
**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): **April 25, 2019**

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 April 25, 2019, 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 first quarter of 2019, ended March 31, 2019. 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 and webcast on Thursday, April 25, 2019 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 April 25, 2019
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: April 25, 2019

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



NEWS RELEASE

CALIFORNIA WATER SERVICE GROUP



1720 North First Street
San Jose, CA 95112-4598

April 25, 2019
for immediate release

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

CALIFORNIA WATER SERVICE GROUP ANNOUNCES RESULTS FOR THE FIRST QUARTER 2019

SAN JOSE, CA — California Water Service Group (NYSE: CWT) today announced a net loss of \$7.6 million or \$0.16 net loss per diluted common share for the first quarter of 2019, compared to a net loss of \$0.8 million or \$0.02 loss per diluted common share for the first quarter of 2018.

The \$6.8 million increase in net loss was primarily due to increases in operating expenses which were not fully offset by rate increases and a reduction in accrued unbilled revenue driven by weather. These were partially offset by an increase in unrealized gain on certain benefit plan investments.

The significant increases in operating expenses in the first quarter compared to the same period last year were: \$1.9 million in employee wages, \$1.7 million in depreciation and amortization, \$1.0 million in maintenance expense, \$1.0 million in outside services, \$0.6 million in property taxes, and \$1.5 million in net interest expenses. These operating expense increases were partially offset by \$4.0 million in rate increases and a \$0.6 million increase in allowance for equity funds used during construction. The divergence between operating expense increases and rate relief in the first quarter is partially related to the Company's tiered rate structure in California, which focuses operating revenue increases into the high-usage summer months while operating expense increases are distributed more evenly throughout the year.

Additionally, certain factors outside the Company's immediate control significantly increased the net loss, including a \$7.1 million reduction in accrued unbilled revenue, which was partially offset by a \$3.4 million increase in unrealized gain on certain benefit plan investments.

According to President and Chief Executive Officer Martin A. Kropelnicki, wet weather affected results in the typically lower-revenue and lower-rate-relief quarter.

“The extended wintry conditions throughout California affected results for the first quarter,” he said. “The near-record amount of rainfall in our service territories throughout the quarter resulted in much lower demand and slowed our infrastructure improvement program.”

Additional Financial Results for the First Quarter of 2019

Total revenue decreased 6.3% to \$126.1 million in the first quarter of 2019 compared to \$134.6 million in the first quarter of 2018. The decrease in revenue was mostly due to a \$7.1 million decrease in accrued unbilled revenue, balancing account adjustments which reduced revenue \$3.7 million, and deferred revenue adjustments which reduced revenue \$2.3 million. These reductions were partially offset by rate increases of \$5.1 million, \$1.1 million of which was related to increased wholesale water rates.

Total operating expenses increased \$0.9 million, or 0.7%, to \$125.6 million in the first quarter of 2019 compared to \$124.7 million in the first quarter of 2018.

Water production expenses decreased \$2.0 million, or 4.2%, to \$45.6 million in the first quarter of 2019 compared to \$47.6 million in the first quarter of 2018, primarily due to decreases in customer usage. As designed, the California revenue decoupling mechanisms record a decrease to revenue equal to the decrease in California water production costs relative to adopted water production costs.

Administrative and general and other operations expenses increased \$3.0 million to \$46.9 million in the first quarter of 2019, primarily due to increases of \$1.9 million in employee wages, \$1.3 million in conservation program costs, \$1.0 million of outside services, and \$0.9 million of health care which were partially offset by a reduction of \$1.9 million for deferral of costs associated with deferred revenue and \$0.8 million decrease in employee pension benefit and retiree medical costs. Changes in employee pension benefits, employee and retiree medical costs, and water conservation program costs for regulated California operations generally do not affect earnings, as the Company is allowed by the CPUC to record these costs in balancing accounts for future recovery, creating a corresponding change to revenue.

Maintenance expenses increased \$1.0 million, or 18.7%, to \$6.5 million in the first quarter of 2018, due to an increased costs for repairs of transmission and distribution mains and services.

Income tax benefit increased \$3.3 million due to an increase in pre-tax loss from operations. The Company's estimated combined effective income tax rate for 2019 is 22 percent.

Depreciation and amortization expense increased \$1.7 million, to \$22.4 million, in the first quarter of 2019, as compared to \$20.7 million in the first quarter of 2018, due to utility plant investments through 2018.

