



CALIFORNIA
WATER SERVICE GROUP
INVESTING FOR LIFE



Full Year & Fourth Quarter 2021 Results Presentation

February 24, 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 would, expects, intends, plans, believes, may, estimates, assumes, anticipates, projects, predicts, targets, forecasts, priorities, outlook or variations of such words or similar expressions are intended to identify forward-looking statements. The 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; the outcome and timeliness of regulatory commissions' actions concerning rate relief and other matters; increased risk of inverse condemnation losses as a result of climate conditions; inability 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; 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; our ability to complete, successfully integrate and achieve anticipated benefits from announced acquisitions; the impact of weather, climate, 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; and, other risks and unforeseen events. 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. The Company assumes no obligation to provide public updates of forward-looking statements.

Today's Participants

Marty Kropelnicki

President & CEO



Paul Townsley

Vice President, Corporate
Development



Tom Smegal

Vice President, CFO & Treasurer



Dave Healey

Vice President, Controller



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Presentation Overview

- Our Values and Priorities
- Financial Results
- Earnings Breakdown for 2021
- Anticipated Factors in 2022 Results
- California GRC Update
- California Cost of Capital and Financing Update
- California Drought Update
- Business Development Status and Recap
- ESG Update
- CapEx and Rate Base Tables
- 2022 Business Priorities
- 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: Full Year 2021

(Amounts are in millions, except for EPS)	2020		2021	Variance
Operating Revenue	\$794.3	▼	\$790.9	-0.4%
Operating Expenses	\$657.6	▲	\$664.1	1.0%
Net Interest Expense	\$41.9	▲	\$43.2	3.2%
Net Income Attributable to CWT	\$96.8	▲	\$101.1	4.4%
EPS	\$1.97	▼	\$1.96	-0.5%
Capital Investments	\$298.7	▼	\$293.2	-1.8%

Financial Results: Fourth Quarter 2021

(Amounts are in millions, except for EPS)	Q4 2020		Q4 2021	Variance
Operating Revenue	\$189.2	▼	\$173.3	-8.4%
Operating Expenses	\$164.1	▼	\$162.9	-0.8%
Net Interest Expense	\$11.0	▲	\$11.3	2.4%
Net Income Attributable to CWT	\$15.5	▼	\$3.5	-77.4%
EPS	\$0.31	▼	\$0.07	-77.4%
Capital Investments	\$77.4	▲	\$85.4	10.3%

Full Year Financial Highlights

NET INCOME
INCREASED BY

\$4.3M

TO

\$101.1M

SOLID YEAR IN THE FACE OF PANDEMIC, DROUGHT, REGULATORY ACTIVITY

Infrastructure investment of **\$293M** despite nation-wide supply-chain and COVID-19 challenges

Acted on growth opportunities, adding Texas investments

Ongoing work on California GRC and Cost of Capital

Continued ESG development

Major California funding to support our customers also reduced bad debt reserve

PLUS:

Company completed its ATM program, selling **3.3M** new shares and helping us invest in needed infrastructure



