

**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 26, 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 October 26, 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 third quarter of 2017, ended September 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, October 26, 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 October 26, 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: October 26, 2017

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



NEWS RELEASE
CALIFORNIA WATER SERVICE GROUP



1720 North First Street
San Jose, CA 95112-4598

October 26, 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 THIRD QUARTER 2017

SAN JOSE, CA — California Water Service Group (NYSE: CWT) today announced net income of \$33.8 million or \$0.70 earnings per diluted common share for the third quarter of 2017, compared to a net income of \$22.9 million or \$0.48 earnings per diluted common share for the third quarter of 2016.

The \$10.9 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 was an increase in unbilled revenue, increases resulting from the adoption of allowance for equity funds used during construction (equity AFUDC) in 2017, and a decrease in emergency drought incremental expenses over the same period last year. These factors were partially offset by increases in administrative and general, other operations, maintenance, depreciation and amortization, and interest expenses.

For the third quarter, total revenue increased \$27.5 million to \$211.7 million, compared to revenue of \$184.3 million for the same period last year. Rate increases added \$14.4 million, \$2.4 million of which was related to increased water costs. Accrued unbilled revenue added \$3.4 million. Decoupling mechanisms and other balancing accounts, including changes in deferred revenue, increased revenue \$6.7 million.

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

"In addition to delivering solid financial results, we continued to maintain and improve our water systems to fulfill our promise to provide customers with quality, service, and value. We also worked with our cities and counties to improve joint emergency response capabilities, which is particularly important in light of the recent fires in California. Safety is paramount in everything we do, especially given the importance of our service to the customers and communities we serve," he added.

Total operating expenses increased \$16.3 million, or 10.6%, to \$170.5 million for the third quarter of 2017, compared to operating expenses of \$154.2 million for the third quarter of 2016.

Water production expenses increased \$5.1 million, or 7.2%, to \$75.3 million for the third quarter of 2017, compared to prior year water production expenses of \$70.2 million, primarily due to a 5.5% increase in customer usage and an average increase of 0.8% in wholesale supplier rates.

Administrative and general and other operations expenses increased \$2.7 million to \$46.1 million in the third quarter of 2017, as compared to \$43.4 million in the third quarter of 2016. Driving this increase was a change in deferred expenses which increased expenses \$3.2 million. The company's deferred expenses and corresponding deferred revenue are related to the timing of recovery of regulatory balancing accounts. In addition, the company expensed \$1.1 million of capital costs in the third quarter as compared to \$3.2 million in the same period last year. Other changes included increased health care costs and uninsured loss expenses and decreases in incremental drought expenses. Changes in employee pension and other postretirement benefit costs, water conservation program costs, and medical costs for regulated California operations generally do not affect earnings, because the Company tracks these costs in balancing accounts for future recovery, which creates a corresponding change to operating revenue.

Depreciation and amortization expense increased \$3.3 million, or 21.1%, to \$19.2 million in the third quarter of 2017, as compared to \$15.9 million in the third quarter of 2016, due to 2016 capital additions.

Income tax expense increased \$4.1 million, or 31.0%, to \$17.3 million in the third quarter of 2017, as compared to \$13.2 million in the third quarter of 2016 due primarily to an increase in operating income. The Company's fiscal year 2017 effective tax rate is estimated at 37%.

Other income, net of income taxes, increased \$0.7 million in the third quarter of 2017 to \$1.2 million mostly due to the implementation of equity AFUDC and an increase in the unrealized gains on certain benefit plan investments.

Net interest expense increased \$0.9 million, or 11.2%, to \$8.6 million in the third quarter of 2017, as compared to \$7.7 million in the third 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 modified cost balancing account (MCBA) net receivable balance increased 12.4% or \$6.8 million to \$61.6 million as of September 30, 2017 from \$54.8 million as of June 30, 2017. The increase was due to water sales volumes, which on a year to date basis were 19% less than those adopted in the recent California GRC. Year-to-date sales were up 4.9% compared to the same period last year, but they are still below those recorded prior to the California drought.

