MODERATOR: Good morning, ladies and gentlemen. And welcome to the California Water Service Group Q4 and year end 2023 earnings call. I would now like to introduce you to David Healey, principal financial officer for California Water Service Group. Please go ahead.

DAVID HEALEY: Thank you, John. Welcome, everyone, to the 2023 year and fourth quarter results call for California Water Service Group. With me today is Marty Kropelnicki, our chairman and CEO; Jim Lynch, senior vice president, chief financial officer, and treasurer; and Greg Milliman our vice president, rights and regulatory affairs officer.

Replay dial in information for this call can be found in our quarterly results release, which was issued earlier today. The replay will be available until April 29th, 2024. As a reminder, before we begin, the company has a slide deck to accompany the earnings call today. The slide deck was furnished with an 8-K yesterday afternoon and is also available at the company's website at www.calwatergroup.com.

Before looking at the 2023 year and fourth quarter results, we'd like to take a few moments to cover forward-looking statements. During the course of the call, the company may make certain forward-looking statements. Because these statements deal with future events, they are subject to various risks and uncertainties. And actual results could differ materially from the company's current expectations.

Because of this, the company strongly advises all current shareholders as well as interested parties to carefully read and understand the company's disclosures on risks and uncertainties found in our Form 10-K, Form 10-Q, press releases, and other reports filed from time to time with the Securities and Exchange Commission. And now I'll turn it over to Marty.

MARTIN KROPELNICKI: Good morning, everyone. Thanks for joining us today. We have a little bit of a bigger group today going through the results for year end. As many of you know, Dave Healey stepped in as our interim chief financial officer. Dave Healey is wrapping up the year with me. I'll be certifying the financials as the principal financial officer.

So Dave and I'll be signing the 10-K essentially for the company. And hopefully, everyone's seeing the press release after conducting a nationwide search. We ended up hiring someone in our own backyard, Jim Lynch. And Jim has joined our company as our senior vice president and chief financial officer and treasurer.

I think many of you know Jim from his time at SJW. What many of you probably don't know as Jim was the audit partner on our account for a number of years, going back to when I joined the company. And so I've had the privilege of working with Jim for the last 18 years. And I'm very glad that he's joined our company as our senior vice president and CFO.

So Jim will be picking up part of the presentation today. But he doesn't get to start certifying the financials until the Q1 and Q gets filed in April. So that's the plan for today. And then we have Greg Milliman here today to help talk about what's going on with the rates delay, which is probably the big topic of the day, is the continued delay in the 2021 general rate case. And as you'll see, we were unable to conclude what was reasonable to book based on a PD and an APD being issued. And so we're going to talk about that throughout the program here today.

So let's go ahead and jump into the financials with Dave. And then we will be going back and forth as we present different parts of the presentation. And then I'll conclude with some closing thoughts. And then we'll open up the Q&A. So, Dave, I'm going to hand it back to you.

DAVID HEALEY: Thank you, Marty. Moving to slide 5 2023 year financial highlights, in 2023 and 2022, full year net income attributable to California Water Service Group was 51.9 million and 96 million respectively, a decrease of 44.1 million or 45.9%.

2023 diluted earnings per share was $0.91 compared to 2022 diluted earnings per share of $1.77, a decrease in diluted earnings per share of $0.86 or 48.4%. The 44 million decrease in net income was primarily due to the delayed final decision from the California Public Utility Commission or CPUC on California Water Service Company or Cal Water pending 2021 General Rate Case or GRC to set new revenue rates and regulatory mechanisms.

The 2021 GRC was originally scheduled to be completed on December 31st, 2022, with new rates effective on January 1, 2023. On January 24, 2024, the assigned CPUC administrative law judges issued a Proposed Decision, the PD, on the litigated 2021 GRC. And concurrently, the assigned CPUC commissioner issued an Alternate Proposed Decision or APD opposing and modifying certain decisions made by the administrative law judges.

