

**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 30, 2020**

**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:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
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 April 30, 2020, 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 2020, ended March 31, 2020. 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, April 30, 2020 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](http://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:

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">99.1</a>	<a href="#">Press Release issued April 30, 2020</a>
<a href="#">99.2</a>	<a href="#">Slide presentation relating to conference call</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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**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 30, 2020

By: /s/ Thomas F. Smegal

Name: Thomas F. Smegal

Title: Vice President, Chief Financial Officer & Treasurer

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1720 N. First Street, San Jose, CA 95112



April 30, 2020  
For immediate release

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## CALIFORNIA WATER SERVICE GROUP ANNOUNCES FIRST QUARTER 2020 RESULTS

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SAN JOSE, CA – California Water Service Group (NYSE: CWT) (the “Company”) today announced a net loss of \$20.3 million or \$0.42 net loss per diluted common share for the first quarter of 2020, compared to a net loss of \$7.6 million or \$0.16 net loss per diluted common share for the first quarter of 2019.

The \$12.7 million increase in net loss was primarily due to the lack of resolution of the California General Rate Case (“GRC”). First quarter results did not include general rate relief and revenue increases from previously approved regulatory mechanisms that would have offset increases in water production costs of \$8.4 million, employee pension benefit costs of \$2.2 million, and depreciation expense of \$2.1 million. Also, the deferral of Water Revenue Adjustment Mechanism (“WRAM”) revenues expected to be collected beyond 24 months reduced pre-tax income by \$1.1 million.

If the California Public Utilities Commission (the “CPUC”) had approved the settlement agreement and the positions proposed by California Water Service Company (“Cal Water”), the Company’s California operating subsidiary, on October 8, 2019, the Company estimates it would have added operating revenue of \$15.4 million and it would have decreased operating expenses \$1.7 million for Tax Cuts and Jobs Act income tax refunds for the first quarter of 2020.

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Additional factors outside the Company's immediate control also significantly contributed to the increase in net loss, including a \$7.0 million increase in unrealized loss on certain benefit plan investments, which was partially offset by a \$5.0 million increase in accrued unbilled revenue.

The CPUC granted Cal Water's request to continue charging existing rates beginning January 1, 2020 as interim rates, and is allowing Cal Water to track the difference between interim rates and rates that are eventually approved. The Company expects that the difference in interim and approved rates will be collected through customer surcharges over 12 months. The CPUC has the authority to adopt the settlement agreement or render a different decision. Had the CPUC approved the settlement proposed by Cal Water on October 8, 2019, the Company estimates proposed new rates would have added the following to the Company's first quarter results: \$7.9 million of revenue for delayed service charge and quantity rate increases and \$7.5 million of revenue from disputed regulatory mechanisms which will be recognized if approved.

In response to the COVID-19 pandemic, the Company has suspended delinquent account collection processes and closed its customer centers to walk-in traffic. The Company has evaluated and will continue to evaluate and monitor impacts associated with COVID-19 such as financial condition and operating results, access to financial capital resources, current and future ratemaking and customer billing and collections. Cal Water modified its annual WRAM mechanism surcharges to delay rate increases, which resulted in a \$1.1 million decrease to pre-tax income. While currently there has not been a material change in customer collections, the Company did increase its estimate for future credit losses.

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According to President and Chief Executive Officer Martin A. Kropelnicki, the Company's primary focus in the first quarter of 2020 has been on responding to the coronavirus pandemic.

"This health crisis has only magnified the importance of having an uninterrupted water supply. We have taken a number of steps to keep our employees healthy and ensure that our customers are taken care of during this challenging time," he said.

"It's disappointing that the decision on our California General Rate Case has been delayed, but we will eventually recover the difference between interim rates and approved rates. We continue to focus on providing long-term stockholder value, and we do that by staying focused on what we do best, providing excellent service and high-quality water," he said.