Year-to-Date Results

For the nine-month period ended September 30, 2017, net income was \$53.5 million or \$1.11 earnings per diluted common share, compared to net income of \$33.6 million or \$0.70 earnings per diluted common share for the nine-month period ended September 30, 2016.

The \$19.9 million increase in net income was primarily the result of increased rates adopted in the recent California GRC and decreases in emergency drought

incremental costs and maintenance expenses, as well as increases resulting from the implementation of equity AFUDC in 2017 and unrealized gains on certain benefit plan investments. These factors were partially offset by increases in depreciation and amortization, interest, and employee wage expenses.

Water System Improvements

During the first nine months of 2017, the total Company-funded and developer-funded capital investment was \$180.4 million, an increase of \$14.0 million, or 8.4%, compared to \$166.4 million in the first nine months of 2016.

Regulatory Update

Cal Water expects to submit an advice letter to request recovery of 2016 and 2017 incremental drought expenses before the end of the year.

Cal Water will also submit advice letters to implement escalation rate increases in its California operations before the end of the year with rates effective in January 2018.

On September 15, 2017, the Hawaii Public Utilities Commission issued a proposed decision authorizing a \$0.8 million increase in revenues on an annual basis. Pursuant to a settlement agreement between Hawaii Water and the Consumer Advocate, the revenue increase will be phased-in over four years, \$0.2 million per year. The first phase of the increase was effective on October 18, 2017.

Other Information

All stockholders and interested investors are invited to listen to the third quarter of 2017 conference call on October 26, 2017 at 8:00 a.m. PDT (11:00 a.m. EDT) by dialing 1-833-832-5130 or 1-509-844-0151 and keying in ID# 97457125. A replay of the call will be available from 11:00 a.m. PDT (2:00 p.m. EDT) on October 26, 2017 through December 26, 2017, at 1-855-859-2056 or 1-404-537-3406, ID # 97457125. 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/2017q3slides.pdf after 6:00 a.m. PDT. 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 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, 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.

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CALIFORNIA WATER SERVICE GROUP CONDENSED CONSOLIDATED BALANCE SHEETS Unaudited

(In thousands, except per share data)	September 30, 2017	December 31, 2016
ASSETS		
Utility plant:		
Utility plant	\$ 2,892,666	\$ 2,717,339
Less accumulated depreciation and amortization	(910,742)	(858,062)
Net utility plant	<u>1,981,924</u>	<u>1,859,277</u>
Current assets:		
Cash and cash equivalents	28,341	25,492
Receivables		
Customers	46,963	30,305
Regulatory balancing accounts	31,364	30,332
Other	16,438	17,158
Unbilled revenue	38,491	25,228
Materials and supplies at average cost	6,344	6,292
Taxes, prepaid expense, and other assets		
	<u>12,544</u>	<u>7,262</u>
Total current assets	<u>180,485</u>	<u>142,069</u>

Other assets:		
Regulatory assets	379,884	355,930
Goodwill	2,615	2,615
Other assets	58,196	51,854
Total other assets	440,695	410,399
TOTAL ASSETS	\$ 2,603,104	\$ 2,411,745
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value	\$ 480	\$ 480
Additional paid-in capital	335,516	334,856
Retained earnings	351,727	324,135
Total common stockholders' equity	687,723	659,471
Long-term debt, less current maturities	519,700	531,745
Total capitalization	1,207,423	1,191,216
Current liabilities:		
Current maturities of long-term debt	36,015	26,208
Short-term borrowings	195,100	97,100
Accounts payable	89,394	77,813
Regulatory balancing accounts	4,545	4,759
Accrued interest	12,763	5,661
Accrued expenses and other liabilities	42,544	38,689
Total current liabilities	380,361	250,230
Unamortized investment tax credits	1,798	1,798
Deferred income taxes	329,506	298,924
Pension and postretirement benefits other than pensions	227,819	222,691
Regulatory liability and Other	91,006	83,648
Advances for construction	182,820	182,448
Contributions in aid of construction	182,371	180,790
Commitments and contingencies	—	—
TOTAL CAPITALIZATION AND LIABILITIES	\$ 2,603,104	\$ 2,411,745

