

**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 26, 2018**

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 26, 2018, 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 2018, ended June 30, 2018. 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 26, 2018 at 11:00 am ET 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 July 26, 2018
99.2	Slide presentation relating to conference call

SIGNATURES

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

CALIFORNIA WATER SERVICE GROUP

Date: July 26, 2018

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



1720 North First Street
San Jose, CA 95112-4598

July 26, 2018
for immediate release

Contact: Tom Smegal (408) 367-8200 (analysts)
Shannon Dean (310) 257-1435 (media)

**CALIFORNIA WATER SERVICE GROUP ANNOUNCES
EARNINGS FOR THE SECOND QUARTER 2018**

SAN JOSE, CA — California Water Service Group (NYSE: CWT) today announced net income of \$13.0 million or \$0.27 earnings per diluted common share for the second quarter of 2018, compared to net income of \$18.5 million or \$0.39 earnings per diluted common share for the second quarter of 2017.

The \$5.5 million decrease in net income was driven primarily by \$3.6 million of new business development expenses, a reduction in operating revenue of \$1.7 million due to the cost of capital decision for California Water Service (Cal Water), \$1.7 million in additional depreciation and amortization costs, \$1.2 million in additional wage costs, a \$0.7 million increase in maintenance expense, and \$1.3 million in additional interest expenses all of which were partially offset by rate increases of \$4.5 million.

In addition, there were other changes driven primarily by factors outside the Company's immediate control that decreased net income, including a \$2.5 million reduction in unbilled revenue accrual, a \$0.6 million reduction in unrealized income from certain benefit plan investments due to market conditions, and a \$0.4 million decrease in gain on sale of property that was partially offset by a \$1.1 million benefit from Company-owned life insurance.

"Our results for the second quarter were in line with expectations, and I'm pleased by efforts in two key areas that will add value over the longer term," said President and Chief Executive Officer Martin A. Kropelnicki.

"First, on July 2, 2018, as scheduled, we filed a General Rate Case requesting new water infrastructure investments of \$828.5 million throughout California over the three-year period from January 1, 2019 to December 31, 2021. More than half of Cal Water's proposed infrastructure improvements relate to its transmission and distribution pipeline replacement program, and all are necessary to upgrade aging water system infrastructure. The filing requests the California Public Utilities Commission to increase revenues by \$50.7 million, or 7.6%, in 2020; \$31.5 million, or 4.4%, in 2021; and \$33.0 million, or 4.4%, in 2022. These requested infrastructure improvements enable the delivery of safe, reliable, and high-quality water supply for both our customers' everyday needs and for emergency response by firefighters and other first responders," he said.

"Second, we continued our efforts to engage with the SJW Group Board of Directors to discuss a transaction between our two companies that will deliver substantial value to SJW Group customers and stockholders as well as Cal Water's customers and shareholders," said President and Chief Executive Officer Martin A. Kropelnicki.

Additional Financial Results for the Second Quarter of 2018

Total revenue increased 0.9% to \$172.6 million in the second quarter of 2018 compared to \$171.1 million in the second quarter of 2017. Rate increases added \$4.5 million, rate increases for water production cost offsets added \$1.3 million, balancing account adjustments added \$0.9 million, and deferred revenue adjustments added \$1.7 million. These increases were partially offset by a \$1.7 million reduction in revenue associated with the cost of capital decision for Cal Water, a \$2.8 million reduction to revenue due to the requirements of regulators to credit customers for the decrease in the corporate federal income tax rate from 35 percent to 21 percent, effective January 1, 2018, and a \$2.5 million decrease in accrued unbilled revenue.

Total operating expenses increased \$3.1 million, or 2.2%, to \$147.6 million in the second quarter of 2018 compared to \$144.5 million in the second quarter of 2017.

Water production expenses increased \$1.3 million, or 1.9%, to \$65.4 million in the second quarter of 2018 compared to \$64.1 million in the second quarter of 2017, primarily due to increases in purchased water quantities and higher wholesale water rates. 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 increased \$5.4 million to \$45.1 million in the second quarter of 2018, primarily due to a \$1.4 million increase in the recognition of previously deferred costs associated with the deferred operating revenue, a pension benefit cost increase of \$1.4 million, increases in employee wages of \$1.0 million, an increase of \$0.3 million in water quality testing costs due to additional TCP testing requirements, and the write-off of \$0.3 million of costs previously capitalized. Changes in employee pension benefits for regulated California operations generally do not affect earnings, as the Company is allowed by the California Public Utilities Commission (CPUC) to record these costs in balancing accounts for future recovery, creating a corresponding change to revenue.