Net other income, net of income tax benefits, increased \$4.0 million in 2019, mostly due to a \$3.4 million increase in unrealized gain on certain benefit plan investments, a \$1.3 million decrease in nonservice pension costs, and a \$0.6 million increase in allowance for equity funds used during construction.

Company-funded and developer-funded capital expenditures for the first quarter of 2019 were \$59.9 million, a decrease of \$10.8 million, or 15.3%, compared to \$70.7 million in the first quarter of 2018. The decrease in utility plant investment was due to construction delays caused by wetter than normal weather.

The under-collected net receivable balance in the Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) was \$60.8 million as of March 31, 2019, an increase of 8.4%, or \$4.7 million, from the balance of \$56.1 million as of December 31, 2018.

Regulatory Update

In April of 2019, Cal Water submitted advice letters to the CPUC to true up the under-collections in the 2018 annual WRAMs and MCBAs of its regulated districts. A net under-collection of \$29.2 million is being recovered from customers in the form of 12, 18, and greater-than-18-month surcharges. The new rates became effective April 15, 2019. This surcharge, in some cases, is in addition to surcharges and surcredits authorized in prior years which have not yet expired. Collections from customers reduce the WRAM receivable balance on the balance sheet.

Other Information

All stockholders and interested investors are invited to listen to the first quarter 2019 conference call on April 25, 2019 at 8:00 a.m. PT (11:00 a.m. ET) by dialing 1-833-832-5130 or 1-509-844-0151 and keying in ID # 7361176. A replay of the call will be available from 11:00 a.m. PT (2:00 p.m. ET) on April 25, 2019 through June 25, 2019, at 1-855-859-2056 or 1-404-537-3406, ID# 7361176. 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/2019q1slides.pdf after 6:00 a.m. PT. The call will be hosted by President and Chief Executive Officer Martin A. Kropelnicki, Vice President and Chief Financial Officer Thomas F. Smegal III, and Vice President and Corporate Controller David B. Healey.

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 and other actions; increased risk of inverse condemnation losses as a result of climate conditions; inability to renew leases to operate water systems owned by others on beneficial terms; changes in California State Water Resources Control Board water quality requirements; changes in environmental compliance and water quality requirements; electric power interruptions; housing and customer growth index; the impact of opposition to rate increases; our ability to recover costs; availability of water supplies; issues with the implementation, maintenance or security of our information technology systems; civil disturbances or terrorist threats or acts, or apprehension about the possible future occurrences of acts of this type; the adequacy of our efforts to mitigate physical and cyber security risks and threats; the ability of our enterprise risk management framework to identify or address risks adequately; labor relations matters as we negotiate with the unions; restrictive covenants in or changes to the credit ratings on current or future debt that could increase financing costs or affect the ability to borrow, make payments on debt, or pay dividends; changes in customer water use patterns and the effects of conservation; the impact weather, climate, natural disasters, and diseases on water quality, water availability, water sales and operating results, and the adequacy of our emergency preparedness; 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)	March 31 2019	December 31 2018
ASSETS		
Utility plant:		
Utility plant	\$ 3,281,149	\$ 3,229,446
Less accumulated depreciation and amortization	(1,021,590)	(996,723)
Net utility plant	<u>2,259,559</u>	<u>2,232,723</u>
Current assets:		
Cash and cash equivalents	60,234	47,176
Receivables:		
Customers	27,552	30,037
Regulatory balancing accounts	37,130	42,394
Other	19,460	17,101
Unbilled revenue	24,675	33,427
Materials and supplies at weighted average cost	6,444	6,586
Taxes, prepaid expenses, and other assets	17,230	11,981
Total current assets	<u>192,725</u>	<u>188,702</u>
Other assets:		
Regulatory assets	366,921	353,569
Goodwill	2,615	2,615
Other assets	78,842	60,095
Total other assets	<u>448,378</u>	<u>416,279</u>
TOTAL ASSETS	<u>\$ 2,900,662</u>	<u>\$ 2,837,704</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value; 68,000 shares authorized, 48,134 and 48,065 outstanding in 2019 and 2018, respectively	\$ 481	\$ 481
Additional paid-in capital	338,728	337,623
Retained earnings	374,920	392,053
Total common stockholders' equity	<u>714,129</u>	<u>730,157</u>
Long-term debt, net	710,602	710,027
Total capitalization	<u>1,424,731</u>	<u>1,440,184</u>
Current liabilities:		
Current maturities of long-term debt, net	105,010	104,911
Short-term borrowings	125,100	65,100
Accounts payable	83,280	95,580
Regulatory balancing accounts	19,984	12,213
Accrued interest	12,181	5,674
Accrued expenses and other liabilities	38,488	37,688
Total current liabilities	<u>384,043</u>	<u>321,166</u>
Unamortized investment tax credits	1,649	1,649
Deferred income taxes	211,382	213,033
Pension and postretirement benefits other than pensions	200,953	193,538
Regulatory liability and other	264,555	256,522
Advances for construction	186,877	186,342
Contributions in aid of construction	226,472	225,270
Commitments and contingencies		
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 2,900,662</u>	<u>\$ 2,837,704</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(In thousands, except per share data)