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

For the Three-Months ended:	September 30, 2017	September 30, 2016
Operating revenue	\$ 211,731	\$ 184,268
Operating expenses:		
Operations:		
Water production costs	75,261	70,175
Administrative and general	24,886	23,844
Other operations	21,208	19,561
Maintenance	6,057	5,545
Depreciation and amortization	19,231	15,884
Income taxes	17,348	13,247
Property and other taxes	6,544	5,957
Total operating expenses	170,535	154,213
Net operating income	41,196	30,055
Other income and expenses:		
Non-regulated revenue	3,542	3,397
Non-regulated expenses	(2,576)	(2,517)
Allowance for equity funds used during construction	1,105	
Income tax expense on other income and expenses	(841)	(349)
Net other income	1,230	531
Interest expense:		
Interest Expense	9,284	8,485
Allowance for borrowed funds used during construction	(707)	(774)
Net interest expense	8,577	7,711
Net income	\$ 33,849	\$ 22,875
Earnings per share		
Basic	\$ 0.70	\$ 0.48
Diluted	\$ 0.70	\$ 0.48
Weighted average shares outstanding		
Basic	48,017	47,969
Diluted	48,017	47,969
Dividends per share of common stock	\$ 0.1800	\$ 0.1725

For the Nine-Months ended:	September 30, 2017	September 30, 2016
Operating revenue	\$ 504,899	\$ 458,440
Operating expenses:		
Operations:		
Water production costs	181,460	168,833
Administrative and general	73,931	75,037
Other operations	55,660	57,766
Maintenance	16,877	17,542
Depreciation and amortization	57,650	47,772
Income taxes	26,099	19,192
Property and other taxes	18,717	17,439
Total operating expenses	<u>430,394</u>	<u>403,581</u>
Net operating income	<u>74,505</u>	<u>54,859</u>
Other income and expenses:		
Non-regulated revenue	10,743	10,589
Non-regulated expenses	(6,244)	(8,306)
Allowance for equity funds used during construction	2,763	
Income tax expense on other income and expenses	(2,947)	(914)
Net other income	<u>4,315</u>	<u>1,369</u>
Interest expense:		
Interest Expense	27,073	24,984
Allowance for borrowed funds used during construction	(1,765)	(2,341)
Net interest expense	<u>25,308</u>	<u>22,643</u>
Net income	<u>\$ 53,512</u>	<u>\$ 33,585</u>
Earnings per share		
Basic	<u>\$ 1.11</u>	<u>\$ 0.70</u>
Diluted	<u>\$ 1.11</u>	<u>\$ 0.70</u>
Weighted average shares outstanding		
Basic	<u>48,007</u>	<u>47,949</u>
Diluted	<u>48,007</u>	<u>47,952</u>
Dividends per share of common stock	<u>\$ 0.5400</u>	<u>\$ 0.5175</u>



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.

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
- Q3 2017- Q3 2016 EPS Bridge
- YTD 2017- YTD 2016 EPS Bridge
- California Fire Emergency Response and Training
- Cost of Capital Update
- Other Regulatory Notes
- Water Quality Regulation Update
- Drought and effects on WRAM Receivable
- Cap Ex 2007 Recorded to 2018 Projected
- Rate Base 2014 recorded to 2019 projected
- Looking Toward Year End and 2018
- Adopted Revenue by Month 2017

Financial Results: Third Quarter

(amounts are in millions, except for EPS)	Q3 2016		Q3 2017	Variance
Operating Revenue	\$184.3	▲	\$211.7	14.9%
Operating Expenses	154.2	▲	170.5	10.6%
Income from Operations	30.1	▲	41.2	37.1%
Other Income	0.5	▲	1.2	131.6%
Net Interest	7.7	▲	8.6	11.2%
Net Income	\$22.9	▲	\$33.8	48.0%
EPS	\$0.48	▲	\$0.70	45.8%



Financial Results: Year to Date

(amounts are in millions, except for EPS)	9 Months Ended Sep. 30, 2016		9 Months Ended Sep. 30, 2017	Variance
Operating Revenue	\$458.4	▲	\$504.9	10.1%
Operating Expenses	403.6	▲	430.4	6.6%
Income from Operations	54.9	▲	74.5	35.8%
Other Income	1.4	▲	4.3	215.2%
Net Interest	22.6	▲	25.3	11.8%
Net Income	\$33.6	▲	\$53.5	59.3%
EPS	\$0.70	▲	\$1.11	58.6%