Q4 2021 Financial Highlights

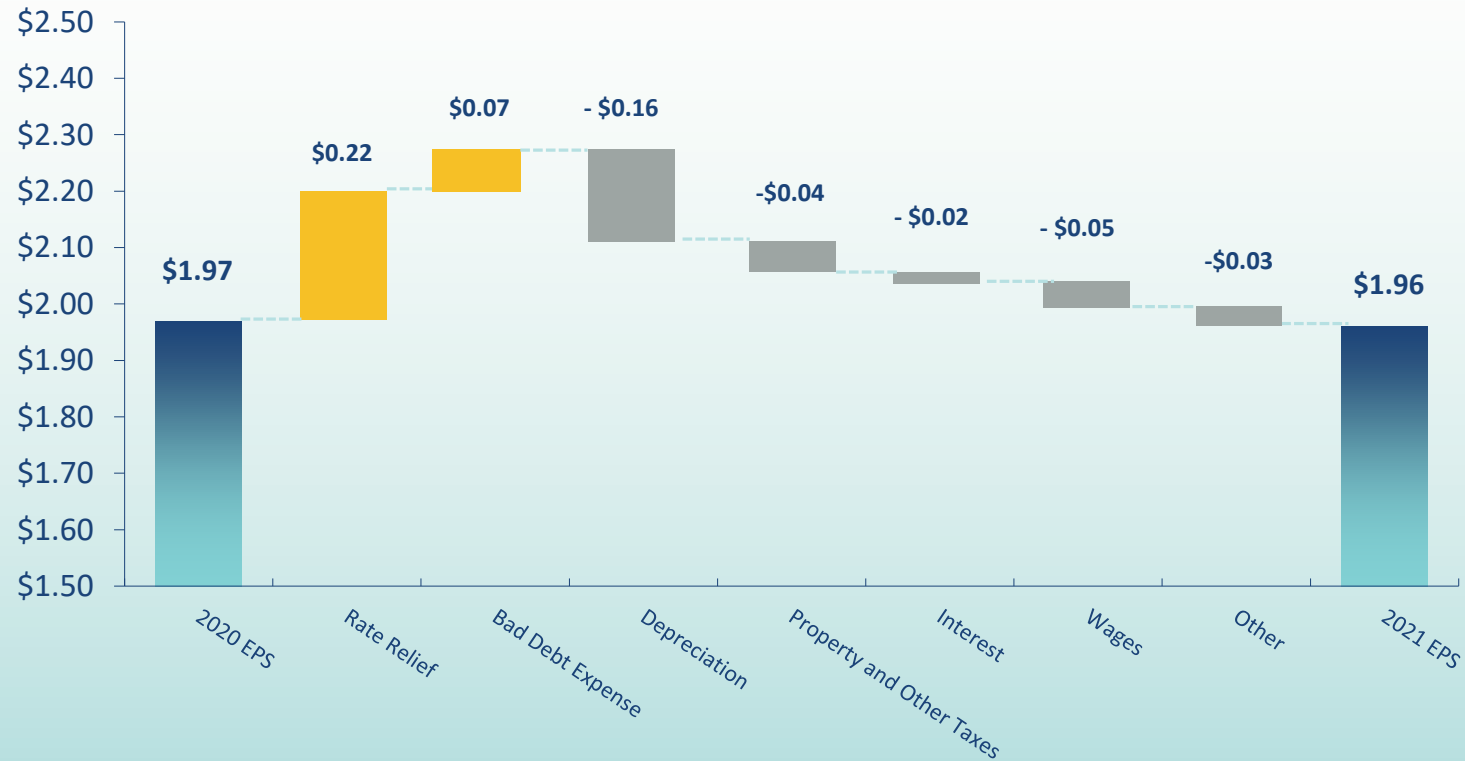
Q4 Net income decreased by **\$12M** to **\$3.5M** due mostly to the seasonal reversion of unbilled revenue accrual

