

**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): **February 23, 2017**

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 February 23, 2017, 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 fourth quarter and year-end of 2016, ended December 31, 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, February 23, 2017 at 11:00 am EST 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 February 23, 2017
99.2	Slide presentation relating to conference call and webcast

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: February 23, 2017

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



NEWS RELEASE

CALIFORNIA WATER SERVICE GROUP



1720 North First Street
San Jose, CA 95112-4598

February 23, 2017
for immediate release

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

**CALIFORNIA WATER SERVICE GROUP ANNOUNCES
EARNINGS FOR YEAR-END AND FOURTH QUARTER 2016**

SAN JOSE, CA - California Water Service Group (NYSE: CWT) today announced net income of \$48.7 million and diluted earnings per share of \$1.01 for 2016, compared to net income of \$45.0 million and earnings per share of \$0.94 in 2015.

The \$3.7 million increase in net income was primarily a result of a \$2.8 million net resolution of several regulatory memorandum and balancing accounts in the California Water Service Company (Cal Water) 2015 General Rate Case (GRC) settlement agreement, a \$1.9 million increase from the recovery of prior years' incremental drought program costs, a resolution of litigation proceeds in the GRC settlement agreement, and a \$1.7 million increase in estimated unbilled revenue in 2016. These increases were partially offset by

increases in other operations expense, which included a GRC settlement agreement to write-off \$3.2 million associated with a cancelled water supply project in Bakersfield which was recognized in the third quarter, increases in depreciation and amortization, maintenance, property tax, employee wage, and net interest expenses.

"Although 2016 was one of the more challenging years in the Company's recent history, we achieved many successes," said President and Chief Executive Officer Martin A. Kropelnicki.

"The Company's key accomplishments included partnering with customers to achieve significant water savings during the California drought; responding effectively to the Erskine fire in Kern River Valley; investing a record \$228.9 million to improve and upgrade critical water system infrastructure; increasing the dividend by three percent, which was our 49th consecutive annual increase; and being ranked highest in overall satisfaction among water utilities in the western United States in J.D. Powers' inaugural water utility residential customer satisfaction survey.

"We ended 2016 with the CPUC's timely approval of our 2015 General Rate Case. The parties involved worked diligently in drafting

a fair and reasonable settlement. The authorizations in the GRC, including \$658.8 million of capital investment over three years, ensure we can continue improving the quality of life for customers and communities we serve," he said.

Additional Financial Results for 2016

Total revenue increased 3.6% to \$609.4 million in 2016 compared to \$588.4 million in 2015, primarily due to rate increases to offset increases in purchased water quantities and wholesale water rates.

Total operating expenses increased \$16.0 million, or 3.1%, to \$533.2 million in 2016 compared to the prior year.

Water production expenses increased \$12.1 million, or 5.8 %, to \$220.0 million in 2016, primarily due to increases in purchased water quantities and higher wholesale water rates. As designed, the California revenue decoupling mechanisms record an increase to revenue equal to the increase in California water production costs.

Administrative & general and other operations expenses decreased slightly to \$178.6 million in 2016, primarily due to decreases in employee benefit costs, incremental drought program expenses, and a decrease in uninsured loss costs. These cost

decreases were partially offset by an increase in costs associated with the realization of operating revenue that was deferred in prior years, a third-quarter write-off of \$3.2 million of capital costs, increases in conservation program costs, and employee wages. Changes in employee pension benefits, employee and retiree medical costs, and water conservation program costs for regulated California operations generally do not affect earnings, as the Company is allowed by the CPUC to record these costs in balancing accounts for future recovery, creating a corresponding change to revenue.

Incremental California drought program operating expenses were approximately \$4.3 million in 2016, the same as in 2015. These expenses were included in administrative & general, other operations, and maintenance expenses. Further, all incremental drought costs are recorded in a CPUC authorized memorandum account that is recoverable after CPUC reasonableness review and approval.

Maintenance expenses increased \$1.5 million, or 7.1%, to \$23.0 million in 2016, due to increased costs for repairs of reservoirs, tanks, and services.

Income taxes increased \$0.3 million, or 1.1%, to \$24.8 million in 2016, due primarily to an increase in net operating income which was partially offset by an increase in the tax benefit from the flow through method of accounting for "repairs" deductions on the Company's state income tax filings. The estimated effective tax rate for 2016 is 35.5%.

