

**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): **July 27, 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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition

On July 27, 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 second quarter of 2017, ended June 30, 2017. 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, July 27, 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:

Exhibit No.	Description
99.1	Press Release issued July 27, 2017

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: July 27, 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

July 27, 2017
for immediate release

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

CALIFORNIA WATER SERVICE GROUP ANNOUNCES

EARNINGS FOR THE SECOND QUARTER 2017

SAN JOSE, CA — California Water Service Group (NYSE: CWT) today announced net income of \$18.5 million or \$0.39 earnings per diluted common share for the second quarter of 2017, compared to a net income of \$11.5 million or \$0.24 earnings per diluted common share for the second quarter of 2016.

The \$7.0 million increase in net income was primarily the result of rate changes authorized in California Water Service Company's (Cal Water's) 2015 General Rate Case (GRC) decision. Also increasing net income were decreases in emergency drought incremental costs and maintenance expenses, increased unbilled revenue, an increase resulting from the adoption of allowance for equity funds used during construction (equity AFUDC) in 2017, and unrealized gains on our benefit plan investments. These factors were partially offset by increases in depreciation and amortization, interest, and employee wage expenses.

Total revenue increased \$18.7 million to \$171.1 million for the second quarter of 2017, compared to revenue of \$152.4 million for the second quarter of 2016. Rate

increases added \$17.2 million, \$4.9 million of which was related to water production cost increases. The accrued unbilled revenue added \$2.5 million. Revenue decoupling mechanisms and other balancing accounts decreased revenue \$1.3 million due to a larger difference between actual water production costs and the forecasted costs used in the authorized customer billing rates.

According to President and Chief Executive Officer, Martin A. Kropelnicki, the quarterly operating results were in line with the Company's expectations, given the implementation of Cal Water's GRC.

"We are also on track this year to complete the planned improvements to our water systems in order to continue providing customers with quality, service, and value. Additionally, our ongoing conservation programs continued to support customers' day-to-day efforts to use water efficiently during the second quarter," he said.

Total operating expenses increased \$12.0 million, or 8.9%, to \$145.9 million for the second quarter of 2017, compared to operating expenses of \$133.9 million for the second quarter of 2016.

Water production expenses increased \$6.5 million, or 11.4%, to \$64.1 million for the second quarter of 2017, compared to prior year water production expenses of \$57.6 million, due primarily to wholesale water supplier rate increases and increases in customer usage.

Administrative and general and other operations expenses decreased \$0.2 million to \$42.1 million in the second quarter of 2017, as compared to \$42.3 million in the second quarter of 2016. Decreases in California drought program incremental costs, the deferral of modified cost balancing account (MCBA) costs associated with the

deferral of operating revenue, a decrease in medical benefit costs, and insurance proceeds were partially offset by employee wages and pension benefit cost increases. Changes in employee benefit costs for regulated California operations generally do not affect earnings, because the Company is allowed by the California Public Utilities Commission (CPUC) to track these costs in balancing accounts for future recovery, which creates a corresponding change to operating revenue.

Maintenance expense decreased \$1.2 million, or 20.7%, to \$4.7 million in the second quarter of 2017, as compared to \$5.9 million in the second quarter of 2016, mostly due to decreases in transmission and distribution mains repairs.

Depreciation and amortization expense increased \$3.4 million, or 21.3%, to \$19.2 million in the second quarter of 2017, as compared to \$15.8 million in the second quarter of 2016, due to 2016 capital additions.

Income tax expense increased \$2.7 million, or 40.3%, to \$9.6 million in the second quarter of 2017, as compared to \$6.9 million in the second quarter of 2016 due primarily to an increase in net operating income. The Company's fiscal year 2017 effective tax rate is estimated at 37%.

Other income, net of income taxes, increased \$1.2 million in the second quarter of 2017 to \$1.8 million primarily due to the implementation of equity AFUDC in accordance with the CPUC decision in Cal Water's 2015 GRC and an increase in the unrealized gains on our benefit plan investments.

