CWT**  
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# 2023 Year and Fourth Quarter Earnings Results Presentation

February 29, 2024





# 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 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 Cal Water's authorized return on equity, expectations regarding the 2021 GRC Filing and the regulatory process, including timing and business and financial impacts, completion of pending acquisitions, estimated capital investments and depreciation and rate base estimates. 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: 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, which impacted the 2021 GRC Filing; the outcome and timeliness of regulatory commissions' actions concerning rate relief and other matters, including with respect to the 2021 GRC Filing; increased risk of inverse condemnation losses as a result of climate change and drought; our ability to renew leases to operate water systems owned by others on beneficial terms; changes in California State Water Resources Control Board water quality standards; changes in environmental compliance and water quality requirements; electric power interruptions, especially as a result of Public Safety Power Shutoff (PSPS) programs; housing and customer growth; the impact of opposition to rate increases; our ability to recover costs; availability of water supplies; issues with the implementation, maintenance or security of our information technology systems; civil disturbances or terrorist threats or acts; the adequacy of our efforts to mitigate physical and cyber security risks and threats; the ability of our enterprise risk management processes to identify or address risks adequately; labor relations matters as we negotiate with the unions; changes in customer water use patterns and the effects of conservation, including as a result of drought conditions; our ability to complete, in a timely manner or at all, successfully integrate and achieve anticipated benefits from announced acquisitions; the impact of weather, climate change, natural disasters, and actual or threatened public health emergencies, including disease outbreaks, on our operations, water quality, water availability, water sales and operating results and the adequacy of our emergency preparedness; restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends; risks associated with expanding our business and operations geographically; the impact of stagnating or worsening business and economic conditions, including inflationary pressures, general economic slowdown or a recession, increasing interest rates, instability of certain financial institutions, changes in monetary policy, adverse capital markets activity or macroeconomic conditions as a result of the geopolitical conflicts, and the prospect of a shutdown of the U.S. federal government; 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; the impact of evolving legal and regulatory requirements, including emerging environmental, social and governance requirements; and other risks and unforeseen events described in our SEC filings. In light of these risks, uncertainties and assumptions, investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this news release. 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**

Chairman & CEO



**James Lynch**

Sr. Vice President, CFO & Treasurer



**David Healey**

Principal Financial officer



**Greg Milleman**

Vice President, Rates & Regulatory Affairs



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## Presentation Overview

- Our Values and Priorities
- 2023 Year Financial Results
- 2023 Fourth Quarter Financial Results
- California Regulatory Update
- PFAS Regulation Update
- Business Development Status
- CapEx and Rate Base Tables
- In Summary





## OUR STRATEGIC GOALS & IMPERATIVES

### Affordable, Excellent Service

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

### Sustainability & Community Impact

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



### Public Health & Safety

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

### Enhanced Stockholder Value

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

### Employees as Best Advocates

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





## Full Year 2023 Highlights

(Given the delay in regulatory approval of Cal Water's 2021 GRC)

The **\$44.1 million** decrease in net income in 2023 compared to the prior year, was primarily due to the delayed final decision from the California Public Utilities Commission ("CPUC") on California Water Service Company's ("Cal Water") pending 2021 General Rate Case ("2021 GRC"). In January 2024, the assigned CPUC Administrative Law Judges ("ALJs") issued a Proposed Decision ("PD") on the fully litigated 2021 GRC, and concurrently, the assigned CPUC Commissioner issued an Alternate Proposed Decision ("APD") opposing and modifying certain decisions made by the ALJs. The PD issued by the ALJs was closer aligned to Cal Water's requested revenue requirement where as the APD issued by the assigned CPUC Commissioner was closer aligned to the Public Advocates' requested revenue requirement. We are unable to determine which of the two proposed decisions will be adopted by the CPUC, or if a second alternate proposed decision will be issued by the CPUC. As a result of uncertainty regarding the decision that will ultimately be made by the CPUC, we are unable to reasonably estimate the impact on 2023 operating revenue and expenses.