For the Three Months ended:	March 31, 2019	March 31, 2018
Operating revenue	\$ 126,111	\$ 134,553
Operating expenses:		
Operations:		
Water production costs	45,592	47,606
Administrative and general	29,097	26,319
Other operations	17,821	17,640
Maintenance	6,455	5,439
Depreciation and amortization	22,368	20,715
Income tax (benefit) expense	(2,991)	294
Property and other taxes	7,293	6,704
Total operating expenses	125,635	124,717
Net operating income	476	9,836
Other income and expenses:		
Non-regulated revenue	4,901	4,419
Non-regulated expenses	(2,219)	(5,437)
Other components of net periodic benefit cost	(1,259)	(2,546)
Allowance for equity funds used during construction	1,533	911
Income tax (expense) benefit on other income and expenses	(828)	758
Net other income (loss)	2,128	(1,895)
Interest expense:		
Interest expense	11,075	9,198
Allowance for borrowed funds used during construction	(831)	(495)
Net interest expense	10,244	8,703
Net loss	\$ (7,640)	\$ (762)
Loss per share		
Basic	\$ (0.16)	\$ (0.02)
Diluted	\$ (0.16)	\$ (0.02)
Weighted average shares outstanding		
Basic	48,086	48,030
Diluted	48,086	48,030
Dividends per share of common stock	\$ 0.1975	\$ 0.1875



CALIFORNIA
WATER SERVICE GROUP
INVESTING FOR LIFE

First Quarter 2019 Earnings Call Presentation

April 25, 2019



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.

Today's Participants



Marty Kropelnicki
President & CEO



Tom Smegal
Vice President, CFO & Treasurer



Dave Healey
Vice President, Controller

Presentation Overview

- Our Operating Priorities
- Financial Results, First Quarter
- Financial Highlights
- Discussion of Earnings Seasonality
- EPS Bridge, First Quarter
- Capital Investment Update
- 2018 California General Rate Case (GRC)
- Other Regulatory Items
- Financing Activities
- Business Development Activities
- Decoupling Balancing Account Update
- Outlook for the Remainder of 2019
- Cap Ex 2008 Recorded to 2021 Projected
- Rate Base 2014 recorded to 2022 Projected
- Summary



Our Operating Priorities



Affordable, Excellent Service

- Continuous improvement, efficient innovation
- Technology as an enabler
- Control of operations & services of water utilities
- Close & effective communication



High-Quality Water & Wastewater

- Consistent operating & regulatory performance
- State-of-the-art 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 impact (M&A, innovation, partnerships)
- Risk management
- Progressive regulatory management
- Effective investor relations

Financial Results: First Quarter

(amounts are in millions, except for EPS)	Q1 2018*		Q1 2019	Variance
Operating Revenue	\$134.6	▼	\$126.1	-6.3%
Operating Expenses	\$124.7	▲	\$125.6	0.7%
Net Interest Expense	\$8.7	▲	\$10.2	17.7%
Net Loss	-\$0.8	▼	-\$7.6	-901.3%
EPS	-\$0.02	▼	-\$0.16	-900.2%
Capital Investments	\$70.7	▼	\$59.9	-15.3%

*Reflects Q1 2018 results as disclosed in the first quarter 2019 Form 10-Q.