The PD issued by the administrative law judges was more closely aligned to Cal Waters' requested revenue requirement, whereas the APD issued by the assigned commissioner was more closely aligned to the public advocates' requested revenue requirement. On February 13th, 2024, Cal Water filed a request to change several elements in the PD and APD, including correction of possible technical issues.

We were 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.

Also, net income was positively impacted by 18.5 million in income tax benefit due primarily to a reduction in pre-tax operating income driven by the delay 2021 GRC and a 12.1 million increase in net other income, mostly due to unrealized gains on certain non-qualified benefit plan investments due to favorable market conditions in 2023.

Moving on to slide 6, 2023 full-year operating revenue does not include a revenue adjustment for the 2021 GRC due to the delay. Given that, 2023 full operating revenue decreased 51.8 million or 6.1% to 794.6 million compared to 2022 full year operating revenue of 846.4 million.

The revenue decrease was mostly due to a 66.9 million decrease in WRAM and MCBA operating revenue, as these mechanisms concluded on December 31st, 2022 and a 23.1 million decrease in 2023 customer usage due to heavy precipitation in winter months and customers continued drought related conservation efforts. These decreases were partially offset by 2023 rate increases of 30.7 million, mostly from a 4% rate increase in most of our California districts, effective May 5th, 2023, an increase in Cal Waters' authorized return on equity from 9.2% to 9.57% effective July 31st, 2023, and cost offset revenue increases for water production, purchased water, purchase power, pump tax rate increases.

2023 full year total operating expenses decreased $1.3 million to 717.5 million compared to 2022 full year total operating expenses of 718.8 million. The decrease was mostly due to an 18.5 million increase in income tax benefit, primarily from a decrease in pre-tax operating income due to the delay in the regulatory approval of our 2021 GRC, and a 3.7 million decrease in other operating expenses, which were partially offset by increases of 13.4 million in labor costs, 3.2 million in water production costs, and 6.6 million in depreciation and amortization expense.

Moving on to slide 7, financial results year 2023, in 2023, net interest expense increased 5.5 million or 12.4% to 49.8 million compared to 2022. The increase was mostly due to higher short term borrowing rates and higher outstanding borrowings on our short term credit facilities. And now I'll turn it over to Jim to cover slide 8.

JAMES LYNCH: Thanks, Dave. So on slide 8, we list some of our notable achievements for 2023. Capping off those achievements was our success in terms of our capital investment. We made just under $384 million of capital investment during the year. The total included, $326 million, that was invested in our Cal Water service territory.

The total also includes $17 million of developer funded CIAC projects. In addition, Dave mentioned our tax benefit of 18.1 million. The benefit was primarily due to our pre-tax lower earnings coupled with our repairs and maintenance deduction and amortization of the excess deferred income taxes that we benefited from in terms-- from the TCJA tax act in 2017.

In 2023, we also experienced a $12.1 million increase in other non-regulated revenue and expenses. And that was related to unrealized gains on certain non-qualified benefit plan investments. Turning to slide 9, our capital investment total spend for the period from 2015 through 2023, in large part due to the success in 2023, is averaged about three times our depreciation expense. For 2024, we're planning capital investments totaling 365 million, subject to finalization of the delayed 2021 general rate case. Our 2024 estimate does not include capital expenditures associated with PFAS or our AMI AMR meter replacement programs.

Turning to slide 10, the success of our capital investment efforts is reflected in our rate base growth. CWT rate base, which is based on estimated amounts included in our 2021 Cal Water general rate case, plus estimated rate base in our other states grew to 2.25 billion by the end of 2023, an increase of 15.4% over 2022.

Turning to slide number 11, wrapping up our 2023 annual financial results on slide 10-- or slide 11 is our earnings per share bridge. The earnings per share captures the significant income and expense changes between 2023 and 2022, discussed by Dave, and reconciles our 2023 earnings per share with our 2022 earnings per share. The most significant item was the loss of our WRAM and MCBA revenue, with no replacement mechanisms due to the 2021 general rate case delay. With that, I will turn it back over to Dave to discuss our quarterly results.

