
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

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

Date of Report (date of earliest event reported): **July 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:

<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 July 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 second quarter of 2020, ended June 30, 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, July 30, 2020 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
99.1	Press Release issued July 30, 2020
99.2	Slide presentation relating to conference call
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: July 30, 2020

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



July 30, 2020
For immediate release

CALIFORNIA WATER SERVICE GROUP ANNOUNCES
SECOND QUARTER 2020 RESULTS

SAN JOSE, CA – California Water Service Group (NYSE: CWT) (the “Company”) today announced net income of \$5.3 million or \$0.11 earnings per diluted common share for the second quarter of 2020, compared to a net income of \$17.0 million or \$0.35 earnings per diluted common share for the second quarter of 2019.

The \$11.7 million decrease in net income was primarily due to lack of resolution of the California General Rate Case (“GRC”), which meant that no revenue was recorded in the second quarter from general rate relief and previously approved regulatory mechanisms. Other impacts to the quarterly results included water production cost increases of \$6.5 million, of which \$5.7 million would have been offset by regulatory mechanisms requested in the GRC, administrative and general expense increases of \$1.5 million, which would have been subject to \$3.3 million of benefit costs offsets pursuant to regulatory mechanisms requested in the GRC, and depreciation expense increase of \$2.2 million.

If during the second quarter, 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 \$29.1 million, subject to income taxes of 19.3%, and it would have had a \$2.3 million decrease in income tax expense for Tax Cuts and Jobs Act income tax refunds.

In addition, a \$3.0 million increase in unrealized gain on certain benefit plan investments partially offset the decrease to net income.

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 Cal Water proposal during the second quarter, the Company estimates proposed new rates would have added the following to the Company's second quarter results: \$10.9 million of revenue for delayed service charge and quantity rate increases, and \$18.2 million of revenue from disputed regulatory mechanisms which will be recognized if approved in the period in which such approval occurs.

The Company has evaluated and will continue to evaluate and monitor risk factors 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. The Company has taken a position to delay certain rate increases associated with the Water Revenue Adjustment Mechanism ("WRAM") and has requested authorization that any rate increases resulting from the eventual GRC decision be delayed to 2021. Additionally, the Company continues to evaluate customer billing and anticipated collections in light of the COVID-19 pandemic, associated economic impacts, and regulatory orders restricting collection activities. Due to an expected decrease in customer collections, the Company has increased its estimate for future credit losses.

According to President and Chief Executive Officer Martin A. Kropelnicki, a primary focus for the Company in recent weeks has been advocating for a favorable outcome on a proposal being considered by the CPUC that would eliminate the WRAM, which decouples water sales from revenues.

“Clearly, the delay in our California GRC significantly impacted our financial results in the first half of this year. While we continue to await that decision, we are working with other interested parties to support decoupling water sales from revenue. The CPUC’s current proposal would damage the state’s policy goals for water use efficiency based on an incomplete and insufficient analysis. A full and fair examination of the proposal would show that eliminating decoupling would reduce conservation and increase water rates for low-income customers, so it is critical for us to raise awareness on the issue,” Kropelnicki said.

In addition to advocating for decoupling, which has been used for decades to promote efficiency in the electric and natural gas industries, the Company remained focused on completing critical infrastructure improvements, integrating the newly acquired water systems in the State of Washington, and responding to the coronavirus pandemic.

“It has certainly been a challenging time, but I’m proud of the progress we’ve made on improving our water systems and integrating our new Washington systems. But above all, we’ve made it a priority to do everything we possibly can to keep our employees healthy and take care of our customers during this unprecedented health crisis,” he said.

Additional Financial Results for the Second Quarter of 2020

Total revenue decreased \$3.5 million to \$175.5 million in the second quarter of 2020 compared to \$179.0 million in the second quarter of 2019. The decrease in revenue was mostly due to a delay in the California GRC decision, which precluded the Company from recording up to \$29.1 million of additional revenue in the second quarter of 2020.

Total operating expenses increased \$11.0 million, or 7.2%, to \$163.0 million in the second quarter of 2020 compared to \$152.0 million in the second quarter of 2019.

Water production expenses increased \$6.5 million, or 10.1%, to \$71.1 million in the second quarter of 2020 compared to \$64.6 million in the second quarter of 2019, primarily due to a 2.0% increase in customer consumption, changes in wholesale water mix, and purchased water wholesaler rate increases. The delayed GRC decision prevented the use of California's Modified Cost Balancing Account ("MCBA") decoupling mechanism to offset water production costs of \$5.7 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 increased \$4.9 million to \$52.8 million in the second quarter of 2020, due to a \$2.7 million cost increase associated with the recording of previously deferred WRAM revenue, a \$2.1 million increase in employee pension benefit costs, a \$1.5 million increase in uninsured loss costs, a \$0.7 million increase in outside service costs, and a \$0.5 million increase in bad debt expense which were partially offset by decreases of \$1.1 million in water conservation program costs and \$0.9 million in workers compensation costs.

Maintenance expenses increased \$1.0 million, or 18.1%, to \$6.7 million in the second quarter of 2020, due to increased costs for repairs of services and mains.

Income taxes decreased \$3.7 million due to a decrease in pre-tax income from operations. The Company's estimated combined effective income tax rate for 2020 is 19.3 percent.

Depreciation and amortization expense increased \$2.2 million, to \$24.5 million, in the second quarter of 2020, as compared to \$22.3 million in the second quarter of 2019, due to an increase in utility plant investment in 2019.

Other income and expense, net of income tax benefits, increased \$2.0 million in 2020, mostly due to a \$3.0 million increase in unrealized gain on certain benefit plan investments partially offset by a \$0.9 million decrease in non-regulated revenue.