#### Additional Financial Results for the First Quarter of 2020

Total revenue decreased slightly to \$125.6 million in the first quarter of 2020 compared to \$126.1 million in the first quarter of 2019. The decrease in revenue was mostly due to a delay in the California GRC decision whereby \$15.4 million of net rate increases was not recorded in the first quarter of 2020. Also, a \$6.9 million deferral of WRAM revenue reduced revenue, which was partially offset by a \$5.0 million increase in accrued unbilled revenue and an 11.7% increase in customer consumption.

Total operating expenses increased \$6.9 million, or 5.5%, to \$132.5 million in the first quarter of 2020 compared to \$125.6 million in the first quarter of 2019.

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Water production expenses increased \$8.4 million, or 18.4%, to \$54.0 million in the first quarter of 2020 compared to \$45.6 million in the first quarter of 2019, primarily due to an 11.7% increase in customer consumption and purchased water wholesaler rate increases. The delayed GRC decision prevented the use of California's MCBA decoupling mechanism to offset water production costs of \$7.7 million with revenue equal to the increase in California water production costs relative to adopted water production costs.

Administrative and general and other operations expenses decreased \$3.3 million to \$43.7 million in the first quarter of 2020, primarily due to deferral of \$5.8 million of costs associated with deferred WRAM revenue which was partially offset by a \$2.2 million increase in employee pension benefit costs.

Maintenance expenses increased \$0.6 million, or 9.6%, to \$7.1 million in the first quarter of 2020, due to increased costs for repairs of facilities.

Income tax benefit increased \$0.9 million due to an increase in pre-tax loss from operations. The Company's estimated combined effective income tax rate for 2020 is 19.3 percent.

Depreciation and amortization expense increased \$2.1 million, to \$24.5 million, in the first quarter of 2020, as compared to \$22.4 million in the first quarter of 2019, due to an increase in utility plant investment in 2019.

Net other loss, net of income tax benefits, increased \$5.7 million in 2020, mostly due to a \$7.0 million increase in unrealized loss on certain benefit plan investments, which was partially offset by a \$1.7 million increase in income tax benefit.

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Company-funded and developer-funded capital investments for the first quarter of 2020 were \$65.3 million, an increase of \$5.4 million, or 9.0%, compared to \$59.9 million in the first quarter of 2019. The increase in utility plant investment was mostly due to dry weather in California during the months of January and February 2020. The Company increased borrowings on its lines of credit at the end of the quarter to allow flexibility in how the Company finances second quarter capital investments in connection with economic uncertainty and financial market volatility caused by the COVID-19 pandemic.

The under-collected net receivable balance in the WRAM and MCBA was \$58.4 million as of March 31, 2020, a decrease of 6.7%, or \$4.2 million, from the balance of \$62.6 million as of December 31, 2019. The delay in the California GRC decision resulted in not recording a \$4.5 million regulatory asset for the increase to the net receivable for WRAM and MCBA revenue adjustments during the first quarter of 2020, which would have resulted in a slight increase in the net receivable balance.

#### Regulatory Update

In March and April of 2020, Cal Water submitted advice letters to true up the revenue under-collections for the 2019 annual WRAMs and MCBAs of its regulated districts. A net under-collection of \$27.1 million is being recovered from customers mostly in the form of 12 and 18 month surcharges. Due to the COVID-19 pandemic, the Company elected to adjust the 2019 WRAM filing so that the new rates would only be implemented in districts where overall customer bills would not be increased. As a result, approximately \$18.8 million of the \$45.9 million of net WRAM additions from 2019 were deferred to 2021. The new rates incorporate net WRAM and MCBA balances that were previously approved for recovery, and became effective in April of 2020.

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### Business Growth Update

On March 27, 2020, the Washington Utilities and Transportation Commission approved Washington Water Service Company's ("Washington Water"), the Company's Washington operating subsidiary, change of control application for the Rainer View Water Company ("RVWC"). Washington Water is expected to take control of the water system in June of 2020, subject to fulfillment of certain closing conditions of the acquisition agreement with RVWC. RVWC owns and operates 27 water systems that serve about 35,000 people in parts of Graham, Spanaway, Puyallup, Gig Harbor, and other nearby areas. Washington Water plans to retain RVWC's current employees and continue to provide its customers with a reliable supply of safe, high-quality water.

