MODERATOR: Good morning. My name is Krista. And I'll be your conference operator today. At this time, I would like to welcome everyone to the California Water Service Group third quarter 2023 earnings conference call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star, followed by the number 1 on your telephone keypad. And if you would like to withdraw your question, again, press star 1

Thank you. I will now turn the conference over to David Healey, vice president, chief financial officer, and treasurer. You may begin your conference.

DAVID HEALEY: Thank you, Krista. Welcome, everyone, to the 2023 third quarter results call for California Water Service Group. With me today is Marty Kropelnicki, our chairman and CEO, and Greg Milliman, our vice president, rates and regulatory affairs officer. Replay dial information for this call can be found in our quarterly results release, which was issued earlier today. The replay will be available until December 25th, 2023.

As a reminder, before we begin, the company has a slide deck to accompany the earnings call this quarter. The slide deck was furnished with the form 8-K this morning and is also available at the company's website at www.calwatergroup.com.

Before looking at this quarter's 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 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. I'm going to start by turning to slide 4, which states our values and priorities.

Moving on to slide 5, third quarter financial highlights. As discussed last quarter, third quarter and year to date results primarily reflect the adverse impact of the delayed proposed decision from the California Public Utilities Commission or CPUC on Cal water's pending 2021 general rate case to set new rates, rate design, and regulatory mechanisms.

Once approved by the CPUC, the general rate case accumulative adjustment will be retroactive to January 1, 2023. There's one change from our last quarter's discussion. The delay of the general rate case is now expected to move CPUC approval of the advice letter for the 2023 Drought Response Memorandum Account or DREMA operating revenue into calendar year 2024.

We estimate the adverse impact of the delayed general rate case on third quarter 2023 operating revenue to be in the range from 14 million to 27 million, of which 5 million to 5.5 million is related to DREMA. Our estimate is based on the current positions of the parties to the California general rate case filing and consumption driven regulatory mechanisms.

As noted on slide 5, third quarter 2023 operating revenue decreased 11.3 million to 255 million as compared to the same period last year. The decrease was primarily from a 29.6 million decrease in WRAM and MCBA revenue, as those mechanisms concluded on December 31st, 2022. The decrease was partially offset by 13.7 million of 2023 general rate increases and a 1.8 million reduction in revenue deferral.

Third quarter 2023 operating expenses increased 10.1 million to 211.5 million as compared to the same period last year. The increase was in line with expectations and is noted on slide 5 was due mostly to increases in water production costs, bad debt expense, costs from a reduction in revenue deferral, employee labor costs and depreciation, and amortization expense.

Moving on to page 6, during the third quarter of 2023, net income attributable to group was 34.4 million. And diluted earnings per share was $0.60 as compared to net income attributable to group of 55.9 million and diluted earnings per share of $1.03 for the quarter ended September 30th, 2022. As discussed, the delayed California general rate case proposed decision had an adverse impact on net income attributable to group.

As noted at the bottom of the slide, I'm pleased to report Group's capital investments during the third quarter of 2023 was 96.9 million, which was a 25% increase from the same period last year. And now I'll turn it over to Greg Milliman to cover slide 7.

GREG MILLIMAN: Thank you, Dave. On slide 7, you can see, as we've discussed in prior quarters, we have three unrecorded California regulatory mechanisms that we are tracking. Our practice is not to record revenue until the 2021 GRC amounts are known and approved by the commission.

All of these mechanisms, as Dave said, go back effective to January 1st, 2023. We have the largest-- the Interim Rates Memo Account tracks the difference between interim rates and our final rates. We have the Monterey-Style Revenue Adjustment Mechanism that tracks the difference between actual residential sales revenue and residential sales revenue at a single quantity rate.

And then we have the Drought Response Memo Account that tracks the difference in sales revenue-- sorry, tracks the difference in reduced sales revenue from conservation during a drought. This will stay open until California Governor Gavin Newsom declares the drought over, which could happen in sometime in '23, '24. Or depending on what happens with the weather in our state, could stay open longer.

Recovery from that will be by a separate filing. And they've indicated those revenues will not be recorded in '23. They'll be recorded once the commission approves that filing.