MAJOR DRIVERS

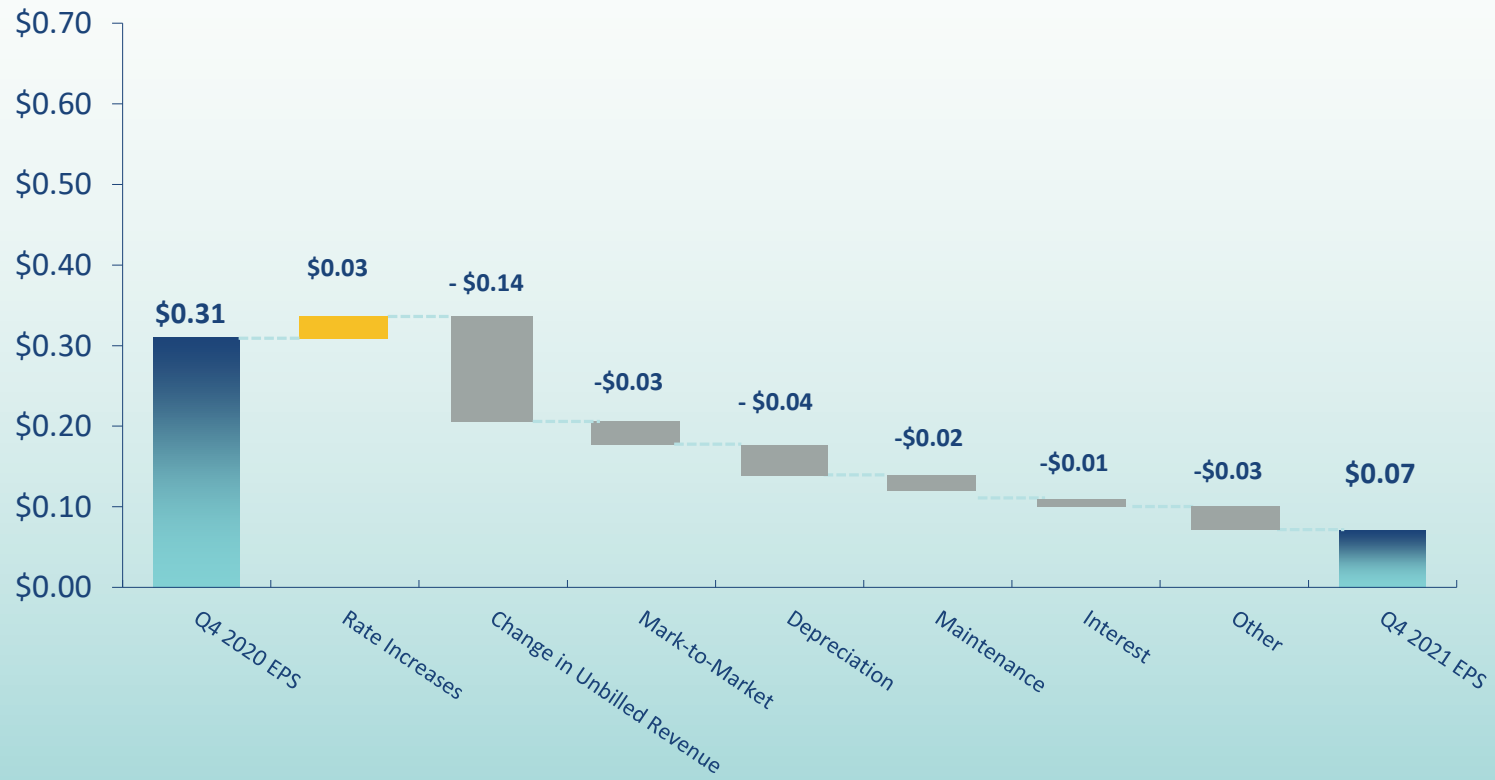
- \$9.2M** Decrease in accrued unbilled revenue. For the full year, unbilled revenue decreased \$0.5M as compared to the full year of 2020.
- \$2.1M** Rate increases, excluding pass-through increases for purchased water
- \$3.7M** Increase in depreciation and maintenance costs
- \$2.0M** Reduction in unrealized gains associated with nonqualified retirement plan assets



EPS Bridge 2020 to 2021



EPS Bridge Q4 2020 to Q4 2021





Anticipated Factors in 2022 Results

2022 California regulated operations adopted rate base of **\$1.84B** and adopted net income of **\$90.5M**. Other states, with **\$110M** in rate base, are expected to add net income in line with their size.

Third year of the California GRC process in 2022 with significant near-term inflation may pressure earned returns. 2022 California step increase was **\$21.7M**.

Reduction in cost of debt authorized in California, not challenged in Cost of Capital case, will, by itself, reduce revenues by **\$11M** when the adjusted cost of capital rates become effective.

Reduction in bad debt reserve of **\$4.6M** due to California State Aid to pandemic impacted customers is not likely to repeat.

Additional factors which can affect net income are variable and outside our control:

- **Mark-to-market** increased earnings **\$3.8M** in 2021 and **\$4.3M** in 2020
- Changes in accrued **unbilled revenue** which can vary seasonally, decreased earnings **\$1.3M** in 2021 and **\$0.8M** in 2020

California General Rate Case Update

FILED ON JULY 1 REQUESTING \$1.02B CAPITAL SPENDING 2022-2024, \$913M ON NEW PROJECTS INCLUDING MAIN REPLACEMENT PROGRAM AND WILDFIRE HARDENING

LOWER SALES FORECAST, NEW RATE DESIGN, WATER MIX FORECAST ARE DESIGNED TO MITIGATE LOSS OF DECOUPLING

CAL ADVOCATES FEBRUARY TESTIMONY TAKES ISSUE WITH CAPITAL SPENDING, RATE DESIGN, SOME EXPENSES

AREAS OF ALIGNMENT: SIMILAR SALES FORECAST, WATER MIX; AGREED WITH MOST BALANCING ACCOUNTS

NEXT MILESTONE IS OUR REBUTTAL TESTIMONY, TO BE FILED IN APRIL 2022

THE CASE IS CURRENTLY RUNNING ON SCHEDULE FOR A DECISION BEFORE THE END OF 2022. RATES WILL BE EFFECTIVE IN JANUARY 2023.