Maintenance expenses increased \$0.7 million, or 14.5%, to \$5.4 million in the first quarter of 2018, due to increased costs for repairs of transmission & distribution mains and services.

Income tax expense decreased \$6.3 million, primarily due to the federal income tax rate reduction from 35 percent to 21 percent, effective January 1, 2018, and a decrease in operating income. The Company's estimated combined effective income tax rate for 2018 is in the range from 23 to 25 percent.

Depreciation and amortization expenses increased \$1.8 million, to \$21.0 million, in the second quarter of 2018, as compared to \$19.2 million in the second quarter of 2017, due to a record increase in utility plant investment in 2017.

Net other loss, net of income tax benefits, increased \$2.6 million to a net loss of \$2.2 million in the second quarter of 2018, as compared to a net other income of \$0.4 million in the second quarter of 2017, principally due to \$3.6 million of new business development expenses, a \$0.6 million reduction in unrealized income from certain benefit plan investments due to market conditions, and a \$0.4 million decrease in gain

on sale of property that was partially offset by a \$1.1 million benefit from Company-owned life insurance.

Year-to-Date Results

For the six-month period ended June 30, 2018, net income was \$10.5 million or \$0.22 earnings per diluted common share, compared to net income of \$19.7 million or \$0.41 earnings per diluted common share for the six-month period ended June 30, 2017.

The \$9.2 million decrease in net income was primarily due to \$3.9 million of new business development expenses, a reduction in operating revenue of \$2.9 million due to the cost of capital decision for Cal Water, \$3.2 million in additional depreciation and amortization costs, \$2.5 million in additional wage costs, a \$0.7 million increase in uninsured loss costs due to water main breaks, and \$1.8 million in additional interest expenses which were partially offset by a rate increase of \$9.2 million. In addition, there were other changes driven primarily by factors outside the Company's immediate control that decreased net income, including a \$3.2 million reduction in unbilled revenue accrual, a \$2.0 million reduction in unrealized income from certain benefit plan investments due to market conditions, and a \$0.6 million decrease in gain on sale of property which was partially offset by a \$1.1 million benefit from Company owned life insurance.

Water System Improvements

During the first six months of 2018, the total Company-funded and developer-funded capital investment was \$133.9 million, an increase of \$25.2 million, or 23.2%, compared to \$108.7 million in the first six months of 2017. The increase was primarily due to Cal Water TCP water treatment projects.

California Revenue Decoupling Mechanisms

The under-collected net receivable balance in the Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) was \$65.8 million as of June 30, 2018, a decrease of 4.8%, or \$3.3 million, from the balance of \$69.1 million as of December 31, 2017. Cal Water used its CPUC-authorized Sales Reconciliation Mechanism (SRM) to adjust its adopted sales forecast for 2018.

Regulatory Update

On July 2, 2018, Cal Water filed a General Rate Case requesting new water infrastructure investments of \$828.5 million throughout California over the three-year period from January 1, 2019 to December 31, 2021. The filing begins an 18-month review process, with any changes in customer rates expected to become effective in 2020. Cal Water has proposed to the Commission to increase revenues by \$50.7 million, or 7.6%, in 2020; \$31.5 million, or 4.4%, in 2021; and \$33.0 million, or 4.4%, in 2022 as compared to the last authorized revenue.

Other Information

All stockholders and interested investors are invited to listen to the second quarter 2018 conference call, which will be held today at 11:00 a.m. ET, by dialing 1-833-832-5130 or 1-509-844-0151 and keying in ID# 5397913. A replay of the call will be available from 2:00 p.m. ET on Thursday, July 26, 2018 through September 24, 2018, at 1-855-859-2056 or 1-404-537-3406, ID# 5397913. The replay will also be available under the investor relations tab at www.calwatergroup.com. The call will be hosted by President and Chief Executive Officer Martin A. Kropelnicki and Vice President and Chief Financial Officer Thomas F. Smegal. Prior to the call, the Company will post a slide presentation on its website. The presentation can be found at www.calwatergroup.com/docs/2018q2slides.pdf after 6:00 a.m. PT.

