



CALIFORNIA
WATER SERVICE GROUP
INVESTING FOR LIFE

CWT
LISTED
NYSE

Second Quarter 2022 Results Presentation

July 28, 2022





Forward-Looking Statements

This presentation contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 ("Act"). The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the Act. Forward-looking statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the Company, the water utility industry and general economic conditions. Such words as will, would, expects, intends, plans, believes, may, estimates, assumes, anticipates, projects, progress, predicts, hopes, targets, forecasts or variations of such words or similar expressions are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance. They are subject to uncertainty and changes in circumstances. Actual results may vary materially from what is contained in a forward-looking statement. Factors that may cause a result different than 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; 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; 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; 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; 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; 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). The Company assumes no obligation to provide public updates of forward-looking statements.

Today's Participants

Marty Kropelnicki
President & CEO



Tom Smegal
Vice President, CFO & Treasurer



Dave Healey
Vice President, Controller





Presentation Overview

- Our Values and Priorities
- Financial Results
- Financial Highlights and Earnings Bridges
- California Regulatory Update
- California Drought Update
- Items to Watch in Second Half of 2022
- Business Development Status
- CapEx and Rate Base Tables
- In Summary



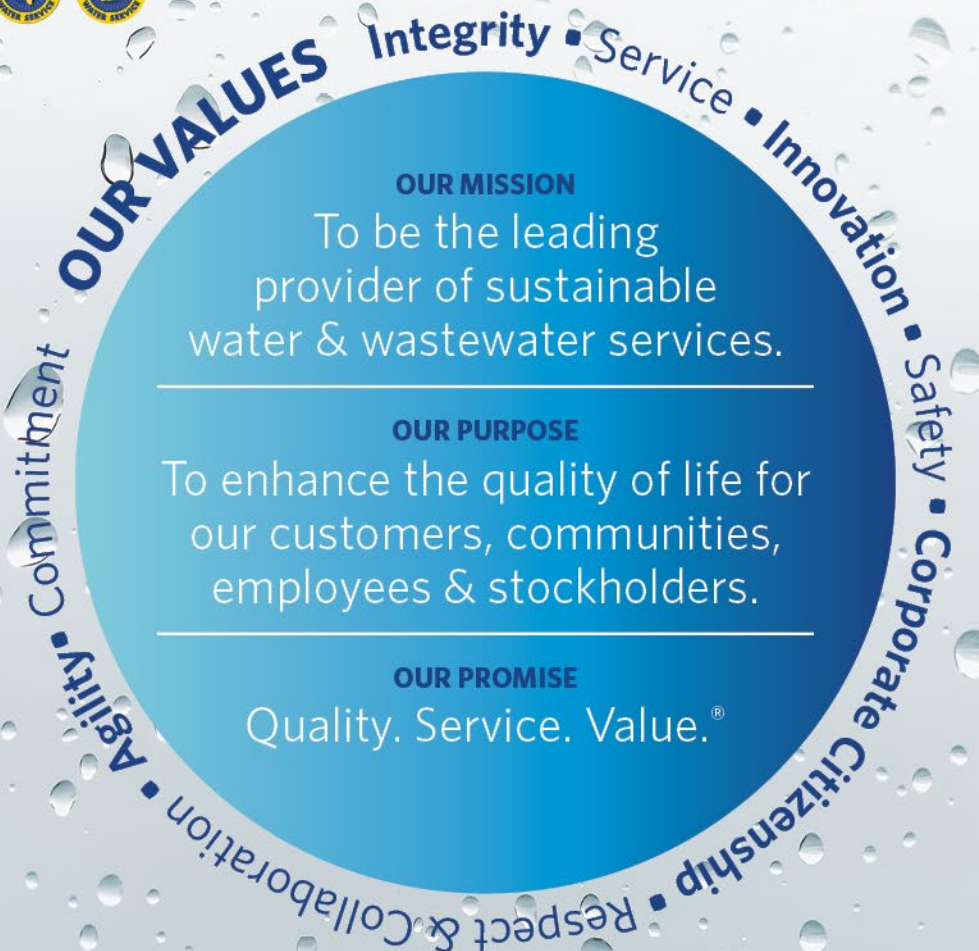
OUR STRATEGIC GOALS & IMPERATIVES

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

Financial Results: Second Quarter 2022

(Amounts are in millions, except for EPS)	Q2 2021		Q2 2022	Variance
Operating Revenue	\$213.1	▼	\$206.2	(3.3%)
Operating Expenses	\$170.9	▲	\$178.9	4.7%
Net Interest Expense	\$10.8	▲	\$11.0	2.3%
Net Income Attributable to CWT	\$38.2	▼	\$19.5	(49.0%)
EPS	\$0.75	▼	\$0.36	(51.8%)
Capital Investments	\$71.7	▲	\$76.1	6.1%