## 2023 Year Financial Highlights

(Given the delay in regulatory approval of Cal Water's 2021 GRC)

### Operating revenue decreased \$51.8M

- \$66.9M decrease in WRAM and MCBA revenue as the mechanisms concluded on December 31, 2022.
- \$23.1M decrease in customer usage revenue.
- \$7.7M revenue decrease from an increase in deferred revenue.
- Partially offset by \$30.7M of rate increases, \$6.7M revenue increase from new customers, and \$3.5M increase from accrued unbilled revenue.

### Total operating expenses decreased \$1.3M

- \$18.5M increase in income tax benefit.
- \$3.7M decrease in other operations expenses from an increase in deferred revenue.
- Partially offset by \$13.4M increase in labor costs, \$3.2M increase in water production costs, and \$6.6M increase in depreciation and amortization.



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# Financial Results: Year 2023

(Given the delay in regulatory approval of Cal Water's 2021 GRC)

(Amounts are in millions, except for EPS)	YTD Dec 31, 2022		YTD Dec 31, 2023	Variance
Operating Revenue	\$846.4	▼	\$794.6	(6.1%)
Operating Expenses	\$718.8	▼	\$717.5	(0.2%)
Net Interest Expense	\$44.3	▲	\$49.8	12.4%
Net Income Attributable to CWT	\$96.0	▼	\$51.9	(45.9%)
Diluted EPS	\$1.77	▼	\$0.91	(48.4%)
Capital Investments	\$327.8	▲	\$383.7	17.1%



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## Additional Full Year 2023 Highlights

(Given the delay in regulatory approval of Cal Water's 2021 GRC)

California Water Service Group (Group) Invested **\$383.7M** in capital improvements in 2023, a 17.1% increase over 2022.

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The 2023 increase in income tax benefit of **\$18.5 million** compared to the prior year, was primarily from a decrease in pre-tax operating income due to the delay in the regulatory approval of Cal Water's 2021 GRC.

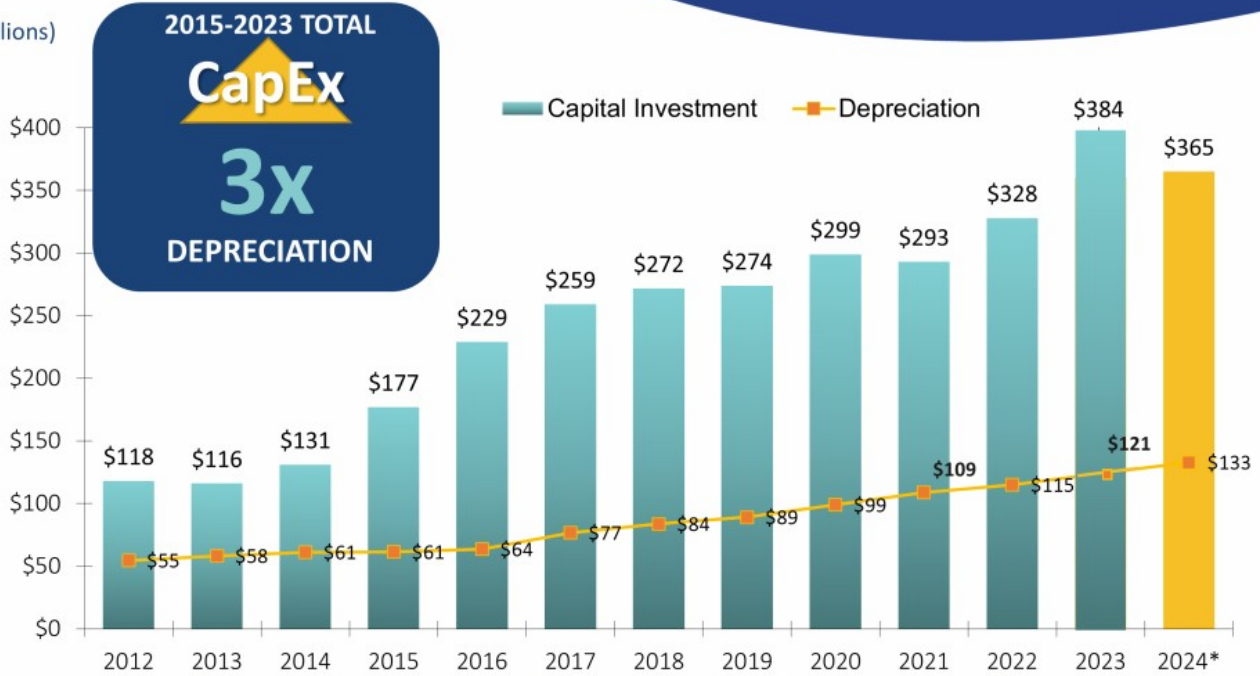
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2023 increase in unrealized gains on certain non-qualified benefit plan investments of **\$12.1 million** compared to the prior year, was due to favorable changes in market conditions.