DAVID HEALEY: Thank you, Jim. Moving to slide 12, as discussed, fourth quarter 2023 operating revenue does not include a revenue adjustment from the 2021 GRC due to the delay in CPUC approval. Operating revenue for the fourth quarter of 2023 increased 13.6 million to 214.5 million as compared to the same period last year.

The increase was primarily from 13.6 million of rate increases, 12.3 million of revenue increases from a decrease in deferred revenue, and 3.3 million increase in revenue from customer usage, which was partially offset by an 18.1 million decrease in WRAM and MCBA revenue as the mechanisms concluded on December 31st, 2022.

Fourth quarter 2023 operating expenses increased 4.6 million to 179.3 million as compared to the same period last year. The increase was due mostly to an increase in water production costs of 6.2 million, labor costs of 5.3 million, and depreciation amortization expense of 3.2 million, which was partially offset by an increase in income tax benefit of 11.2 million.

Moving on to slide 13, financial results fourth quarter 2023, as discussed, net income does not include a revenue adjustment from the 2021 GRC due to the delay. For the fourth quarter of 2023, net income attributable to California Water Service Group was 30.1 million. And diluted earnings per share was $0.52 compared to net income of 19.6 million in diluted earnings per share of $0.35 for the fourth quarter of 2022.

The 10.6 million increase was primarily due to 12.3 million revenue increase from a decrease in deferred revenue, 11.2 million increase in income tax benefit, and 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 amortization, and 1.2 million in financing costs.

And 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 facilities. Group invested 109.6 million in infrastructure improvements during the fourth quarter of 2023, which was a 3.7% increase from the same period last year. And now, I'm going to turn it over to Jim to cover slide 14.

JAMES LYNCH: Thanks, Dave. So we ended the year in a strong liquidity position. Group maintained-- CWT maintained $85 billion of cash, of which 45.4 million was classified as restricted. In addition, we had short-term borrowing capacity of about $420 million on a combination of our group and our Cal Water lines of credit.

Our collection process in terms of our aged accounts receivable improved in the fourth quarter. And we ended the year by reducing our past due accounts receivable by approximately $2.1 million as compared to the same time in the prior year. In addition, we participated or we are participating in the California Arrearages payment program.

In November, we applied for funds through that program to cover past due accounts up through December 31, 2022. Our request was for $83 million. And our application was accepted by the state. We're looking forward to receiving the proceeds from the program, hopefully by the end of the fourth quarter in 2024-- or end of the first quarter in 2024.

We did declare a dividend. I think a lot of folks on the call saw that we declared an $0.08 dividend for 2024. That is our 316th consecutive quarterly dividend. And it increases our prior dividend by approximately 7.7%.

And we continue to remain focused on our ESG goals. It's a very high priority of the company. We are looking at each aspect of ESG, including climate change, affordability, our infrastructure investment, and sustainability, and made advances in each of these areas as we progress through the fourth quarter and including our efforts earlier in the year.

Turning to slide 15, again, our earnings bridge, which demonstrates our performance from the prior year fourth quarter earnings per share to the current year fourth quarter earnings per share-- and again, Dave touched on a lot of these items, with the most significant item being the decrease in WRAM and MCBA revenue and no replacement mechanisms due to the rate case delay. With that, I will turn the call over to Greg to talk a little bit about our-- what's probably on the most everybody's minds here, the 2021 California general rate case update.

GREG MILLIMAN: All right. Thanks, Jim. I won't repeat what Dave summarized at the start of the call discussing this. You all know that those decisions-- the two decisions were issued.

What I will say that is-- in our opinion, the proposed decision was supported significantly by the evidence in the proceeding. And the APD was not. And the filings that we made in February reflected those thoughts exactly.

Turning to slide 17, it wasn't just Cal Water's opinion that the PD was supported by the evidence and more in line with what the policies of the commission are. But also, our trade association, California Water Association, filed comments to that effect. And the seven other class A water utilities in Southern California Edison also put together a letter reflecting that and submitted that to the commission as well.