### Other Information

All stockholders and interested investors are invited to listen to the 2020 first quarter conference call on April 30, 2020 at 8:00 a.m. PST (11:00 a.m. EST) by dialing 1-833-832-5130 or 1-509-844-0151 and keying in ID #7229048. A replay of the call will be available from 11:00 a.m. PST (2:00 p.m. EST) on April 30, 2020 through June 30, 2020, at 1-855-859-2056 or 1-404-537-3406, ID #7229048. The replay will also be available under the investor relations tab at [www.calwatergroup.com](http://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/Q12020slides.pdf](http://www.calwatergroup.com/docs/Q12020slides.pdf) after 6:00 a.m. PDT. 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.

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California Water Service Group is the parent company of California Water Service Company, Washington Water Service Company, New Mexico Water Service Company, Hawaii Water Service Company, Inc., CWS Utility Services, and HWS Utility Services LLC. Together, these companies provide regulated and non-regulated water service to more than 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](http://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: natural disasters or calamities, public health crises, pandemics, epidemics or outbreaks of a contagious disease, such as the recent outbreak of Coronavirus (or COVID-19), or any escalation or worsening of the foregoing; 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; changes in water quality standards; changes in environmental compliance and water quality requirements; electric power interruptions; 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 and climate 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)

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**CALIFORNIA WATER SERVICE GROUP**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
Unaudited

(In thousands, except per share data)

	<b>March 31</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Utility plant:</b>		
Utility plant	\$ 3,616,418	\$ 3,550,485
Less accumulated depreciation and amortization	(1,169,447)	(1,144,115)
Net utility plant	<u>2,446,971</u>	<u>2,406,370</u>
<b>Current assets:</b>		
Cash and cash equivalents	140,406	42,653
Receivables:		
Customers, net	32,729	32,058
Regulatory balancing accounts	24,970	38,225
Other, net	14,428	14,187
Unbilled revenue, net	31,149	34,879
Materials and supplies at weighted average cost	8,135	7,745
Taxes, prepaid expenses, and other assets	18,265	14,965
Total current assets	<u>270,082</u>	<u>184,712</u>
<b>Other assets:</b>		
Regulatory assets	442,819	433,322
Goodwill	2,615	2,615
Other assets	78,358	84,289
Total other assets	<u>523,792</u>	<u>520,226</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,240,845</u>	<u>\$ 3,111,308</u>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization:</b>		
Common stock, \$.01 par value; 68,000 shares authorized, 48,714 and 48,532 outstanding in 2020 and 2019, respectively	\$ 487	\$ 485
Additional paid-in capital	368,129	362,275
Retained earnings	<u>386,524</u>	<u>417,146</u>
Total common stockholders' equity	755,140	779,906
Long-term debt, net	<u>786,467</u>	<u>786,754</u>
Total capitalization	<u>1,541,607</u>	<u>1,566,660</u>
<b>Current liabilities:</b>		
Current maturities of long-term debt, net	21,864	21,868
Short-term borrowings	335,100	175,100
Accounts payable	99,019	108,463
Regulatory balancing accounts	3,474	4,462
Accrued interest	14,545	5,810
Accrued expenses and other liabilities	<u>39,125</u>	<u>43,018</u>
Total current liabilities	513,127	358,721
<b>Unamortized investment tax credits</b>	1,575	1,575
<b>Deferred income taxes, net</b>	218,451	222,590
<b>Pension and postretirement benefits other than pensions</b>	260,337	258,907
<b>Regulatory liability and other</b>	268,917	270,256
<b>Advances for construction</b>	194,046	191,062
<b>Contributions in aid of construction</b>	242,785	241,537
<b>Commitments and contingencies</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u>\$ 3,240,845</u>	<u>\$ 3,111,308</u>

**CALIFORNIA WATER SERVICE GROUP**  
**CONDENSED CONSOLIDATED STATEMENTS OF LOSS**  
Unaudited

(In thousands, except per share data)