Turning to slide 8, this just gives you the financial impact of the three recorded regulatory mechanisms for the third quarter, again, as Dave said, based on the current position of the parties in the '21 GRC filing. We estimate an understatement of operating revenues during the third quarter to be in the range of 14 million to 27 million or $0.22 to $0.41 earnings per share.

Something of note would be right before the subtotal, where it says MWRAM. You'll see that they are negative numbers. This is right in line with what we would expect for the memorandum account.

When you go into the summer months, customers are using water in the more expensive third and fourth tiers. And the single quantity rate is more in line with the second tier. And so it's basically starting to annualize the numbers that we would expect for the year.

Later on in the deck, we'll come across a slide that will show this same table with year to date results. And you'll see with almost three quarters of the year being completed, the numbers are coming in line with what we would expect on an annualized basis. With that, I will turn it back to you, Dave.

DAVID HEALEY: Thank you, Greg. Moving to slide 9, additional Q3 2023 highlights. As noted on the slide, 2024 operating revenue is expected to increase approximately $10 million from an increase in Cal Water's return on equity to 10.27%, effective January 1, 2024. The increase was from the water cost of capital mechanism for the period from October 1, 2022 to September 30th, 2023. We will discuss this in more detail later in the presentation.

Also, Cal Water entered into an agreement with the California Department of Community Services and Development to help low income customers access funds through the state's low income household water assistance program to pay monthly water bills. It's another example of our ongoing efforts to provide affordable water service to our customers.

Moving to slide 10, we present our earnings per share bridge, which details the changes from 2020 third quarter earnings per share to 2023 third quarter earnings per share. Moving on to slide 11 year to date 2023 financial highlights, as discussed earlier, due to the delayed California general rate case, we estimate the adverse impact on the first nine months of 2023 operating revenue to be in the range from approximately 60 million to 93 million, of which 16 million to 18 million is related to the DREMA.

Our estimate is based on the current positions of the parties to the California general rate case filing and consumption-driven mechanisms. As discussed earlier, we expect CPUC approval of the advice letter for 2023 DREMA operating revenue in 2024.

As noted on the slide, operating revenue for the nine-month period, ended September 30th, 2023, decreased 65.4 million to 580.1 million as compared to the same period last year. The decrease was primarily from a 48.8 million decrease in WRAM and MCBA revenue, as those revenue mechanisms concluded on December 31, 2022, a 20 million increase in revenue deferral and a 25.3 million decrease in build metered revenue. These decreases were partially offset by general rate increases, a change in balancing accounts, and interest on the net grant MCBA balances.

Third quarter operating expenses decreased 5.9 million to 538.2 million as compared to the same period last year. Overall, third quarter 2023 operating expenses were in line with expectations. The decrease was mostly due to a 16.4 million decrease in costs associated with revenue deferral and a 3 million decrease in water production costs, which was partially offset by increases of 7.7 million in employee labor costs and 3.2 million of amortization expense and 1.9 million of property and other taxes.

Moving on to slide 12, financial results year to date 2023 for the nine-month period, ended September 30th, 2023, net income attributable to group was 21.7 million or $0.38 earnings per diluted common share compared to net income attributable to group of 76.4 million or $1.41 earnings per diluted common share for the nine-month period, ended September 30th, 2022.

As discussed, our year to date results reflect the temporary absence of 2023 California general rate relief and revenue adjustments from regulatory mechanisms. As noted at the bottom of slide 12, Group invested 274.1 million in infrastructure investments during the nine-month period, ended September 30th, 2023, which was a 23.4% increase from the same period last year.

Moving to slide 13, which is the year to date unrecorded California regulatory mechanism details, it breaks out the revenue by the different regulatory mechanisms. And Greg pretty much covered the details of these. So I'm going to move on to slide 14, which is our year to date earnings per share bridge, which details the changes from year to date September 30th, 2022 earnings per share to year to date September 30th, 2023 earnings per share. And now I'll turn it over to Marty to cover slide 15.

MARTIN KROPELNICKI: Thanks, Dave. Good morning, everyone. As we kind of go through the fog of the delayed rate case and certainly having $60 to $90 million of revenue, we can't record our $0.93 to $1.45 a share that we can't recognize. We're waiting for the rate case to be approved. Makes things complicated. There are certainly some additional highlights I'd like to talk about for the quarter.