Other income, net of income taxes, increased \$1.9 million in 2016, due primarily to the recognition of \$1.5 million of litigation proceeds approved in the Cal Water 2015 GRC settlement agreement and an unrealized gain on our benefit plan insurance investments.

Fourth Quarter 2016 Results

For the fourth quarter of 2016, net income increased \$6.6 million, or 78.0%, to \$15.1 million, and diluted earnings per share increased \$0.13, or 72.2%, to \$0.31 per diluted share compared to the fourth quarter of 2015. The increase in net income was due primarily to increases from the resolution of several regulatory memorandum and balancing accounts in the Cal Water 2015 GRC settlement agreement, CPUC authorization to recover prior year incremental drought program costs, and an increase in other income

in 2016. These increases were partially offset by increases in other operations, depreciation and amortization, property tax, and net interest expenses.

Revenue for the fourth quarter increased \$12.5 million, or 9.0%, to \$150.9 million mostly due to rate increases and changes to various balancing accounts which were authorized in the California GRC decision. Total operating expenses for the quarter increased \$6.1 million, or 5.0%, to \$129.6 million. Water production expenses increased \$1.9 million mostly due to increases in purchased water quantities and wholesale water rates. Administrative & general and other operations expenses increased \$1.7 million, or 3.8%, to \$45.8 million due to an increase in costs associated with the realization of operating revenue that was deferred in prior years, and increases in conservation program costs, which were partially offset by decreases in employee benefit costs and incremental drought program expenses. Maintenance expense decreased \$0.3 million, or 4.8%, to \$5.5 million. Other income, net of income taxes, increased \$0.7 million, or 74.2%, to \$1.6 million mostly due to the recognition of \$1.5 million of litigation proceeds. Net interest expense increased \$0.4 million, or 6.0%, to \$7.9 million.

The under-collected net receivable balance in the WRAM and MCBA mechanism was \$36.6 million as of December 31, 2016, a decrease of 8.5%, or \$3.4 million, from the balance of \$40.0 million as of December 31, 2015.

Regulatory Update

On December 15, 2016, the CPUC voted to approve Cal Water's 2015 GRC settlement agreement. The approved decision, which was proposed by the presiding Administrative Law Judge in November 2016, authorizes Cal Water to increase gross 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 2018 and 2019 revenue increases are subject to the CPUC's earning test protocol.

The CPUC's decision also authorizes Cal Water to invest \$658.8 million in water system improvements throughout California over the three-year period of 2016-2018 in order to continue to provide safe and reliable water to its customers. This figure includes \$197.3 million of water system infrastructure

improvements that will be subject to the CPUC's advice letter procedure.

Other Information

All stockholders and interested investors are invited to listen to the 2016 year-end and fourth quarter conference call on February 23, 2017 at 8:00 a.m. PST (11:00 a.m. EST) by dialing 1-888-806-6208 or 1-913-312-1516 and keying in ID #7406571. A replay of the call will be available from 11:00 a.m. PST (2:00 p.m. EST) on February 23, 2017 through April 23, 2017, at 1-888-203-1112 or 1-719-457-0820, ID #7406571. 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/2016q4slides.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 Paul G. Townsley.

