

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (date of earliest event reported): **October 27, 2016**

CALIFORNIA WATER SERVICE GROUP

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

1-13883
(Commission file number)

77-0448994
(I.R.S. Employer
Identification Number)

1720 North First Street
San Jose, California
(Address of principal executive offices)

95112
(Zip Code)

(408) 367-8200
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On October 27, 2016, California Water Service Group (the "Company") issued a press release (a copy of which is attached hereto as Exhibit 99.1 and incorporated herein by reference) announcing its financial results for the third quarter of 2016, ended September 30, 2016. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

As announced, the Company will host a conference call on Thursday, October 27, 2016 at 11:00 am EDT to discuss financial results and management's business outlook. The financial results announcement contains information about how to access the conference call. A slide presentation, which includes supplemental information relating to the Company, will be used by management during the conference call. A copy of the slide presentation is attached hereto as Exhibit 99.2 and is incorporated by reference herein. The Exhibits will be posted on the Company's website at www.calwatergroup.com under the "Investor Relations" tab.

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

Item 7.01. Regulation FD Disclosure.

The information included in the Exhibits to this report is incorporated by reference in response to this Item 7.01.

The information furnished pursuant to Item 7.01 of this Current Report shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act, or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

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

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued October 27, 2016
99.2	Slide presentation relating to conference call

SIGNATURES

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

CALIFORNIA WATER SERVICE GROUP

Date: October 27, 2016

By: /s/ Thomas F. Smegal
Name: Thomas F. Smegal
Title: Vice President, Chief Financial Officer & Treasurer



1720 North First Street
San Jose, CA 95112-4598

October 27, 2016
for immediate release

Contact: Tom Smegal (408) 367-8200 (analysts)
Shannon Dean (408) 367-8243 (media)

**CALIFORNIA WATER SERVICE GROUP ANNOUNCES
THIRD QUARTER AND YEAR TO DATE 2016 RESULTS**

SAN JOSE, CA — California Water Service Group (NYSE: CWT) today announced 2016 third quarter net income of \$22.9 million or \$0.48 per diluted common share, compared to net income of \$25.1 million or \$0.52 per diluted common share for the same period last year. The \$2.2 million decrease was primarily attributed to a write-off of \$3.2 million of capital costs that are not expected to be recovered as part of the California general rate case (GRC) settlement the company filed on September 2, a decrease in accrued unbilled revenue, an increase in depreciation & amortization, and an increase in net interest expenses which were partially offset by decreases in uninsured loss and maintenance expenses.

Total revenue increased \$0.7 million to \$184.3 million, compared to revenue of \$183.6 million for the third quarter of 2015. Rate increases added \$8.3 million, of which \$6.2 million was related to water production cost increases. During the quarter, the accrued unbilled revenue declined \$5.1 million driven by customer bill rate changes. Revenue decoupling mechanisms and other balancing accounts reduced revenue \$2.9 million.

The water revenue adjustment mechanism (WRAM) account records changes in billed revenue. Unbilled revenue is an accounting estimate that is accrued at the end of the quarter. The unbilled revenue accrual is subject to consumption changes and will fluctuate on a quarter-to-quarter basis.

Total operating expenses increased \$2.9 million, or 1.9%, to \$154.2 million in the third quarter of 2016 compared to operating expenses of \$151.3 million in the third quarter of 2015, principally due to a \$9.7 million or 16.1% increase in water production costs. The increase in water production costs was primarily due to a 7.7% increase in blended purchased water rates from water wholesalers and a 10.3% increase in the use of purchased water to meet customer demand.

Administrative & general and other operations expenses decreased \$5.2 million, or 10.7%, to \$43.4 million, primarily due to decreases in employee benefits, uninsured loss expenses, and California drought and water conservation program costs, which were partially offset by the write-off of \$3.2 million of capital costs that are not expected to be recovered as part of the California GRC. The write-off of capital costs were for engineering design costs for a cancelled Cal Water and City of Bakersfield water treatment plant project, previously recorded as property held for future use. Water conservation program costs are affected by seasonal patterns and customer demand. Changes in employee pension and other postretirement benefits and water conservation program expenses for regulated California operations do not affect net income, because the Company is permitted by the California Public Utilities Commission (CPUC) to record these costs in balancing accounts for future recovery, which creates a corresponding change to operating revenue. Drought program costs are tracked in a CPUC-approved memorandum account and require CPUC review before they become recoverable.