First, as Dave just mentioned, our capital investment program year to date, we're at a new high. We are on track going into the fourth quarter to have a record capital investment year for Group for 2023. And I just want to remind everyone, that is really the basis and the foundation for which we grow future earnings.

So that continues to be strong. We've had a fairly mild summer out on the West Coast. Along with the mild summer fire season, believe it or not, has been fairly mild as well, with the exception of the fires that were experienced in West Maui. But overall, we have about another four weeks of fire season so far, knock on wood, out on the West Coast. Things have been fairly tame. And we look forward to getting fire season wrapped up this year and then planning for the 2024 fire season.

Looking at the West Maui fires, albeit the amount of acreage burned, it was 6,753 acres, which is not much at all, especially in California, when we dealt with wildfires that have been in excess of 400,000 acres burned, they were very devastating because it was an island in Maui. The fires that took place in early August, there were really a series of three fires that were started.

And it was really the perfect storm between a drought that they were having in the Hawaiian islands, climate change. It's just been more dry and more arid. And then believe it or not, you had the remnants of a hurricane and hurricane winds that came in that caused these fires to really take off.

In the upcountry, you had the Kula and the Olinda fire. And those were close to our Pukalani system. In Central Maui, you had the Pulehu and the Kihei fires. They burned about 3,200 acres. And then on the West Side, you had the Lahaina fire, which was about 21,200 acres. And while none of our systems were directly affected, we do own the Kaanapali, the Kapalua, and the Pukalani systems.

Things are very, very chaotic. And I'm very happy to report that our employees follow their training. We do a lot of training for wildfire and wildfire readiness.

Our water systems performed very, very well. We've never lost pressure in our systems during the fire. And we did our job in terms of helping our customers protect their property by keeping their systems wet and the fire flows going for the fire departments as they battled these fires.

Likewise, we were the only potable water provider on the west side of Maui for a number of days after the fire. So I just want to pause and give kudos to the team for following their training and doing an amazing job during a very chaotic and confusing time. And I think we've all read in the press about the response from local government, which added to the confusion. But kudos to the team in Maui for doing such a great job.

And liquidity in the company remained strong. We maintain $69 million of cash, of which 34 million is restricted. We have short-term borrowing capabilities of $485 million. That's significant while we're waiting for the general rate case decision. There's no crunch on liquidity at the company. And certainly, with our capital program and the way it's going, we don't see that slowing down anytime soon.

We did not sell any shares at the market or ATM program that we currently have in place. And we don't anticipate really selling shares probably for the rest of the year. And we'll see what the needs are as we go into 2024.

We've increased cash and cash equivalents from 32-- excuse me, increased at $32.8 million from the collection of the WRAM and MCBA balances. We wanted to point that out because there were some analysts that we're concerned about the collectability of the WRAM when it went away. We have continued to collect that cash. And clearly, that has helped enhance our cash position year to date and during the third quarter.

The other noteworthy item in the quarter is when you look at the third quarter of 2022, we had a $9.3 million unrealized loss on non-qualified benefit plan investments. And then this year for the same period, that was a positive $700,000. So you see the market go from where it was really bad last year to where these assets have stabilized and then have now become more productive and added $700,000 in the other income and expense.

Going on to slide 16, as Dave mentioned earlier, the cost of capital adjustment mechanism performed as it's designed. The mark period is from 10 to 1, so October 1 to September 30 in a given year. And it tracks the Moody's utility bond index and the changes in that bond index.

And when that bond index change is more than 100 basis points, we're allowed to file for an adjustment to our ROE, 50% of the change. So essentially, the change from September-- excuse me, from October 1st, 2022 to September 30th, 2023 was 140 basis points. So we have filed for a 70 basis point adjustment to our return on equity, which brings us to a 10.27 and an increase in our rate of return to 7.46-- our overall rate of return, ARR, as the variable is in rate making.

That's a tier 2 advice letter that's been filed on October 13th. We expect to get that approved here in some time in early November. And then that gives us the remaining time of the year to program the changes into the tariffs and have it effective for October 1st. As Dave mentioned, this will add approximately $10 million to our income going into 2024.