Turning to slide 18, last week, we met with the four commission offices and expressed our concerns in regards to the APD. And we urged them to vote for the PD. So based on all the comments that have been filed by multiple parties as well as speakers at public participation hearings and just the differences between the PD and the APD, there's a lot of uncertainty right now on how the commission will decide on this matter.

Moving forward to slide 19, speaking on a couple of matters related to decoupling, we had some good news that we received that a letter from the California Supreme Court that-- we received it in January, that the parties notice that the court would set arguments in the next few months. So that's a good sign. We haven't seen movement on that for quite some time.

We are hoping that the court will invalidate the commission's decision. And that eliminates decoupling. And that would be a very positive outcome for us. But regardless, under the new 2022 law, we will be requesting decoupling again in our 2024 general rate case.

Moving to slide 20, as you know, we already have a return on equity of 10.27 for 2024. In February 2024, we received approval to defer the cost of capital proceeding scheduled for later this year. We received approval to defer it for one year. And that's a good news as well. So for 2025, we will also start with a return on equity of 10.27. And we may move it up or down based on if the Moody's utility bond index fluctuates by 100 basis points or more in accordance with the procedures of the water cost of capital adjustment mechanism. And with that, I'll turn it over to you, Marty.

MARTIN KROPELNICKI: Great. Thanks, Greg. I'm going to talk a little bit about where we are with PFAS regulation, give an update on business development, and then give you some closing thoughts. And we'll open up for comments.

On the PFAS side, nothing really new to report. We're still waiting for the final adoption of EPA's regulations for the maximum contaminant levels for PFOA and PFOS, which the targets in the draft are for parts per trillion. As of right now, I would say we anticipate that coming out in the second or third quarter. But that is our best guess at this time.

The company continues to develop their plans for a rapid implementation to deal with approximately 72 wells, 7-2 wells, that have some trace elements or PFOA and PFOS. What we haven't mentioned before is in the last rate case cycle, we had seven wells that we included for PFAS type treatment that we were able to implement over the last few years. And those are in production. So we've actually had a fair amount of experience implementing this type of treatment for PFAS in some of our Central Valley districts.

So in total, if you take the 25 wells total that we have current treatment on and add the 72, it gets to about 97 wells in total out of about 1,000 that will require this type of treatment. So as Jim mentioned, the numbers that we put on the street for our capital expenditures do not include anything associated with the PFAS treatment nor does it include any type of recovery that is anticipated with the current pending PFAS litigation. And we do think there'll be some dollars that come back to the company that will be a direct offset to those costs to help keep the PFAS treatment costs, making it lower for customers.

Moving on to slide 22, we're looking at our business development slide. In 2023, we closed six deals. If you look at the last five years, we closed a total of 21 deals. These are typical things that we announce when we signed the contract. And we provide an update in our quarterly earnings deck that talks about the status of where we are filing with the commission and getting it to close.

So we closed six deals in 2026, including one significant PPP, Public Private Partnership. And you see the Camino Real Utility water pipeline. That's a public private partnership with the Guadalupe Basin River Authority to extend their water transmission line into the Southern Austin market, which we believe will open up water services for an additional $10,000 connections both on the water and wastewater side.

I think, as many of you heard, Eversource made announcements that they're going to be selling their water utility, which is the old Aquarion. Obviously, we're going to be very interested in that. And we will evaluate that, as I assume they will go through a public process. It's outside our service area. But it's not that often you see a large utility, especially a water utility, come on the market for a potential acquisition.

Having said that, we're also very concerned about the regulation in Connecticut. And what we've seen over the last couple of years has been less constructive than what it has been historically. So we will take all that into consideration as the process starts and we do our own internal evaluation.

So in getting to summary, I'll be really frank about this. Look, I'm clearly disappointed in the continued delays associated with our 2021 California general rate case. I appreciate the CPUC's efforts to get a decision out before our year-end cutoff.