Income taxes decreased \$2.1 million, or 13.4%, to \$13.2 million in the third quarter of 2016 compared to the third quarter of 2015, primarily due to a decrease in pre-tax income in the third quarter of 2016 as compared to the prior year. The Company's estimated effective tax rate for fiscal year 2016 is 38%.

Net other income increased \$0.9 million to net other income of \$0.5 million in the third quarter of 2016, as compared to a net loss of \$0.4 million in the third quarter of 2015, principally due to an unrealized gain on our benefit plan insurance investments.

Net interest expense increased \$1.0 million, or 15.0%, to \$7.7 million in the third quarter of 2016 due mostly to 2015 and 2016 financing activities.

According to President and Chief Executive Officer Martin A. Kropelnicki, "The third quarter of 2016 was extremely busy for us. We continued to deal with the historic California drought, filed our settlement for the California GRC, helped our customers affected by the Erskine Fire in Kern County, and announced our successful bid to operate the water system at Travis Air Force Base. Further, during the quarter, as filed in our GRC settlement, the company recorded the impairment of design costs from a joint water treatment

plant project with the City of Bakersfield that the City was no longer interested in completing. Now with the settlement pending approval by the CPUC, we look forward to getting the rate case completed before year-end and moving forward with our capital programs to improve infrastructure for the benefit of our customers."

Year-to-Date Results

For the nine-month period ended September 30, 2016, net income was \$33.6 million or \$0.70 per diluted common share, compared to net income of \$36.5 million or \$0.76 per diluted common share for the nine-month period ended September 30, 2015. The \$2.9 million decrease in net income was primarily due to a write-off of \$3.2 million of capital costs that are not expected to be recovered as part of the California GRC settlement and increases in maintenance, drought-related costs, depreciation and amortization and net interest expenses which were partially offset by an increase in accrued unbilled revenue and a decrease in uninsured loss expenses.

During the first nine months of 2016, the total company-funded and developer-funded investment was \$166.4 million in utility plant, up 40.7%, or \$48.1 million, from \$118.3 million in the first nine months of 2015.

2015 California GRC

As previously reported, in July 2015, California Water Service Company (Cal Water) filed a GRC application seeking rate increases in all regulated operating districts in California effective January 1, 2017. The 2015 GRC application requests increased revenues of \$94.8 million for 2017, \$23.0 million for 2018, and \$22.6 million for 2019. The primary reason for the requested revenue increase was a proposed capital program of \$693.0 million in districts throughout California over the three-year period from January 1, 2016 through December 31, 2018. The GRC process considers the views of several intervenors, including the CPUC's Office of Ratepayer Advocates (ORA).

On September 2, 2016, Cal Water entered into a settlement agreement with the ORA and other parties to its 2015 GRC. The Commission may or may not adopt the settlement

agreement as proposed by the parties. If the settlement agreement is approved as proposed, Cal Water would be authorized to invest \$658.8 million in districts throughout California over the three-year period from January 1, 2016 through December 31, 2018 in order to provide a safe and reliable water supply to its customers. Included in the \$658.8 million in water system infrastructure improvements is \$197.3 million that would be recovered through the CPUC's advice letter procedure upon completion of qualified projects. Under the terms of the settlement, the Company would be authorized to increase revenue by approximately \$45.0 million in 2017, \$17.2 million in 2018, and \$16.3 million in 2019, and up to \$30.0 million upon completion and approval of the company's advice letter projects. The GRC is being processed according to the adopted schedule which would allow for a decision at the end of 2016. Any rate change as a result of this filing is expected to be effective on January 1, 2017. In the event of a delay in a final decision, Cal Water would be allowed to implement interim rates beginning January 1, 2017 under the CPUC's policies.

Recovery of Incremental Drought Expenses

On July 15, 2016, Cal Water filed an advice letter to recover \$4.2 million of incremental drought expenses associated with calendar years 2014 and 2015. During the third quarter of 2016, the Company discussed the request with interested parties including ORA. Cal Water filed a revised advice letter on October 12, 2016 to recover \$2.9 million in incremental costs related to 2014 and 2015 expenses, which will be recoverable to the extent approved by the CPUC in a future period.

During the first nine months of 2016 drought costs were \$4.0 million, up 48.1% from drought costs of \$2.7 million during the first nine months of 2015.