Financial Results: YTD 2022

(Amounts are in millions, except for EPS)	YTD 2021		YTD 2022	Variance
Operating Revenue	\$360.9	▲	\$379.2	5.1%
Operating Expenses	\$315.7	▲	\$342.8	8.6%
Net Interest Expense	\$20.7	▲	\$21.9	6.0%
Net Income attributable to CWT	\$35.2	▼	\$20.6	(41.6%)
EPS	\$0.69	▼	\$0.38	(45.0%)
Capital Investments	\$138.5	▲	\$144.6	4.4%

Second Quarter Financial Highlights

UNBILLED REVENUE ACCRUAL IS THE VALUE OF WATER USED BUT NOT YET BILLED AND THEREFORE OUTSIDE OF REGULATORY BALANCING MECHANISMS. FOR A FULL YEAR, THE CHANGE IN UNBILLED REVENUE IS GENERALLY LESS THAN \$2M.

A CHANGE IN UNBILLED REVENUE REDUCED EARNINGS \$15.2M OR \$0.29 AS COMPARED TO Q2 2021. IN 2021 UNBILLED ACCRUALS FOR Q2 WERE UNUSUALLY LARGE BUT RETURNED TO NORMAL RANGES BY YEAR END.

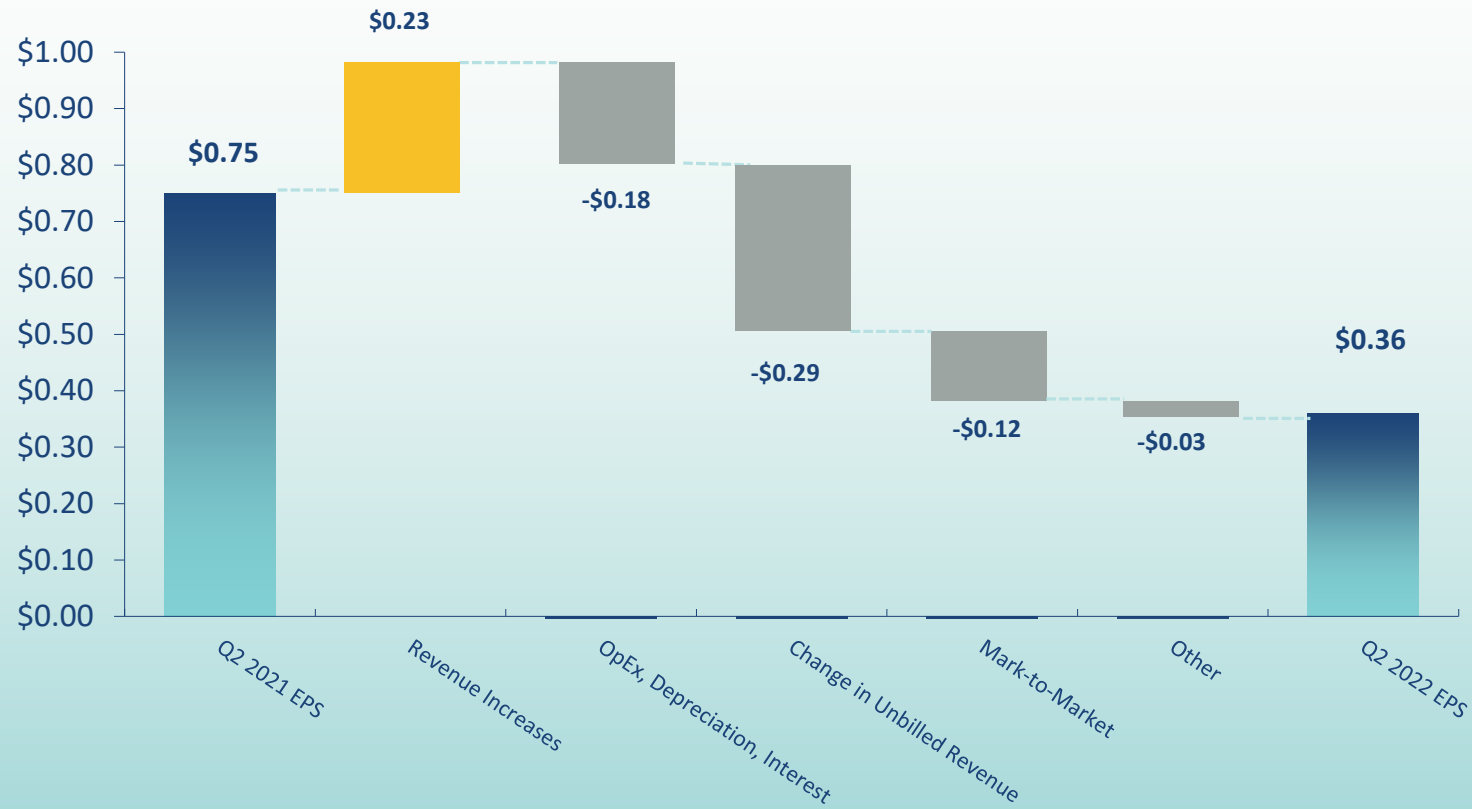
\$6.2M DECREASE IN UNREALIZED GAINS OF COMPANY'S NONQUALIFIED PLAN ASSETS

GENERAL RATE INCREASES OF \$6.9M PARTIALLY OFFSET BY WAGES, DEPRECIATION, INTEREST AS EXPECTED

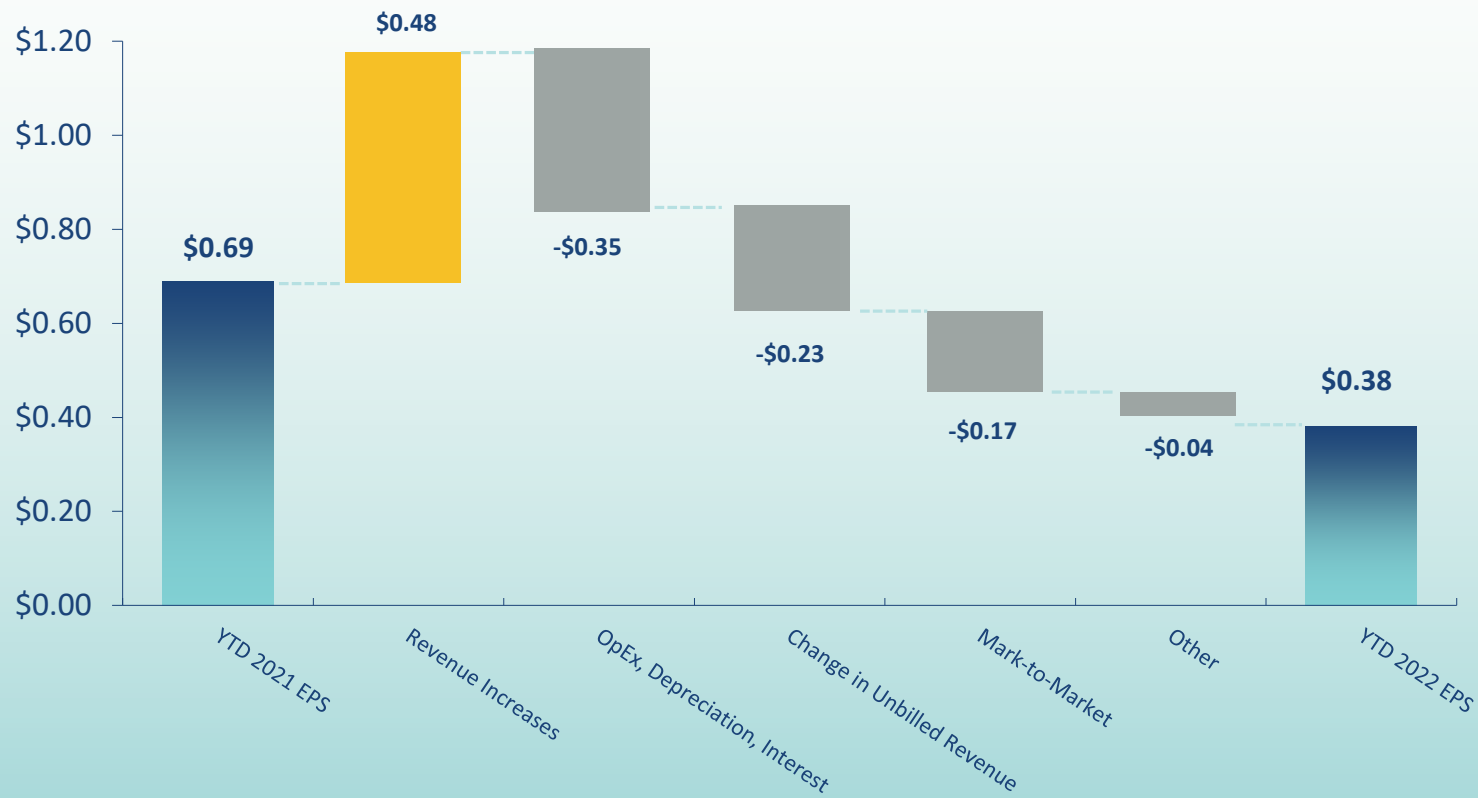
\$76.1M CAPEX, UP 6% FROM 2021 DESPITE SUPPLY CHAIN PRESSURES