I don't believe their intent was to create more confusion. But essentially, issuing a PD and an APD at the same time has simply created more uncertainty given the differences between the two decisions. As Dave and Jim had mentioned, given the differences between the two, we were unable to conclude which of the two decisions will ultimately be adopted and therefore could not book anything in 2023. And that is clearly reflected in our financial results for the year.

While that is disappointing, I'd like to remind everyone we do have memo account treatment for the 2021 general rate case. And when a final decision is reached, it will be retroactive back to January 1st, 2023. So said a different way, when we do get the final conclusion, the carrying cost, the billing tariffs get adjusted. And there's a surcharge that will essentially go on the customer's bill, taking those adjustments back to 1/1/23. That also means it'll be recorded in '24. And we'll be trying to be very clear on the disclosures what that impact is in 2024 so the street can understand what the dollar amounts are.

I think the sad thing associated with the continued delays is it just gets more costly. It costs more money for the customers with the continued delays because this-- interim rates memo account is accruing interest. It cost us more money going through the audit because we got to refine our public company disclosures and get our accountants comfortable with where we are with these PUC matters.

And overall, it just doesn't benefit the customers. But again, I don't think the commission had a bad intent. I think they were trying to do a good thing. And hopefully, as we go into March, we will have this situation resolved.

The next meeting at the CPUC is on March 7th. At that time, they can issue a stay. They can vote in the PD. They can vote in the APD. They can issue a new APD or make changes to either one of the two decisions that are on the table now.

So all eyes will be on March. And we'll see what the commission ultimately ends up doing. Obviously, we will come out with our public company disclosures once we have finalization on the 2021 general rate case.

While the general rate case has clearly dominated and created a lot of work for us, there are a number of other things that I think are just worth highlighting for the year. First, we met and exceeded all our primary and secondary water quality standards and all the states we provide drinking water-- so California, Washington, Hawaii, and New Mexico.

As Jim mentioned, we had new record capital investing associated with our infrastructure improvement plan at 384 million. That's up 17% year over year. We won our second J.D. Power Award for highest overall customer service and best in the West. We were recognized by the *Los Angeles Business Journal* for outstanding corporate responsibility. And *Newsweek* once again named us one of the most responsible companies and most trustworthy companies in the US, ranking us number one among the water utilities, number 16 among all energy and utilities, and 298 overall.

Additionally, number 4, we continue to make good progress on our efforts to improve reliability, sustainability, and climate change. I would just call everyone's attention to the events that happened in West Maui and the Lahaina fires. If anyone doesn't think that investment in wildfire hardening doesn't work-- as many of you will recall, we were the only water pumper in West Maui that stayed in service the whole time during and after those fires.

And so that was a direct result of incremental investment that the Hawaii Water Service company made to make sure we were ready for wildfires. And so it clearly worked. And kudos to the team for doing a good job in a very, very hectic set of circumstances.

And lastly, I just want to point out, and we mentioned this earlier, we started 2024 with a 10.27 return on equity in California. Additionally, California has agreed to our extension of our cost of capital proceeding, which we will not have to file until the spring of 2025. That means we will go into 2025 with a 10.275 ROE plus or minus any adjustment associated with the cost of capital adjustment mechanism that we will announce when we get to the end of the performance period.

So looking forward, a couple of key things that we're focused on. Clearly, the CPUC meetings in the delayed 2021 general rate case. March 7th is the next meeting, as I mentioned. After that, it's March 21st. And then there's a meeting on April 18th and also on May 9th. We look forward to working with the commission on getting this decision done and moving forward.

Second, in March, we'll announce our continued progress on our ESG program. And we'll be setting in publicly disclosing our scope 1 and scope 2 greenhouse gas reduction targets. I think, as many of you know, we've put together a very thoughtful ESG program that's very Cal water centric, focused on how we support our customers and how we affect climate change.