Financial Highlights – 3rd Quarter



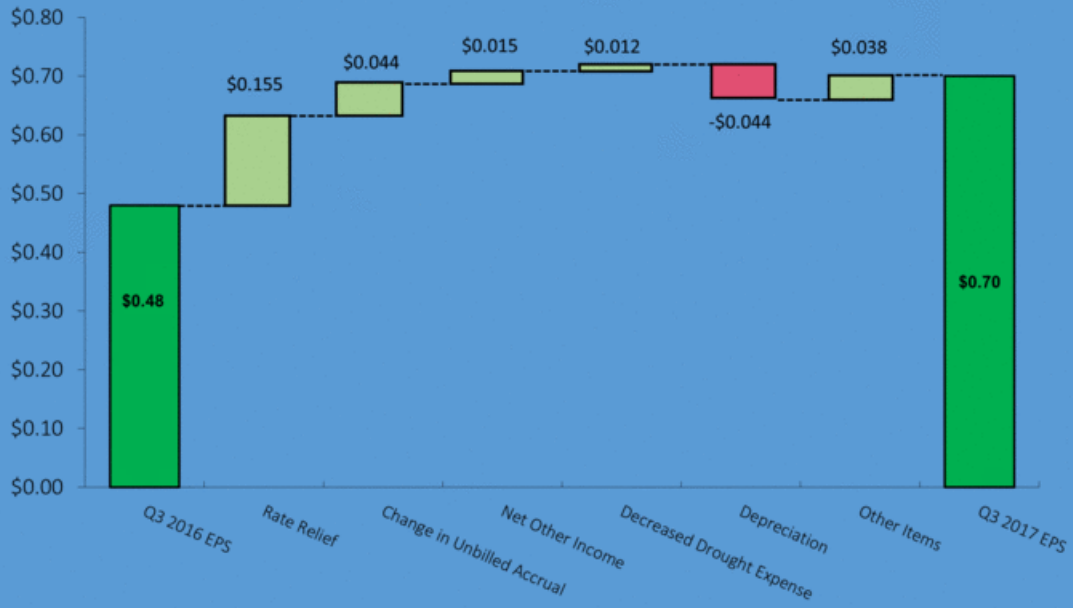
- Quarterly earnings increase of \$10.9 million, primarily attributable to \$12.0 million additional revenue from recent rate increases in California and increased unbilled revenue accrual of \$3.4 million.
- Other income increased \$0.7 million primarily due to implementation of equity AFUDC in 2017.
- Other Operations reflects the expensing of \$1.1 million from unrecovered wastewater treatment assets in Hawaii and previously capitalized drought costs in California. In comparison, in the 3rd quarter of 2016, the company wrote off \$3.2 million from an abandoned water treatment plant project in Bakersfield.