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)

ASSETS

June 30,
2018

December 31,
2017

Utility plant:

Utility plant	\$ 3,094,616	\$ 2,970,179
Less accumulated depreciation and amortization	(964,352)	(922,214)
Net utility plant	<u>2,130,264</u>	<u>2,047,965</u>
Current assets:		
Cash and cash equivalents	33,668	94,776
Receivables		
Customers	44,700	32,451
Regulatory balancing accounts	33,257	36,783
Other	19,859	16,464
Unbilled revenue	36,192	29,756
Materials and supplies at weighted average cost	6,714	6,463
Taxes, prepaid expenses, and other assets	15,180	11,180
Total current assets	<u>189,570</u>	<u>227,873</u>
Other assets:		
Regulatory assets	405,297	401,147
Goodwill	2,615	2,615
Other assets	61,768	60,775
Total other assets	<u>469,680</u>	<u>464,537</u>
Total Assets	<u>\$ 2,789,514</u>	<u>\$ 2,740,375</u>

CAPITALIZATION AND LIABILITIES**Capitalization:**

Common stock, \$.01 par value; 68,000 shares authorized, 48,070 and 48,012 outstanding in 2018 and 2017, respectively	\$ 481	\$ 480
Additional paid-in capital	336,238	336,229
Retained earnings	349,213	356,753
Total common stockholders' equity	<u>685,932</u>	<u>693,462</u>
Long-term debt, less current maturities	414,530	515,793
Total capitalization	<u>1,100,462</u>	<u>1,209,255</u>
Current liabilities:		
Current maturities of long-term debt	105,024	15,920
Short-term borrowings	325,100	275,100
Accounts payable	93,032	93,955
Regulatory balancing accounts	56,317	59,303
Accrued interest	5,751	6,122
Accrued expenses and other liabilities	37,076	40,559
Total current liabilities	<u>622,300</u>	<u>490,959</u>
Unamortized investment tax credits	1,724	1,724
Deferred income taxes	196,109	192,946
Pension and postretirement benefits other than pensions	256,431	252,141
Regulatory liabilities and other	238,912	224,127
Advances for construction	185,286	182,502
Contributions in aid of construction	188,290	186,721
Commitments and contingencies		
Total Capitalization and Liabilities	<u>\$ 2,789,514</u>	<u>\$ 2,740,375</u>

**CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

Unaudited

(In thousands, except per share data)

For the Three Months ended:	June 30, 2018	June 30, 2017
Operating revenue	<u>\$ 172,632</u>	<u>\$ 171,132</u>
Operating expenses:		
Operations:		
Water production costs	65,373	64,131
Administrative and general	24,383	21,413
Other operations	20,724	18,328
Maintenance	5,389	4,708
Depreciation and amortization	20,953	19,218
Income taxes	4,347	10,606
Property and other taxes	6,407	6,057
Total operating expenses	<u>147,576</u>	<u>144,461</u>
Net operating income	<u>25,056</u>	<u>26,671</u>
Other income and expenses:		
Non-regulated revenue	4,845	3,739
Non-regulated expenses	(6,115)	(1,614)
Other components of net periodic benefit cost	(2,463)	(2,383)
Allowance for equity funds used during construction	710	879
Income tax benefit (expense) on other income and expenses	819	(246)
Net other (loss) income	<u>(2,204)</u>	<u>375</u>
Interest expense:		
Interest Expense	10,134	9,079
Allowance for borrowed funds used during construction	(304)	(564)
Net interest expense	<u>9,830</u>	<u>8,515</u>
Net income	<u>\$ 13,022</u>	<u>\$ 18,531</u>

Earnings per share		
Basic	\$ 0.27	\$ 0.39
Diluted	\$ 0.27	\$ 0.39
Weighted average shares outstanding		
Basic	48,073	48,020
Diluted	48,073	48,020
Dividends per share of common stock	\$ 0.1875	\$ 0.1800

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(In thousands, except per share data)

