
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (date of earliest event reported): **October 31, 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))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Shares, par value \$0.01	CWT	New York Stock Exchange

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

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition

On October 31, 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 third quarter of 2019, ended September 30, 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 on Thursday, October 31, 2019 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:

Exhibit No.	Description
<u>99.1</u>	<u>Press Release issued October 31, 2019</u>
<u>99.2</u>	<u>Slide presentation relating to conference call</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

CALIFORNIA WATER SERVICE GROUP

Date: October 31, 2019

By: /s/ Thomas F. Smegal

Name: Thomas F. Smegal

Title: Vice President, Chief Financial Officer & Treasurer



CALIFORNIA
WATER SERVICE GROUP
INVESTING FOR LIFE

1720 N. First Street, San Jose, CA 95112



October 31, 2019
For immediate release

**CALIFORNIA WATER SERVICE GROUP ANNOUNCES
THIRD QUARTER 2019 EARNINGS AND EQUITY PROGRAM**

SAN JOSE, Calif. — California Water Service Group (NYSE: CWT) today announced net income of \$42.4 million or \$0.88 earnings per diluted common share for the third quarter of 2019, compared to net income of \$36.2 million or \$0.75 earnings per diluted common share for the third quarter of 2018. In addition, the Company announced the initiation of a \$300 million three-year at-the-market equity sales program.

According to President and Chief Executive Officer Martin A. Kropelnicki, the activity in the quarter is indicative of the Company's long-term strategy.

"Our third quarter results reflect continued execution on our plans and budget. We were pleased to reach the previously announced settlement with the Public Advocates Office on the bulk of our California infrastructure plans through 2021. We are embarking on a market equity program over the next three years to support these investments and maintain a balanced capital structure."

"In addition, our team and systems have performed well through multiple Public Safety Power Shutoffs (PSPS)," Kropelnicki said. "Our preparation and training have kept service levels high despite the interruptions in electric service," he said.

Quarterly Net Income

The \$6.2 million increase in net income was primarily due to general rate increases of \$6.1 million, a \$5.5 million increase in unbilled revenue accrual, a reduction of \$1.3 million in business development expenses, and a \$0.8 million increase in allowance for equity funds used during construction. These factors were offset by increases in operating expenses of \$1.3 million for depreciation and amortization, \$1.0 million in employee wages, \$0.8 million in costs attributable to electric utilities' PSPS programs and wildfire management, and \$0.4 million in property taxes.

Unbilled revenue accrual is outside the Company's immediate control. The quarter's increase in unbilled revenue mirrored the accrual reduction from the first two quarters of 2019. Also outside the Company's control this quarter was a \$0.4 million decrease in unrealized gain on certain benefit plan investments.

Equity Program Initiation by the Company

The Company entered into an equity distribution agreement today with Morgan Stanley & Co. LLC, Robert W. Baird & Co. Incorporated, Blaylock Van, LLC and Wells Fargo Securities, LLC to sell shares of its common stock having an aggregate gross sales price of up to \$300 million from time to time depending on market conditions through an at-the-market equity offering program over the next three years. The Company intends to use the net proceeds from these sales, after deducting commissions on such sales and offering expenses, for general corporate purposes, which may include working capital, construction and acquisition expenditures, investments and repurchases, and redemptions of securities.

Regulatory Update

On October 8, 2019, California Water Service (Cal Water), the largest subsidiary of the Company, jointly filed a formal settlement agreement in its 2018 General Rate Case (GRC) with the Public Advocates Office of the California Public Utilities Commission (CPUC) covering the majority of open matters in the case. The largest component of the GRC is Cal Water's infrastructure improvement plan for 2019-2021. If the CPUC approves the settlement agreement, Cal Water would be authorized to include in rates \$609 million to \$628 million of new projects throughout the state in 2019 to 2021, along with approximately \$200 million for completion of additional projects begun in 2018 and prior periods. Included in these figures are \$148 million of advice letter authorizations, which would not be included in rates until the related projects are completed.