Speaking of regulatory updates, I'm going to hand it over to Greg Milliman to give you an update on the California general rate case. Greg.

GREG MILLIMAN: OK. Just for clarification, the cost of capital adjustment that Marty mentioned, he said effective October 1st. It will actually be effective January 1st. I think you unintentionally mentioned that or stated that.

Moving right along with the California general rate case, the main point here is, as you know from the second quarter, that a second judge was added to our case. And we have been getting information requests from the judges that are clearly demonstrating that they're working on the case and proceeding forward with, hopefully, the deadline that's currently set of December-- to complete it by December 31st. 2023.

Moving to slide 18, these are the other regulatory matters that we are proceeding with. As you can see, we have a application in to increase our ability to raise capital by 1.3 billion to fund our capital program. We also are seeking recovery of expenditures that we incurred related to the drought through those expenditures through the end of 2022. And then finally, we filed and completed a rate case in Washington to increase our company revenues by 2.1 million that became effective-- I believe it was July 28th, 2023. Moving to slide 19, I'll give it back to you, Marty.

MARTIN KROPELNICKI: Yeah. Thanks, Greg. In terms of PFAS regulation and what's happening, certainly there's been a ton of press over the last quarter about the settlement discussions that have been underway with the polluters. And while no final settlement has been reached, there clearly has been a lot of activity.

For us, there's really no change in our PFAS program. We have a memo account on file with the commission that allows us to track our incremental costs associated with PFAS testing. And then we've filed an application to modify that advice letter to allow us to track capital as well.

The significance of that is it allows us to start to work early, make the investments. And when the regulations ultimately come into play and get approved, we can apply for recovery. I also would like to point out that the 200 million that we estimate as being our capital needs to treat PFAS and the systems that we operate is incremental to the capital program that we talk about.

So the slides that we put in this deck is part of the rate case capital that we plan for and do in the ordinary course of business, something like this. And we have a change in regulation that requires incremental capital. It's just that. It's incremental to the capital spending that we show in the rate case. And hence, we track it through the advice letter process.

The slide 20, you'll see where we are kind of year to date, that $274 million. Again, that's a new nine-month high for the company. And we are on track going in the fourth quarter for a record capital investment year.

Again, overall, we don't see the capital needs slowing down any time soon. And anything that's used for PFOA, PFAS treatment will be incremental to the numbers that you see on the slide. Likewise, this slide will get crewed up when we get the final decision from the CPUC. The slide is based on what we've asked for in the rate case and also what we have actually spent the last couple of years while going through the rate case process.

Looking at slide 21, that investment flows through to our rate base. This is what our forecasted rate base looks like based on the current assumptions. And again, this will get crewed up when we have a decision from the commission based on the 2021 general rate case.

So going to slide 22, in summary, kind of where are we. Obviously, we're very happy that it's been a mild fire season. And we didn't sustain any damage to our systems in West Maui.

The cost of capital adjustment mechanism has put our ROE starting in January 1st-- and, Greg, thank you for that correction-- to 10.27. We haven't had an ROE above 10.2 in at least the last couple of decades,

CapEx continues to remain strong. And there's infinite places to put capital. So on the capital side of the business, things are going well.

Obviously, as I mentioned earlier, the fog of a delayed in the general rate case can be very frustrating. The revenue shortfalls we are experiencing is due to the temporary absence of regulatory mechanisms. And we anticipate recognition of that revenue and those mechanisms when we have a decision from the California Public Utilities Commission.

Like Greg, I'm encouraged to see that the rate case is being worked on. But I also know it's very frustrating when we have to wait for administrative delays and it causes a lot of confusion in the financial reporting. The current deadline for the commission that they have on file to conclude our 2021 general rate case is December 31st, 2023. So hopefully, we will be near the end.

In addition to that, as we work to answer their questions on the 2021 rate case, we have been busy working on the 2024 rate case, which is going to be a big effort within the company. And it's thousands and thousands and thousands of pages of documentation and testimony that gets filed. So the team has been busy working on that. And obviously, we are pushing forward with our PFOA, PFAS programs to treat the wells that we have in our service territory that may show trace elements of those chemicals. So, Krista, with that, we will open it up for questions, please.