Q1 2019 Financial Highlights

- Net Loss increased by \$6.8M to a total loss of \$7.6M, largely attributable to:
 - Reduced unbilled revenue accrual of \$7.1M
 - Wet weather through March lowered water sales, impacting the accrual
 - Unbilled revenue accrual is outside the WRAM decoupling mechanism and represents amounts not yet billed to customers for water service during the quarter
 - Increases in operating costs for employee wages (\$1.9M), depreciation & amortization (\$1.7M), interest expense (\$1.5M), maintenance expense (\$1.0M), outside services expense (\$1.0M), and property taxes (\$0.6M) exceeded increased revenue from rate increases of \$4.0M
 - Revenue increases are concentrated in the high-usage summer months while expense increases impact the company throughout the year
 - Offset by a \$3.4M increase in unrealized gain on benefit plan investments

Earnings Seasonality

- California has had a wet winter which drove lower sales.
- While billed sales are recorded in the WRAM balancing account mechanism, unbilled revenue accrual is outside the WRAM and swings when usage is unusually high or low
- As the company grows rate base, fixed cost components such as depreciation, property taxes, and interest rise but rate increases, particularly in California, are collected in tiered quantity rates which are concentrated in the warm summer months.
- This is a longer-term trend for Cal Water which will recur unless the California Public Utilities Commission (CPUC) changes the Company's rate design
 - In the 2018 GRC, Cal Water has requested to begin moving its fixed revenue components from 30% to 40% of revenue

Adopted Regulated Revenue in California*



* Excludes changes in unbilled revenue

EPS Bridge Q1 2018 to Q1 2019



*Reflects Q1 2018 results as disclosed in the first quarter 2019 Form 10-Q.

Capital Investment Update

- Company and developer funded capital investments were \$59.9 million, a decrease of 15.3% compared to the first quarter of 2018
 - The decrease in utility plant investment was due to delays caused in part by wetter than normal weather
- 2019 capital spending levels are pending regulatory developments and we will provide more clarity on targets later in the year
 - Projections of cap ex through 2021 shown later in these slides reflect the full \$828.5 million request and timing proposed in the California GRC

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
- Three municipalities and the California Public Advocates Office (Cal PA) are participating in the case
 - Cal PA testimony was received on February 22, 2019 and Cal Water filed its rebuttal testimony on April 23, 2019
 - Cal Water anticipates beginning settlement discussions in May



Other Regulatory Items in Q1 2019

- In February 2019, Hawaii Water filed a GRC for its Kona service area requesting a combined increase of \$0.6 million in water and wastewater rates. The company anticipates any rate changes approved by the Hawaii Public Utilities Commission would be effective in the first quarter of 2020
- The CPUC has approved advice letter projects totaling additional \$7.0 million of annual revenue out of authorization of up to \$30 million through 2019
 - Advice letters seeking \$0.2 million increased annual revenue were approved in April 2019
 - The bulk of remaining advice letter filings will be near the end of the year as we complete several large projects

Financing Activities

- Company renewed and extended its revolving credit lines during the quarter
 - Cal Water credit line is now \$400 million, up from \$300 million
- Standard and Poor's recently changed Cal Water's outlook to "Stable," reaffirming its A+ rating



Business Development Activities

- We maintain an active business development approach focusing on opportunities near communities we serve
- In the quarter, the Company announced it would acquire the Kalaeoloa Water Company on the island of Oahu, which serves an area formerly part of the Barbers' Point Naval Air Station
 - The acquisition is subject to approval of the Hawaii Public Utilities Commission

Decoupling Balancing Account Update

- Cal Water Q1 2019 sales were 83% of adopted estimates.
- Cal Water's adopted sales continue to benefit from the Sales Reconciliation Mechanism (SRM), which allows for a true-up when annual sales are above or below adopted sales by more than 5%. The SRM triggered for 2019 in most districts.
- By including lower sales estimates in base rates, the SRM reduced the Q1 2019 WRAM/MCBA balance by \$2.3 million.
- The net WRAM receivable balance is \$60.8 million, up from \$56.1 million at year end 2018.



Net WRAM Receivable Balance

(in millions; end-of-year balance except 2019)



Outlook for the Remainder of 2019

- Major effort for the Company in 2019 will be the successful completion of the California GRC.
- We launched our Southern California regional call center this week to extend service hours and channels to better align our services to customer preferences.
- Training for Emergency Operations Centers is being conducted in advance of fire season, including four community drills with local agencies so far
- 2019 planned capital investment will be dependent on timing of regulatory approval for the Company's request for \$828.5 million of new capital in California between 2019 and 2021.
- Rate increases in California, Hawaii, and Washington, offset by increased depreciation and interest costs, should provide the Company an opportunity to earn near its authorized return on equity in 2019 despite wet weather in the first quarter.
 - The third year of the GRC cycle in California usually generates the largest gap in cost recovery.
- We refined our estimate of 2019 effective tax rate and now estimate it to be 22%.