Details of Financial Results for the Third Quarter of 2019

Total revenue increased 5.1% to \$232.5 million in the third quarter of 2019 compared to \$221.3 million in the third quarter of 2018. The increase in revenue was primarily due to rate increases of \$7.9 million, of which \$1.8 million was related to increased water costs, and \$5.5 million was related to an increase in accrued unbilled revenue. These increases were partially offset by revenue balancing account changes which reduced revenue \$1.6 million.

Total operating expenses increased \$7.0 million, or 4.0%, to \$181.0 million in the third quarter of 2019 compared to \$174.0 million in the third quarter of 2018.

Water production expenses increased \$1.8 million, or 2.2%, to \$80.6 million in the third quarter of 2019 compared to \$78.8 million in the third quarter of 2018, primarily due to an increase in wholesaler water rates. Actual water production costs were less than adopted costs. 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 \$2.9 million, to \$51.3 million in the third quarter of 2019, primarily due to increases of \$2.2 million in conservation program costs, \$0.9 million of outside services, \$0.5 million of costs attributable to electric utilities' Public Safety Power Shutoff (PSPS) programs and wildfire management, \$0.7 million of GRC settlement and asset impairment costs, and \$0.6 million in employee wages which were partially offset by a \$2.2 million deferral of costs associated with deferred revenues, and a \$1.0 million decrease in health care 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 \$0.3 million, or 4.4%, to \$7.1 million in the third quarter of 2018, primarily due to increased costs of \$0.3 million for wildfire management.

Income taxes increased \$0.4 million due to an increase in pre-tax income from operations. The Company's estimated combined effective income tax rate for 2019 is 22 percent.

Depreciation and amortization expense increased \$1.3 million, to \$22.3 million, in the third quarter of 2019, as compared to \$21.0 million in the third quarter of 2018, due to utility plant investments through 2018.

Net other income, net of income taxes, increased \$0.9 million in 2019, primarily due to a \$1.3 million decrease in business development expense and a \$0.8 million increase in allowance for equity funds used during construction. These were partially offset by the non-recurrence of a \$0.5 million benefit from Company-owned life insurance which occurred in 2018 and a \$0.4 million decrease in unrealized gain on certain benefit plan investments.

Year-to-Date Results

For the nine-month period ended September 30, 2019, net income was \$51.8 million or \$1.08 earnings per diluted common share, compared to net income of \$50.2 million or \$1.04 earnings per diluted common share for the nine-month period ended September 30, 2018.

The \$1.6 million increase in net income was driven primarily by \$15.2 million of general rate increases, a \$3.6 million increase in unrealized income from certain benefit plan investments due to market conditions, a \$5.0 million reduction in business development expenses, and a \$2.4 million increase in allowance for equity funds used during construction. These were partially offset by a \$1.4 million reduction in unbilled revenue accrual, increased operating expenses of \$11.8 million, increased net interest expenses of \$1.9 million, and a \$1.6 million decrease in benefit from Company owned life insurance.

Operating expense changes included increases of \$4.3 million in depreciation and amortization, \$4.2 million in employee wages, \$2.7 million in outside services, \$1.6 million in property taxes, and \$1.1 million of costs attributable to electric utilities' PSPS programs and wildfire management.

Water System Improvements

During the first nine months of 2019, the total Company-funded and developer-funded capital investment was \$194.9 million, a decrease of \$18 million, or 8.5%, compared to \$212.9 million in the first nine months of 2018. The decrease in utility plant investment was primarily due to construction delays caused by wetter than normal weather in the first half of the year and coordination with the resolution of the 2018 California GRC.

California Revenue Decoupling Mechanisms

The under-collected net receivable balance in the Water Revenue Adjustment Mechanism and Modified Cost Balancing Account was \$62.6 million as of September 30, 2019, an increase of 11.5%, or \$6.5 million, from the balance of \$56.1 million as of December 31, 2018.

Other Information

All stockholders and interested investors are invited to listen to the third quarter 2019 conference call on October 31, 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 # 7245767. A replay of the call will be available from 11:00 a.m. PT (2:00 p.m. ET) on October 31, 2019 through December 31, 2019, at 1-855-859-2056 or 1-404-537-3406, ID# 7245767. 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/2019q3slides.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, Vice President, Corporate Development and Chief Regulatory Affairs Officer Paul G. Townsley, 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.