Net interest expense increased \$0.9 million, or 12.1%, to \$8.5 million in the second quarter of 2017, as compared to \$7.6 million in the second quarter of 2016. The

increase was due to increased use of short term financing for capital investments as well as increased short-term interest rates.

The under-collected net water revenue adjustment mechanism (WRAM) and MCBA net receivable balance increased 14.2%, or \$6.8 million, to \$54.8 million as of June 30, 2017, from \$48.0 million as of March 31, 2017. The increase was primarily due to water sales volumes which on a year to date basis are 21% less than those adopted in Cal Water's recent GRC.

Year-to-Date Results

For the six-month period ended June 30, 2017, net income was \$19.7 million or \$0.41 earnings per diluted common share, compared to net income of \$10.7 million or \$0.22 earnings per diluted common share for the six-month period ended June 30, 2016.

The \$9.0 million increase in net income was primarily the result of increased rates adopted in Cal Water's 2015 GRC decision. A decrease in emergency drought incremental costs and maintenance expenses, an increase resulting from the implementation of equity AFUDC in 2017, and unrealized gains on our benefit plan investments also increase net income. These factors were partially offset by increases in depreciation and amortization, interest, and employee wage expenses.

Water System Improvements

During the first six months of 2017, the total Company-funded and developer-funded capital investment was \$108.7 million, a decrease of \$7.5 million, or 6.5%, compared to \$116.2 million in the first six months of 2016. The decrease was primarily due to weather-related construction project delays during the first quarter of 2017.

Regulatory Update

Cal Water expects to submit an advice letter to request recovery of 2016 and 2017 incremental drought expenses during the third quarter of 2017.

In May of 2017, Cal Water submitted an advice letter to recover \$0.4 million of annual revenue increases for a rate base offset in one of its regulated districts. The new rates became effective on July 1, 2017.

Other Information

All stockholders and interested investors are invited to listen to the second quarter of 2017 conference call on July 27, 2017, at 8:00 a.m. PT (11:00 a.m. ET) by dialing 1-877-397-0272 or 1-719-457-2644 and keying in ID # 7248995. A replay of the call will be available from 11:00 a.m. PT (2:00 p.m. EST) on July 27, 2017 through September 27, 2017, at 1-888-203-1112 or 1-719-457-0820, ID # 7248995. 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/2017q2slides.pdf after 6:00 a.m. PT. The call will be hosted by President and Chief Executive Officer Martin A. Kropelnicki and Vice President and Chief Financial Officer Thomas F. Smegal III.

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; housing and customer growth trends; 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; changes in customer water use patterns and the effects of conservation; the impact of weather, climate, natural disasters and diseases on water quality, water availability, water sales and operating results; 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.

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CALIFORNIA WATER SERVICE GROUP CONDENSED CONSOLIDATED BALANCE SHEETS Unaudited

(In thousands, except per share data)	June 30, 2017	December 31 2016
ASSETS		
Utility plant:		
Utility plant	\$ 2,826,187	\$ 2,717,339
Less accumulated depreciation and amortization	(897,575)	(858,062)
Net utility plant	<u>1,928,612</u>	<u>1,859,277</u>
Current assets:		
Cash and cash equivalents	29,103	25,492
Receivables		
Customers	39,027	30,305
Regulatory balancing accounts	29,071	30,332
Other	17,322	17,158
Unbilled revenue	34,857	25,228
Materials and supplies at average cost	6,518	6,292