**For the Three Months ended:**

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>Operating revenue</b>	<u>\$ 125,563</u>	<u>\$ 126,111</u>
<b>Operating expenses:</b>		
<b>Operations:</b>		
Water production costs	53,976	45,592
Administrative and general	29,680	29,097
Other operations	13,974	17,821
Maintenance	7,073	6,455
Depreciation and amortization	24,492	22,368
Income tax benefit	(3,937)	(2,991)
Property and other taxes	7,228	7,293
<b>Total operating expenses</b>	<u>132,486</u>	<u>125,635</u>
Net operating (loss) income	<u>(6,923)</u>	<u>476</u>
<b>Other income and expenses:</b>		
Non-regulated revenue	3,827	4,901
Non-regulated expenses	(8,454)	(2,219)
Other components of net periodic benefit cost	(1,430)	(1,259)
Allowance for equity funds used during construction	1,614	1,533
Income tax benefit (expense) on other income and expenses	913	(828)
Net other (loss) income	<u>(3,530)</u>	<u>2,128</u>
<b>Interest expense:</b>		
Interest expense	10,798	11,075
Allowance for borrowed funds used during construction	(944)	(831)
Net interest expense	<u>9,854</u>	<u>10,244</u>
<b>Net loss</b>	<u>\$ (20,307)</u>	<u>\$ (7,640)</u>
<b>Loss per share</b>		
Basic	<u>\$ (0.42)</u>	<u>\$ (0.16)</u>
Diluted	<u>\$ (0.42)</u>	<u>\$ (0.16)</u>
<b>Weighted average shares outstanding</b>		
Basic	<u>48,583</u>	<u>48,086</u>
Diluted	<u>48,583</u>	<u>48,086</u>
<b>Dividends per share of common stock</b>	<u>\$ 0.2125</u>	<u>\$ 0.1975</u>



CALIFORNIA  
**WATER SERVICE GROUP**  
INVESTING FOR LIFE

First Quarter 2020 Results Call Presentation

April 30, 2020



Even though we're 6 feet apart,  
we're all in this together

## 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; natural disasters or calamities, epidemics, pandemics or disease outbreaks (including COVID-19) or any escalation or worsening of the foregoing; 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 2020 fire season as we further develop approaches to manage that risk; 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 unions; changes in customer water use patterns and the effects of conservation; the impact weather, and climate 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



**Dave Healey**  
Vice President, Controller

## Presentation Overview

- Our Operating Priorities
- Financial Results, Q1
- Financial Highlights, Q1
- Effects of the delayed California General Rate Case ("GRC")
- EPS Bridge, Q1 2020 vs. Q1 2019
- Strategic COVID-19 Response
- COVID-19 Impacts to our business
- 2018 California GRC Status Update
- Capital Investment Update
- Business Development Update
- Cap Ex 2008 Recorded to 2021 Projected
- Rate Base 2014 Recorded to 2022 Projected
- Wrapping Up and Look Ahead





## 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
- Communications & corporate governance



### Enhanced Stockholder Value

- Infrastructure investment
- Growth by criteria & for long term company TAM/CA/ROIC/return on equity
- Risk management
- Proactive regulatory management
- Effective investor relations

## Financial Results: First Quarter

(amounts are in millions, except for EPS)	Q1 2019		Q1 2020	Variance
Operating Revenue	\$126.1	▼	\$125.6	(0.4%)
Operating Expenses	\$125.6	▲	\$132.5	5.5%
Net Interest Expense	\$10.2	▼	\$9.9	(3.8%)
Net Income (Loss)	(\$7.6)	▼	(\$20.3)	(167.1%)
EPS	(\$0.16)	▼	(\$0.42)	(162.5%)
Capital Investments	\$59.9	▲	\$65.3	9.0%

## Q1 Financial Highlights

Net loss increased by \$12.7 million to \$20.3 million due primarily to these factors:

- The company estimates it would have recorded \$15.4 million of pre-tax income from a timely, favorable resolution of the California GRC.
  - \$7.9 million represents delayed pre-tax income resulting from the settlement anticipated to be recovered through interim rate recovery process independent of disputes.
  - \$7.5 million represents income from disputed cost recovery regulatory mechanisms which will be recognized if approved. Cost changes during the quarter potentially covered by these mechanisms included \$8.4 million increased water production expenses due to higher water sales and \$2.2 million increased pension expenses.
- Unrealized benefit plan investment performance was \$7.0 million lower than in Q1 2019 due to extremely poor market conditions.
- Partially offsetting these changes, unbilled revenue accrual increased \$5.0 million due in part to dry weather and increased demand in the period.
- Other impacts to the quarter were a \$2.1 million increase in depreciation expense, a \$1.1 million decrease to pre-tax operating income from the deferral of WRAM revenues, and \$0.6 million increase in maintenance expenses.

## Estimated Benefit of the California GRC Upon Approval

- The Company estimates the following full-year impacts for 2020 when a final decision is adopted, independent of the outcome of disputed regulatory mechanisms:

### Major Provisions of California GRC, annual impact\*

<i>(Change from last adopted, in millions)</i>	High Scenario	Low Scenario
Revenue Change	\$ 12.1	\$ (12.0)
Change in Adopted Production Cost	\$ (29.7)	\$ (29.7)
Change in Depreciation Expense	\$ 9.0	\$ (11.8)
TCJA Adjustment for excess federal income tax refunds	\$ (9.4)	\$ (9.4)
Net increase to 2020 pre-tax operating income	\$ 42.2	\$ 38.9

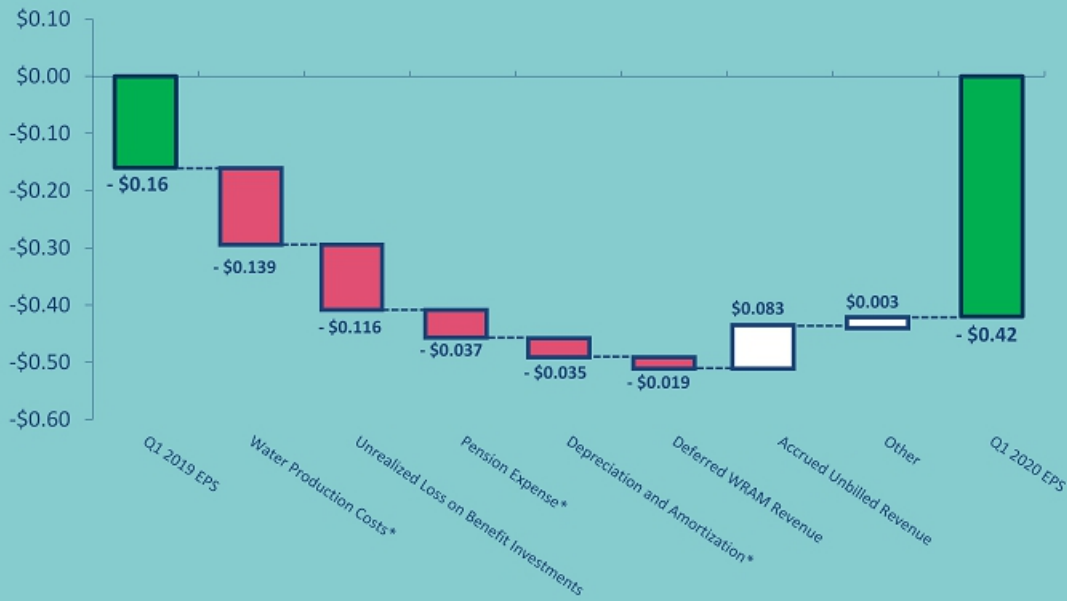
\*Table assumes the settlement is adopted. Does not show other changes in costs.

- The sales forecasts included in the 2018 GRC settlement are approximately 7% lower than 2019 adopted sales, reducing adopted production costs and revenue requirement.
- For the first quarter, we estimate approval of the settlement would have allowed the company to record additional revenue of \$3.5 to \$7.9 million, with the low end of the revenue range linked with a \$5.2 million reduction in first quarter depreciation expense. These would be recognized after a final decision in the GRC.