Sales of the shares of the Company's common stock through the managers, as the Company's sales agents, may be made by any method deemed to be an "at the market" offering as defined in Rule 415(a)(4) under the Securities Act of 1933, as amended, including by means of ordinary brokers' transactions on the New York Stock Exchange at market prices or as otherwise agreed between the Company and the managers.

The public offering is being made pursuant to an effective shelf registration statement (including a prospectus) that has been filed with the Securities and Exchange Commission ("SEC"). Prior to investing, prospective investors should read the prospectus in that registration statement, the related prospectus supplement and other documents the Company has filed with the SEC for more complete information about the Company and the offering. These documents may be obtained for free by visiting EDGAR on the SEC website at <http://www.sec.gov>. In addition, copies of the prospectus and prospectus supplement relating to the shares of common stock offered in the offering may be obtained from: Morgan Stanley & Co. LLC, Attention: Prospectus Department, 180 Varick Street, Second Floor, New York, New York 10014; Robert W. Baird & Co. Incorporated, Attention: Syndicate Department, 777 East Wisconsin Ave., Milwaukee, WI 53202, by telephone: (800) 792-2473, or by email: syndicate@rwbaird.com; Blaylock Van, LLC, Attention: Prospectus Department, 600 Lexington Avenue, 3rd Floor, New York, New York 10022, by telephone: (212) 715-6603, or by email: sba@brv-llc.com; or Wells Fargo Securities, LLC, Attention: Equity Syndicate Department, 375 Park Avenue, New York, New York 10152, by telephone: (800) 326-5897, or by email: cmclientsupport@wellsfargo.com.

This news release shall not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Company's common stock in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

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: ability to invest or apply the proceeds from the issuance of common stock in an accretive manner; governmental and regulatory commissions' decisions, including decisions on proper disposition of property; 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 standards; electric power interruptions, especially as a result of Public Safety Power Shutoff programs for the 2019 fire season as we further develop approaches to manage that risk; housing and customer growth trends; the impact of opposition to rate increases; our ability to recover costs; availability of water supplies; issues with the implementation, maintenance or security of our information technology systems; civil disturbances or terrorist threats or acts; the adequacy of our efforts to mitigate physical and cyber security risks and threats; the ability of our enterprise risk management processes to identify or address risks adequately; labor relations matters as we negotiate with unions; changes in customer water use patterns and the effects of conservation; the impact of weather, climate, natural disasters, and diseases on water quality, water availability, water sales and operating results, 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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Contact

Tom Smegal
408-367-8200 (analysts)

Shannon Dean
408-367-8243 (media)

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited

(In thousands, except per share data)

	September 30	December 31
	2019	2018
ASSETS		
Utility plant:		
Utility plant	\$ 3,411,219	\$ 3,229,446
Less accumulated depreciation and amortization	(1,067,965)	(996,723)
Net utility plant	<u>2,343,254</u>	<u>2,232,723</u>
Current assets:		
Cash and cash equivalents	51,257	47,176
Receivables:		
Customers	45,624	30,037
Regulatory balancing accounts	33,437	42,394
Other	16,977	17,101
Unbilled revenue	42,562	33,427
Materials and supplies at weighted average cost	7,804	6,586
Taxes, prepaid expenses, and other assets	14,395	11,981
Total current assets	<u>212,056</u>	<u>188,702</u>
Other assets:		
Regulatory assets	382,484	353,569
Goodwill	2,615	2,615
Other assets	82,845	60,095
Total other assets	<u>467,944</u>	<u>416,279</u>
Total Assets	<u>\$ 3,023,254</u>	<u>\$ 2,837,704</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value; 68,000 shares authorized, 48,145 and 48,065 outstanding in 2019 and 2018, respectively	\$ 481	\$ 481
Additional paid-in capital	341,988	337,623
Retained earnings	415,326	392,053
Total common stockholders' equity	<u>757,795</u>	<u>730,157</u>
Long-term debt, net	807,478	710,027
Total capitalization	<u>1,565,273</u>	<u>1,440,184</u>
Current liabilities:		
Current maturities of long-term debt, net	5,280	104,911
Short-term borrowings	155,100	65,100
Accounts payable	108,593	95,580
Regulatory balancing accounts	6,887	12,213
Accrued interest	14,410	5,674
Accrued expenses and other liabilities	43,674	37,688
Total current liabilities	<u>333,944</u>	<u>321,166</u>
Unamortized investment tax credits	1,649	1,649
Deferred income taxes	229,237	213,033
Pension and postretirement benefits other than pensions	203,557	193,538
Regulatory liabilities and other	260,812	256,522
Advances for construction	190,272	186,342
Contributions in aid of construction	238,510	225,270
Commitments and contingencies		
Total Capitalization and Liabilities	<u>\$ 3,023,254</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:

	September 30, 2019	September 30, 2018
Operating revenue	\$ 232,537	\$ 221,288
Operating expenses:		
Operations:		
Water production costs	80,568	78,818
Administrative and general	26,779	26,493
Other operations	24,550	21,943
Maintenance	7,065	6,768
Depreciation and amortization	22,273	21,009
Income taxes	12,194	11,786
Property and other taxes	7,541	7,142
Total operating expenses	<u>180,970</u>	<u>173,959</u>
Net operating income	51,567	47,329
Other income and expenses:		
Non-regulated revenue	4,118	4,703
Non-regulated expenses	(4,351)	(4,897)
Other components of net periodic benefit cost	(1,857)	(1,975)
Allowance for equity funds used during construction	1,868	1,023
Income tax benefit on other income and expenses	330	305
Net other income (loss)	<u>108</u>	<u>(841)</u>
Interest expense:		
Interest expense	10,279	10,875
Allowance for borrowed funds used during construction	(1,028)	(560)
Net interest expense	<u>9,251</u>	<u>10,315</u>
Net Income	<u>\$ 42,424</u>	<u>\$ 36,173</u>
Earnings per share		
Basic	\$ 0.88	\$ 0.75
Diluted	\$ 0.88	\$ 0.75
Weighted average shares outstanding		
Basic	48,141	48,070
Diluted	48,141	48,070
Dividends per share of common stock	<u>\$ 0.1975</u>	<u>\$ 0.1875</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(In thousands, except per share data)

For the Nine Months ended:

	September 30, 2019	September 30, 2018
Operating revenue	<u>\$ 537,679</u>	<u>\$ 530,779</u>
Operating expenses:		
Operations:		
Water production costs	190,795	191,797
Administrative and general	81,310	77,195
Other operations	64,913	60,307
Maintenance	19,212	17,596
Depreciation and amortization	66,967	62,677
Income taxes	13,524	16,950
Property and other taxes	21,902	20,253
Total operating expenses	<u>458,623</u>	<u>446,775</u>
Net operating income	79,056	84,004
Other income and expenses:		
Non-regulated revenue	14,149	13,967
Non-regulated expenses	(10,470)	(16,449)
Other components of net periodic benefit cost	(4,308)	(6,984)
Allowance for equity funds used during construction	5,087	2,644
Income tax (expense) benefit on other income and expenses	(985)	1,882
Net other income (loss)	<u>3,473</u>	<u>(4,940)</u>
Interest expense:		
Interest expense	33,532	30,207
Allowance for borrowed funds used during construction	(2,783)	(1,359)
Net interest expense	<u>30,749</u>	<u>28,848</u>
Net Income	<u>\$ 51,780</u>	<u>\$ 50,216</u>
Earnings per share		
Basic	\$ 1.08	\$ 1.04
Diluted	\$ 1.08	\$ 1.04
Weighted average shares outstanding		
Basic	48,121	48,058
Diluted	48,121	48,058
Dividends per share of common stock	<u>\$ 0.5925</u>	<u>\$ 0.5625</u>



CALIFORNIA
WATER SERVICE GROUP
INVESTING FOR LIFE

Third Quarter 2019 Earnings Call Presentation

October 31, 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 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: ability to invest or apply the proceeds from the issuance of common stock in an accretive manner; governmental and regulatory commissions' decisions, including decisions on proper disposition of property; 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 standards; changes in environmental compliance and water quality requirements; electric power interruptions, especially as a result of Public Safety Power Shutoff programs for the 2019 fire season as we further develop approaches to manage that risk; housing and customer growth trends; the impact of opposition to rate increases; our ability to recover costs; availability of water supplies; issues with the implementation, maintenance or security of our information technology systems; civil disturbances or terrorist threats or acts; the adequacy of our efforts to mitigate physical and cyber security risks and threats; the ability of our enterprise risk management processes to identify or address risks adequately; labor relations matters as we negotiate with unions; changes in customer water use patterns and the effects of conservation; the impact of weather, climate, natural disasters, and diseases on water quality, water availability, water sales and operating results, 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.

