
**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): **November 1, 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 November 1, 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 third quarter of 2018, ended September 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, November 1, 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 November 1, 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: November 1, 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

November 1, 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 THIRD QUARTER 2018**

SAN JOSE, CA — California Water Service Group (NYSE: CWT) today announced net income of \$34.4 million or \$0.72 earnings per diluted common share for the third quarter of 2018, compared to net income of \$33.8 million or \$0.70 earnings per diluted common share for the third quarter of 2017.

The \$0.6 million increase in net income was driven primarily by aggregate rate increases of \$4.4 million, reflecting general rate increases net of California's cost of capital decision. Other factors increasing net income included a \$1.1 million reduction in write-offs of unrecoverable capital costs and an increase in tax benefits of \$0.9 million. The increases to net income were partially offset by a \$1.8 million increase in depreciation and amortization, employee wage increases of \$1.5 million, a \$1.3 million increase in new business expenses, and a \$1.7 million increase in interest expense.

"Our results for the third quarter were in line with expectations," said President and Chief Executive Officer Martin A. Kropelnicki.

"During the quarter, we had the Mendocino Complex wildfire, the largest in California history, threatening one of our service areas. We activated our emergency operations center for two weeks, staffed around the clock, to provide resources to firefighters and help protect our customers' property. I'm so proud of our dedicated employees who kept the water flowing while dealing with the risk to themselves and their families from the fire," he said.

“Finally, I am pleased that we continued our efforts in the quarter to complete capital programs to bring clean, reliable water service to customers. We now anticipate our capital investment for the year will be in the range of \$240 to \$260 million. Towards that goal, we successfully raised \$300 million in first mortgage bonds in the quarter to refinance our California Water Service Company (Cal Water) line of credit. The refinancing supports planned improvements to transmission and distribution pipelines, which are necessary to upgrade aging water systems, to enable the delivery of safe, reliable, and high-quality water supply for both our customers’ everyday needs and for emergency use by firefighters and other first responders,” said President and Chief Executive Officer Martin A. Kropelnicki.

Additional Financial Results for the Third Quarter of 2018

Total revenue increased 3.4% to \$219.0 million in the third quarter of 2018 compared to \$211.7 million in the third quarter of 2017. The increase was mostly due to aggregate rate increases of \$4.4 million, reflecting general rate increases net of the reduction for California’s cost of capital decision. In addition, balancing account adjustments added \$1.5 million and deferred revenue adjustments added \$1.5 million.

Total operating expenses increased \$4.1 million, or 2.5%, to \$173.4 million in the third quarter of 2018 compared to \$169.3 million in the third quarter of 2017.

Water production expenses increased \$3.5 million, or 4.7%, to \$78.8 million in the third quarter of 2018 compared to \$75.3 million in the third 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 and general and other operations expenses increased \$4.4 million to \$48.4 million in the third quarter of 2018, primarily due to increases in employee wage and benefit costs and uninsured losses associated with operations. Changes in employee pension benefits and employee and retiree medical costs 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 11.7%, to \$6.8 million in the third quarter of 2018, due to increased costs for repairs of transmission and distribution mains and services.

Income taxes decreased \$6.9 million primarily due to a decrease in the corporate federal income tax rate from 35 percent to 21 percent, effective January 1, 2018, an increase in tax benefits of \$0.9 million, and a decrease in pre-tax income. The Company estimates its combined effective income tax rate for 2018 in the range of 22 to 25 percent.

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

Net other loss, net of income tax benefits, increased \$0.8 million in 2018, primarily due to \$1.3 million of expenses associated with new business acquisition efforts.

Year-to-Date Results

For the nine-month period ended September 30, 2018, net income was \$44.9 million or \$0.93 earnings per diluted common share, compared to net income of \$53.5 million or \$1.11 earnings per diluted common share for the nine-month period ended September 30, 2017.

The \$8.6 million decrease in net income was primarily the result of \$5.1 million increase in expenses associated with new business development, increase of \$5.0 million in depreciation and amortization, employee wage increases of \$4.0 million, and an increase of \$3.5 million in interest expense. In addition, there were other changes driven primarily by factors outside our immediate control that decreased net income, including a \$2.7 million reduction in unbilled revenue accrual and a net \$0.5 million decrease in the valuation of our benefit plan investments due to changes in market valuation offset by life insurance proceeds. These decreases to net income were partially offset by aggregate rate increases of \$10.8 million, reflecting general rate increases net of California's cost of capital decision.