California Water Service Group is the parent company of California Water Service, Washington Water Service, New Mexico Water Service, Hawaii Water Service, CWS Utility Services, and HWS Utility Services. Together, these companies provide regulated and non-regulated water service to nearly 2 million people in California, Washington, New Mexico, and Hawaii. California Water Service was ranked "Highest in Customer Satisfaction Among Water Utilities in the West" in 2016 by J.D. Power in its inaugural Water Utility Residential Customer Satisfaction Study. California Water Service 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)	December 31, 2016	December 31, 2015
ASSETS		
Utility plant:		
Utility plant	\$ 2,717,339	\$ 2,506,946
Less accumulated depreciation and amortization	(858,062)	(805,178)
Net utility plant	<u>1,859,277</u>	<u>1,701,768</u>
Current assets:		
Cash and cash equivalents	25,492	8,837
Receivables: net of allowance for doubtful accounts of \$830 for 2016 and \$730 for 2015, respectively		
Customers	30,305	31,512
Regulatory balancing accounts	30,332	35,052
Other	17,158	14,760
Unbilled revenue	25,228	23,181
Materials and supplies at weighted average cost	6,292	6,339
Taxes, prepaid expenses, and other assets	7,262	7,897
Total current assets	<u>142,069</u>	<u>127,578</u>
Other assets:		
Regulatory assets	355,930	361,893
Goodwill	2,615	2,615
Other	51,854	47,399
Total other assets	<u>410,399</u>	<u>411,907</u>
TOTAL ASSETS	<u>\$ 2,411,745</u>	<u>\$ 2,241,253</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value	\$ 480	\$ 479
Additional paid-in capital	334,856	333,135
Retained earnings	324,135	308,541
Total common stockholders' equity	<u>659,471</u>	<u>642,155</u>
Long-term debt, less current maturities	531,745	508,002
Total capitalization	<u>1,191,216</u>	<u>1,150,157</u>
Current liabilities:		
Current maturities of long-term debt	26,208	6,043
Short-term borrowings	97,100	33,615
Accounts payable	77,813	66,380
Regulatory balancing accounts	4,759	2,227
Accrued interest	5,661	5,088
Accrued expenses and other liabilities	38,689	34,545
Total current liabilities	<u>250,230</u>	<u>147,898</u>
Unamortized investment tax credits	1,798	1,872
Deferred income taxes, net	298,924	264,897
Pension and postretirement benefits other than pensions	222,691	236,266
Regulatory and other liabilities	83,648	82,414
Advances for construction	182,448	180,172
Contributions in aid of construction	180,790	177,577
Commitments and contingencies		
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 2,411,745</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:

	December 31, 2016	December 31, 2015
Operating revenue	\$ 150,930	\$ 138,426
Operating expenses:		
Operations:		
Water production costs	51,160	49,265
Administrative and General	23,437	28,041
Other operations	22,316	16,021
Maintenance	5,451	5,728

Depreciation and amortization	15,827	15,366
Income taxes	5,612	3,520
Property and other taxes	5,792	5,523
Total operating expenses	<u>129,595</u>	<u>123,464</u>
Net operating income	<u>21,335</u>	<u>14,962</u>
Other income and expenses:		
Non-regulated revenue	5,996	5,084
Non-regulated expenses	(3,285)	(3,528)
Income tax expense on other income and expenses	(1,098)	(630)
Net other income	<u>1,613</u>	<u>926</u>
Interest expense:		
Interest expense	8,482	7,854
Less: capitalized interest	(624)	(443)
Net interest expense	<u>7,858</u>	<u>7,411</u>
Net income	<u>\$ 15,090</u>	<u>\$ 8,477</u>
Earnings per share		
Basic	<u>\$ 0.31</u>	<u>\$ 0.18</u>
Diluted	<u>\$ 0.31</u>	<u>\$ 0.18</u>
Weighted average shares outstanding		
Basic	<u>47,966</u>	<u>47,876</u>
Diluted	<u>47,969</u>	<u>47,886</u>
Dividends per share of common stock	<u>\$ 0.1725</u>	<u>\$ 0.1675</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(In thousands, except per share data)

For the Twelve-Months ended:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Operating revenue	<u>\$ 609,370</u>	<u>\$ 588,368</u>
Operating expenses:		
Operations:		
Water production costs	219,993	207,926
Administrative and General	98,474	113,110
Other operations	80,082	67,248
Maintenance	22,993	21,463
Depreciation and amortization	63,599	61,381
Income taxes	24,804	24,528
Property and other taxes	23,231	21,559
Total operating expenses	<u>533,176</u>	<u>517,215</u>
Net operating income	<u>76,194</u>	<u>71,153</u>
Other income and expenses:		
Non-regulated revenue	16,585	15,624
Non-regulated expenses	(11,591)	(13,729)
Income tax expense on other income and expenses	(2,012)	(761)
Net other income	<u>2,982</u>	<u>1,134</u>
Interest expense:		
Interest expense	33,466	29,185
Less: capitalized interest	(2,965)	(1,915)
Net interest expense	<u>30,501</u>	<u>27,270</u>
Net income	<u>\$ 48,675</u>	<u>\$ 45,017</u>
Earnings per share		
Basic	<u>\$ 1.02</u>	<u>\$ 0.94</u>
Diluted	<u>\$ 1.01</u>	<u>\$ 0.94</u>
Weighted average shares outstanding		
Basic	<u>47,953</u>	<u>47,865</u>
Diluted	<u>47,956</u>	<u>47,880</u>
Dividends per share of common stock	<u>\$ 0.6900</u>	<u>\$ 0.6700</u>