Today's Participants



Marty Kropelnicki
President & CEO



Tom Smegal
Vice President, CFO & Treasurer



Paul Townsley
Vice President, Corporate
Development and Chief Regulatory
Officer



Dave Healey
Vice President, Controller

Presentation Overview

- Our Operating Priorities
- Financial Results, Third Quarter and YTD
- Financial Highlights
- EPS Bridge, Third Quarter and YTD
- 2018 California General Rate Case (GRC)
- Capital Investment Update
- Market Equity Program
- Wildfires and Public Safety Power Shutoffs (PSPS)
- Update on Perfluorinated Compounds
- Decoupling Balancing Account Update
- 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 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/MSA/renewable partnerships)
- Risk management
- Progressive regulatory management
- Effective investor relations

Financial Results: Third Quarter

(amounts are in millions, except for EPS)	Q3 2018*		Q3 2019	Variance
Operating Revenue	\$221.3	▲	\$232.5	5.1%
Operating Expenses	\$174.0	▲	\$181.0	4.0%
Net Interest Expense	\$10.3	▼	\$9.3	-10.3%
Net Income	\$36.2	▲	\$42.4	17.3%
EPS	\$0.75	▲	\$0.88	17.1%
Capital Investments	\$79.0	▼	\$73.0	-7.6%

*Reflects Q3 2018 results as disclosed in the third quarter 2019 Form 10-Q.

Financial Results: Year-to-Date

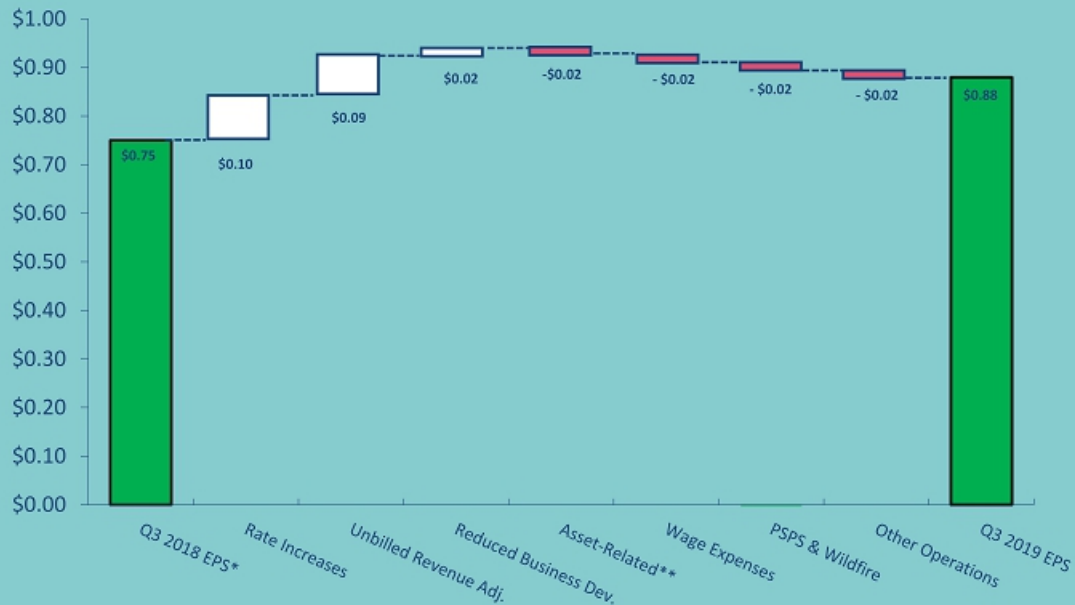
(amounts are in millions, except for EPS)	YTD 2018*		YTD 2019	Variance
Operating Revenue	\$530.8	▲	\$537.7	1.3%
Operating Expenses	\$446.8	▲	\$458.6	2.7%
Net Interest Expense	\$28.8	▲	\$30.7	6.6%
Net Income	\$50.2	▲	\$51.8	3.1%
EPS	\$1.04	▲	\$1.08	3.0%
Capital Investments	\$212.9	▼	\$194.9	-8.5%