EPS Bridge Q2 2021 to Q2 2022



EPS Bridge YTD 2021 to YTD 2022



California Regulatory Update

GENERAL RATE CASE (GRC) CONTINUES WITH HEARINGS CONCLUDED AND BRIEFS FILED IN JULY. PARTIES HAVE ALERTED THE ADMINISTRATIVE LAW JUDGE (ALJ) THAT A PARTIAL SETTLEMENT MAY BE FILED IN AUGUST.

COST OF CAPITAL HEARINGS ARE CONCLUDED AND THE CASE, FOCUSING ON COST OF EQUITY AND CAPITAL STRUCTURE, IS WITH THE ALJ.

2021 GRC IS ANTICIPATED TO HAVE AN EFFECTIVE DATE OF JANUARY 1, 2023

CONTESTED ITEMS INCLUDE CAPITAL INVESTMENT BUDGETS, RATE DESIGN, RECOVERY OF WRAM BALANCING ACCOUNTS AND SOME EXPENSES

THERE IS NOT A MAJOR DISAGREEMENT BETWEEN PARTIES' POSITIONS ON SALES AND WATER PRODUCTION MIX

THE COMPANY'S FINANCING PROGRAM PRODUCED A LOWER COST OF DEBT THAN LAST ADOPTED. AT OUR PROPOSED CAPITAL STRUCTURE, THE CHANGE IN COST OF DEBT WOULD LOWER REVENUES \$11M ANNUALLY. POTENTIAL CHANGES IN CAPITAL STRUCTURE AND ADOPTED RETURN ON EQUITY COULD ALSO IMPACT REVENUES.

THE COMPANY HAS NOT RESERVED FOR ANY POTENTIAL OUTCOME OF THE PROCEEDING. IN THE EVENT THE CPUC ADOPTS CAPITAL COMPONENTS RETROACTIVELY, 2022 RESULTS MAY INCLUDE A REGULATORY LIABILITY OF UP TO \$11M FOR REDUCED DEBT COSTS, WITH ADDITIONAL UNKNOWN IMPACTS FROM POTENTIAL CHANGES TO ADOPTED CAPITAL STRUCTURE AND COST OF EQUITY

California Drought Update



ALL CALIFORNIA DISTRICTS IN
"STAGE 2" DROUGHT
RESTRICTIONS

CAL WATER'S Q2 DROUGHT
EXPENDITURES OF \$0.4M ARE
RECORDED IN A MEMORANDUM
ACCOUNT FOR POTENTIAL
FUTURE RECOVERY. TOTAL
BALANCE SINCE 2021 IS \$1.2M.

CALIFORNIA DROUGHT CONTINUES, PRIMARILY IMPACTING
SURFACE WATER AVAILABILITY

CALIFORNIA STATE WATER PROJECT DELIVERIES ARE AT 5%,
IMPACTING SOME REGIONS SOLELY RELIANT ON IT

CALIFORNIA CUSTOMER USAGE DOWN 5% IN Q2 AS
COMPARED TO 2021

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

Other Issues to Watch in the Second Half of 2022

Capital Spending	Bad Debt Expense
<p>Capital spending for Q2 remains on track, but risks continue to be elevated</p> <ul style="list-style-type: none">• Supply chains, inflation, availability of contractors may contribute to slower spending rate• Uncertainty of regulatory approval in California	<p>Reserve for bad debt remains elevated at \$6.7M</p> <ul style="list-style-type: none">◦ California regulatory process has recently begun allowing shutoffs for nonpayment◦ Customer response will be critical◦ Other state operations have seen reductions in bad debt once collection activity restarted