Taxes, prepaid expenses, and other assets	14,682	7,262
Total current assets	<u>170,580</u>	<u>142,069</u>
Other assets:		
Regulatory assets	375,868	355,930
Goodwill	2,615	2,615
Other assets	55,351	51,854
Total other assets	<u>433,834</u>	<u>410,399</u>
TOTAL ASSETS	<u>\$ 2,533,026</u>	<u>\$ 2,411,745</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value	\$ 480	\$ 480
Additional paid-in capital	334,834	334,856
Retained earnings	326,520	324,135
Total common stockholders' equity	<u>661,834</u>	<u>659,471</u>
Long-term debt, less current maturities	519,875	531,745
Total capitalization	<u>1,181,709</u>	<u>1,191,216</u>
Current liabilities:		
Current maturities of long-term debt	36,110	26,208
Short-term borrowings	190,100	97,100
Accounts payable	84,222	77,813
Regulatory balancing accounts	6,743	4,759
Accrued interest	5,842	5,661
Accrued expenses and other liabilities	38,010	38,689
Total current liabilities	<u>361,027</u>	<u>250,230</u>
Unamortized investment tax credits	1,798	1,798
Deferred income taxes	310,936	298,924
Pension and postretirement benefits other than pensions	227,186	222,691
Regulatory liability and other	86,821	83,648
Advances for construction	182,394	182,448
Contributions in aid of construction	181,155	180,790
Commitments and contingencies		—
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 2,533,026</u>	<u>\$ 2,411,745</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Unaudited
(In thousands, except per share data)

For the Three-Months ended:	June 30, 2017	June 30, 2016
Operating revenue	\$ 171,132	\$ 152,445
Operating expenses:		
Operations:		
Water production costs	64,131	57,589
Administrative and general	23,796	23,366
Other operations	18,328	18,903
Maintenance	4,708	5,934
Depreciation and amortization	19,218	15,842
Income taxes	9,635	6,870
Property and other taxes	6,057	5,407
Total operating expenses	<u>145,873</u>	<u>133,911</u>
Net operating income	<u>25,259</u>	<u>18,534</u>
Other income and expenses:		
Non-regulated revenue	3,739	3,764
Non-regulated expenses	(1,614)	(2,809)
Allowance for equity funds used during construction	879	—
Income tax expense on other income and expenses	(1,217)	(384)
Net other income	<u>1,787</u>	<u>571</u>
Interest expense:		
Interest Expense	9,079	8,434
Allowance for borrowed funds used during construction	(564)	(837)
Net interest expense	<u>8,515</u>	<u>7,597</u>
Net income	<u>\$ 18,531</u>	<u>\$ 11,508</u>
Earnings per share		
Basic	<u>\$ 0.39</u>	<u>\$ 0.24</u>
Diluted	<u>\$ 0.39</u>	<u>\$ 0.24</u>
Weighted average shares outstanding		
Basic	<u>48,020</u>	<u>47,972</u>
Diluted	<u>48,020</u>	<u>47,972</u>
Dividends per share of common stock	<u>\$ 0.1800</u>	<u>\$ 0.1725</u>

For the Six-Months ended:	June 30, 2017	June 30, 2016
Operating revenue	\$ 293,168	\$ 274,172
Operating expenses:		
Operations:		
Water production costs	106,199	98,658
Administrative and general	49,045	51,193
Other operations	34,452	38,205
Maintenance	10,820	11,997
Depreciation and amortization	38,419	31,888
Income taxes	8,751	5,945
Property and other taxes	12,173	11,482
Total operating expenses	<u>259,859</u>	<u>249,368</u>
Net operating income	<u>33,309</u>	<u>24,804</u>
Other income and expenses:		
Non-regulated revenue	7,201	7,192
Non-regulated expenses	(3,668)	(5,789)
Allowance for equity funds used during construction	1,658	
Income tax expense on other income and expenses	(2,106)	(565)
Net other income	<u>3,085</u>	<u>838</u>
Interest expense:		
Interest Expense	17,789	16,499
Allowance for borrowed funds used during construction	(1,058)	(1,567)
Net interest expense	<u>16,731</u>	<u>14,932</u>
Net income	<u>\$ 19,663</u>	<u>\$ 10,710</u>
Earnings per share		
Basic	\$ 0.41	\$ 0.22
Diluted	\$ 0.41	\$ 0.22
Weighted average shares outstanding		
Basic	<u>48,002</u>	<u>47,938</u>
Diluted	<u>48,002</u>	<u>47,943</u>
Dividends per share of common stock	<u>\$ 0.3600</u>	<u>\$ 0.3450</u>



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 California Water Service Group
Second Quarter 2017 Earnings Call Presentation
July 27, 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 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.