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

Q3 2019 Financial Highlights

- Net income increased by \$6.2 million to a total of \$42.4 million, largely attributable to:
 - Unbilled revenue accrual \$5.5 million higher than in the third quarter of 2018
 - Rate increases of \$6.1 million, offset by operating expense increases which included \$1.3 million in depreciation expense, \$1.0 million in wages, \$0.8 million to prepare for California electric utilities' Public Safety Power Shutoff (PSPS) programs and wildfire risk-reduction, and \$0.4 million increase in property taxes
 - Reduction in business development expenses of \$1.3 million
 - Increase in recognition of equity funds used in construction of \$0.8 million

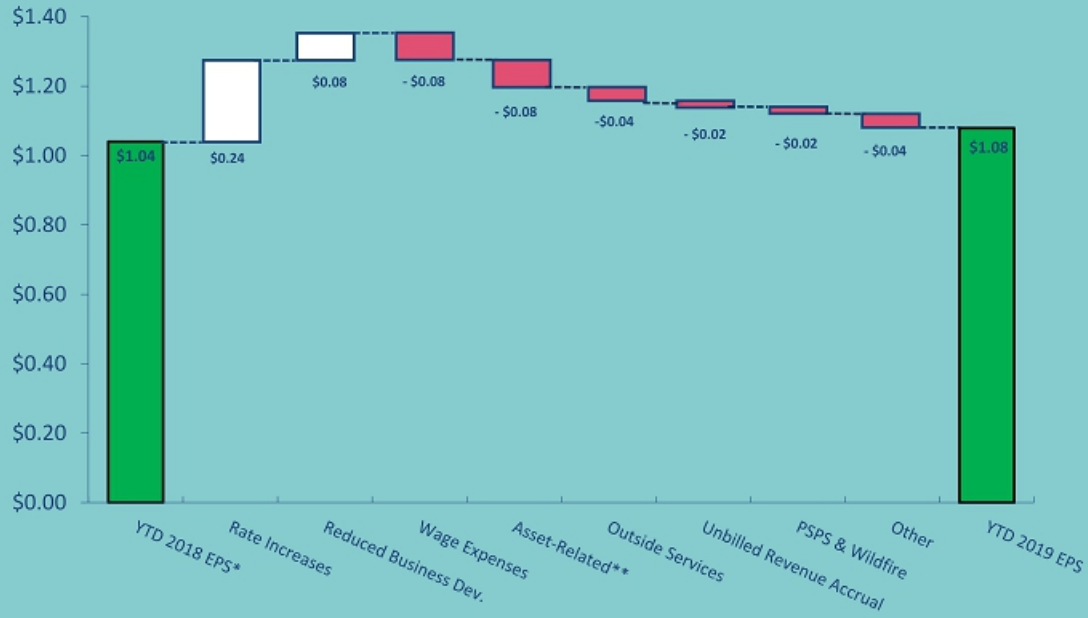
EPS Bridge Q3 2018 to Q3 2019



* Reflects Q3 2018 results as disclosed in the third quarter 2019 Form 10-Q.

** Asset-related items include net effect of changes in allowance for equity funds used during construction (AFUDC), depreciation, interest, and property taxes which are driven by the capital investment program.

EPS Bridge YTD 2018 to YTD 2019



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

** Asset-related items include net effect of changes in AFUDC, depreciation, interest, and property taxes which are driven by the capital investment program.