Cost of Capital Proceeding and 2021 Financing Activities

On May 1, 2021 Cal Water filed for review of Cost of Capital for 2022-2024 requesting a 10.35% ROE on 53.4% equity, with a cost of debt of 4.23%

Cal Advocates testimony recommends a 7.81% ROE on 49.44% equity. They agree on cost of debt. Our rebuttal will be filed in March. We anticipate a final decision in Q3 2022.

In 2021, we made significant progress financing our current and near-term infrastructure investments. Cal Water sold \$280 million in First Mortgage Bonds in May, and the company sold \$197.9 million in stock through its ATM program

Actual capital structure at end-of-year is 52.8% equity at CWT, 48.5% equity at Cal Water. We proposed to the CPUC that we would add equity between 2022 and 2024 to reach the requested Cal Water capital structure.



2021-2022 CALIFORNIA DROUGHT UPDATE

CAL WATER HAS MOVED TO
STAGE 2 DROUGHT
RESTRICTIONS IN 6 DISTRICTS

EXPANDING CONSERVATION
PROGRAMS IN 2022

CONTINUED FOCUS ON WATER
SUPPLY RESILIENCY IN ALL
DISTRICTS

GOVERNOR NEWSOM EXPANDED DROUGHT DECLARATION
STATEWIDE ON OCTOBER 19, 2021
RECORD RAINS/SNOW IN NORTHERN CALIFORNIA IN
OCTOBER AND DECEMBER HAVE BEEN FOLLOWED BY
DRIEST RECORDED JANUARY/FEBRUARY ON RECORD
CALIFORNIA CUSTOMER USAGE DOWN 11% IN Q3, 7% IN Q4
AS COMPARED TO 2020

Recap of 2021 Acquisitions

System	Water Connections	Wastewater Connections	Total	Status
BVRT Texas Partnership		2,500* (up to 61,000 in the future in existing service areas)	2,500* (up to 61,000 in the future in existing service areas)	Closed
Kapalua (HI)	500	500	1,000	Closed
The Preserve at Millerton (CA)	Future up to 1,400	Future up to 1,400	Future up to 2,800	Received regulatory approval. Close pending occupancy.
Valencia Mesa (NM)	85		85	Closed February 2022
Totals	585 - Up to 3,985 at buildout	3,000 - Up to 62,900 at buildout	3,585 - Up to 64,885 at buildout	

* Connected and committed customers as of May 4, 2021. At year-end BVRT had 3,810 connected and committed customers.

Pending Acquisitions

System	Water Connections	Wastewater Connections	Total	Status
Animas Valley Water (NM)	2,000		2,000	NMPRC approved transaction in February 2022. Close pending.*
Keahou (HI)		1,500 EDUs	1,500 EDUs	HPUC change of control filed*
HOH Utilities (HI)		1,800 EDUs	1,800 EDUs	HPUC change of control filed*
Skylonda (CA)	176		176	Announced March 2021
Railyard (TX) – New service area of BVRT		350 (up to 1,500 at buildout)	350 (up to 1,500 at buildout)	APA signed December 2021
Driftwood Valley (WA)	62		62	Announced February 2022
Totals	2,238	3,650 Connections and EDUs	5,888 EDUs and connections (plus up to 1,150 more with future development)	

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

2021 ESG Accomplishments

Published first framework-aligned ESG Report

- Aligned with SASB
- Guided by TCFD

Adopted four new ESG-related policies

- Human Rights
- Environmental Sustainability
- Political Involvement
- Diversity, Equality, and Inclusion

Established ESG governance framework

- Board level oversight: Nominating & Governance Committee
- Officer level accountability: ESG Oversight Committee
- Subject matter expert team: ESG Working Group