For the Six Months ended:	June 30, 2018	June 30, 2017
Operating revenue	\$ 304,879	\$ 293,168
Operating expenses:		
Operations:		
Water production costs	112,979	106,199
Administrative and general	50,702	44,159
Other operations	38,364	34,452
Maintenance	10,828	10,820
Depreciation and amortization	41,668	38,419
Income taxes	4,118	9,722
Property and other taxes	13,111	12,173
Total operating expenses	<u>271,770</u>	<u>255,944</u>
Net operating income	<u>33,109</u>	<u>37,224</u>
Other income and expenses:		
Non-regulated revenue	9,264	7,201
Non-regulated expenses	(11,552)	(3,668)
Other components of net periodic benefit cost	(5,009)	(4,886)
Allowance for equity funds used during construction	1,621	1,658
Income tax benefit (expense) on other income and expenses	1,577	(1,135)
Net other (loss)	<u>(4,099)</u>	<u>(830)</u>
Interest expense:		
Interest Expense	19,332	17,789
Allowance for borrowed funds used during construction	(799)	(1,058)
Net interest expense	<u>18,533</u>	<u>16,731</u>
Net income	<u>\$ 10,477</u>	<u>\$ 19,663</u>
Earnings per share		
Basic	\$ 0.22	\$ 0.41
Diluted	\$ 0.22	\$ 0.41
Weighted average shares outstanding		
Basic	48,051	48,002
Diluted	48,051	48,002
Dividends per share of common stock	<u>\$ 0.3750</u>	<u>\$ 0.3600</u>



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California Water Service Group
Second-Quarter 2018 Earnings Call Presentation

July 26, 2018

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; changes in tax laws, the interpretation of tax laws, and accounting policies; changes in construction costs and availability of resources; 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



- Our Operating Priorities
- SJW Update
- Financial Results and Highlights
- EPS Bridge Q2 2017 to Q2 2018
- EPS Bridge YTD 2017 to YTD 2018
- 2018 California General Rate Case (GRC)
- Update on Cost of Capital and Tax Reform
- Regulatory Balancing Account Update
- Other Rate Filings
- Capital Investment History and Projection
- Regulated Rate Base of CWT
- Summary

Our Operating Priorities



Affordable, Excellent Service

- Continuous improvement, efficient innovation
- Technology as enabler
- Centralized platform & process standardization
- Clear & effective communications



High-Quality Water & Wastewater

- Consistent sampling & rigorous monitoring
- Use of best available treatment & testing technologies



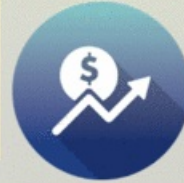
Employees as Best Advocates

- Safe workplace & healthy lifestyles
- Professional development
- Effective, transparent communication
- Teamwork



Strong Brand & Reputation

- Environmental stewardship
- Community involvement & leadership
- Water conservation leadership
- Communication & corporate governance

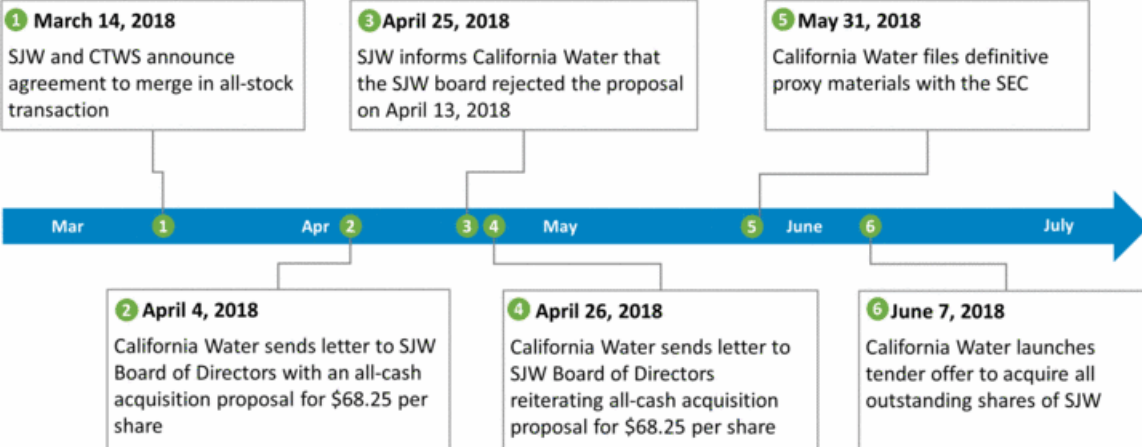


Enhanced Stockholder Value

- Infrastructure investment
- Growth by criteria & for long term (organic/M&A/innovative partnerships)
- Risk management
- Progressive regulatory management
- Effective investor relations



SJW Update: Reaffirming Our Commitment



We remain confident this common-sense combination would create significant value for California Water and our stockholders.