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# Capital Investment and Depreciation

(in millions)



\* 2024 Estimated investments and depreciation include amounts filed in California 2021 GRC Filing plus estimates for other states and does not yet include estimates for PFAS treatment and AMI / AMR meter replacement program.

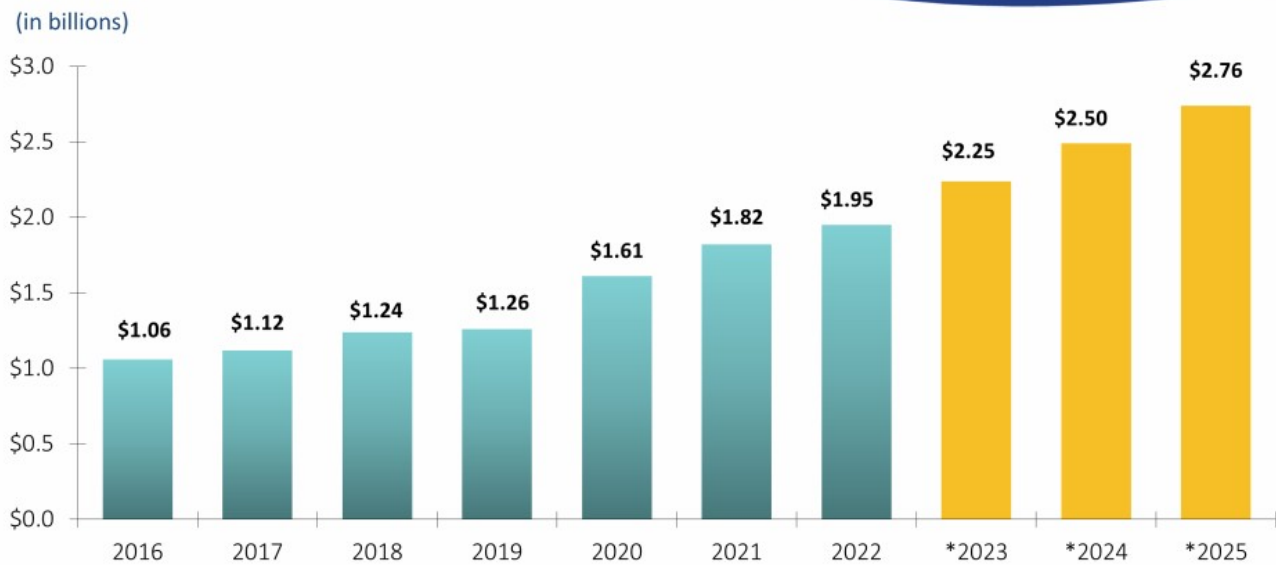


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# Estimated Regulated Rate Base of CWT



\*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 CPUC and other regulators

# EPS Bridge Full Year 2022 to 2023

(Given the delay in regulatory approval of Cal Water's 2021 GRC)



## Fourth Quarter 2023 Financial Highlights

(Given the delay in regulatory approval of  
Cal Water's 2021 GRC)

Operating revenue increased **\$13.6M**

- **\$13.8M** revenue increase from rate increases.
- **\$12.3M** revenue increase from a decrease in deferred revenue.
- **\$3.3M** increase in customer usage revenue.
- Partially offset a **\$18.1M** decrease in WRAM and MCBA revenue as the mechanisms concluded on December 31, 2022.

Total operating expenses increased **\$4.6M**

- **\$6.2M** increase in water production costs.
- **\$5.3M** increase in labor costs.
- **\$3.4M** increase in depreciation and amortization.
- Partially offset by an **\$11.2M** increase in income tax benefit.