Recovery of net WRAM and MCBA receivable balance

The under-collected net receivable balance in the WRAM and MCBA mechanism was \$30.6 million at the end of the third quarter, up 5.5% or \$1.6 million from the balance at the end of the second quarter. Due to the Company's drought response including drought surcharges, the under-collected balance has decreased by \$17.5 million or 36.4% since the second quarter of 2015.

Other Information

All stockholders and interested investors are invited to listen to the third quarter of 2016 conference call on October 27, 2016 at 8:00 a.m. PDT (11:00 a.m. EDT) by dialing 1-877-604-9665 and keying in ID #7228386. A replay of the call will be available from 11:00 a.m. PDT (2:00 p.m. EDT) on October 27, 2016 through December 27, 2016, at 1-888-203-1112 or 1-719-457-0820, ID #7228386. The replay will also be available under the investor relations tab at www.calwatergroup.com. Prior to the call, Cal Water will post a slide presentation on its website. The presentation can be found at www.calwatergroup.com/docs/earningslidesseptember2016.pdf after 6:00 a.m. PDT. The call will be hosted by President and Chief Executive Officer Martin A. Kropelnicki, Vice President and Chief Financial Officer Thomas F. Smegal III, and Vice President of Regulatory Matters and Corporate Development Paul G. Townsley.

California Water Service Group is the parent company of California Water Service Company, Washington Water Service Company, New Mexico Water Service Company, Hawaii Water Service Company, Inc., CWS Utility Services, and HWS Utility

Services, LLC. Together these companies provide regulated and non-regulated water service to approximately 2 million people in more than 100 California, Washington, New Mexico and Hawaii communities. Group's common stock trades on the New York Stock Exchange under the symbol "CWT." Additional information is available online at www.calwatergroup.com.

This news release 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, estimates, assumes, anticipates, projects, predicts, forecasts 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: governmental and regulatory commissions' decisions; consequences of eminent domain actions relating to our water systems; changes in regulatory commissions' policies and procedures; the timeliness of regulatory commissions' actions concerning rate relief; inability to renew leases to operate city water systems 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; changes in customer water use patterns and the effects of conservation; the impact of weather and climate on water availability, water sales and operating results; the unknown impact of contagious diseases, such as Zika, avian flu, H1N1 flu and severe acute respiratory syndrome, on the Company's operations; civil disturbances or terrorist threats or acts, or apprehension about the possible future occurrences of acts of this type; labor relations matters as we negotiate with the unions; 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 (SEC). The Company assumes no obligation to provide public updates of forward-looking statements.

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited

(In thousands, except per share data)	September 30, 2016	December 31 2015
ASSETS		
Utility plant:		
Utility plant	\$ 2,667,634	\$ 2,506,946
Less accumulated depreciation and amortization	(849,883)	(805,178)
Net utility plant	<u>1,817,751</u>	<u>1,701,768</u>
Current assets:		
Cash and cash equivalents	21,351	8,837
Receivables:		
Customers	45,376	31,512
Regulatory balancing accounts	19,811	35,052
Other	14,199	14,760
Unbilled revenue	33,727	23,181
Materials and supplies at weighted average cost	6,256	6,339
Taxes, prepaid expense, and other assets	10,407	7,897
Total current assets	<u>151,127</u>	<u>127,578</u>
Other assets:		
Regulatory assets	363,597	361,893
Goodwill	2,615	2,615
Other assets	50,953	47,399
Total other assets	<u>417,165</u>	<u>411,907</u>
TOTAL ASSETS	<u>\$ 2,386,043</u>	<u>\$ 2,241,253</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value	\$ 480	\$ 479
Additional paid-in capital	334,213	333,135
Retained earnings	317,319	308,541
Total common stockholders' equity	<u>652,012</u>	<u>642,155</u>
Long-term debt, less current maturities	555,536	508,002
Total capitalization	<u>1,207,548</u>	<u>1,150,157</u>
Current liabilities:		
Current maturities of long-term debt	6,130	6,043
Short-term borrowings	57,100	33,615
Accounts payable	84,052	66,380
Regulatory balancing accounts	2,837	2,227
Accrued interest	12,733	5,088
Accrued expenses and other liabilities	41,129	34,545
Total current liabilities	<u>203,981</u>	<u>147,898</u>
Unamortized investment tax credits	1,872	1,872
Deferred income taxes	282,973	264,897
Pension and postretirement benefits other than pensions	237,341	236,266
Regulatory liabilities and other	90,714	82,414
Advances for construction	182,001	180,172
Contributions in aid of construction	179,613	177,577
Commitments and contingencies	—	—
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 2,386,043</u>	<u>\$ 2,241,253</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Unaudited