Water System Improvements

During the first nine months of 2018, the total company-funded and developer-funded capital investment was \$212.9 million, an increase of \$32.5 million, or 18.0%, compared to \$180.4 million in the first nine months of 2017. The increase was primarily due to Cal Water projects constructed to treat 35 wells to remove 1,2,3 trichloropropane (TCP).

California Revenue Decoupling Mechanisms

The under-collected net receivable balance in the Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) was \$60.0 million as of September 30, 2018, a decrease of 13.2%, or \$9.1 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.

Other Information

All stockholders and interested investors are invited to listen to the third 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# 9442499. A replay of the call will be available from 2:00 p.m. ET on Thursday, November 1, 2018 through January 1, 2019, at 1-855-859-2056 or 1-404-537-3406, ID# 9442499. 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/2018q3slides.pdf after 6:00 a.m. PDT.

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.

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited

(In thousands, except per share data)	September 30, 2018	December 31 2017
ASSETS		
Utility plant:		
Utility plant	\$ 3,169,726	\$ 2,970,179
Less accumulated depreciation and amortization	(983,984)	(922,214)
Net utility plant	<u>2,185,742</u>	<u>2,047,965</u>
Current assets:		
Cash and cash equivalents	66,421	94,776
Receivables:		
Customers	50,785	32,451
Regulatory balancing accounts	37,973	36,783
Other	20,903	16,464
Unbilled revenue	40,318	29,756
Materials and supplies at weighted average cost	6,563	6,463
Taxes, prepaid expenses, and other assets	12,576	11,180
Total current assets	<u>235,539</u>	<u>227,873</u>
Other assets:		
Regulatory assets	388,300	401,147
Goodwill	2,615	2,615
Other assets	64,666	60,775
Total other assets	<u>455,581</u>	<u>464,537</u>
TOTAL ASSETS	<u>\$ 2,876,862</u>	<u>\$ 2,740,375</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value; 68,000 shares authorized, 48,068 and 48,012 outstanding in 2018 and 2017, respectively	\$ 481	\$ 480
Additional paid-in capital	336,960	336,229
Retained earnings	<u>374,593</u>	<u>356,753</u>
Total common stockholders' equity	712,034	693,462
Long-term debt, less current maturities	<u>714,310</u>	<u>515,793</u>
Total capitalization	<u>1,426,344</u>	<u>1,209,255</u>
Current liabilities:		
Current maturities of long-term debt	104,812	15,920
Short-term borrowings	75,100	275,100
Accounts payable	102,938	93,955
Regulatory balancing accounts	43,300	59,303
Accrued interest	13,111	6,122
Accrued expenses and other liabilities	<u>42,629</u>	<u>40,559</u>
Total current liabilities	381,890	490,959
Unamortized investment tax credits	1,724	1,724
Deferred income taxes	199,143	192,946
Pension and postretirement benefits other than pensions	235,501	252,141
Regulatory liabilities and Other	255,569	224,127
Advances for construction	186,897	182,502
Contributions in aid of construction	<u>189,794</u>	<u>186,721</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 2,876,862</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:	September 30, 2018	September 30, 2017
Operating revenue	\$ 218,983	\$ 211,731
Operating expenses:		
Operations:		
Water production costs	78,818	75,261
Administrative and general	26,493	22,749
Other operations	21,943	21,208
Maintenance	6,768	6,057
Depreciation and amortization	21,009	19,231
Income taxes	11,262	18,219
Property and other taxes	7,142	6,544
Total operating expenses	<u>173,435</u>	<u>169,269</u>
Net operating income	<u>45,548</u>	<u>42,462</u>
Other income and expenses:		
Non-regulated revenue	4,703	3,542
Non-regulated expenses	(4,897)	(2,576)
Other components of net periodic benefit cost	(1,975)	(2,137)
Allowance for equity funds used during construction	1,023	1,105
Income tax benefit on other income and expenses	305	30
Net other loss	<u>(841)</u>	<u>(36)</u>
Interest expense:		
Interest expense	10,875	9,284
Allowance for borrowed funds used during construction	(560)	(707)
Net interest expense	<u>10,315</u>	<u>8,577</u>
Net income	<u>\$ 34,392</u>	<u>\$ 33,849</u>
Earnings per share		
Basic	<u>\$ 0.72</u>	<u>\$ 0.70</u>
Diluted	<u>\$ 0.72</u>	<u>\$ 0.70</u>
Weighted average shares outstanding		
Basic	<u>48,070</u>	<u>48,017</u>
Diluted	<u>48,070</u>	<u>48,017</u>
Dividends declared per share of common stock	<u>\$ 0.1875</u>	<u>\$ 0.1800</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(In thousands, except per share data)