CALIFORNIA WATER SERVICE GROUP

Full Year and Fourth Quarter 2016 Earnings Call Presentation

February 23, 2017



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 winter storm conditions and their 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 adjustments; 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
- 2016-2015 EPS Bridge
- Return on Equity Reconciliation
- California GRC Update
- Drought and Winter Storm Update
- Cap Ex 2007 Recorded to 2018 Projected
- Rate Base 2014 recorded to 2019 projected
- Net WRAM Balances 2010-2016
- What the Company Expects in 2017

Financial Results – Full Year



(amounts are in millions, except for EPS)

	2015		2016	Variance
Operating Revenue	\$588.4	▲	\$609.4	3.6%
Operating Expenses	517.2	▲	533.2	3.1%
Income from Operations	71.2	▲	76.2	7.1%
Other Income/Loss	1.1	▲	3.0	162.9%
Net Interest	27.3	▲	30.5	11.8%
Net Income	\$45.0	▲	\$48.7	8.1%
EPS	\$0.94	▲	\$1.01	7.5%

Financial Results – Fourth Quarter



(amounts are in millions, except for EPS)

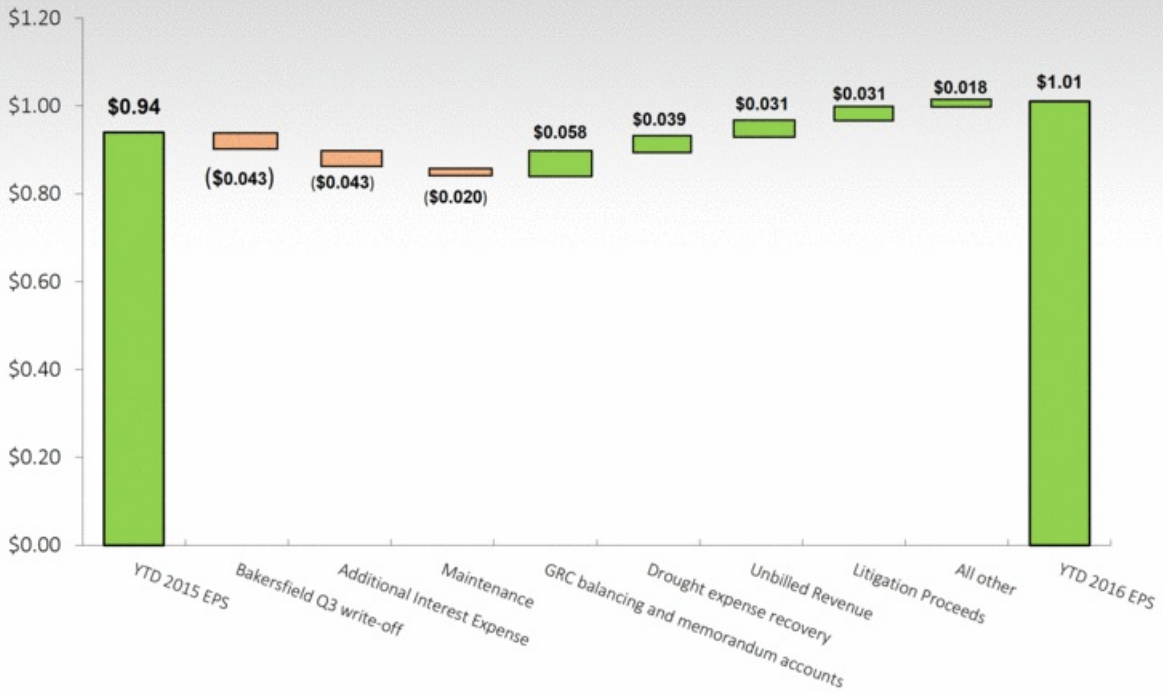
	Q4 2015		Q4 2016	Variance
Operating Revenue	\$138.4	▲	\$150.9	9.0%
Operating Expenses	123.4	▲	129.6	5.0%
Income from Operations	15.0	▲	21.3	42.6%
Other Income/Loss	0.9	▲	1.6	74.2%
Net Interest	7.4	▲	7.8	6.0%
Net Income	\$8.5	▲	\$15.1	78.0%
EPS	\$0.18	▲	\$0.31	72.2%