And so the team has done a very good job working on scope 1 and scope 2 greenhouse gas emissions-- scientifically-based process. And we'll be announcing those in March. And in May, we'll release our third annual FASB-aligned ESG report. Likewise, as Greg mentioned, we'll be following our 2024 general rate case in July, inclusive of a new decoupling mechanism that I believe is very important for customers and the state as we deal with climate change at that patient.

In closing, while the general rate case has created a lot of extra work for the team and a lot of confusion, I think, for the public, it has not detracted us from our core mission of taking care of our customers and running our utility. As we look forward-- excuse me, we look forward to working with the CPUC on concluding the 2021 general rate case and following the 2024 rate case, including the decoupling mechanism.

While the regulatory process can ebb and flow at different times, our service standards and commitments to service do not. And we remain steadfast and focused on executing our business plan and doing what's right for our customers. And so with that, John, we will open it up for questions.

MODERATOR: Thank you. At this time, if you would like to ask a question, please press star, followed by the number 1 on your telephone keypad. We will pause for a moment to compile the Q&A roster.

Your first question comes from the line of Gregg Orrill from UBS, please go ahead.

[BACKGROUND RUSTLES]

GREGG ORRILL: Yeah, thank you. So The Supreme Court arguments on decoupling are going to be heard. Was there something you were implying further about that?

[BREATH GASPS]

GREG MILLEMAN: Yes, we all the utilities that are party to the proceeding received a letter earlier this year in 2024, saying that the court is looking to expecting to set a date for arguments later this year. So we all receive notice of that.

DAVID HEALEY: Yeah so the briefings have all been filed, the court has taken that into consideration, and essentially they've put us on notice that they will likely be scheduling the oral arguments here sometime. We hope probably within the next few months it'll be determined ultimately by the court. But again, we're very happy that discussion is moving forward and look forward to bringing that to a conclusion as well.

[SOUND THUMP]

GREGG ORRILL: Yeah, for sure. And so when do you really expect that there could be a GRC Outcome? I know it's on the agenda for the seventh but you don't-- your guidance seemed to be that you expected a decision in the first half of the year.

And maybe the second part of that is you've got fairly different outcomes between the PD, and the APD, and yet you had the confidence to raise the dividend, the way you did. How did you get there?

DAVID HEALEY: Sure well, let's go with the first part of your question. As Greg mentioned, we spent the last 10 days meeting with the commission via ex parte communications, talking about the differences between the PD and the APD and which one we felt was better. In my mind, this is in Marty's head so I'm not saying it's the way the world works.

But the company spent millions of dollars putting on a General Rate Case. And we were forced in a situation that we had to litigate that rate case because the advocates did not want to settle. So we litigated that rate case, and two assigned judges concluded on that rate case, and they issued the PD.

And obviously the commission, our commissioner had a different opinion than what the two judges concluded based on the finding of facts and the records that were provided during the litigation process. So I believe that the PD is best because we went through a full process of vetting everything and that going through a fully litigated rate case.

Usually in California, we have a settled rate case. This is one we had to fully litigate other than the rate design. So I think again as I said, I don't think they intended to create confusion.

I'm not sure what their intents were other than to try to bring some of the costs down. But for those of you that have studied and know Cal Water, we're very affordability-focused because we know you have to have a balanced nature to your capital plan, and try to have some continuity of rates, and not just build out infrastructure which is why we spent a lot of effort over the last 10 years, building out capital plans that are 10, 20, 30 years out.

So I think the commission's got to decide which decision they think is right based on the findings and facts. And we've done our part now, we have provided comments. I've been very happy to see that at Southern California Edison and the other water companies have jumped into the fray, especially as it pertains to some of the errors and things that were included in the APD that could potentially change the rate making process in the State of California, primarily around the use of contingencies.

When your forecast projects that go out multiple years, as well as taking previously approved projects from prior rate cases, and then saying no you got to file those, get advice letter now. That's essentially more historic rate making in California has been a prospective rate making state for a long, long time, so I think that the commission has to conclude on that. The second part of your question, can you repeat it Gregg for me, please?