(In thousands, except per share data)

For the Three-Months ended:	September 30, 2016	September 30, 2015
Operating revenue	\$ 184,268	\$ 183,543
Operating expenses:		
Operations:		
Water production costs	70,175	60,437
Administrative and general	23,844	30,737
Other operations	19,561	17,872
Maintenance	5,545	5,952
Depreciation and amortization	15,884	15,342
Income taxes	13,247	15,293
Property and other taxes	5,957	5,709
Total operating expenses	<u>154,213</u>	<u>151,342</u>

Net operating income	30,055	32,201
Other income and expenses:		
Non-regulated revenue	3,397	3,814
Non-regulated expenses	(2,517)	(4,454)
Income tax (expense) benefit on other income and expenses	(349)	262
Net other income (loss)	531	(378)
Interest expense:		
Interest Expense	8,485	7,201
Less: capitalized interest	(774)	(498)
Net interest expense	7,711	6,703
Net income	\$ 22,875	\$ 25,120
Earnings per share:		
Basic	\$ 0.48	\$ 0.52
Diluted	\$ 0.48	\$ 0.52
Weighted average shares outstanding:		
Basic	47,969	47,878
Diluted	47,969	47,887
Dividends per share of common stock	\$ 0.1725	\$ 0.1675

For the Nine-Months ended:	September 30, 2016	September 30, 2015
Operating revenue	\$ 458,440	\$ 449,942
Operating expenses:		
Operations:		
Water production costs	168,833	158,661
Administrative and general	75,037	85,069
Other operations	57,766	51,227
Maintenance	17,542	15,735
Depreciation and amortization	47,772	46,015
Income taxes	19,192	21,008
Property and other taxes	17,439	16,036
Total operating expenses	403,581	393,751
Net operating income	54,859	56,191
Other income and expenses:		
Non-regulated revenue	10,589	10,540
Non-regulated expenses	(8,306)	(10,201)
Income tax expense on other income and expenses	(914)	(131)
Net other income	1,369	208
Interest expense:		
Interest expense	24,984	21,331
Less: capitalized interest	(2,341)	(1,472)
Net interest expense	22,643	19,859
Net income	\$ 33,585	\$ 36,540
Earnings per share:		
Basic	\$ 0.70	\$ 0.76
Diluted	\$ 0.70	\$ 0.76
Weighted average shares outstanding:		
Basic	47,949	47,861
Diluted	47,952	47,877
Dividends declared per share of common stock	\$ 0.5175	\$ 0.5025

CALIFORNIA WATER SERVICE GROUP

Third Quarter 2016 Earnings Call Presentation

October 27, 2016





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 California drought and its effect on the Company.

Words such as would, expects, intends, plans, believes, estimates, assumes, anticipates, projects, predicts, forecasts 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: governmental and regulatory commissions' decisions; changes in regulatory commissions' policies and procedures; the timeliness of regulatory commissions' actions concerning rate relief; eminent domain actions affecting our water systems; electric power interruptions; the ability to successfully implement conservation measures; changes in customer water use patterns; the impact of weather and climate on water sales and operating results; 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 (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



Paul Townsley
Vice President,
Regulatory Matters &
Corporate Development

Presentation Overview



- Financial Results
- Financial Highlights and EPS Bridge
- California GRC Update
- Drought Update
- Travis Air Force Base Contract
- Cap Ex 2007 Recorded to 2018 Projected
- Estimated regulated rate base 2014-2019
- Net WRAM Balances 2010-2016
- Our priorities moving forward

Financial Results



(amounts are in millions, except for EPS)

	Q3 2015		Q3 2016	Variance
Operating Revenue	\$183.6	▲	\$184.3	0.4%
Operating Expenses	151.3	▲	154.2	1.9%
Income from Operations	32.2	▼	30.1	-6.7%
Other Income/Loss	-0.4	▲	0.5	
Net Interest	6.7	▲	7.7	15.0%
Net Income	\$25.1	▼	\$22.9	-8.9%
EPS	\$0.52	▼	\$0.48	-7.7%

Financial Results



(amounts are in millions, except for EPS)