## Potential Impact of Disputed GRC Items in Q1

- As shown on the previous slide, the depreciation dispute is a “pass-through” expense affecting both adopted revenue and expense.
- We did not record the effect of the disputed 2020 WRAM/MCBA decoupling mechanism in the quarter. Prevailing on this issue would allow us to record these accounts as we have in past periods, recognizing approximately \$4.5 million of additional revenue in accordance with GAAP.
- We did not record the effect of disputed 2020 pension and medical cost balancing accounts in the quarter. Prevailing on this issue would allow us to record these accounts as we have in past periods, recognizing an additional \$3 million of revenue in accordance with GAAP. Medical costs were lower than adopted based on claims activity while pension costs were higher than adopted due to lower discount rates.
- The Company is highly confident that past amounts properly recorded in balancing accounts continue to be recoverable from customers.
- Other disputed items including capital projects, construction financing costs, and working capital requirements would not have had a significant impact in the quarter.

## EPS Bridge Q1 2019 to Q1 2020



\* Represents a category of expense potentially related to the delayed 2018 California GRC

## Strategic COVID-19 Pandemic Response

- California and Washington had early cases of COVID-19 and took strong action to limit public activity.
- We had planned for response to pandemics among other natural disasters through our Emergency Response Framework and training. We train our employees annually on emergency response and mandated COVID-19 pandemic safety and prevention training to all employees in late January. We formed a task force focused on the pandemic in early February. We have operated our Emergency Operations Center (EOC) since March 9.
- Our primary objectives are to keep our employees healthy, provide an uninterrupted supply of safe water, and help our communities.
- We began protecting our workforce in February through travel restrictions, workplace social distancing measures, use of personal protective equipment (PPE), and heightened cleaning regimes. With the support of our unions, we provided additional sick leave to employees impacted by the virus.
- We began protecting our customers in early March by suspending collection activities on delinquent accounts, closing our walk-in customer centers, managing rate filings to defer rate increases, and managing construction activities to avoid disrupting those sheltering at home.
- We have offered additional help to our communities through a pledge to donate \$500,000 to organizations providing assistance to those most severely affected, including customers who have suffered job loss or other hardship.

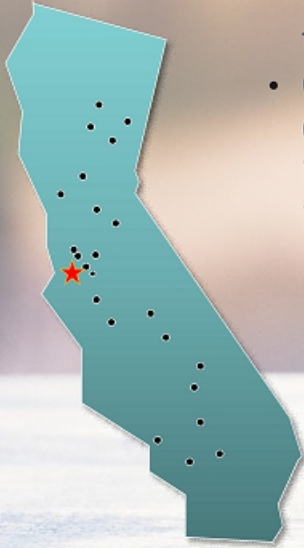
## Business Impacts from COVID-19 Pandemic

- We anticipate the suspension of collection activity combined with economic disruption will increase customer account aging and potentially uncollectible amounts. Because we changed policies in mid-March and bill monthly, we cannot yet estimate the ultimate magnitude of these changes.
  - The typical annual balance of bad debt expense is \$1.7 million or 0.25% of revenue. This amount increased to \$3.0 million or 0.45% of revenue during the 2008 financial crisis
- Our California utility (“Cal Water”) activated its catastrophic event memorandum account as authorized by the CPUC to track incremental costs and other impacts of the pandemic
  - In Q1, we recorded less than \$0.1 million of expense in the memorandum account
  - Increases in uncollectible expenses and potential lost revenue can be recorded in the memorandum account
  - Like other memorandum accounts, recovery of the recorded amounts would occur in a future period after review.
- Liquidity remains strong. As of March 31, we had \$140 million of cash, up from \$42 million at year end, and additional current capacity of more than \$200 million on its lines of credit.