For the Nine Months ended:	September 30, 2018	September 30, 2017
Operating revenue	\$ 523,862	\$ 504,899
Operating expenses:		
Operations:		
Water production costs	191,797	181,460
Administrative and general	77,195	66,908
Other operations	60,307	55,660
Maintenance	17,596	16,877
Depreciation and amortization	62,677	57,650
Income taxes	15,380	27,941
Property and other taxes	20,253	18,717
Total operating expenses	445,205	425,213
Net operating income	78,657	79,686
Other income and expenses:		
Non-regulated revenue	13,967	10,743
Non-regulated expenses	(16,449)	(6,244)
Other components of net periodic benefit cost	(6,984)	(7,023)
Allowance for equity funds used during construction	2,644	2,763
Income tax benefit (expense) on other income and expenses	1,882	(1,105)
Net other loss	(4,940)	(866)
Interest expense:		
Interest expense	30,207	27,073
Allowance for borrowed funds used during construction	(1,359)	(1,765)
Net interest expense	28,848	25,308
Net income	\$ 44,869	\$ 53,512
Earnings per share		
Basic	\$ 0.93	\$ 1.11
Diluted	\$ 0.93	\$ 1.11
Weighted average shares outstanding		
Basic	48,058	48,007
Diluted	48,058	48,007
Dividends declared per share of common stock	\$ 0.5625	\$ 0.5400



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
- Financial Results and Highlights
- EPS Bridges: Q3 2017 to Q3 2018 and YTD 2017 to YTD 2018
- 2018 California General Rate Case (GRC) and Other Rate Filings
- California Fires and Emergency Response
- Other Recent Activities
- Regulatory Balancing Account Update
- 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



Financial Results: Third Quarter

(amounts are in millions, except for EPS)	Q3 2017		Q3 2018	Variance
Operating Revenue	\$211.7	▲	\$219.0	3.4%
Operating Expenses	\$169.3	▲	\$173.4	2.5%
Net Interest Expense	\$8.6	▲	\$10.3	20.3%
Net Income	\$33.8	▲	\$34.4	1.6%
EPS	\$0.70	▲	\$0.72	1.5%
Capital Investments	\$71.7	▲	\$79.0	10.2%



Financial Results: Year-to-Date

(amounts are in millions, except for EPS)	YTD 2017		YTD 2018	Variance
Operating Revenue	\$504.9	▲	\$523.9	3.8%
Operating Expenses	\$425.2	▲	\$445.2	4.7%
Net Interest Expense	\$25.3	▲	\$28.8	14.0%
Net Income	\$53.5	▼	\$44.9	-16.2%
EPS	\$1.11	▼	\$0.93	-16.2%
Capital Investments	\$180.4	▲	\$212.9	18.0%