Developed a climate change strategy

- Reduce our own and our customers' contributions to climate change
- Understand & plan for climate change impacts on our business
- Ramp up collaboration & advocacy
- Set time-bound goals
- Continue to mature disclosures

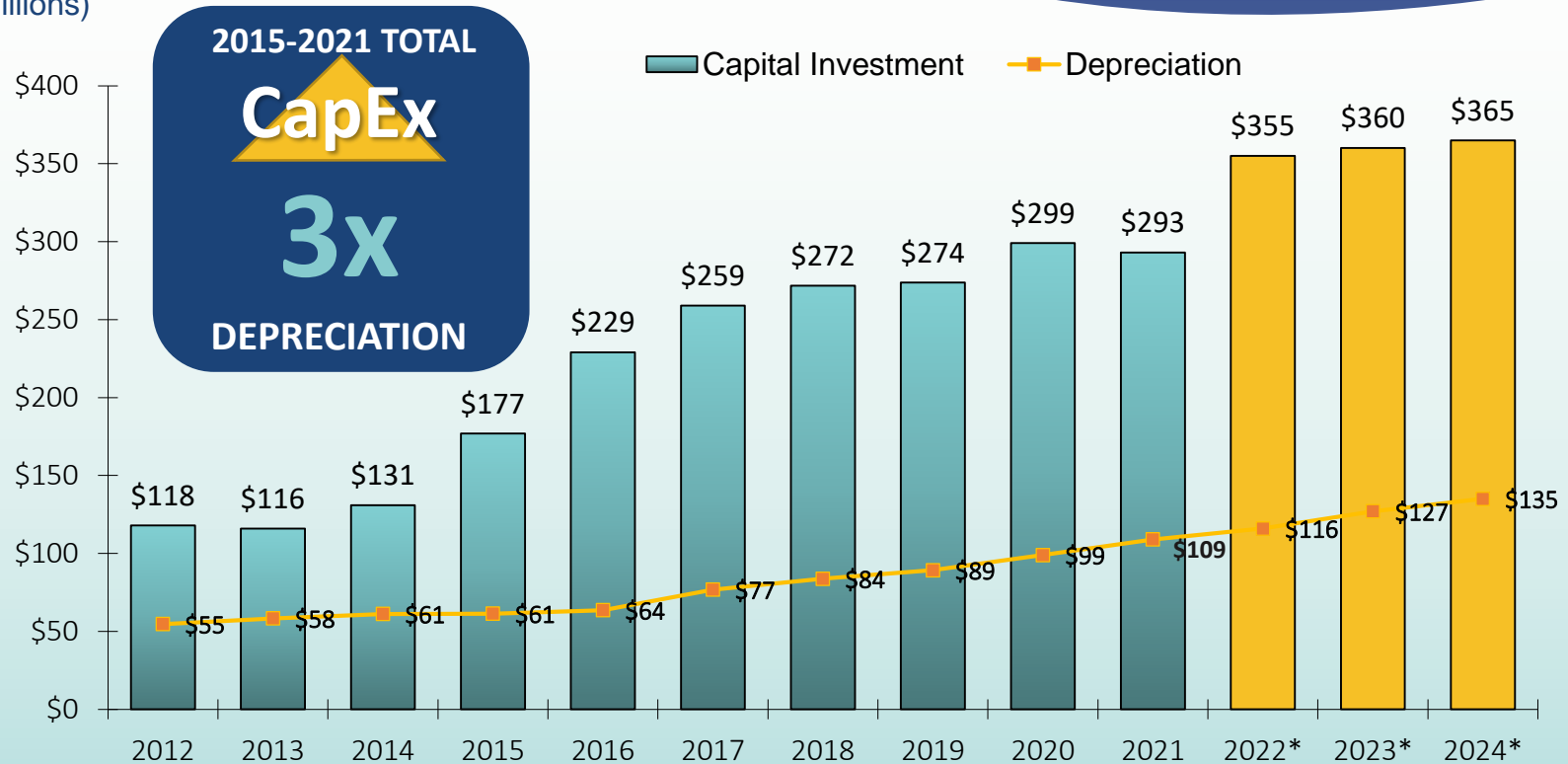
Completed a robust ESG goal-setting process