2018 California General Rate Case

- Cal Water filed its 2018 General Rate Case (GRC) on July 2, 2018, requesting \$828.5 million in new capital investments over the period 2019-2021.
- On October 8, 2019 Cal Water and the California Public Utilities Commission's (CPUC) Public Advocates Office filed a settlement covering the majority of issues in the case.
 - Included in the settlement are \$609 million of new capital authorizations along with approximately \$200 million authorized improvements initiated in 2018 and prior years.
 - Disputed issues not included in the settlement include continuation of the Water Revenue Adjustment Mechanism (WRAM) and Sales Reconciliation Mechanism (SRM), balancing accounts for pension and medical costs, depreciation rates, working capital, AFUDC, and advanced metering.
 - The settlement must be approved by the CPUC. A decision on the disputed issues as well as disposition of the settlement is scheduled before the end of 2019.



Capital Investment Update

- Year-to-date company and developer-funded capital investments were \$194.9 million, a decrease of 8.5% compared to 2018
- The Company now estimates 2019 capital spending levels between \$250 and \$260 million for 2019 with higher capital spending in 2020 and 2021 anticipated after approval of the GRC settlement
 - CapEx and Rate Base Projections shown later in these slides have been updated to reflect the projected effects if the settlement were approved
- As discussed below, the Company filed a registration statement this morning with the Securities and Exchange Commission (SEC) for \$300 million of common stock to be issued in “at the market” offerings

Market Equity Approach

- The Company has signed an equity distribution agreement and filed a registration statement with the SEC this morning
- We have identified \$806 million or more of capital improvements covered by the proposed partial rate case settlement in California through 2021
- Management plans to maintain a balanced equity structure consistent with regulatory authorizations and has chosen the market equity approach
- The program is expected to generate up to \$300 million of new equity over approximately three years
- The Company or its operating subsidiaries may also issue new long-term debt from time to time as another source of funding

Wildfires and Public Safety Power Shutoffs

- Cal Water’s preparations for Public Safety Power Shutoffs (PSPS) and wildfires in its systems have been effective so far
 - Multiple PSPS have affected our service areas but we have been able to operate with backup electric generation
 - To date, Cal Water has spent \$0.5 million on readiness for PSPS and an additional \$0.6 million on wildfire prevention efforts
 - We still anticipate approximately \$2 million total expenditure for 2019 with the bulk of the remaining amount related to PSPS
 - We will seek regulatory recovery in a future filing for the PSPS expenses and operating expenses related to declared wildfire emergencies
- Major PSPS event in the last week with 62 water pumping stations without grid power for 1-5 days
 - All customers remained in water service for the duration of the event
 - Cal Water coordinated efforts through a 24-hour Emergency Operations Center
 - Communication with electric utilities has improved since the beginning of the year