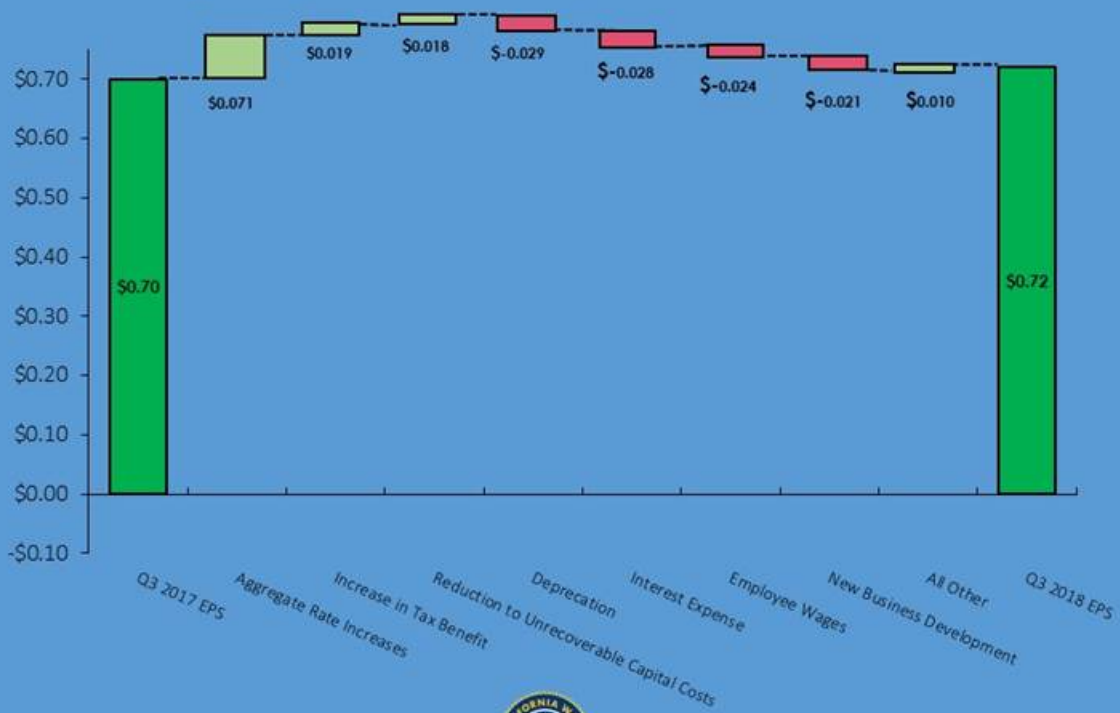


Q3 Financial Highlights

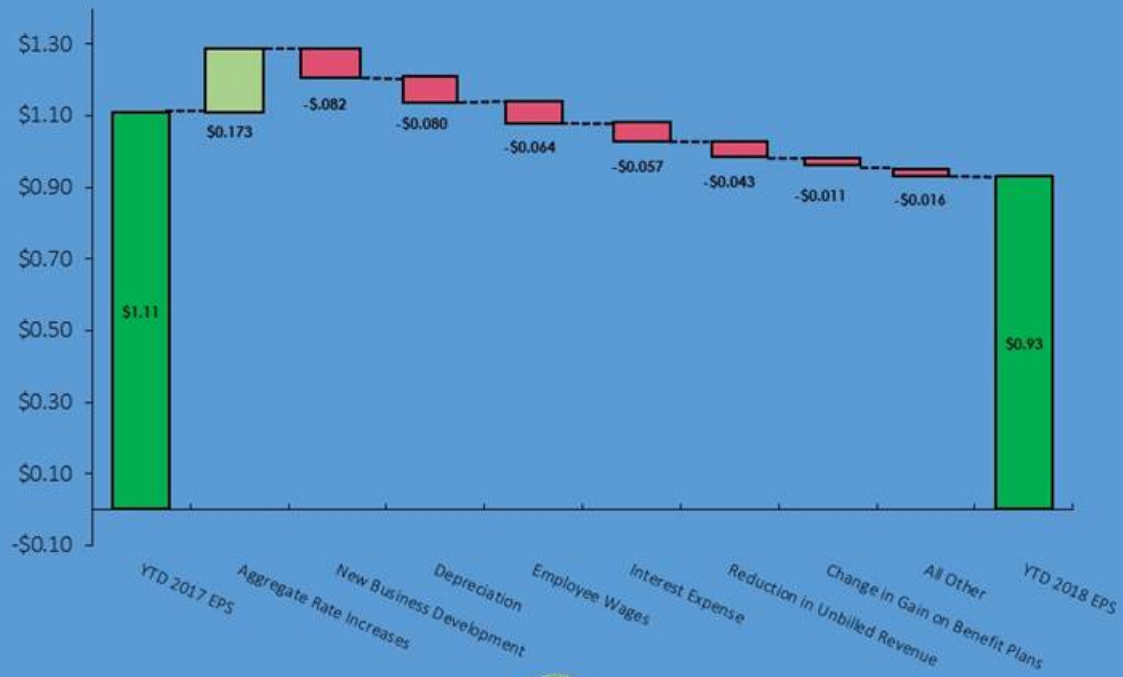


- Third quarter earnings increase of \$0.6 million largely attributable to:
 - Revenue increase due to \$4.4 million of aggregate rate increases, net of the revenue reductions from the California Water Service (Cal Water) Cost of Capital decision.
 - The revenue increase was partially offset by a \$1.8 million increase in depreciation and amortization, employee wage increases of \$1.5 million, a \$1.3 million increase in new business expenses, and a \$1.7 million increase in interest expense.
- Year to date Company and developer funded capital investments were \$212.9 million, an increase of 18.0% compared to 2017
 - Company anticipates capital investment between \$240-260 million in 2018