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Financial Results: Second Quarter

(amounts are in millions, except for EPS)	Q2 2017		Q2 2018	Variance
Operating Revenue	\$171.1	▲	\$172.6	0.9%
Operating Expenses	\$144.5	▲	\$147.6	2.2%
Net Interest Expense	\$8.5	▲	\$9.8	15.4%
Net Income	\$18.5	▼	\$13.0	-29.7%
EPS	\$0.39	▼	\$0.27	-30.8%
Capital Investments	\$56.9	▲	\$63.3	11.2%



Financial Results: Year-to-Date

(amounts are in millions, except for EPS)	YTD 2017		YTD 2018	Variance
Operating Revenue	\$293.2	▲	\$304.9	4.0%
Operating Expenses	\$255.9	▲	\$271.8	6.2%
Net Interest Expense	\$16.7	▲	\$18.5	10.8%
Net Income	\$19.7	▼	\$10.5	-46.7%
EPS	\$0.41	▼	\$0.22	-46.3%
Capital Investments	\$108.7	▲	\$133.9	23.2%

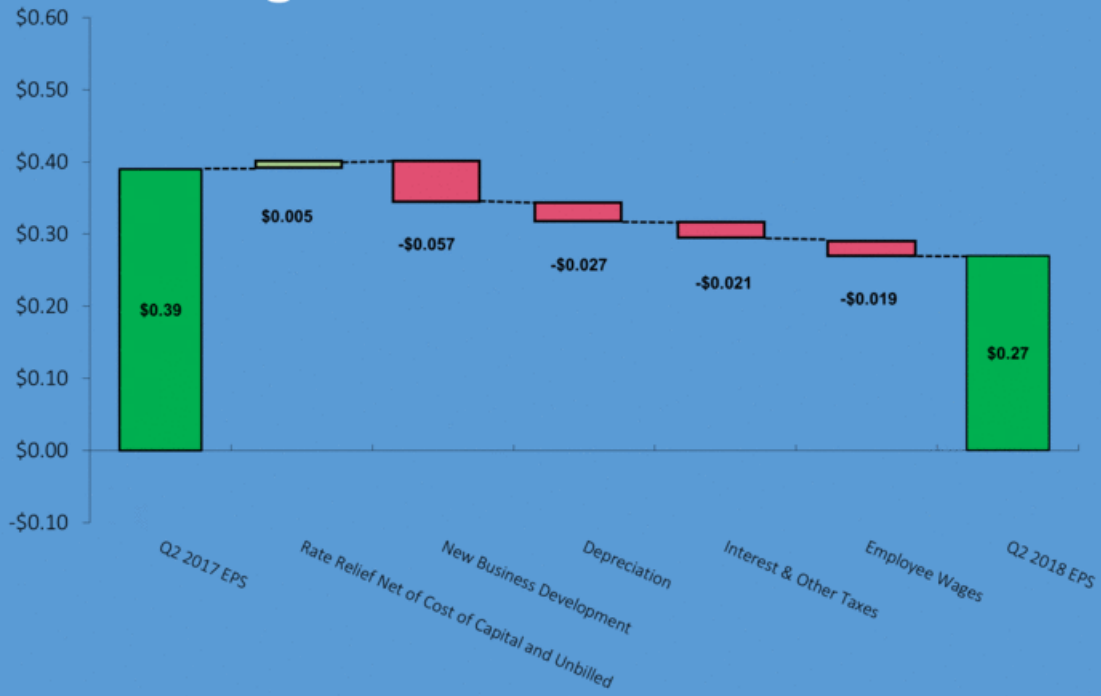


Q2 Financial Highlights

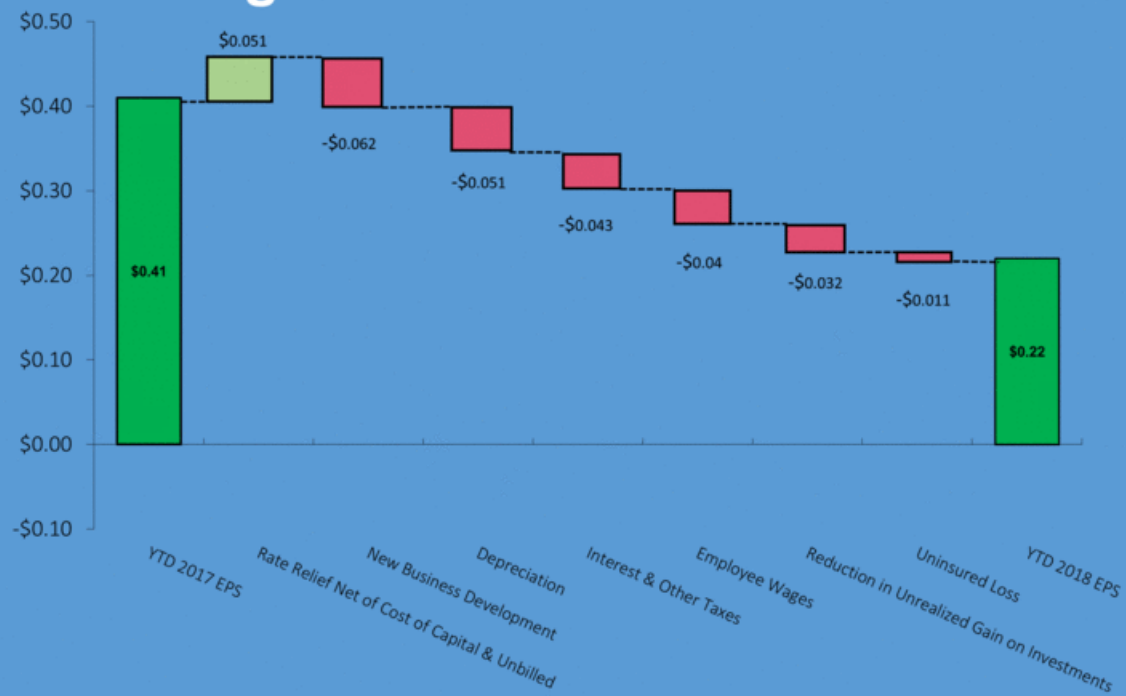


- Second quarter earnings decrease of \$5.5 million largely attributable to:
 - Business development costs of \$3.6 million
 - Decrease in revenue from the cost of capital decision for California Water Service Company (Cal Water) of \$1.7 million
 - Changes in expenses for the quarter that should continue throughout 2018 including: increases of \$1.7 million in depreciation and amortization, \$1.2 million in wages, \$0.7 million in maintenance, and \$1.3 million in interest expense. These were partially offset by \$4.5 million in general rate increases.
 - Factors outside Company's immediate control, including: \$2.5 million reduction in unbilled revenue and \$0.6 million reduction in unrealized income from certain benefit plan investments, offset by \$1.1 million in company-owned life insurance proceeds. These results may or may not be repeated in other time periods.