- Short- and long-term objectives
- Based on collaboration by subject matter experts
- Now integrated into strategic planning process

OUR 2021 ESG REPORT WILL BE PUBLISHED IN APRIL

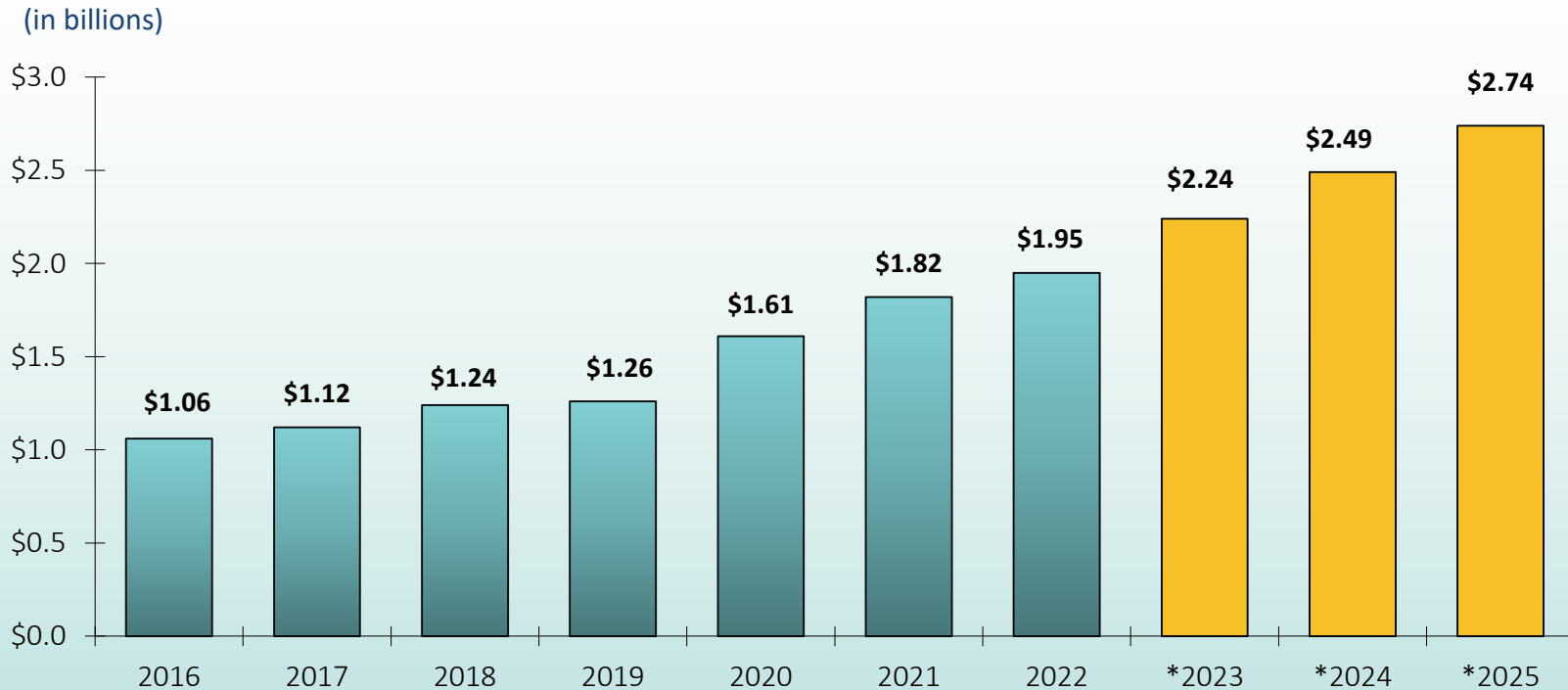
Capital Investment and Depreciation

(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.

2022 Business Priorities

Resolve
California
GRC

Resolve
California
Cost of
Capital

Respond to
California
Drought

Invest in
Infrastructure

Manage
Supply
Chains

ESG
Progress





In Summary

- Solid performance on earnings and CapEx despite challenges
- Another strong year of business development
- Looking forward to resolving major regulatory proceedings in 2022 and managing our response to the California drought





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DISCUSSION