EPS Bridge Q3 2017 to Q3 2018



EPS Bridge YTD 2017 to YTD 2018



Notes on EPS Bridge Items

- Increased revenue includes California escalation increases net of the 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
- 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, requesting \$828.5 million in capital investments over the period 2019-2021
- GRC is in the discovery phase through Q1 2019
- Two municipalities and the California Public Advocate (Formerly Office of Ratepayer Advocates) are participating in the case
 - Testimony is anticipated in the first or second quarter of 2019

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 Hawaii Public Utilities Commission decision by year-end
- Washington Water GRC was filed on July 2, requesting \$1.6 million annual revenue increase
 - The Company anticipates a Washington Utilities and Transportation Commission decision before year-end
- Through October 31, 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
 - No new approvals since July 1
- Cal Water required to file its escalation rate increase of up to \$16 million annual revenue by November 15 with rates effective on January 1, 2019



California Fires and Emergency Response



- We continue our efforts to train for and manage incidents using the emergency operations center (EOC) framework
- EOCs have been activated nearly 20 times in the last three years
- During the quarter, Cal Water's EOC was used in the Mendocino Complex fire, the largest in the state's history, which threatened one of our systems
 - Our team operated the Lucerne water system throughout the incident, including during mandatory evacuations, to help firefighters protect the community
 - We coordinated with State and County officials in their EOCs

Other Recent Activities



- Company issued \$300 million of 2-year first mortgage bonds in September
 - Used to refinance the revolving credit facility
 - Will continue to finance capital improvements using line of credit and a combination of long-term debt and equity targeting the CPUC authorized capital structure
- In October, Hawaii Water assumed operation and maintenance of a wastewater utility on the island of Hawaii serving approximately 1,500 customers

Regulatory Balancing Account Update

- Cal Water year-to-date sales are 94% 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 \$60.0 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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Capital Investment History and Projection

(in millions)



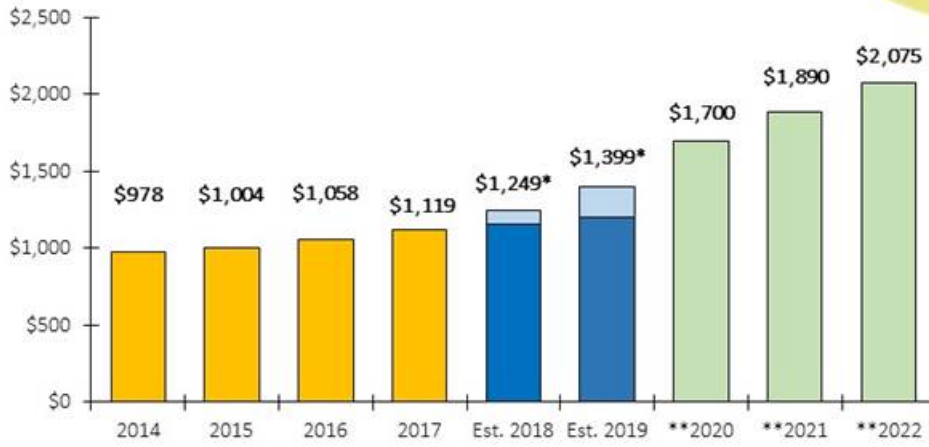
*2018 estimated capital investment is the midpoint in the Company's updated range of \$240-\$260 million.
 **2019-2021 include capital investments proposed to the CPUC and subject to change based on regulatory outcome and other factors.

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Regulated Rate Base of CWT

(in millions)



**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

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



Summary



- Focus is on the 2018 California GRC filing
- Closing out rate cases in Hawaii and Washington
- On track to invest \$240-\$260 million in water system infrastructure in 2018 to provide safe, reliable service to our customers
- Company continues to focus on execution of long-term capital plan



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