- Year-to-Date Company and developer funded capital investments were \$133.9 million, an increase of 23.2% compared to 2017
 - Company still anticipates capital investment between \$200-220 million in 2018

EPS Bridge Q2 2017 to Q2 2018



EPS Bridge YTD 2017 to YTD 2018



Notes on EPS Bridge Items

- Increased revenue includes California escalation increases net of California cost of capital revenue reduction effective January 1, 2018, as well as rate base offset rate relief and effect of Hawaii rate increases since corresponding period in 2017
- Change in unbilled revenue accrual also included within revenue increases; change in unbilled revenue accrual increased revenue \$8.1 million in the second quarter compared to an increase of \$10.6 million in the second quarter 2017; changes in accruals in 2018 were result of weather and other factors that affect customer demand
- Increased depreciation consistent with additional capital investment placed into service in 2017

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2018 California General Rate Case



- Cal Water filed its 2018 GRC on July 2, 2018, requesting \$828.5 million in capital investments over the period 2019-2021
 - Main replacement program increases replacement rate from 200 year cycle to 120 year cycle
 - Other proposed investments are routine, for replacement infrastructure, security, water quality and water supply
 - Represents a 20% increase over 2015 GRC capital request
- Rate changes would be effective January 1, 2020
- Typical customer increase in more than 90% of our service areas would be less than a \$6 per monthly bill in 2020