Capital Investment History and Projection

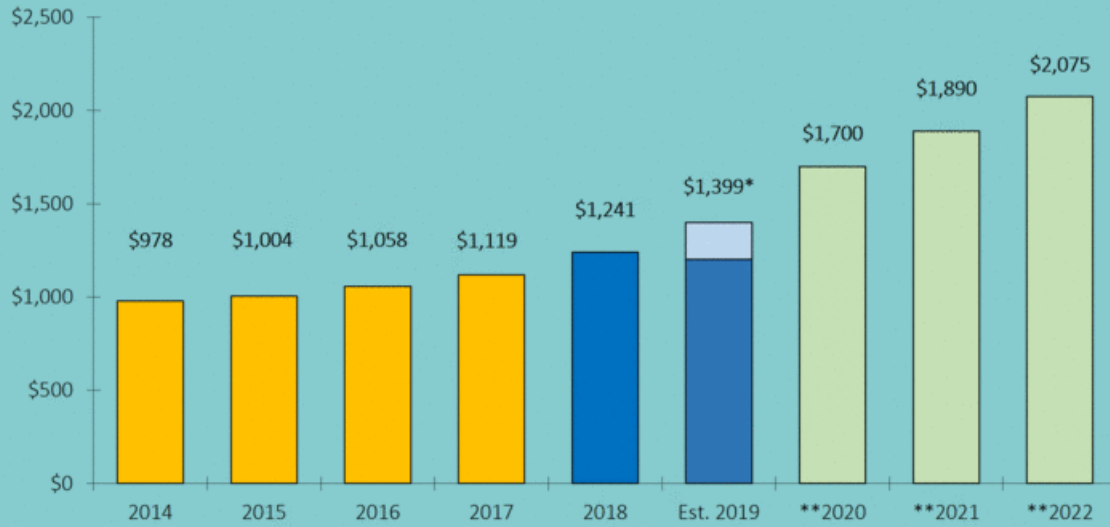
(in millions)



*2019-2021 include capital investments proposed to the CPUC and subject to change based on regulatory outcome and other factors.

Regulated Rate Base of CWT

(in millions)

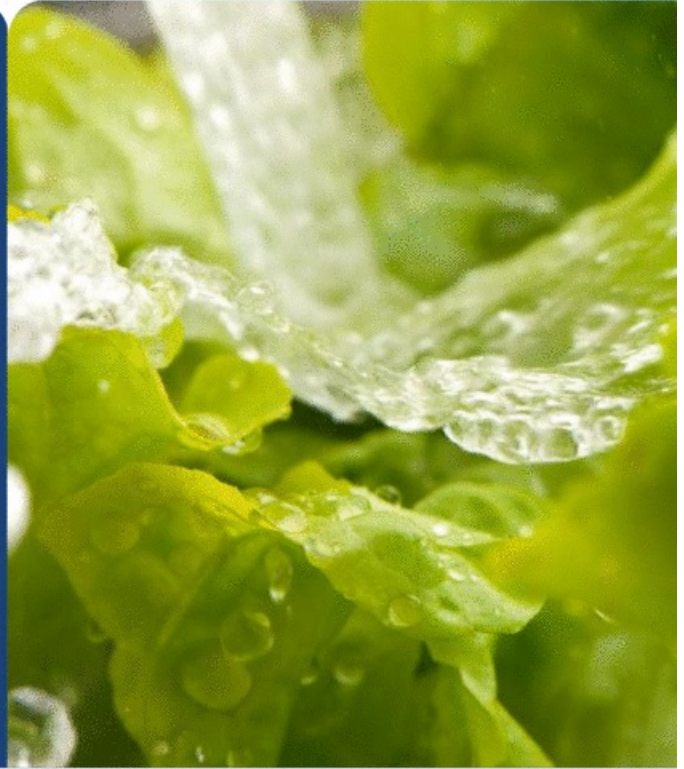


* Includes allowable additions of up to \$197 million for advice letter recognition when projects are complete and in service

**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

- Increased operating expenses were not offset by rate increases
 - Third year of the California GRC limits revenue increases
 - This is mainly a timing issue as volumetric revenues move more of the Company's net income to the warm summer months
- Unbilled revenue lower due to wet weather through March
- Focused on safety and emergency response training
- Looking forward to settlement discussions in the California GRC beginning in May





CALIFORNIA

WATER SERVICE GROUP

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For Additional Information:

Thomas F. Smegal

Vice President, Chief Financial Officer

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Online at www.calwatergroup.com