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## Financial Results: Fourth Quarter 2023

(Given the delay in regulatory approval of Cal Water's 2021 GRC)

(Amounts are in millions, except for EPS)	Fourth Quarter 2022		Fourth Quarter 2023	Variance
Operating Revenue	\$200.9	▲	\$214.5	6.8%
Operating Expenses	\$174.7	▲	\$179.3	2.6%
Net Interest Expense	\$11.1	▲	\$12.3	11.2%
Net Income Attributable to CWT	\$19.6	▲	\$30.1	53.8%
Diluted EPS	\$0.35	▲	\$0.52	47.0%
Capital Investments	\$105.7	▲	\$109.6	3.7%



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## Additional Fourth Quarter 2023 Highlights

(Given the delay in regulatory approval of Cal Water's 2021 GRC)

**Strong liquidity.** As of December 31, 2023, Group maintained **\$85.0 million** of cash, of which **\$45.4 million** was classified as restricted, and had additional short-term borrowing capacity of **\$420.0 million**, subject to meeting the borrowing conditions on the Group and Cal Water lines of credit.

Group's collection process improvements reduced December 31, 2023 customer accounts receivable balances more than 60 days **by \$2.1 million to \$15.5 million** compared to the prior year. Additionally, we requested **\$83.0 million** from the State of California Water Arrearages Payment Program in November 2023 to pay residential and commercial customer delinquent and uncollected account balances. Our request is pending approval.

**Dividend Growth.** Group declared **316<sup>th</sup>** consecutive quarterly dividend and increased 2024 annual dividends **by 7.7%**.

**ESG Focus.** We remain focused on the ESG topics that we believe are most important to our business and to our key stakeholders. Achieved significant progress in the areas of climate change, affordability, infrastructure investment, and sustainability.

# EPS Bridge Fourth Quarter 2022 to 2023

(Given the delay in regulatory approval of Cal Water's 2021 GRC)



# California 2021 General Rate Case Update



On January 24, 2024, the assigned CPUC ALJs issued a PD on the fully litigated 2021 GRC, and concurrently, the assigned CPUC Commissioner issued an APD opposing and modifying certain decisions made by the ALJs.

On February 13, 2024, Cal Water completed a CPUC filing. In our filing, Cal Water stated support for the ALJs PD, recommended significant changes to the APD, and requested changes to several elements in the PD and APD including correction of possible technical issues. The earliest the CPUC can deliberate on the PD and APD is March 7, 2023.


On February 20, 2024, Cal Water completed a CPUC filing to explain Cal Water's disagreements with certain comments by the Public Advocates on the PD in their February 13, 2024 CPUC filing.



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# California 2021 General Rate Case Update, Continued



On February 13, 2024, California Water Association, a party to the 2021 GRC, completed a filing with the CPUC expressing concerns that the APD departs from standard CPUC practice and precedent on capital projects and early retirements of capital investments.

At the CPUC meeting on February 15, 2024, during the open comment period, approximately twenty Cal Water customers, concerned citizens and businesses requested the CPUC to approve the PD and reject the APD. No speakers supported the APD.


On February 16, 2024, several California utilities sent a letter to the CPUC expressing concern that the APD departs from standard CPUC practice and precedent.



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# California 2021 General Rate Case Update, Continued



We are unable to determine which of the proposed decisions will be adopted by the CPUC, or if a second alternate proposed decision will be issued by the CPUC.

Once approved by the CPUC, the Cal Water 2021 GRC cumulative adjustment plus interest, which is retroactive to January 1, 2023, will be recorded.



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# California 2021 General Rate Case Update

## Focus on Decoupling

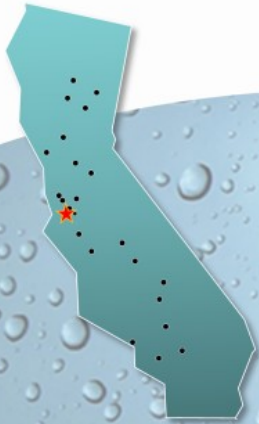
Cal Water's 2021 GRC contains provisions designed to mitigate the absence of a decoupling program:

- Lower estimated sales, factoring in continued conservation efforts.
- Rates designed to reduce revenue volatility but still send price signal to highest users.
- Estimated production costs accounting for realistic mix of water sources.