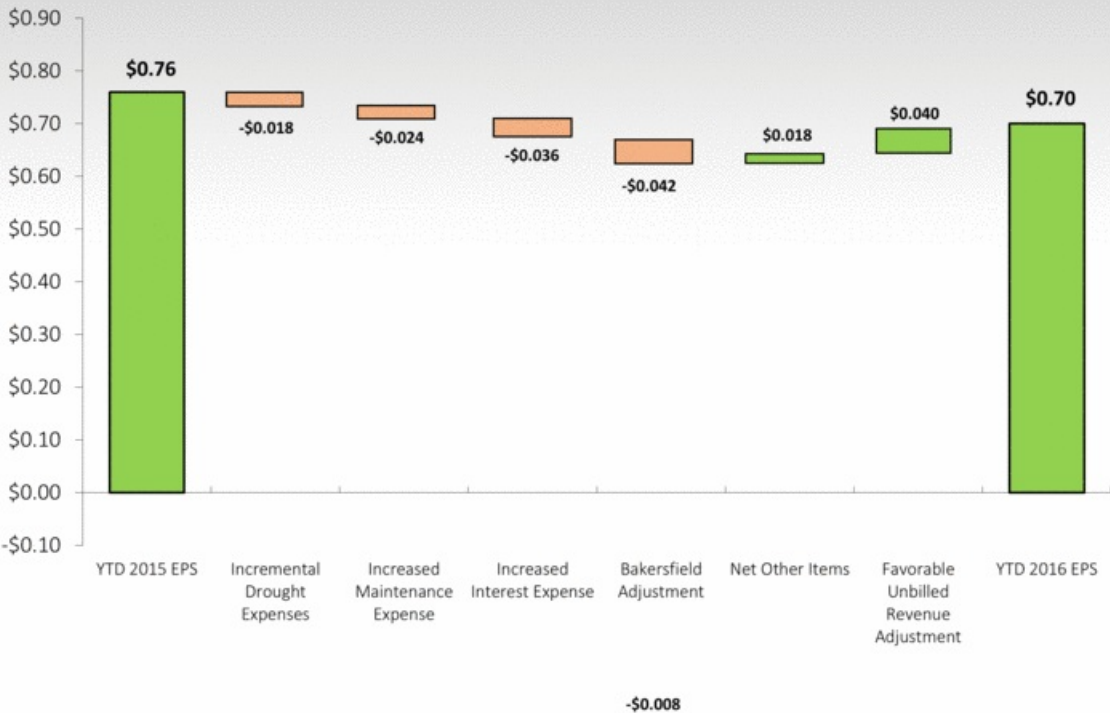
	YTD 2015		YTD 2016	Variance
Operating Revenue	\$449.9	▲	\$458.4	1.9%
Operating Expenses	393.8	▲	403.6	2.5%
Income from Operations	56.2	▼	54.9	-2.4%
Other Income/Loss	0.2	▲	1.4	
Net Interest	19.9	▲	22.6	14.0%
Net Income	\$36.5	▼	\$33.6	-8.1%
EPS	\$0.76	▼	\$0.70	-7.9%