GRC Details

- Proposed revenue increase is \$50.7 million in 2020, \$31.5 million in 2021, and \$33.0 million in 2022
- Requested 9-year amortization of \$108 million change in deferred income taxes generated by tax reform
 - Estimated \$12 million annual cash outflow with corresponding rate base increase in 2020-2029
- Requested 100% Sales Reconciliation Mechanism for 2021 and 2022
- Proposing additional consolidation of two districts for ratemaking purposes
- Requested continuation of pension, medical, and conservation balancing accounts
- In keeping with state mandates, proposing to increase service charges and increase rate tiers after baseline allocation



Update on Cost of Capital and Tax Reform



- Effect of cost of capital decision for Cal Water was previously reported in first quarter financials
 - Total estimated annual effect is a reduction in revenue of \$6.9 million
- Tax Cuts and Jobs Act effect was also reported in first quarter financials
 - Revenue reduction of \$11.1 million anticipated to be offset by a corresponding reduction in income tax liability, so there will be no material impact on net income
- Rate reduction effective July 1, 2018 in California for both items
 - Company estimates reduced billings of approximately \$18 million annually
 - Continue to work through the regulatory process in other states
 - Company anticipates paying federal taxes in 2020 due to amortization of its NOL and fewer current tax deductions

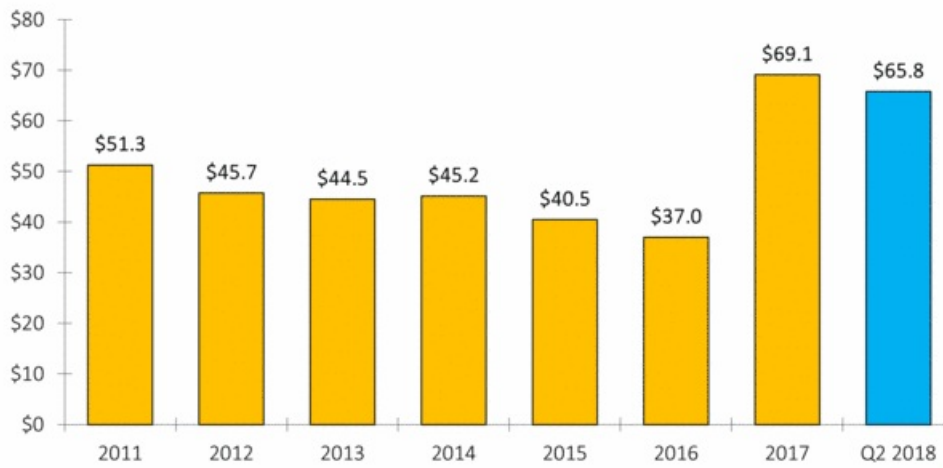
Regulatory Balancing Account Update

- Cal Water year to date sales are 95% of adopted estimates
- Change in adopted sales due to triggering the Sales Reconciliation Mechanism, which allows for a true-up when annual sales are above or below adopted sales by more than 5%
- The current WRAM receivable balance is \$65.8 million, down from \$69.1 million at year end 2017
- Cal Water began billing surcharges to recover \$50.1 million in net WRAM/MCBA receivables in April 2018



Net WRAM Receivable Balance

(in millions; end-of-year balance except 2018)



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Other Rate Filings

- Hawaii Waikoloa rate cases, filed in December 2017 requesting increases of \$3.8 million in annual revenue
 - Proceedings are ongoing and the Company anticipates a Commission decision by year-end
- Washington Water general rate case was filed on July 2, 2018 requesting \$1.6 million annual revenue increase
 - Company anticipates a Commission decision before year-end
- Through July 1, 2018, CPUC had approved advice letter projects totaling additional \$4.9 million of annual revenue out of authorization of up to \$30 million through 2019
 - Includes \$2.1 million additional annual revenue effective July 1, 2018