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Marty Kropelnicki
President & CEO



Tom Smegal
Vice President, CFO & Treasurer



Presentation Overview



- Financial Results
- Financial Highlights
- Q2 2017 and Year-to-Date EPS Bridge
- Cost of Capital Application Update
- Other Commission Notes
- Activity of Other Regulators
- 2017 Residual Effects of Drought
- WRAM Receivable Balances 2011-present
- Recovery of Drought Expenses
- Capital Improvement Program Update
- Cap Ex 2007 Recorded to 2018 Projected
- Rate Base 2014 recorded to 2019 projected
- Wrap Up

Financial Results: Second Quarter

(amounts are in millions, except for EPS)	Q2 2016		Q2 2017	Variance
Operating Revenue	\$152.4	▲	\$171.1	12.3%
Operating Expenses	\$133.9	▲	\$145.9	8.9%
Income from Operations	\$18.5	▲	\$25.2	36.3%
Other Income	\$0.6	▲	\$1.8	212.8%
Net Interest	\$7.6	▲	\$8.5	12.1%
Net Income	\$11.5	▲	\$18.5	61.0%
EPS	\$0.24	▲	\$0.39	62.5%



Financial Results: Year-to-Date

(amounts are in millions, except for EPS)	6 Months Ended June 30, 2016		6 Months Ended June 30, 2017		Variance
Operating Revenue	\$274.2	▲	\$293.2		6.9%
Operating Expenses	\$249.4	▲	\$259.9		4.2%
Income from Operations	\$24.8	▲	\$33.3		34.3%
Other Income	\$0.8	▲	\$3.1		268.0%
Net Interest	\$14.9	▲	\$16.7		12.1%
Net Income	\$10.7	▲	\$19.7		83.6%
EPS	\$0.22	▲	\$0.41		86.4%



Financial Highlights – Second Quarter



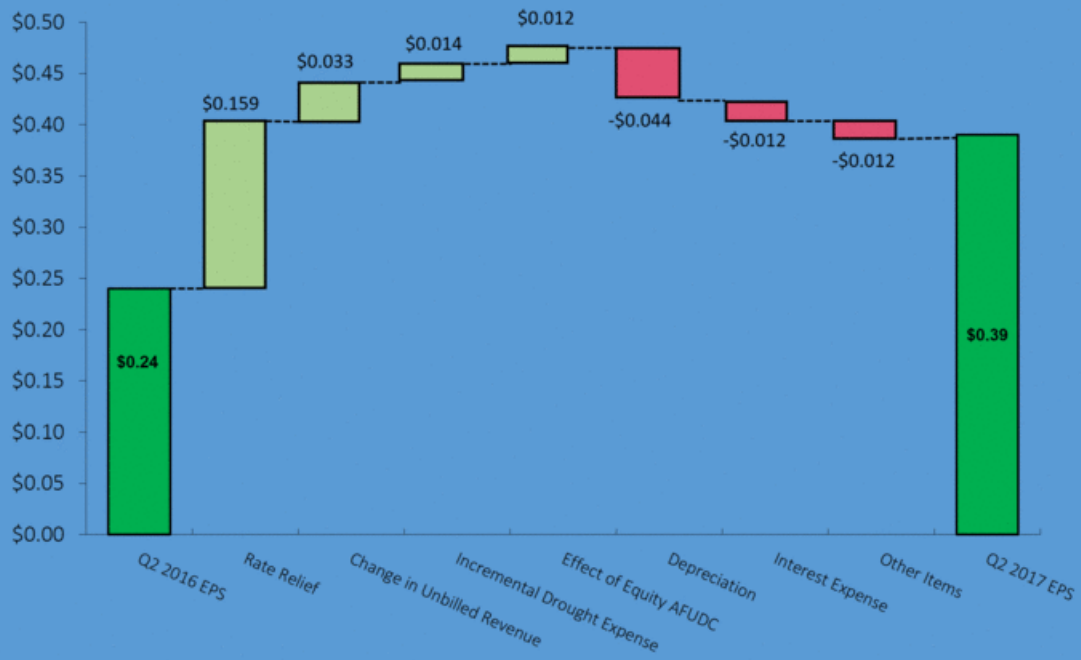
- Quarterly earnings increase of \$7.0 million, largely attributable to:
 - Increased revenue of \$12.3 million from Cal Water's GRC rate increases
 - Increased unbilled revenue accrual of \$2.5 million
 - Decrease of \$1.1 million in incremental drought-related costs
 - Decrease of \$1.2 million in maintenance costs
 - Increase in other income of \$1.2 million, primarily due to implementation of allowance for equity funds used during construction (equity AFUDC) and unrealized gain on benefit plan investments