Financial Highlights – YTD



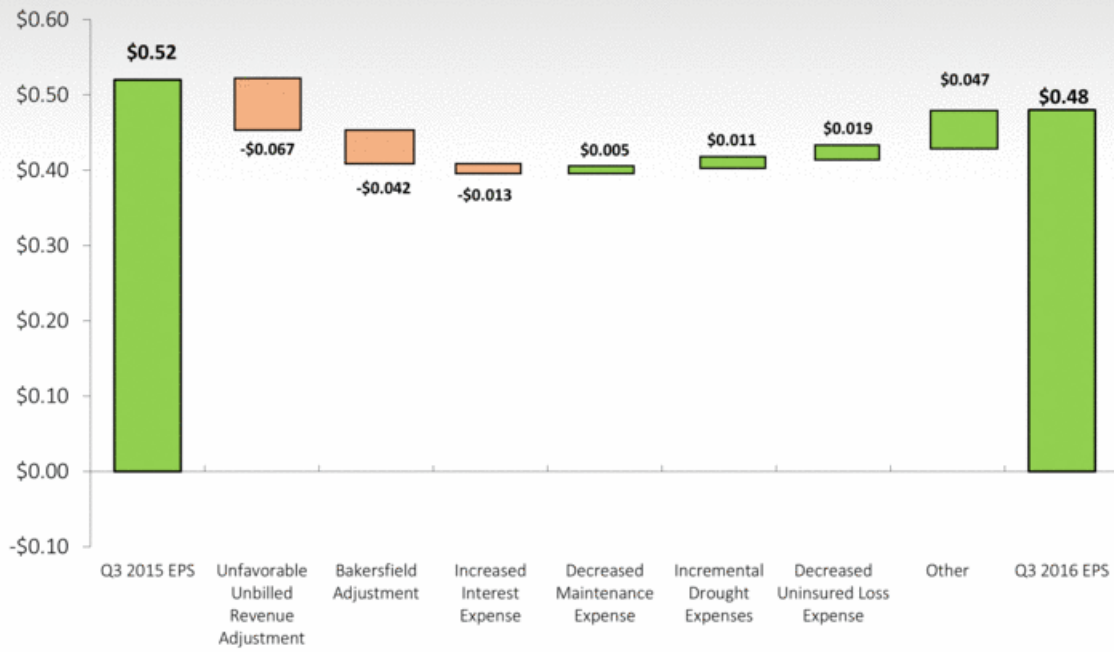
- 2016 is the third year of the California GRC cycle with limited rate relief
- Year to date earnings reduced by:
 - Write-off of \$3.2 million treatment plant design costs. This provision was included in the settlement filed in September 2016. Costs were for a joint water treatment plant with the City of Bakersfield. The City is no longer pursuing the project with Cal Water.
 - Incremental drought expenses of \$4.0 million. Recorded drought response costs in the comparable period in 2015 were \$2.7 million. Cal Water has been granted a memorandum account to track drought costs, which are expected to be recovered through the California Public Utilities Commission's (CPUC's) advice letter process. 2016 incremental costs are not likely to be recovered until 2017.
 - Maintenance expenses increased \$1.8 million. Maintenance expenses are in line with those experienced throughout the drought due to changes to operations and operating conditions.
 - Interest expense increased due to long-term debt issued in October 2015 and March 2016 of \$2.7 million. Increased debt is primarily to fund capital improvements.
- Unbilled revenue accrual is \$3.1 million higher on a year to date basis, despite decreased accrual in the third quarter.

EPS Bridge YTD 2015 to YTD 2016





EPS Bridge Q3 2015 to Q3 2016



Other Financial Highlights



- Capital investments were \$166.4 million in the first nine months of 2016, on track to meet the annual target of \$180-210 million. This is an increase of \$48.1 million or 40.6% compared to the first nine months of 2015.
- The customer receivable for the WRAM decoupling mechanism increased slightly from the second quarter due to the elimination of drought surcharges. However, the balance is down significantly since the start of the drought.

California General Rate Case 2015 Update



- Settlement Agreement Revenue Increases
 - \$45.0M in 2017
 - \$17.2M in 2018
 - \$16.3M in 2019
 - Up to an additional \$30M upon completion and approval of the Company's advice letter projects
- Settlement CapEx of \$658.8M over three years
- Settlement agreement filed on September 2nd



California GRC Schedule Milestones

- Settlement was filed on September 2, 2016
- Motion for interim rates granted October 7, 2016
- To achieve a final decision by January 1, 2017, CPUC must issue a proposed decision by mid-November

Hawaii GRCs

- On September 12, 2016 the Hawaii Public Utilities Commission approved our Ka'anapali rate increase settlement. The settlement increases rates \$1.1 million. Importantly, the case was processed in ten months, indicating an improved ability to process our water rate cases in Hawaii.



- While statewide drought restrictions have been lifted, much of California is still in a drought
 - State's surface water supply relies heavily on winter rain and snowfall
 - Low snowfall this winter may trigger a return to drought restrictions
- As required by the State Water Board, Cal Water reduced its conservation mandates in July 2016
 - Drought surcharges were suspended on July 29
 - Cal Water customers generally must meet a 10% voluntary conservation target
- Permanent water use regulations expected from State Board in January 2017



- Cal Water has been “decoupled” (minimizes effect of sales and production costs on earnings) since 2008 with WRAM
 - Sales changes will not affect profits
 - Revenue accrual, not included in WRAM, is a temporary impact
- Drought costs recorded for future recovery – \$0.05 EPS impact in 2016 to date
 - A supplemental advice letter was filed on October 12, 2016 by Cal Water to recover \$2.9 million in incremental drought costs associated with calendar years 2014 and 2015. This advice letter will be recoverable to the extent authorized by the CPUC in a future period and is not opposed by ratepayer advocates.
- Customer surcharges made a large impact in reducing WRAM balances
 - Between the end of 2014 and July 2016, Cal Water collected \$63 million in drought surcharges and the net WRAM balance declined \$14 million
- Lower sales estimates embedded in 2016 rates for most service areas is expected to improve cash collection for the remainder of the year