Financial Highlights – Full Year



- Annual earnings increase of \$3.7 million, largely attributable to:
 - A \$2.8 million increase from the resolution of several regulatory memorandum and balancing accounts in the Cal Water 2015 General Rate Case (GRC).
 - A \$1.9 million increase from the California Public Utilities Commission (CPUC) authorization to recover prior years incremental drought program costs of \$2.9 million.
 - A \$1.9 million increase in other income mostly due to the resolution of litigation proceeds in the GRC settlement agreement.
 - A \$1.7 million increase due to higher estimated unbilled revenue as compared to the end of 2015.
 - A \$2.1 million decrease from the third quarter write-off of \$3.2 million in treatment plant design costs for a joint water treatment plant with the City of Bakersfield.
 - A \$3.1 million decrease resulting from increased maintenance and interest expenses.
- Company- and developer-funded capital investments were \$228.9 million. This is an increase of 29% compared to 2015.

EPS Bridge 2015 to 2016



Return on Equity Reconciliation



	2016
California Adopted* Return on Equity	9.43%
GAAP ROE Achieved	7.48%
Regulatory ROE Achieved (Excludes equity-funded CWIP**)	9.03%

*Other states adopted ROEs vary but do not affect overall CWT adopted ROE
**Construction Work in Progress is excluded from Rate Base and associated interest is capitalized. The Company adds interest during construction into project costs once the project is completed and in service.

Regulatory ROE and Adjusted Regulatory ROE are not calculated in accordance with GAAP and exclude the special items noted above. See Exhibit A for a reconciliation of regulatory ROE and Adjusted Regulatory ROE to reported GAAP ROE.