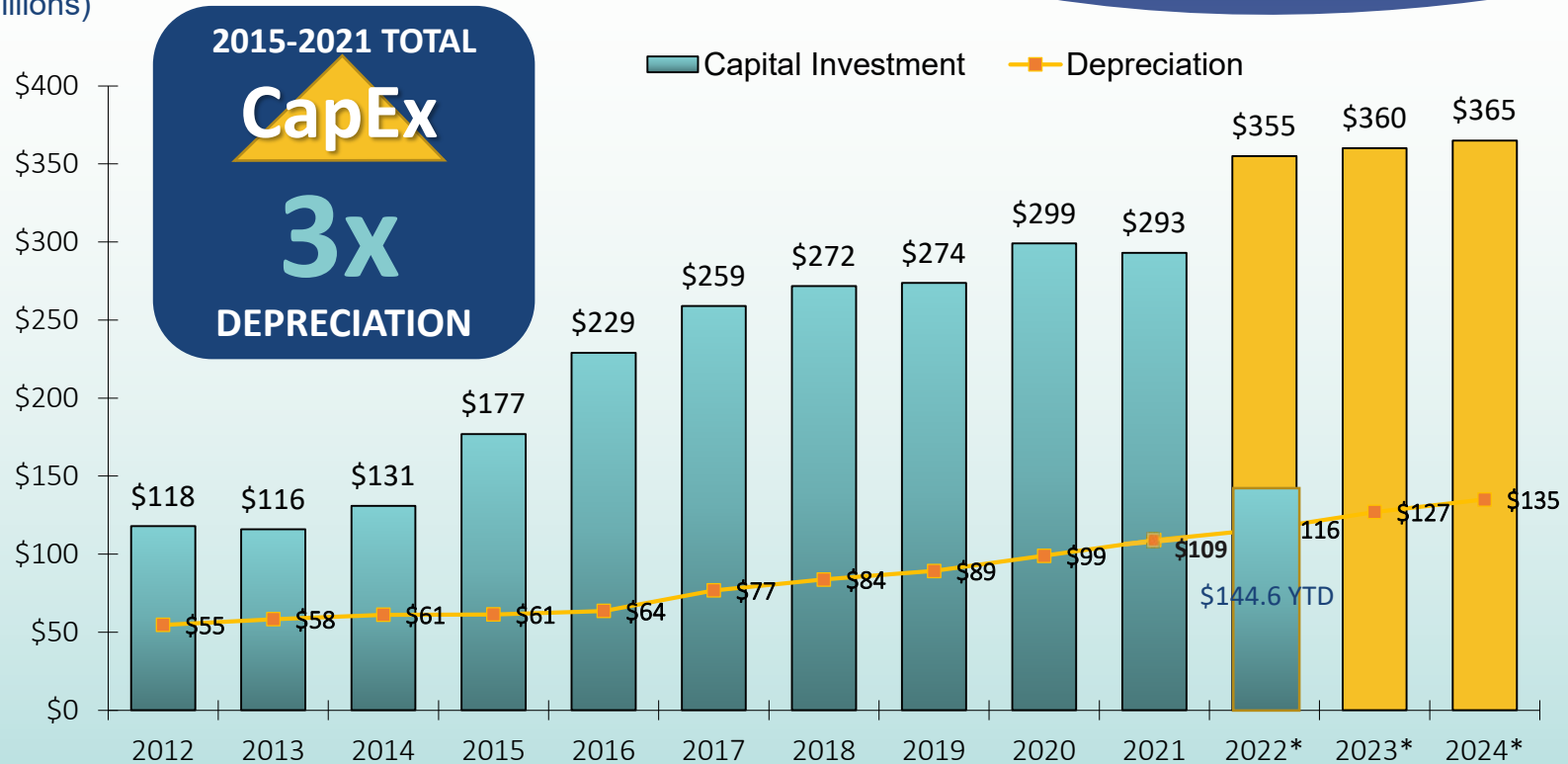
2022 Business Development Project Updates

System	Water Connections	Wastewater Connections	Total	Status
Animas Valley Water (NM)	2,000		2,000	Closed April 2022
Railyard (TX) – New service area of BVRT		350 (up to 1,500 at buildout)	350 (up to 1,500 at buildout)	Closed June 2022
Skylonda (CA)	176		176	CPUC Approved June 2022*
HOH Utilities (HI)		1,800 Equivalent Dwelling Units (EDUs)	1,800 EDUs	HPUC Approved June 2022*
Keahou (HI)		1,500 EDUs	1,500 EDUs	Awaiting regulatory approval*
Monterey Water (NM)	380		380	Announced March 2022*
Stroh’s Water (WA)	900		900	Announced April 2022*
KSSCS (HI)		400 EDUs	400 EDUs	Announced April 2022*
Bethel Green Acres (WA)	200		200	Announced July 2022*