MODERATOR: Certainly. If you would like to ask a question, please press star 1 on your telephone keypad. And if you would like to withdraw your question, press the pound key. Your first question comes from the line of Davis Sunderland from Baird. Please go ahead.

DAVIS SUNDERLAND: Hey, guys. good morning. And thank you for taking my question.

DAVID HEALEY: Good morning, Davis.

DAVIS SUNDERLAND: Just going through the slide deck, I noticed there was no update on the business development pipeline and just wanted to ask if this was maybe simply there being no updates to share or maybe a difference in how you guys are looking at this going into 2024 or any thoughts there.

MARTIN KROPELNICKI: No, actually, good question, David. No. No change in how we look at 2024. The business development pipeline continues to be very, very strong.

The only real activity that we had in the third quarter was that we closed on the Stroh system. And we previously announced that. And so obviously, with the additional disclosures we wanted to put in this deck associated with the overhang of the rate case being late, we just didn't think there were a lot of substantial changes in the last 90 days. And there were no new announcements really in the last 90 days other than that Stroh system closing.

We didn't want to use the space right now. We thought that space for this discussion was better served talking about what are the effects of the delayed rate case both on the revenue and EPS line.

DAVIS SUNDERLAND: Got it. And those are very helpful. Thank you very much. And then my only other question is just on the CPUC filing for the $1.3 billion in equity and debt. Any estimates on when this decision might come back or if it would just be a continued smooth cadence of deployment or maybe any changes due to the rising rates environment? Or I guess any other thoughts that would be helpful. Thanks, guys.

DAVID HEALEY: Yeah, Greg. Greg, you want to take that one?

GREG MILLIMAN: I heard part of it. And that's the timing. An application like that generally takes somewhere between 6 to 12 months to process. It's generally very non-controversial. But the commission does have a process that they need to go through.

MARTIN KROPELNICKI: Yeah, and I'll come back on the second part of your question, Davis. You saw the cost of capital mechanism do what it's designed to do. And frankly, I believe the cost of capital mechanism's very unique to California. I'm not aware of other states that have a cost of capital adjustment mechanism.

So when we're in an increasing interest rate environment, that mechanism has helped. And this is the second time. We had a second step up on our ROE from the increasing interest rate environment.

So the application itself, we filed this in the ordinary course of business. It's basically similar to the shelf that we filed with the Securities and Exchange Commission. And basically, the commission is authorizing us to sell more debt and equity for our needs in terms of financing our capital program and running the company.

So it's an administrative step with the commission. They approve it. And then we have to have a shelf on file with the SEC. It's not an indicator we're going to go out and do a great big stock deal tomorrow or all of a sudden sell a bunch of new debt. It's basically used to do the financing needs of the company as we continue to grow our rate base and we have increasing rate base needs.

And then again, I would just want to highlight that that cost of capital adjustment mechanism is working the way it's designed to work. And I think that's kind of a real benefit of California regulation in that we don't have to wait a couple of years to file for an increase in ROE. Given the increasing interest rate environment, we're allowed to adjust that every year based on the change in that Moody's utility bond index.

DAVIS SUNDERLAND: That's very helpful. Thanks for the time, guys. Appreciate it.

MARTIN KROPELNICKI: Thanks, Davis. Have a good day.

MODERATOR: Your next question comes from the line of Jonathan Reeder from Wells Fargo. Please go ahead.

JONATHAN REEDER: Hey, good morning, Marty and team. How are you guys?

MARTIN KROPELNICKI: Good morning, Jonathan. How are you?

JONATHAN REEDER: Not too bad. Just getting into the swing of earnings now. So I know you made the filing to increase the ROE under the water cost of capital mechanism. Have any interveners opined on that increase? Or by what date must interveners weigh in if they want to?

DAVID HEALEY: Greg, I think that's you.

GREG MILLIMAN: Yes, Jonathan. No one has intervened at this point in time. We filed it October 13th. And interveners have 20 days. So that would be November 7th, I believe, if I did the math right. But it's 20 days from October 13th. I did the math wrong. I think it'd be more like November 3rd and 4th.