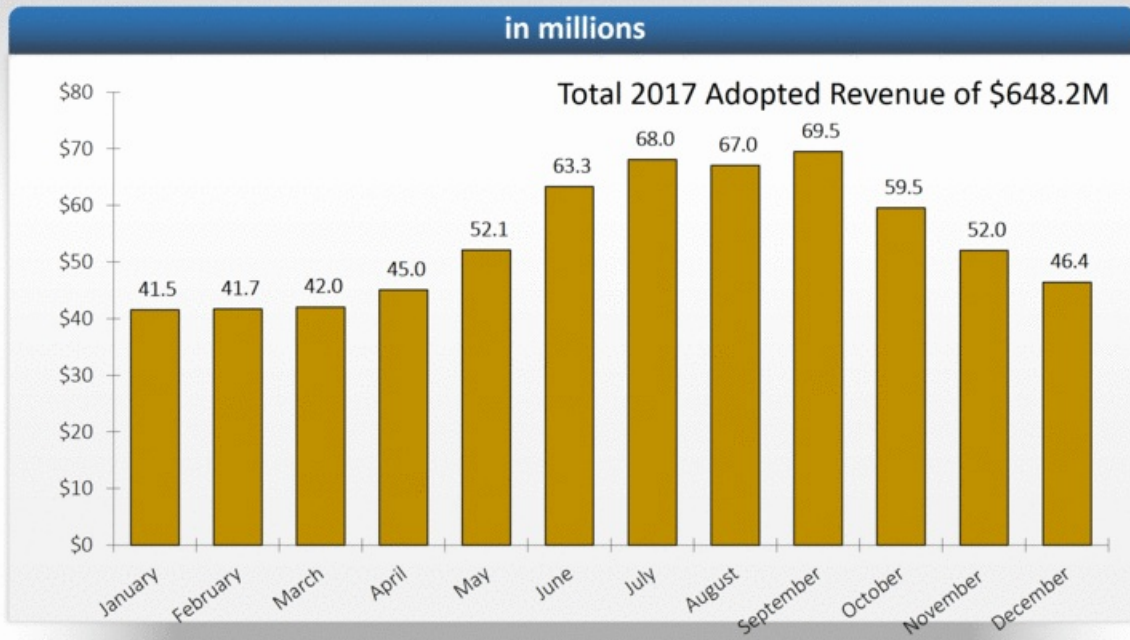
California General Rate Case Update



- CPUC approved GRC settlement on December 15, 2016
 - 2017 rates went into effect on January 1, increasing adopted revenue by \$45 million
 - Adopted water production costs increased \$11 million
 - Total adopted annual average rate base for all states will be approximately \$1.1 billion for 2017
 - Due to decoupling in California , revenue will closely follow adopted revenue curve

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

2017 California GRC Adopted Revenue by Month





- CPUC approved consolidating several small districts into regions, reducing rate impacts to isolated systems
- GRC resolved balances in several memorandum accounts, allowing for refund or recovery; the Company does not recognize memorandum accounts in its financials until they are approved for recovery by the CPUC
- Escalation increases of \$17.2 million in 2018 and \$16.3 million in 2019 are subject to earnings tests
- \$30 million of aggregate advice letter revenue will be included in rates after completion of specific projects through 2019

Drought and Winter Storm Update

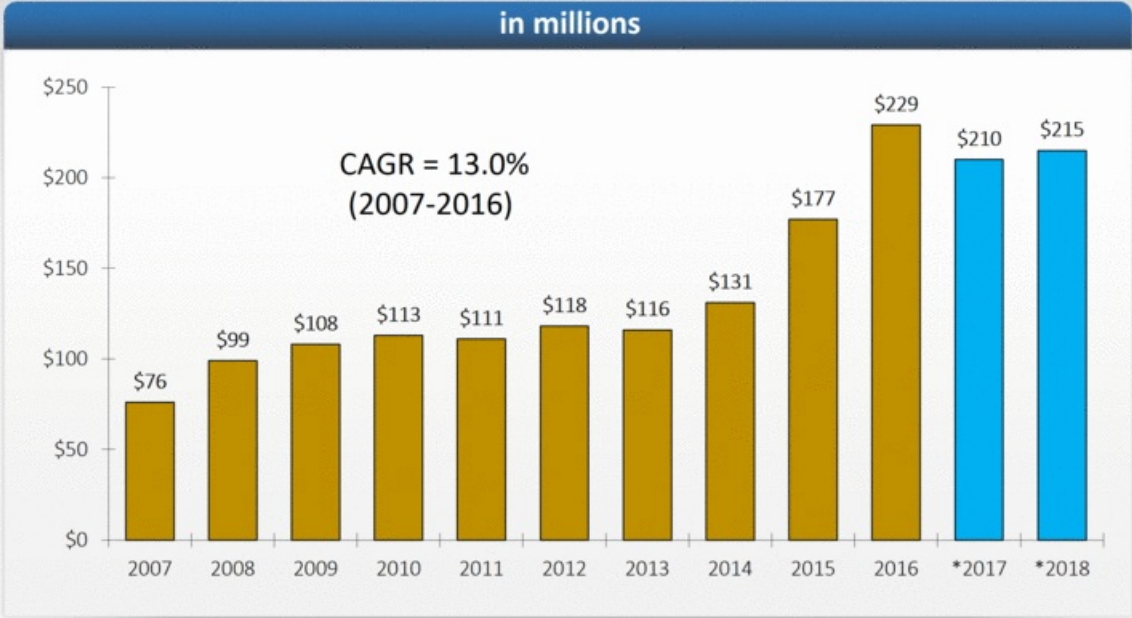


- California has moved from a five-year drought to one of the wettest years in California history
 - As of February 21, precipitation in the northern Sierra is 150% of annual averages with two months left in the wet season
 - Snow accumulations are 186% of average for the date
- Long-term effects of the drought on groundwater remain a concern
- Cal Water reduced its conservation mandates in July 2016 as required by the State Water Board, but has left emergency regulation in place until at least July 2017
 - Drought surcharges were suspended on July 29, 2016
 - Cal Water customers generally must meet a 10% voluntary conservation target
- First step toward permanent water use regulations was released by the State Water Board in January, the start of a multi-year process