Financial Highlights – YTD

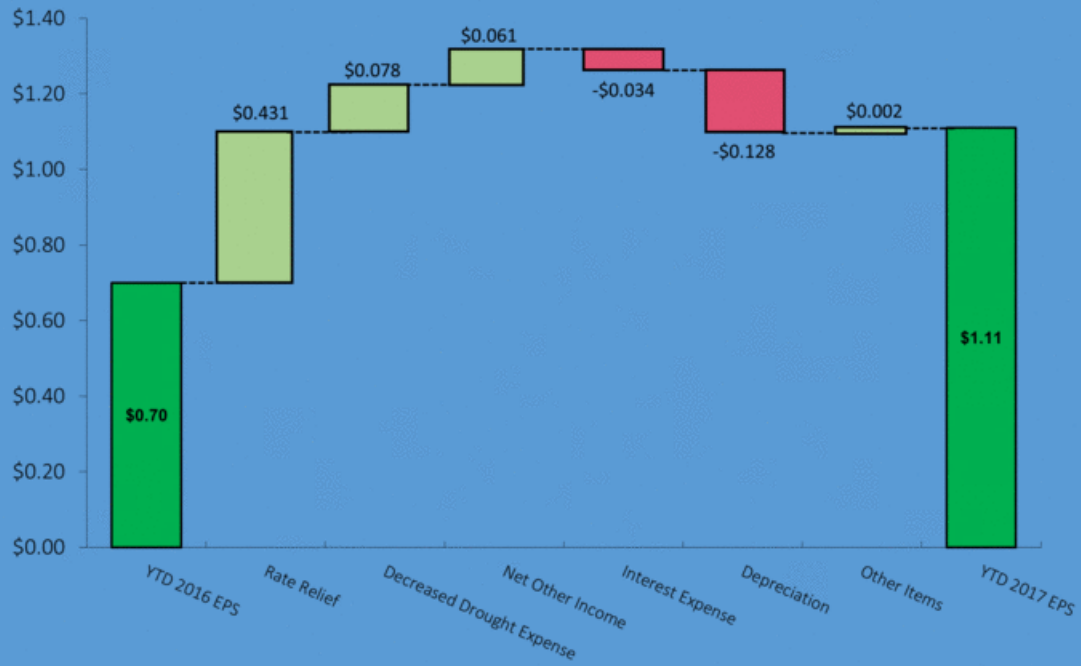


- Year to date earnings increase of \$19.9 million, largely attributable to \$33.9 million additional revenue from recent rate increases in California
- Incremental drought-related costs decreased \$3.8 million
- Other income increased \$2.9 million due to the implementation of equity AFUDC and unrealized gains on certain benefit plan investments
- Capital investments were \$180.4 million in the first nine months of 2017, an increase of \$14.0 million or 8.4% compared to the first nine months of 2016

EPS Bridge Q3 2016 to Q3 2017



EPS Bridge YTD 2016 to YTD 2017



Notes on EPS Bridge Items

- Increased rate relief is consistent with the GRC decision
- Change in unbilled revenue accrual is seasonal and reflects consumption changes due to weather and other factors
- Increased depreciation is consistent with \$230 million additional capital investment placed into service in 2016
- Equity AFUDC is recorded in Other Income

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California Fire Emergency Response and Training

- Minor damage in recent firestorms but fortunately no customer effects
 - Flumes damaged on a raw water canal in Oroville serving irrigation customers
- Major incidents including Erskine Fire in 2016 and Oroville dam emergency in 2017 continue to teach lessons
- In 2015, company promoted retired fire chief Gerald Simon to Chief Safety and Emergency Preparedness Officer
 - Since 2015, we have activated Emergency Operations Centers (EOCs) 14 times
 - We run joint EOC training exercises with other community responders at least quarterly
 - Chico and Marysville EOC training in Q3 with over 80 participants from local governments and other service providers



Cost of Capital Update



Cal Water filed its cost of capital application on April 2, 2017 to set ROE and capital weighting for 2018

- Requested 10.75% ROE and 53.4% equity capital structure
- Ratepayer Advocate proposed 8.22% ROE and 54.4% equity
- Currently authorized 9.43% ROE and 53.4% equity
- Hearings were held in September
- Commission has adopted a schedule allowing for a decision by the end of 2017

Other Regulatory Notes

- California escalation rate 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 third quarter, the CPUC has approved four advice letter projects totaling an additional \$1.3 million annual revenue
- In May, Cal Water filed an application to incorporate Travis Air Force Base into its California service territory
 - The application is still in process with hearings scheduled in the 4th quarter
- Decision by the Hawaii Commission authorized \$0.8 million revenue increase in Pukalani wastewater division, phased in over four years, effective in October 2017

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Water Quality Regulation Update

- Cal Water's project to comply with approved standard for 1,2,3 –Trichloropropane (TCP) is on schedule
 - Company plans to add granular-activated carbon filtration at 38 sites
 - Cal Water plans to invest \$20 million in 2017 and \$40 million in 2018 (included in its projected CapEx) to meet the new regulation
- Due to a court order, California withdrew its regulation for chromium-6 pending a new cost-benefit analysis
 - Company had been in compliance with new standard and anticipates continuing to operate treatment pending regulatory guidance
- Recently passed California legislation will require all schools to complete lead testing
 - Cal Water implemented an aggressive outreach program in 2017