JONATHAN REEDER: Gotcha. OK. And, Greg, that's a tier 2 advice letter, correct?

GREG MILLIMAN: Yeah, it's a tier 2 advice letter, which where water division approves it, they make sure that we follow the rules of the water cost of capital adjustment mechanism in our approved tariffs. And then basically, they also make sure we did the math right. But that's about the extent of it.

JONATHAN REEDER: Gotcha. OK. Can you talk about maybe the strategy for the next cost of capital application? I believe it'd be due to be filed next year. In theory, is there interest in trying to extend the current parameters given the 2022 to 2024 application just recently got a final order?

GREG MILLIMAN: We are currently discussing that with the other three water companies that are also supposed to file May 1st of 2024. At this point, we haven't settled on a strategy.

JONATHAN REEDER: OK. All right. I think that's it for my questions at this point as we continue to await the PD. So that at least sounds good if the ALJs are coming back to you guys for informational requests and it's consistent with them. Certainly working on the case. But hopefully buttoning it up. So good luck with that.

GREG MILLIMAN: Thank you.

MARTIN KROPELNICKI: Thank you.

DAVID HEALEY: Great. Thanks, Jonathan.

MODERATOR: Your next question comes from the line of Angie Storozynski from Seaport. Please go ahead.

ANGIE STOROZYNSKI: Thank you. So just going back to that slide, which basically attempts to bridge the year to date results with what they would have been had the commission actually made a decision, so slide 13, so can I ask this big range for this first line for IRMA 1.1 versus 0.5? Well, say a big range. So what is it?

Why is there a range here? If you could just explain it to me from-- I mean, there is a partial settlement in the case. So just again, what I understand, why the range is here?

GREG MILLIMAN: Certainly. The partial settlement really was basically on rate design matters. It did not address any of the capital projects that we included in the program. And it did not address the disputed expense items-- O&M expense items that we had in the case. And so the high range is what we filed in our application.

That would be our position. And the low range is what the consumer advocates group-- what they felt that we should achieve. So that's really the big reason for the range. The settlement was not a lot of items settled. And it was not a lot of revenue requirement. Of course, basically no revenue requirement items settled.

ANGIE STOROZYNSKI: OK. OK. Then the DREMA outline, you're mentioning that that's going to be decided in 2024. So I guess it all depends when in '24. But is it fair to assume that we should just move that decision or that earnings stream from '23 earnings to '24? What if the decision is, for instance, made in, I don't know, January or February? Would that still be allocated to '23?

GREG MILLIMAN: I think, Dave, you would need to answer that one.

DAVID HEALEY: Yeah. So the way that the advice letter filing process works is we're going to get-- if we get a proposed decision, it's going to be finalized at the end of the year. And then we would have to prepare the advice letter filing in the first quarter of 2024. And it's a tier 3 filing, which would take several months to get approval. So it's going to be toward the second half of 2024. So it will not be recorded in 2023.

ANGIE STOROZYNSKI: And then-- sorry, I'm jumping like that. But the filing with the permission to issue a mixture of equity and bonds, is it fair to assume that basically the equity component is equivalent to the allowed equity ratio? So basically, roughly 53% of that would be equity?

DAVID HEALEY: Yeah, that's a good assumption.

ANGIE STOROZYNSKI: OK. And then lastly-- I should be able to infer it from the earnings walk. But what's the year to date drag associated or, if at all-- associated with the performance of your non-qualified pension funds? Maybe not the year over year. Maybe what's the absolute number.

DAVID HEALEY: I think we have the details in Slide 15. Are you referring to--

ANGIE STOROZYNSKI: I'm looking at it. OK, I see it.

DAVID HEALEY: You see that, where we have the unrealized loss in 2022 versus the unrealized gain in 2023?

ANGIE STOROZYNSKI: OK, I see it. So those are not year over year numbers. Those are actually actual numbers. OK, very good. Good.

Then maybe one more. So again, I know that we're still waiting for the GRC decision. But you now have presumably visibility into the high ROE. You guys raised the dividend this year-- relatively little, only 4%. I mean, I'm assuming that was sort of a transitory issue. So should we expect that the dividend increases will go back to the historical cadence? I mean, are we in simply a different interest rate environment and that somehow will suppress the dividend growth going forward?