GREGG ORRILL: I guess it was a the action on the dividend would seem to imply that there's not really that much of a difference between the PD and the APD. Can you help correct me where I'm wrong there?

GREG MILLEMAN: Sure. So from a dividend standpoint, let's just talk about the governance process that goes in behind it. Every year in the fall, the Cal Water Board does a lot around officer succession planning, compensation, and benefits, and also capital and dividend planning as well, so we start the discussion on the dividend usually in October and November, and then we conclude as a board in January.

Look, we believe the fundamentals of the company are strong. Jim pointed out the estimated rate base growth year over year. We believe that the fundamentals of California regulation have remained good, that's why we got a 10.275 ROE. So obviously there's a little bit of consternation around this delayed rate case and why it's so delayed.

And I'm not in a position to make excuses for the commission. I don't like it and frankly at pancakes rates, on cost rates, on customer increases, that's not good. But I think we will get through this, and I believe the fundamentals of the company are strong. And so we have increased our dividend every year going back decades.

And we believe the fundamentals of the company are good, and the rate base growth is good, and you saw that in the capital spending, which is good it was up 17% year over year. That all translates into rate base. And then as it goes through the rate making process helps increase revenue and cash flows, and we use that cash flow to reward investors who invest in us, and we use the other part of the cash flow to reinvest in infrastructure. So we believe the fundamentals are still good.

GREGG ORRILL: Thanks for your answer.

[BACKGROUND RUSTLES]

GREG MILLEMAN: Thanks, Gregg. Have a good day.

[BUTTON CLICKS]

MODERATOR: Chen comes from the line of Jonathan Reeder from Wells Fargo. Please go ahead.

[BACKGROUND RUSTLES]

JONATHAN REEDER: Hey, so you kind of touched on one of my questions there in response to Gregg. But at this point, with the filing of the written comments, and the other parties jumping in the mix and everything, have all the pushes by the parties been made in terms of these filings and ex parte meetings, such that the case is just like truly in the commission's hands at this point?

[BREATH GASPS]

DAVID HEALEY: The ex parte communications have all been filed. I think there are some more comment letters coming in from some of the Firefighters Association and Bay Area Firefighter-- Firefighting Chiefs, Fire Chiefs. But again, those are all things that we're not involved in the drafting of their letters or their comments, those are things that are all done by third parties. So my sense is there's still some more coming in. But yeah, ultimately when those are done, it's really up to the commission. And the commission did have an open meeting, Greg. Remember the date on that?

GREG MILLEMAN: February 15.

DAVID HEALEY: February 15, and they had how many people speak?

GREG MILLEMAN: 20.

DAVID HEALEY: 20 people speak, raising concerns about the APD versus the PD. And they were all saying they believe the PD is best, and it's continue on adapting to climate change, wildfire hardening, and building resiliency, and sustainability in the State of California. So I think we're close, Jonathan, I think the commission ultimately has to take all that data in and then decide what they're going to do.

[KEYBOARD CLICKING]

JONATHAN REEDER: Then you indicated that 2024 planned capex it was $365 million, but it depends on the outcome of the GRC. I'm assuming that number reflects an outcome more consistent with the PD and your request. Can you discuss how I guess the capital budget might change if the APD were to be adopted?

DAVID HEALEY: Yes And no. I mean in concept you're absolutely right. The decision could affect because it's late could affect the capital program for 2024.

[DAVID CLEARS THROAT]

DAVID HEALEY: But if you read, if you're lucky enough to read the 600 pages of either decision, you'll see in the APD, they say you can still do the capital and you have to do it via advice letter, and part of our push back is a lot of that capital was previously approved in the last rate case.

So that's why I think you saw the other utilities become very interested in what's going on here because again it's a forecasted capital state, and they're changing the rules after the fact. So I don't know how they're going to rule on that.

Obviously, when Greg and I met with the commission, that was one of our big pushback points is that you're changing the rules that have been long set standard in the regulatory process in the State of California. So it just depends which way they go.