2017 Residual Effects of Drought

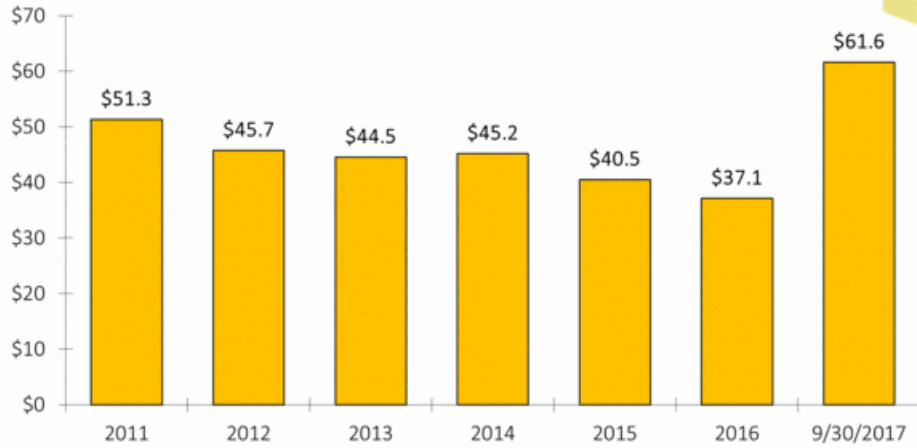
- Cal Water's decoupling mechanism (WRAM) and drought rate design combined to reduce impact of drought on financials
 - Income statement insulated from most sales changes
 - During the drought, the WRAM receivable balance declined due to drought surcharge
- In 2017, sales have increased 4.9% from the drought period but are still much lower than historical averages
 - As a result, WRAM receivable has grown from \$37.1 million at year end 2016 to \$61.6 million at end of the third quarter
 - WRAM balance may continue to grow if water use patterns persist
- CPUC mechanisms will help mitigate the receivable in 2018
 - Sales Reconciliation Mechanism (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
 - All California Districts will trigger SRM for 2018
 - Ongoing WRAM surcharges are updated each Spring to reflect receivable from prior year



Net WRAM Receivable Balance

(in millions)

(End of Year balance except current period)



California water volumes were 81% of adopted through September 2017



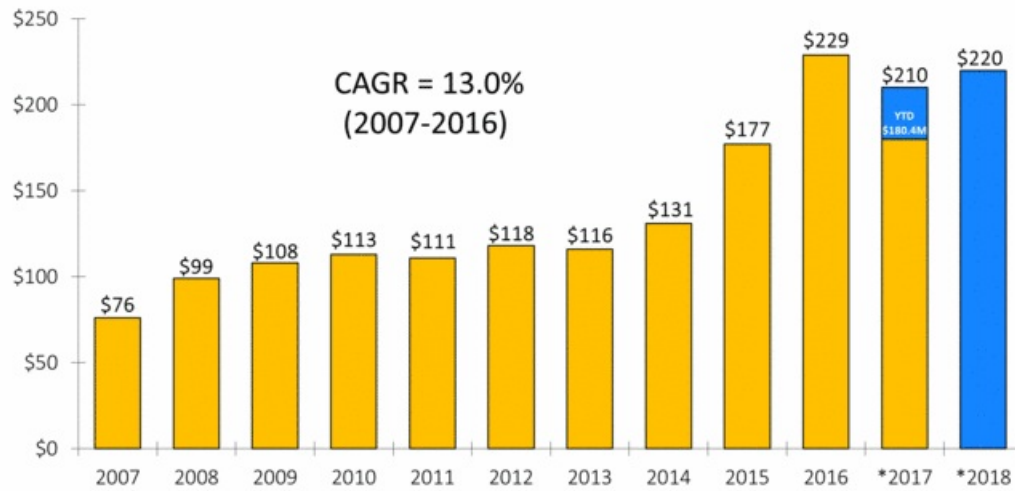
Recovery of 2016-2017 Drought Expenses

- Expenses to administer drought programs were booked in the period incurred
- Drought expenses of \$0.2 million for 2017, down from \$4.0 million in the first nine months of 2016
- Drought costs of \$4.6 million expensed in 2016 and beginning of 2017
 - Will file to recover these costs in the fourth quarter, with recoverable amount subject to regulatory review
 - Determination by the CPUC likely in 2018