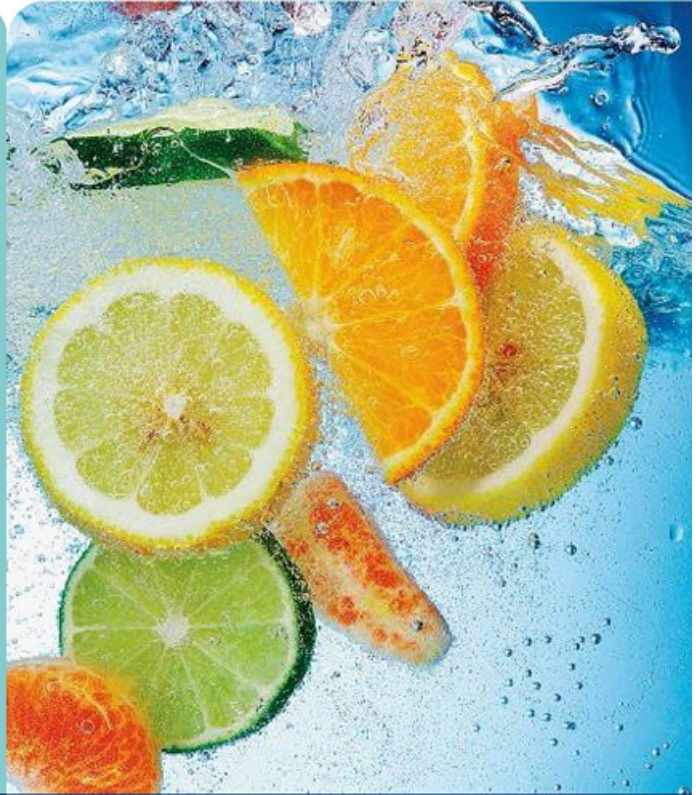
Update on Perfluorinated Compounds

- PFOS and PFOA, among other related compounds, have received significant regulatory and media attention in 2019.
- The US Environmental Protection Agency (EPA) required utilities to sample for these chemicals between 2013 and 2015; however, testing methodologies have improved and the EPA will require repeat testing in 2022-2026.
 - California has required additional testing in 2019 in some areas based on the 2015 test results and proximity to likely contamination sources.
- California has set notification levels of 5.1-6.5 parts per trillion. A notification level is not an enforceable water quality standard but complying with the regulation requires notifying customers about the presence of the chemical.
- Of the Company's hundreds of active wells, around 30 have tested above the notification level.
- As regulations around these compounds evolve, the Company anticipates it will be able to construct and operate treatment systems to be in compliance with future MCL requirements with the support and assistance of its regulators.



Decoupling Balancing Account Update

- Cal Water Q3 2019 sales were 84% of adopted estimates
- The net WRAM receivable balance is \$62.6 million, up from \$56.1 million at year-end 2018
- Change in adopted sales due to triggering the SRM, which allows for a true-up when annual sales are above or below adopted sales by more than 5%
- Had the SRM not been in place, lowering sales estimates in base rates, the WRAM/MCBA balance would have been \$11.0 million higher at the end of Q3



Net WRAM Receivable Balance

(in millions; end-of-year balance)



Capital Investment History and Projection

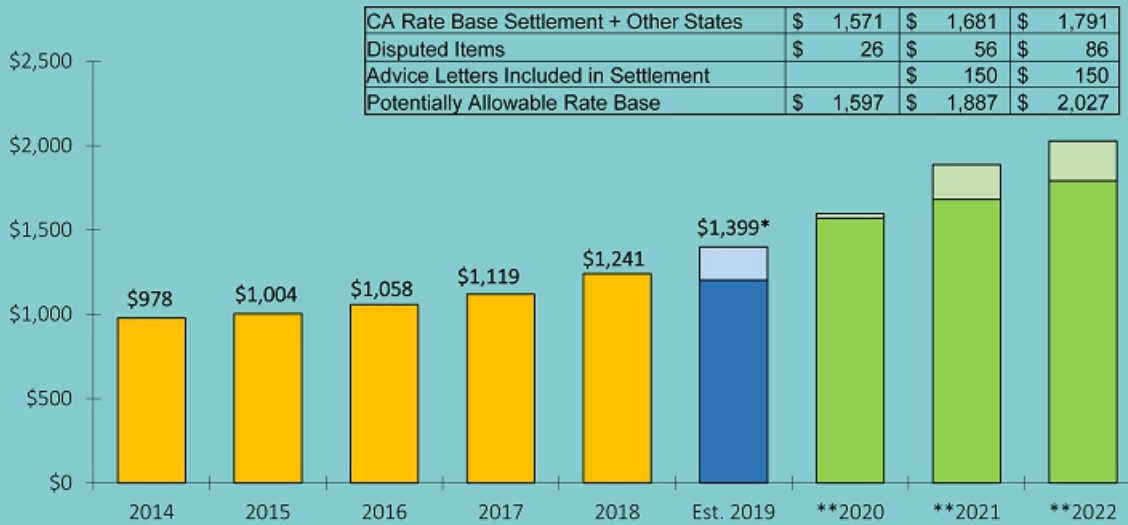
(in millions)



*2019 represents the midpoint of the Company's projection. 2020-2021 include capital investments in the proposed settlement filed in the 2018 California GRC and subject to approval of the CPUC along with investments in other jurisdictions.

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 bar chart represents the minimum and maximum estimated rate base from the table above. The settlement in Cal Water's 2018 GRC is pending approval by the CPUC and any advice letter rate base authorized by the CPUC would be included only after projects are complete and in service.



Wrapping Up

- Company focus is on concluding the California GRC and ensuring the settlement is adopted by the CPUC
- Equity issuances are expected to help finance anticipated capital improvements
- Wildfire season still underway in California with multiple PSPS already this fall





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Discussion