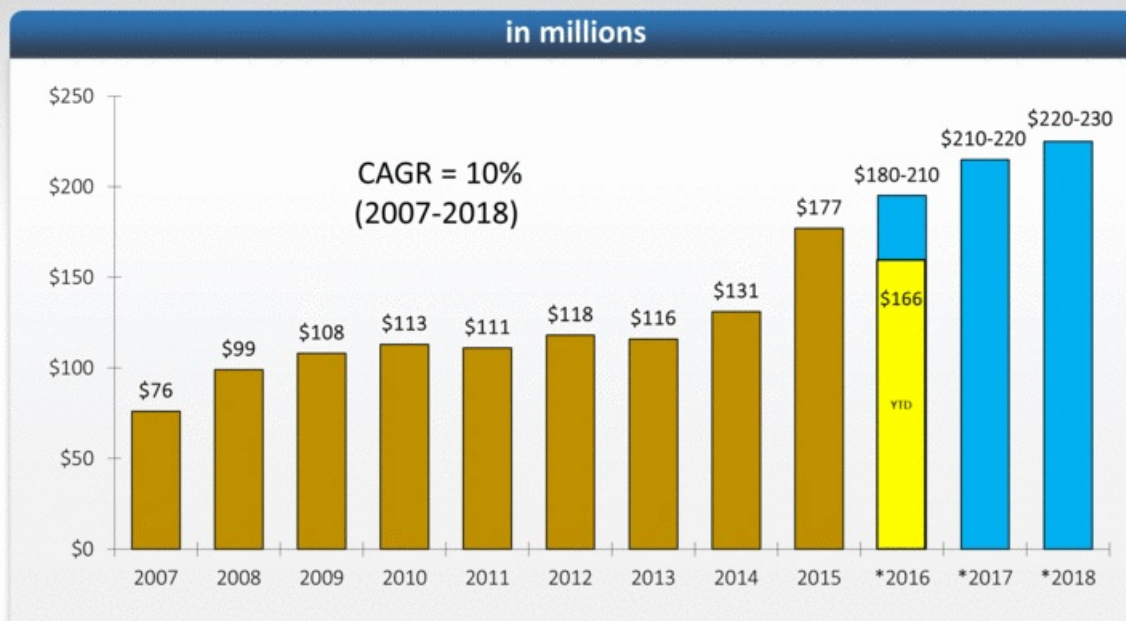
Travis Air Force Base Contract



- Cal Water has entered into a 50-year agreement with the U.S. Department of Defense to acquire the water distribution assets of, and to provide water utility service to, the Travis Air Force Base beginning in 2018, subject to California Public Utilities Commission approval.
- Contract is based on the regulated utility model, meaning Cal Water invests capital in the system and earns an authorized return on the assets while passing through other operating costs on a dollar-for-dollar basis.
- Travis Air Force Base is located adjacent to Fairfield, California, and near Cal Water's Dixon service area.
 - Large military transport base with about 15,000 daytime population
- Cal Water will make initial capital improvements of about \$12.7 million, with an anticipated capital investment of about \$52 million over the 50-year term of the utility service contract.



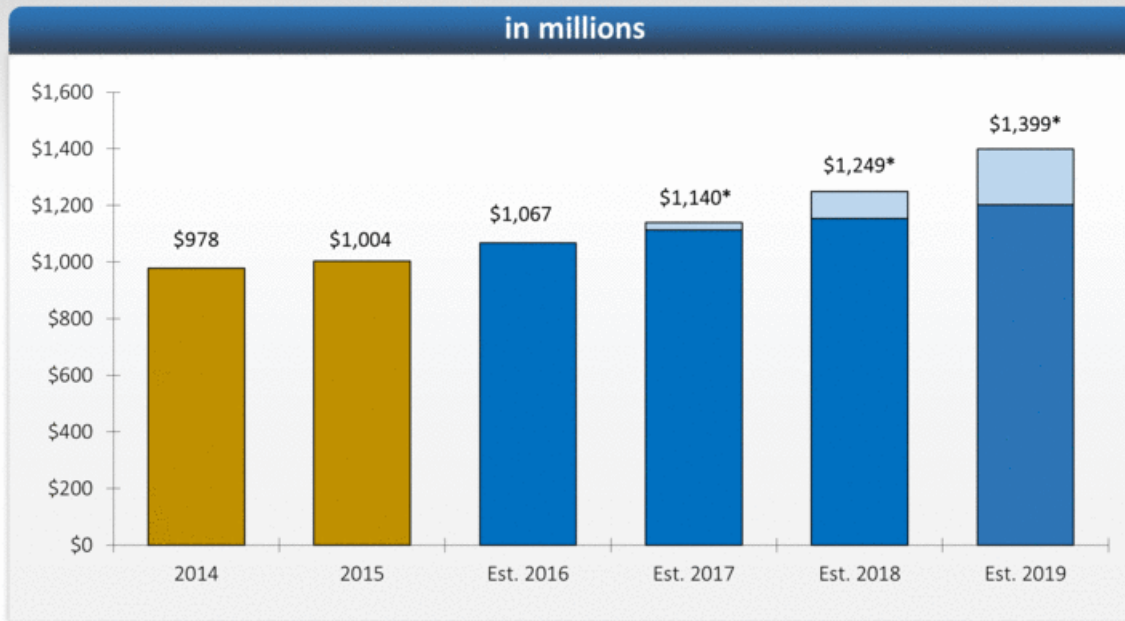
Capital Investment History and Projection