Financial Highlights – YTD

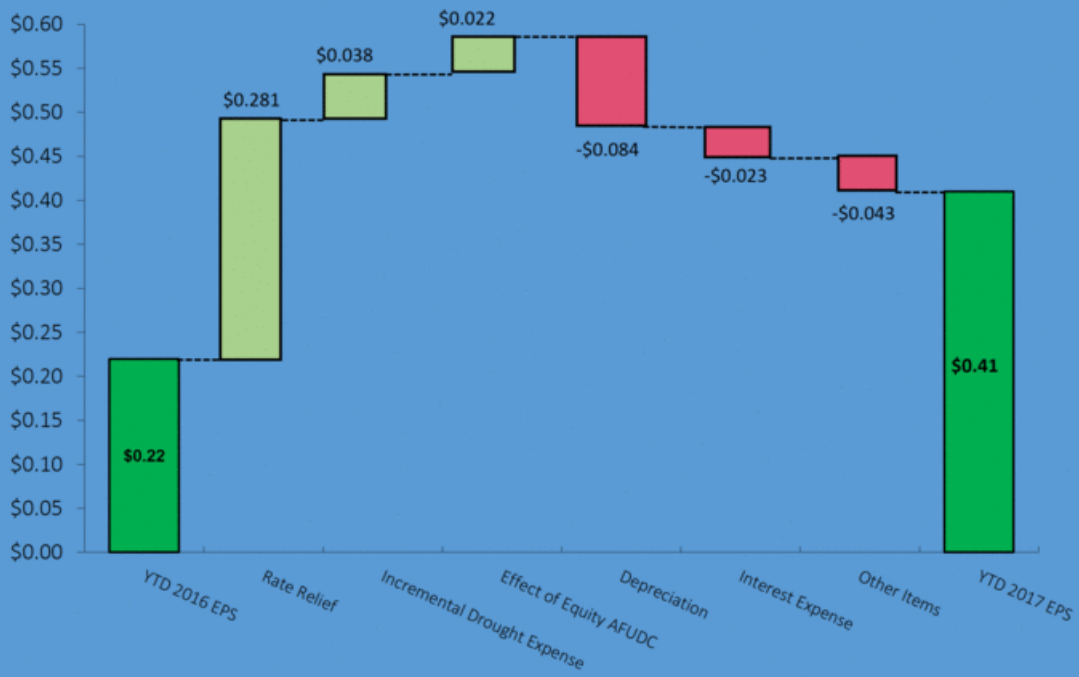


- Year-to-date earnings increase of \$9.0 million, largely attributable to:
 - Increased revenue of \$21.4 million from Cal Water's GRC rate increases
 - Decrease of \$2.9 million in incremental drought-related costs
 - Decrease of \$1.2 million in maintenance costs
 - Increase in other income of \$2.2 million, primarily due to implementation of equity AFUDC and unrealized gain on benefit plan investments
- Company- and developer-funded capital investments were \$108.7 million