- Cal Water has been “decoupled” (minimizes effect of sales and production costs on earnings) since 2008 with WRAM
 - Sales decline generally do not reduce profits
 - Revenue accrual, not included in WRAM, impacts timing of revenue
 - During the drought, the WRAM receivable balance declined
- 2015 Drought costs were estimated at \$4.3 million
 - On December 15, 2016, Cal Water received approval to collect \$2.9 million of drought costs from customers
- 2016 Drought costs are estimated at \$4.3 million
 - Cal Water will file to recover these amounts in 2017
- Cal Water anticipates some ongoing costs to respond to the emergency regulations, in the range of \$0.5-1.5 million in 2017

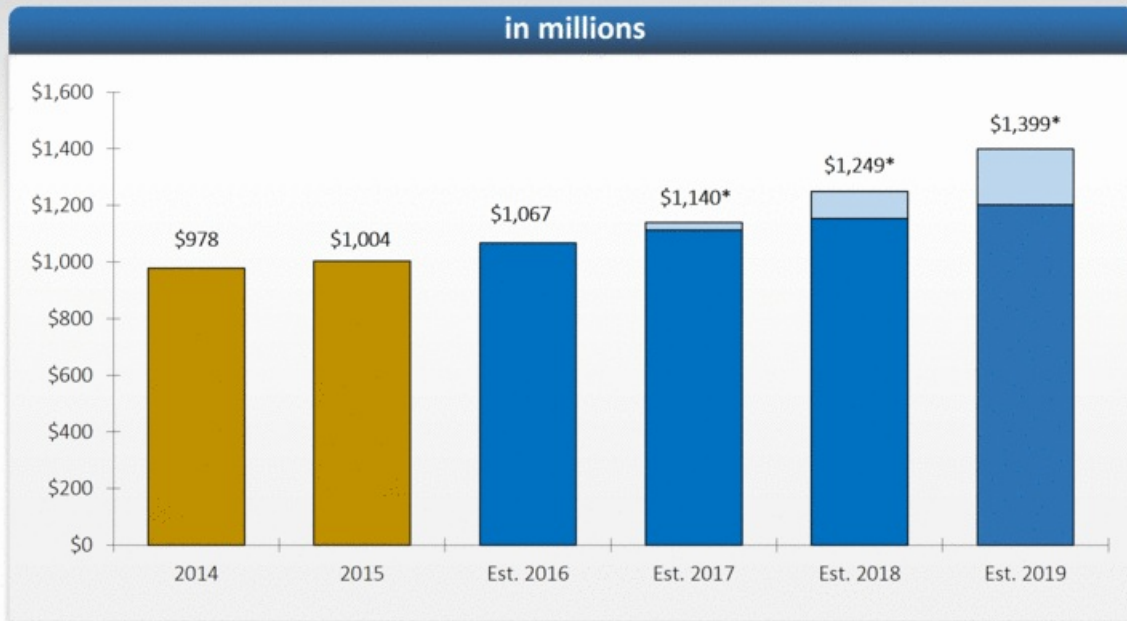
Capital Investment History and Projection



*2017-2018 amounts are based upon Company projections including 2015 California Rate Case Decision