GREG MILLIMAN: Our overall strategy is to have and keep our payout ratio between 50% to 60%. And we have stayed kind of well within that range. Obviously, with the growing capital program, there's always the need to finance that program.

And when you pay a dividend, it takes away from your ability to help pay for that program. Nonetheless, I think we recognize that we are a total return type of stock. And the company has had a long history of increasing its dividend every single year.

So I would look at two things. I think the financials right now. And that's why I use the fog of the delayed rate case. It's very foggy. It's hard to see because, as you just pointed out, we have estimates. And we're giving you a goalpost of where we think the decision is going to come out. But we ultimately don't know.

But certainly, when we book everything and get everything kind of caught up from the delayed rate case, the fog starts to go away. And you'll see what the financial statements look like. And I do not expect the company to deviate from its policy of increasing the dividend every year. I think that will likely continue.

The question is, how much? And obviously, we are in a rising interest rate environment. Your risk free rate of return is now at 4% or above, depending on what duration bonds you're looking at and what type of bonds you're looking at.

I'm also acutely aware that that Compound Annual Growth Rate or the CAGR number associated with our dividend growth helps drive stock valuation. So it's hard to say right now. But look, I would anticipate a dividend increase next year consistent with the history of the company for the last 70 years.

The question will be, how much? And is the rate case concluded? And I don't think we're prepared to say more than that right now. But history will repeat itself, I think, with Cal Water. It's just a question of what size increase will it be.

ANGIE STOROZYNSKI: OK. I know that I promised that was the last question. But now just one more. So you guys did numerous-- well, numerous-- a couple of acquisitions. So the question I basically have is, is that strategy going to continue in this higher financing environment? Is there more of a refocusing on organic growth? Again, that's a question I think we hear from investors across the utilities space. Again, as you said, PFAS would potentially give you this incremental, organic growth. But again, strategically speaking, is there a shift towards organic growth in a way from an M&A.

GREG MILLIMAN: Yeah, I think I'll pull in our annual report that we have for this year. Steady the helm. I mean, certainly, it's been a turbulent market, I think, the last 18 months to two years.

Interest rates-- two years ago, we could borrow money at sub one half of 1%. And now, our borrowing rates, Dave, are what? It's 6.5% on the line? And we're A plus stable issuer. So it means the cost of capital is going up. And I think it's going to shake out buyers and sellers.

Having said that, Angie, we've always been kind of value focused on our buyers. And I think as deals may slow down a little bit, we're always going to be out there looking for those systems that we can bring onto our platform, improve service, and hopefully bring new capital into a system that may under-invested.

So I remain optimistic on the M&A side. I think it might slow down a little bit. And to the question Davis asked earlier, we didn't include that slide this quarter because we just had the one system closed, the Stroh system in Washington. That was about 900 connections. It doesn't mean our pipeline is thinned out. It just means we haven't had any new announcements come out in the last 90 days.

And we have a very good business development team. Some of you may have seen we promoted Shilen Patel into that role, leading that as our chief development officer. And that's his full time job.

And I think we will continue to look for strategic deals that will be accretive. And again, we have to get to this fog of the delayed rate case. But we have a very strong balance sheet. And sometimes, when the market gets tough, you find better opportunities. So we're going to be out there looking and continue to look.

MODERATOR: And if you would like to ask a question, please press star 1 on your telephone keypad. We have no other questions in the queue at this time. I will now turn the call over to Marty Kropelnicki, chairman and CEO, for closing remarks.

MARTIN KROPELNICKI: Great, Krista. Thanks, everyone, for calling in on the call today. And thanks for staying with us as we go through this delayed rate case. Hopefully, we are getting to the end here, as Greg mentioned, and we get this thing kind of wrapped up. Because certainly as we go into 2024, we have some big things we want to accomplish.

That's it for now. We'll look forward to reporting our year-end results the end of February. Until then, please be safe. And we'll look forward to talking to you really soon. Thank you.

MODERATOR: This concludes today's conference call. Thank you for your participation. And you may now disconnect.