EPS Bridge Q2 2016 to Q2 2017



EPS Bridge YTD 2016 to YTD 2017



Notes to Second Quarter EPS Changes

- Increased rate relief is consistent with the GRC decision
- Change in unbilled revenue accrual is seasonal and reflects changes due to weather and other factors
- Increased depreciation is consistent with \$229 million additional capital investment placed into service in 2016
- California drought response costs were reduced from \$1.2 million in the second quarter of 2016 to \$0.1 million in the second quarter of 2017
 - Governor Brown ended the drought state of emergency in April.
- The California GRC decision authorized the use of equity AFUDC rates for construction financing costs
 - Previously the Company was allowed only interest during construction (IDC) in ratemaking costs.

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Cost of Capital Update



Cal Water filed its cost of capital application on April 2, 2017

- Requested 10.75% ROE and 53.4% equity capital structure
- Currently authorized 9.43% ROE and 53.4% equity
- Beginning of a process which will set cost of capital for 2018
- Ratepayer Advocate testimony scheduled for August with hearings scheduled in September
- Commission has adopted a schedule allowing for a decision by the end of 2017

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

Other Commission Notes

- California escalation increases of up to \$17.2 million for 2018 will be requested in the fourth quarter
 - Increase is subject to an earnings test which reviews capital investment performance
 - Increase will also vary with recorded inflation
 - 2018 rates will also incorporate Sales Reconciliation Mechanism (SRM) adjustments
- \$30 million of aggregate California advice letter revenue will be included in rates after completion of specific projects through 2019
 - Through the second quarter, the CPUC has approved three advice letter projects totaling \$1.3 million annual revenue
- In May, Cal Water filed an application to incorporate Travis Air Force Base into its California service territory
- Hawaii Water is on schedule with a \$1.5 million rate increase request for its Pukalani sewer service area

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



Activity of Other Regulators

- California State Water Resources Control Board (State Board) continues to pursue permanent water use regulations which Cal Water expects will be applied to it by the CPUC
- The State Board adopted a new water quality standard for 1,2,3-Trichloropropane (TCP) on July 19 at 5 parts per trillion
 - Cal Water is executing its plan to treat for TCP at 38 affected sites using activated carbon filtration
 - Cal Water plans to invest \$20 million in 2017 and \$40 million in 2018 (included in its projected CapEx) to meet the new regulation
- New California legislation requires Cal Water to test for lead at school sites if requested by the school
 - Cal Water is acting aggressively to offer these tests to all schools, not waiting for a request
 - CPUC approved a memorandum account to track costs of offering these tests



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



2017 Residual Effects of Drought

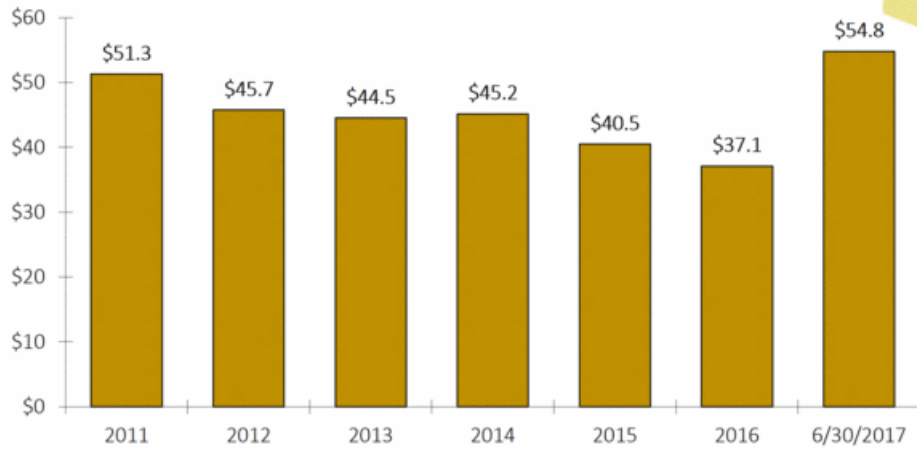
- Cal Water's decoupling mechanism (WRAM) and drought rate design combined to reduce impact of drought on financials
 - Income statement insulated from most sales changes
 - During the drought, the WRAM receivable balance declined due to drought surcharge
- In 2017, sales have increased slightly (3.5%) from the drought period but are still much lower than historical averages
 - As a result, WRAM receivable has grown from \$37 million in 2016 to \$54.8 million at end of the second quarter
 - WRAM balance may continue to grow if water use patterns persist
- CPUC mechanisms will begin to mitigate the receivable in 2018
 - CPUC reiterated collectability of WRAM in December 2016
 - SRM allows Cal Water to adjust rates to reflect lower sales volumes – customer rates will be set to collect more fixed costs in each unit
 - Ongoing WRAM surcharges are updated each Spring to reflect receivable from prior year