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

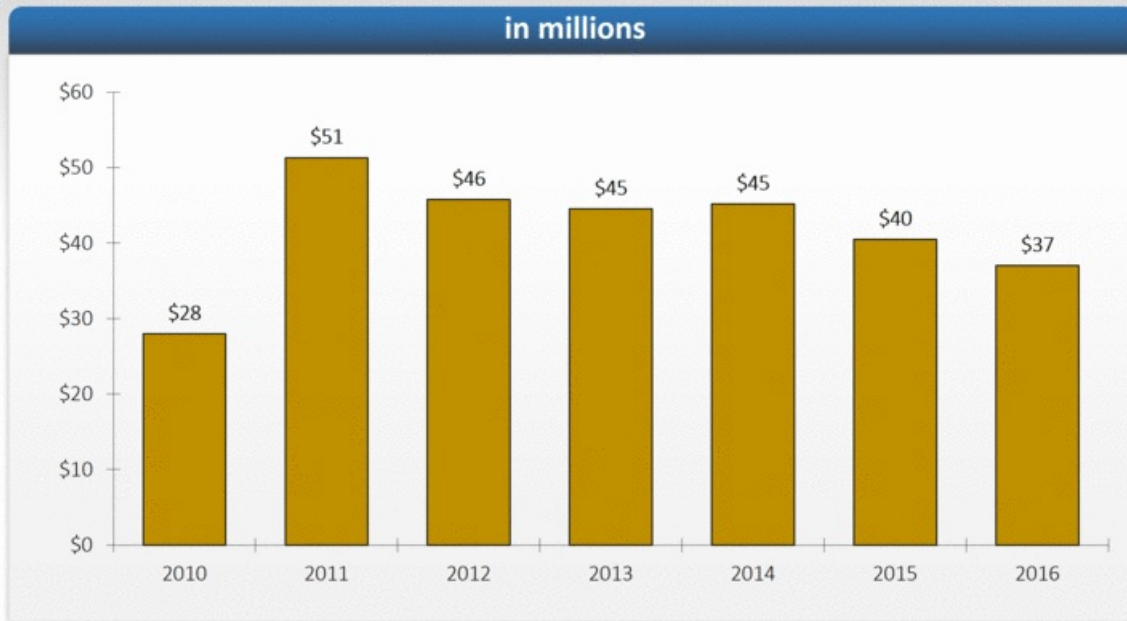
Regulated Rate Base of CWT



*Includes estimated cumulative additions in years 2017-2019 of \$28M, \$96M, and \$197M for advice letters.

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

Net WRAM Balance, end of year



What the Company Expects for 2017



- Cal Water will file an application for a review of its cost of capital with the CPUC at the end of March. The proceeding, which will include three other water utilities, would adopt debt and equity returns and capital structure for 2018.
- Company expects to invest between \$200-220 million in capital in accordance with regulatory authorizations. Our focus areas for the year are to comply with California's proposed Trichloropropane (TCP) regulation, to pass 2018 escalation earnings tests, and to complete "advice letter" projects on schedule.
- Drought response will transition to implementation of long-term water use regulations.
- Effective tax rate is expected to be in the range from 37% to 39% as the company expects less of its 2017 investments will qualify for repairs deductions.

DISCUSSION



Exhibit A: Explanation of Use of Certain Unaudited non-GAAP Measures



- The Company's management uses certain non-GAAP measures to evaluate the Company's performance. Management believes these measures provide useful information and are a better indicator of the Company's core operating activities. Regulated Return on Equity (Regulated ROE) may not be comparable to similarly titled measures used by other companies. The accompanying tables provide a reconciliation of reported GAAP ROE to Regulated ROE and Adjusted Regulated ROE adjusting for certain factors that the company excludes in determining its performance.
- The reconciling adjustment from GAAP ROE to Regulatory ROE is the removal of equity that supports construction work in progress (CWIP). None of the regulated subsidiaries of the company is allowed to earn a regulated return on CWIP. Management excludes CWIP from its Regulated ROE so that it can evaluate performance against the ROE included in its regulated ratemaking.

Exhibit A: Non-GAAP reconciliation



	Net Income for the Year Ended December 31, 2016 (In Thousands)	December 31, 2016 Return on Average Common Stockholders' Equity	Average Common Stockholders' Equity (In Thousands)
GAAP (as reported)	\$ 48,675	7.48%	\$ 650,813
Excluding special items:			
2015 and 2014 average California construction work-in-progress (CWIP) net of short-term borrowings			\$ 111,619
Approved Regulatory Calculation (Excluding equity-funded CWIP)	\$ 48,675	9.03%	\$ 539,194

2016 Modified Average Common Stockholders' Equity:	For the Year Ended December 31, 2016 (In Thousands)	For the Year Ended December 31, 2015 (In Thousands)
California Water Service Group Total Common Stockholders' Equity		
GAAP (as reported)	\$ 659,471	\$ 642,155
2016 average total common stockholders' equity	\$ 650,813	
Excluding special items:		
California Construction Work In Progress net of short-term borrowings	\$ (87,379)	\$ (135,859)
Modified total common stockholders' equity	\$ 572,092	\$ 506,296
2016 modified average total common stockholders' equity	\$ 539,194	

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