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

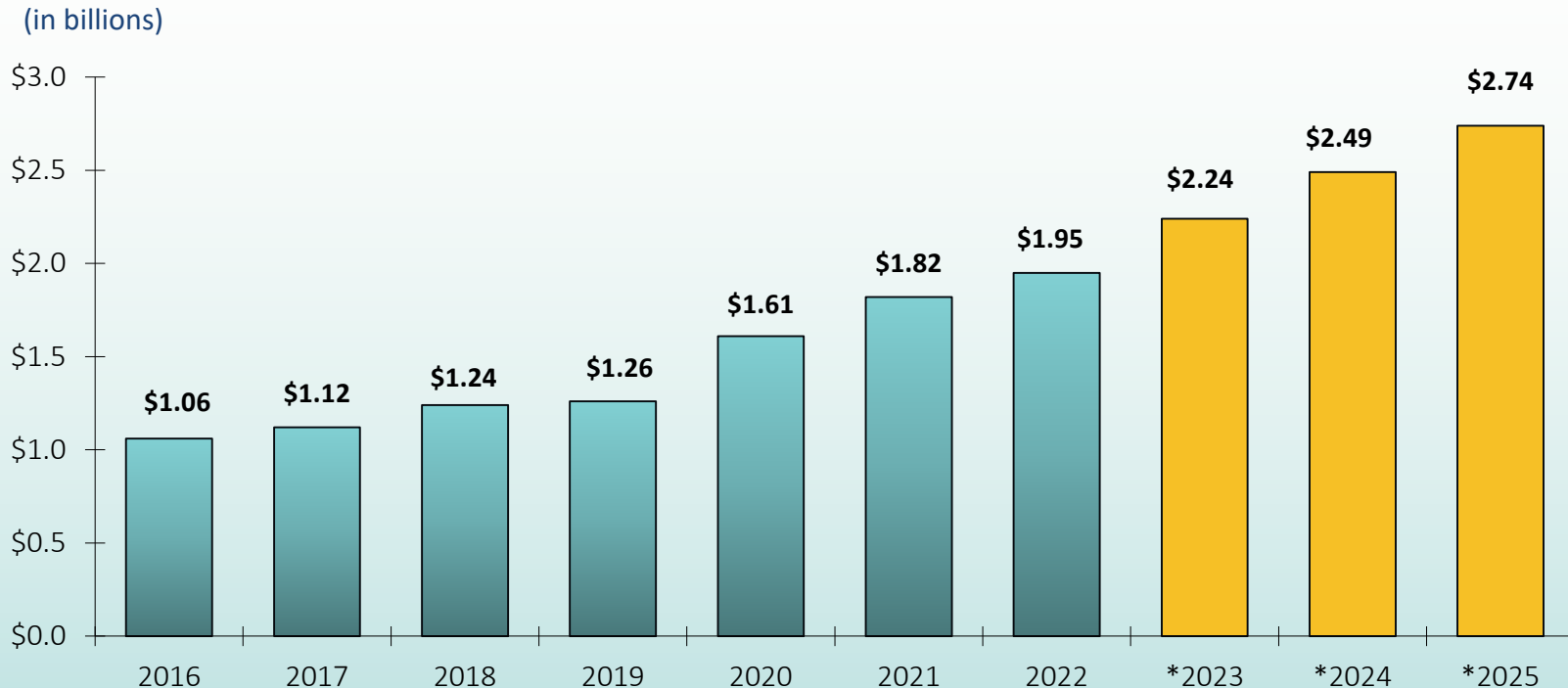
Capital Investment and Depreciation

(in millions)



* 2022-2024 Estimated investments and depreciation include amounts filed in the California 2021 GRC plus estimates for other states.

Estimated Regulated Rate Base of CWT



*2023-2025 Rate Base Estimates include filed proposal in 2021 California General Rate Case plus estimated rate base in other states. These values are not yet adopted and are subject to review and approval of the CPUC and other regulators.



In Summary

- Change in unbilled revenue, which we expect not to materially impact full year earnings, was due to comparison with high unbilled in Q2 2021, lower water sales, and timing of meter reads
- Market headwinds lowered unrealized valuation of certain retirement assets
- Core business remains strong as we await regulatory outcomes in California
- Management focused on drought, fire season, supply chains, and resolution of California delinquent balances
- Growth opportunities remain robust





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DISCUSSION

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