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



Net WRAM Receivable Balance

(in millions)



California water volumes were 79% of adopted through June 2017

End-of-Year balance except current period

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



Recovery of Drought Expenses

- Expenses to administer drought programs were booked in the period incurred
- Drought expenses of \$0.3 million for 2017, down from \$3.2 million in the first half of 2016
- Drought costs of \$4.4 million expensed in 2014-2015
 - In December 2016, Cal Water was authorized to recover \$2.9 million in incremental drought expenses from customers
- Drought costs of \$4.4 million expensed in 2016
- As drought effort has concluded, Cal Water expects to request recovery in 2017 of 2016-2017 incremental drought expenses and accumulated capital additions
 - Will book revenue when authorized for recovery by the CPUC

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



Capital Improvement Program Update

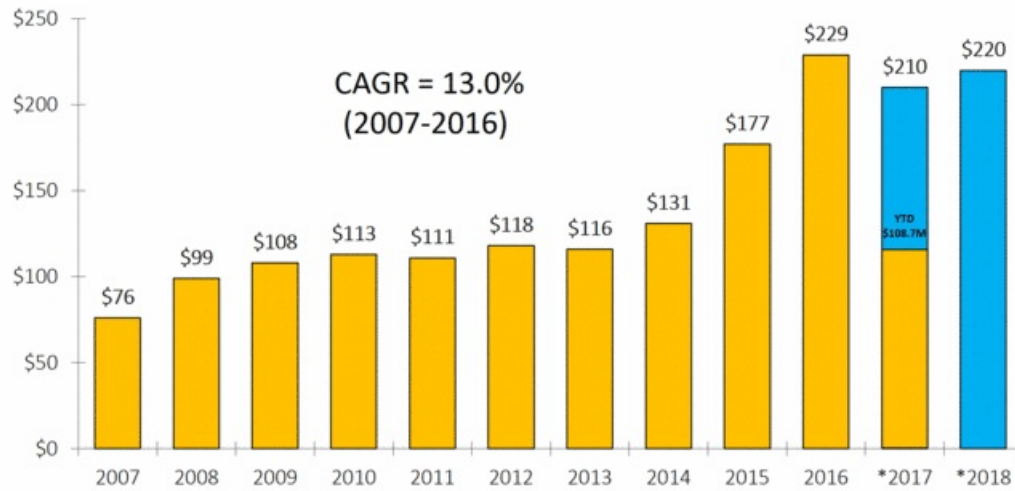


- Company and developer-funded capital expenditure (CapEx) is \$108.7 million on a year-to-date basis
- The Company still on target to complete \$200-\$220 million of CapEx for the year
- 2019 through 2021 CapEx will be projected once the next California GRC is filed in July 2018

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

Capital Investment History and Projection

(in millions)



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

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

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Regulated Rate Base of CWT (in millions)



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

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



Wrap Up



- Solid quarter and year-to-date results reflect recent rate relief and absence of drought conditions in California
- Company continues to execute its operational and capital plans
- Major initiatives for the second half of 2017 include completing the cost of capital proceeding, complying with the new California TCP regulation, and preparing for next year's California GRC filing



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Discussion