Cal Water and others have appealed CPUC decoupling decision to California Supreme Court; case expected to be heard within the first six months of 2024.

In 2022, a Cal Water led coalition secured passage of legislation requiring CPUC to consider decoupling proposals, reversing a portion of CPUC's 2020 decision that prohibited utilities from even applying for decoupling.

Cal Water will request decoupling to be reinstated on January 1, 2026 in its July 1, 2024 GRC.

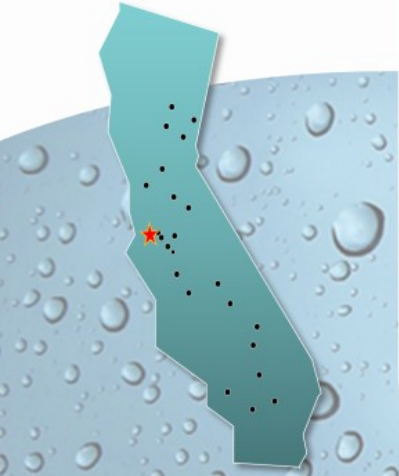


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# Cal Water's Cost of Capital Proceeding Update



CPUC granted Cal Water's request to postpone the May 1, 2024 Water Cost of Capital proceeding to May 1, 2025. As a result of the 2023 adjustment from the Water Cost of Capital Mechanism (WCCM), Cal Water's authorized return on equity (ROE) is 10.27% in 2024. In 2025, the ROE of 10.27% may be adjusted plus or minus any changes from the WCCM during the period from October 1, 2023 to September 30, 2024.

WCCM adjusts Cal Water's return on equity rate up or down when the Moody's Utilities Bond Index fluctuates more than 100 basis points between Cost of Capital proceedings during the 12-month period from October 1 to September 30.

When the CPUC adopts Cal Water's May 1, 2025 Cost of Capital proceeding decision, the new authorized capital structure, ROE and cost of debt rates, are expected to be effective on January 1, 2026.



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## PFAS Regulation Update

- In March 2023, USEPA published **draft Maximum Contaminant Levels (MCLs)** for PFAS compounds.
- Based on current information, if regulation is adopted in the current proposed form, we estimate **capital investments of approximately \$215M** needed to comply. These capital investments will be incremental to the capital investments included in our GRC filings.
  - Draft regulation, if unchanged and finalized by 2024, would require **compliance by 2027**.

While our regulators have a strong track record of allowing recovery for regulatorily required water treatment investments, there are also other potential sources of funds that could offset some or all investment over time. Cal Water filed an application to include infrastructure investments as well as operating expenses in existing memorandum account.

# Business Development Project Updates

2023 Acquisitions				
<u>System</u>	<u>Water Connections</u>	<u>Wastewater Connections</u>	<u>Total</u>	<u>Status</u>
Bethel Green Acres (WA)	200		200	Closed March 2023
Stroh's Water (WA)	900		900	Closed July 2023
Skylonda (CA)	176		176	Closed August 2023
HOH Utilities (HI)		1,800 EDUs	1,800 EDUs	Closed December 2023
Monterey Water (NM)	380		380	Closed December 2023
Camino Real Utility Water Pipeline (TX)	Up to 5,000 for current phase	Up to 5,000 for current phase	Up to 10,000 for current phase	Closed December 2023, pipeline facilities under construction
KSSCS (HI)		400 EDUs	400 EDUs	Announced April 2022*
Number of Connections Added in 2023			3,856 active connections (10,000 greenfield connections)	
* Announced acquisitions below are subject to customary closing conditions and regulatory approval				



# In Summary

2023 Full Year and Fourth Quarter earnings results were in line with expectations given the delayed proposed decision on Cal Water's 2021 GRC, which had an adverse impact on earnings results.

The issuance of a PD and APD on January 24, 2024 is expected to result in a final decision during the first half of 2024.

We remain laser focused on executing our strategy and serving our customers.



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## DISCUSSION

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