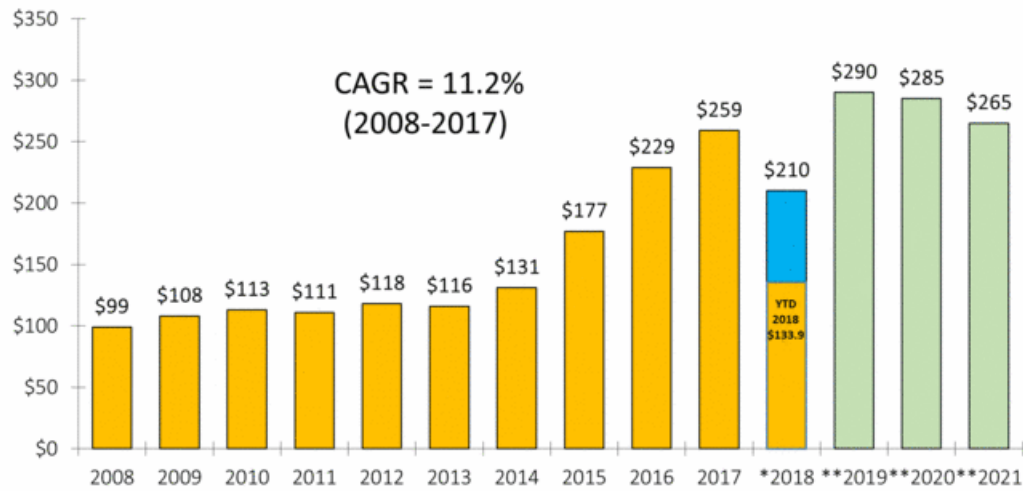
Updated Capital and Rate Base Projections



- Company is presenting its estimated capital investment program through 2021 and estimated regulated rate base through 2022
 - The last three years of each projection are dominated by requests made in the recent 2018 California GRC. These are requests subject to regulatory review and may change during the rate case process.
- Regulated rate base growth is anticipated to accelerate due to increased capital spending, reduction in new deferred taxes, and return of re-measured deferred taxes
 - Reduction in new deferred taxes is due to removal of "bonus depreciation" and lower tax rates

Capital Investment History and Projection

(in millions)



*2018 estimated capital investment is the midpoint in the Company's stated range of \$200-\$220 million.
 **2019-2021 include capital investments proposed to the CPUC and subject to change based on regulatory outcome and other factors.

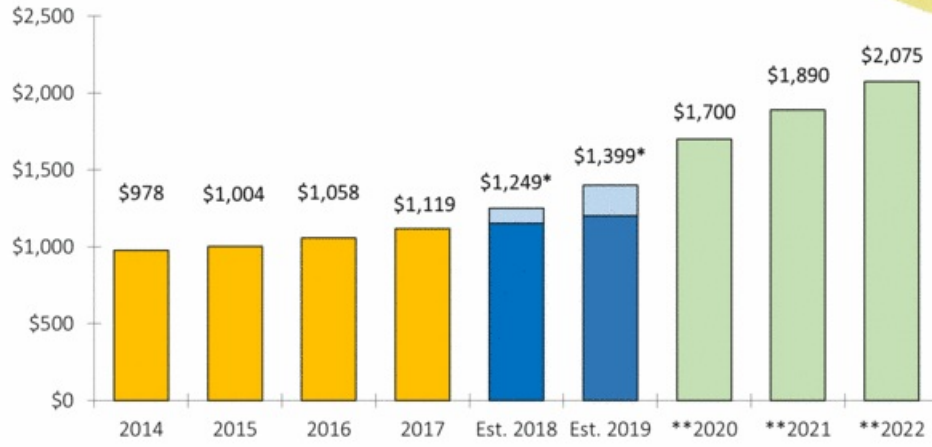
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Regulated Rate Base of CWT

(in millions)

*Includes estimated cumulative additions in 2018 and 2019 of \$96M and \$197M for advice letters



**2020-2022 reflect rate base proposed in California GRC plus estimated rate base in other subsidiaries and are subject to change based on the regulatory process



Summary



- Focus is on the 2018 California GRC filing
- On track to invest \$200-\$220 million in water system infrastructure in 2018 to provide safe, reliable service to our customers
- Company remains committed to pursuing SJW acquisition
 - Common-sense combination would create opportunities for stockholders, customers, and employees
 - Combined company would benefit from economies of scale and greater access to capital to help us further drive our growth strategy
 - We expect the transaction would be accretive to earnings and deliver meaningful cost synergies
 - We also believe that the continued investment in our rate base would drive long-term EPS growth and support steady growth in our dividend



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DISCUSSION