Capital Investment History and Projection

(in millions)

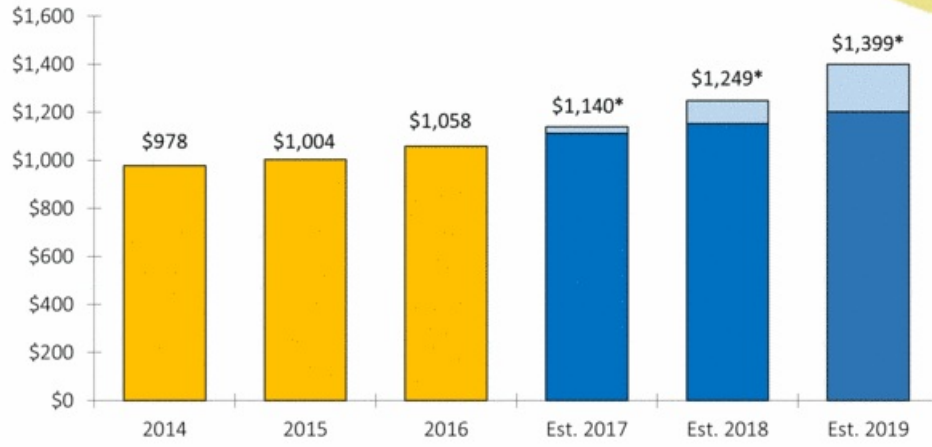


*2017-2018 amounts are based upon Company projections including 2015 California Rate Case decision

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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.

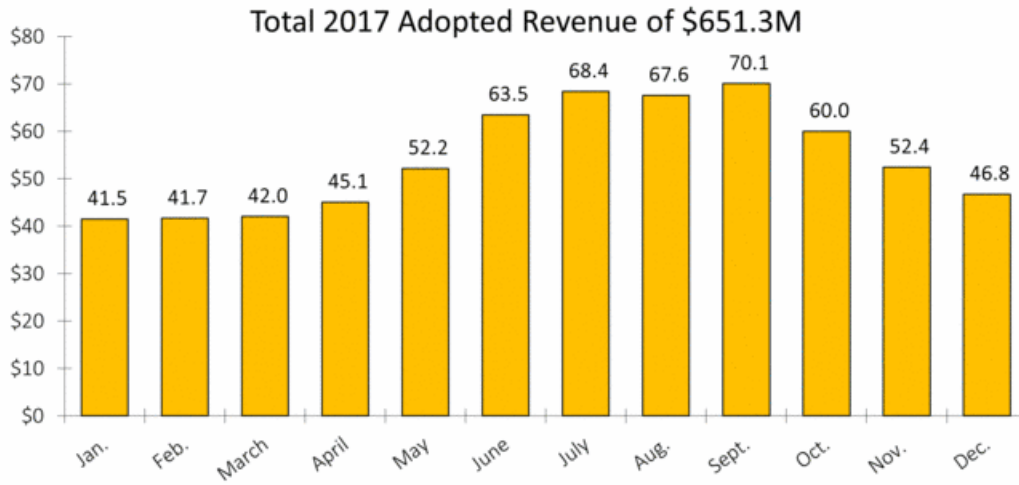


Looking Toward Year End and 2018



- Company awaiting a decision in California cost of capital application
- We anticipate filing advice letters for escalation rate increases in California, along with a sales adjustment for all districts, in November, with new rates expected to be effective in January 2018
- Anticipate filing for recovery of 2016-2017 drought costs in the 4th quarter
- Making good progress on capital projects in 2017 and likely to perform near the upper end of our \$200 million to \$220 million estimate
- Company continues to focus on capital investment to comply with California's proposed 1,2,3-Trichloropropane (TCP) regulation
- Company is fully engaged in preparation of 2018 General Rate Case

2017 California GRC Adopted Revenue by Month (in millions)



MAKING
Good Things
HAPPEN





MAKING
Good Things
HAPPEN

Discussion