*2016-2018 amounts are based upon Company projections including 2015 California Rate Case Settlement

See the Forward-Looking Statements for factors which could cause actual results to differ materially from the expectations presented here.

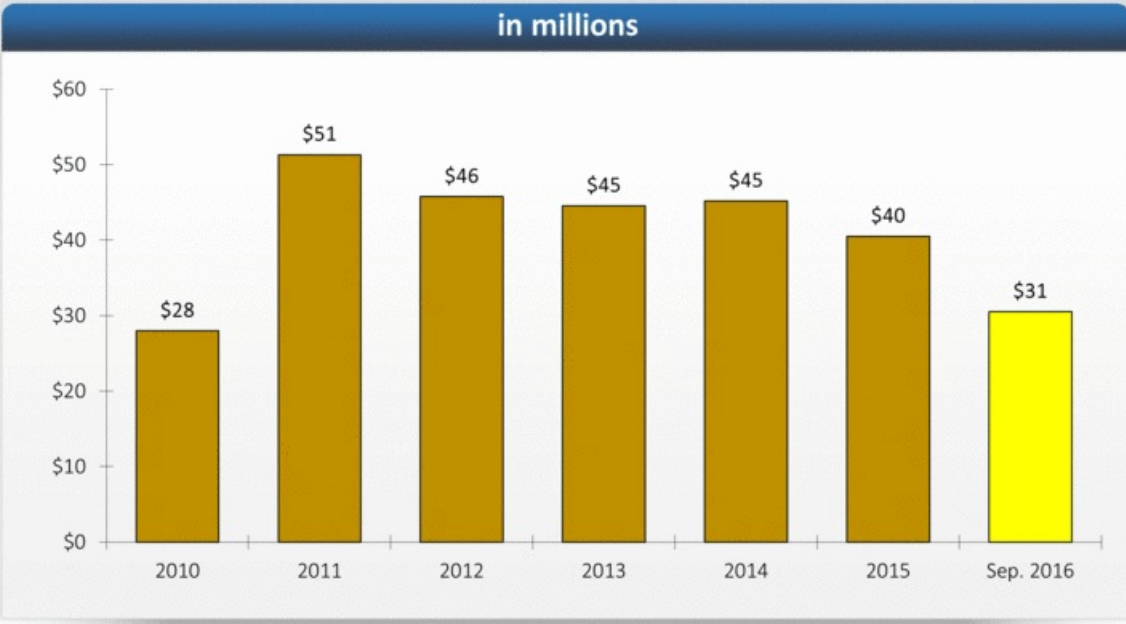
Historic and Projected Regulated Rate Base of CWT



*Includes estimated cumulative advice letter additions (light blue) in years 2017, 2018, and 2019 of \$28M, \$96M, and \$197M.

See the Forward-Looking Statements for factors which could cause actual results to differ materially from the expectations presented here.

Net WRAM Balance



Our Priorities Moving Forward



- Anticipating action on the California GRC in the next few months
- Winter weather conditions will dictate whether the drought dissipates or worsens
 - Cal Water will continue to monitor State Water Board long-term conservation regulations
- Company focused on completing capital projects for 2016 and 2017, enhancing customer service and reliability
- Beginning preparations for the 2018 rate case, which will cover capital for 2019-2021 and set rates for 2020-2022

DISCUSSION