Now, having said that, obviously they're saying hey you can still do your capital, you can do advice letters, and look it's incumbent upon the company on an annual basis, and on a continual basis to do a risk assessment where that capital is most efficient and most needed. And to the extent we do put capital to work outside of a rate case, we can either file an advice letter, or it gets picked up in the next rate case filing.

So there's nothing in the process that prohibits the company from doing what they think they need to do to run a good water utility, and to continue on our path to hit our goals and objectives. What it does mean is just how is that going to be recovered? Is it going to be pre-approved capital that you get it in the ground and you have an earnings test which is the way it historically worked?

Or do you got to do it via the advice letter means you got to do the investment, get the plant and service, and then start depreciate it, and apply for an advice letter, or do you pick it up in the next general rate case? Greg anything that you'd add on that?

GREG MILLEMAN: Well, yeah, I would just add that there were a handful of projects that they didn't think were appropriate. But the rest of the projects that were just allowed were more along the lines of build it and then seek recovery, which as you mentioned Marty goes away from the forward-looking rate making state philosophy. But my point being is that they didn't say these were bad projects, they recognized the need for them, but just how you get the rate recovery. Bye.

JONATHAN REEDER: Yeah, so I mean I guess with that in mind I mean it sounds like right, the higher levels of capex you've been deploying. We should anticipate that moves forward or if not increases given pathos, and I guess rising expenditure needs where if we're looking even beyond 2024.

I mean should we be keeping them the levels more consistent with either the 265, or the 283, or sorry the 365, and the 383 from this year?

DAVID HEALEY: Yeah, Jonathan I would say look, the company's done a really good job at building a long-term capital plan. That allows us to try to balance affordability with the needs of the infrastructure, as well as building out more resiliency, and reliability and dealing with climate change. So I don't see that slowing down.

This is probably a hiccup we're going through right now with the commission because the rate case is just so late. But what we need to do needs to continue, and that's why I think West Maui I wanted to point that out, that was all work that we worked with the Kauai Commission on and hardened those systems.

And I don't think it should surprise anyone that at the end of the day, when the fires are out, we were the only water company pumping water on the whole west Side of Maui-- that was by design, that was by good planning, that was by good employee training, that was by putting in backup generation, that was by doing the wildfire annual wildfire hardening process we go through an inspections to make sure properties are cleared.

So there's a cost to be ready for these things. But I think ultimately, we have performed well. He even take the storms earlier this year. All the storms last year, you had no real Cal Water outages. We didn't run out of power. And then there are other kind of marginal benefits that don't get counted when California hasn't had enough energy for the grid for example.

And the governor's office calls and said hey give us what you got. We were able to take six megawatts off the grid by using our backup systems we put in place. So all the pieces have to fit together, and it's really important that the commission take a long-term comprehensive view, and that's the view the company has taken on their capital. So I don't see capital could slow down a little bit. I don't see it slowing down dramatically because we've got a lot of work to do to.

[BUTTON CLICKS]

JONATHAN REEDER: That's very helpful. Good luck with the rate case. And yeah, we'll see if we get anything on March 7 or if you have to wait a little longer.

DAVID HEALEY: All right. Thanks, Jonathan. Thanks for your comments.

[KEYBOARD CLICKING]

MODERATOR: As we have no further questions in our queue at this time, I will now turn the call over to Marty Kropelnicki for brief closing remarks. Please go ahead.

MARTY KROPELNICKI: Thanks, John, everyone. Thanks for joining us today. Again, we will keep everyone apprised of what's happening with the commission's watch for a press release and 8-K the appropriate public company disclosures. In the meantime, you know that we are going to continue to run our utility the best way that we know how, and that's really by focusing on our customer and doing the right thing.

So thank you for your time today, and if you have any follow up questions, feel free to reach out to any one of us. Thank you and have a good day.

MODERATOR: This concludes today's conference call. Thank you for your participation and you may now disconnect. Have a nice day, everyone.