## 2018 California General Rate Case Update

- Parties jointly met on April 9 with the assigned Commissioner's office to urge the CPUC to move quickly to issue a proposed decision
- Cal Water, with the support of CPUC's Public Advocates Office, filed a motion in the case to request the CPUC implement rates on January 1, 2021 due to COVID impacts on customers
  - Change in rates in the range of (\$12.1) million to \$12.0 million would still be tracked in the interim rate memorandum account and recovered beginning in 2021



## Q1 Capital Investment Update

- Company and developer-funded capital investments were \$65.3 million, an increase of 9.0% compared to the same period in 2019.
- Increased investments in the quarter are attributable in part to better weather in California.
- The Company previously announced it would spend \$260-290 million on capital in 2020.
- Depending on the timing and nature of community restrictions resulting from COVID-19, the Company may face obstacles to its construction plans or may accelerate those plans.
  - Water utility activities including construction have been deemed “essential” and are continuing in our service areas.
  - We may need to modify or delay projects which would disrupt water service for families sheltering at home.
  - Construction crews may face illnesses and other disruptions, and will be required to modify work to enhance social-distancing.
  - City staff required to process permits and inspect projects may be limited.
  - However, with reduced traffic and reduced construction activity in other sectors, we may find certain construction activities can be accelerated.

## Business Development Update

- On March 27, 2020, the Washington Utilities and Transportation Commission approved our acquisition of Rainier View Water Company (RVW). We are finalizing the transaction and transition plan and anticipate closing the purchase in the 2nd quarter.
  - RVW has approximately 18,000 service connections in close proximity to our existing Washington water systems and will almost double the size of our Washington operations.
  - This is the largest acquisition for the Company since 2000.

## Capital Investment History and Projection

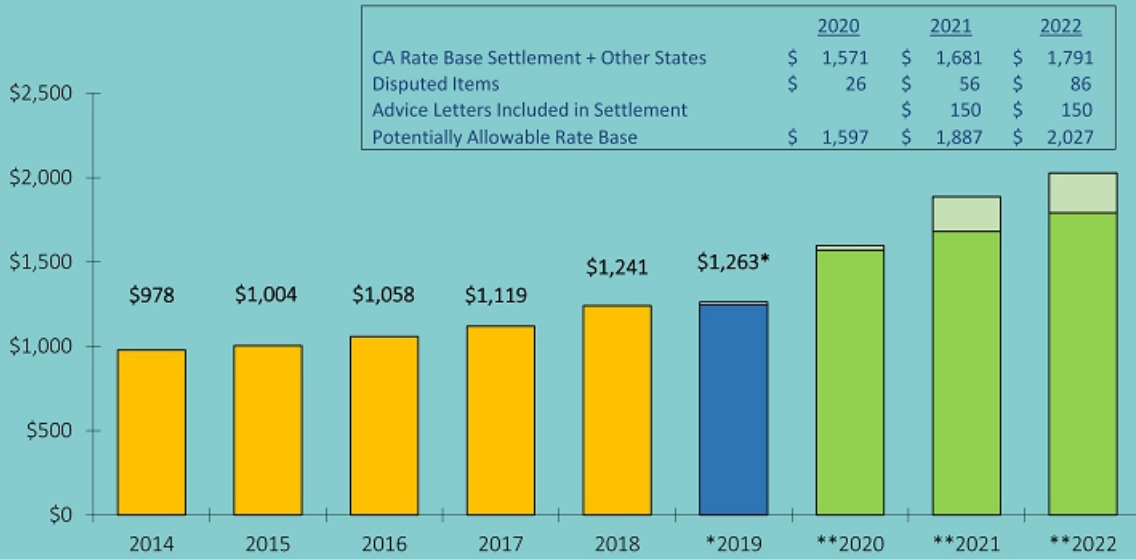
(in millions)



\*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)



\* Rate Base at Year End, including \$17.8 million of ratebase offset capital projects filed for recovery in late 2019.

\*\*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 and Look Ahead

- Company operators are providing a high level of service to our customers during COVID-19 mitigation while keeping our employees safe
- Management is also focused on ensuring the settlement in our delayed California GRC and our positions on open issues are adopted by the CPUC before the end of the 2<sup>nd</sup> quarter
- We are targeting to close the Rainier View transaction by the end of the 2<sup>nd</sup> quarter
- While we concentrate on the current emergency, we have not lost focus on potential future wildfires and ongoing capital improvements





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# Discussion