Year-to-Date Results

For the six-month period ended June 30, 2020, the Company had a net loss of \$15.0 million, or \$0.31 loss per diluted common share, compared to net income of \$9.4 million, or \$0.19 earnings per diluted common share, for the six-month period ended June 30, 2019.

The \$24.4 million decrease in net income was primarily due to lack of resolution of the California GRC, which meant that no revenue was recorded in the six month period from general rate relief and previously approved regulatory mechanisms. Other impacts to the year-to-date results included water production cost increases of \$14.9 million, of which \$10.7 million would have been offset by regulatory mechanisms requested in the GRC, administrative and general expense increase of \$2.1 million, which would have been subject to \$6.3 million of benefit costs offsets pursuant to regulatory mechanisms requested in the GRC, and \$4.3 million of depreciation expense.

If during the six month period ended June 30, 2020, the CPUC had approved the settlement agreement and the positions proposed by Cal Water on October 8, 2019, the Company estimates it would have added operating revenue of \$45.8 million, subject to income taxes of 19.3%, and it would have had a \$4.1 million decrease in income tax expense for Tax Cuts and Jobs Act income tax refunds.

Additionally, a \$4.0 million unrealized loss on certain benefit plan investments during the six-month period ended June 30, 2020 decreased net income.

Water System Improvements

Company-funded and developer-funded capital investments during the first six months of 2020 were \$133.5 million, an increase of \$11.6 million, or 9.5 %, compared to \$121.9 million during the first six months of 2019. We increased borrowings on our lines of credit at the end of the first quarter to allow flexibility in how the Company finances capital investments and operations in connection with economic uncertainty and financial market volatility caused by the COVID-19 pandemic.

Liquidity Outlook

Our liquidity remains strong, we maintained \$114.0 million of cash as of June 30, 2020 and have additional borrowing capacity of more than \$170.0 million, subject to meeting the borrowing conditions on the Company's lines of credit facilities. We will continue our 2020 infrastructure improvement program, estimated between \$260.0 to \$290.0 million. Also, at our Board of Director meeting yesterday, the Board declared a cash dividend of \$0.2125 per share of common stock.

WRAM Receivable

The under-collected net receivable balance in the WRAM and MCBA was \$52.6 million as of June 30, 2020, a decrease of 16.0%, or \$10.0 million, from the balance of \$62.6 million as of December 31, 2019. The delay in the California GRC decision and uncertainty over the continuation of the WRAM mechanism resulted in not recording an estimated \$19.8 million regulatory asset for the increase to the net receivable for WRAM and MCBA revenue adjustments during the first six months of 2020, which would have resulted in an increase in the net receivable balance.

Other Information

All stockholders and interested investors are invited to listen to the 2020 second quarter conference call on July 30, 2020 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 #8793806. Please dial in at least 15 minutes in advance of the call to ensure a timely connection. A replay of the call will be available from 11:00 a.m. PT (2:00 p.m. ET) on July 30, 2020 through September 30, 2020, at 1-855-859-2056 or 1-404-537-3406, ID #8793806. 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/q22020slides.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, Inc., CWS Utility Services, and HWS Utility Services LLC. 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; natural disasters or calamities, epidemics, pandemics or disease outbreaks (including COVID-19) or any escalation or worsening of, or economic effects of, the foregoing; consequences of eminent domain actions relating to our water systems; changes in regulatory commissions' policies and procedures; the outcome and timeliness of regulatory commissions' actions concerning rate relief and other matters, including with respect to the GRC; inability to renew leases to operate city water systems on beneficial terms; changes in California State Water Resources Control Board water quality standards; changes in environmental compliance and water quality requirements; electric power interruptions; changes in customer water use patterns and the effects of conservation; our ability to complete, successfully integrate and achieve anticipated benefits from announced acquisitions; the impact of weather and climate on water availability, water sales and operating results; civil disturbances or terrorist threats or acts, or apprehension about the possible future occurrences of acts of this type; labor relations matters as we negotiate with the unions; restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends; and, other risks and unforeseen events. When considering forward-looking statements, you should keep in mind the cautionary statements included in this paragraph, as well as the annual 10-K, Quarterly 10-Q, and other reports filed from time-to-time with the Securities and Exchange Commission (SEC). The Company assumes no obligation to provide public updates of forward-looking statements.

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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)

	June 30	December 31
	2020	2019
ASSETS		
Utility plant:		
Utility plant	\$ 3,752,243	\$ 3,550,485
Less accumulated depreciation and amortization	(1,214,427)	(1,144,115)
Net utility plant	<u>2,537,816</u>	<u>2,406,370</u>
Current assets:		
Cash and cash equivalents	114,388	42,653
Receivables:		
Customers, net	46,087	32,058
Regulatory balancing accounts	23,738	38,225
Other, net	13,605	14,187
Unbilled revenue, net	39,599	34,879
Materials and supplies at weighted average cost	8,375	7,745
Taxes, prepaid expenses, and other assets	21,097	14,965
Total current assets	<u>266,889</u>	<u>184,712</u>
Other assets:		
Regulatory assets	440,986	433,322
Goodwill	31,132	2,615
Other assets	83,110	84,289
Total other assets	<u>555,228</u>	<u>520,226</u>
TOTAL ASSETS	<u>\$ 3,359,933</u>	<u>\$ 3,111,308</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value; 68,000 shares authorized, 49,398 and 48,532 outstanding in 2020 and 2019, respectively	\$ 494	\$ 485
Additional paid-in capital	400,080	362,275
Retained earnings	381,449	417,146
Total common stockholders' equity	<u>782,023</u>	<u>779,906</u>
Long-term debt, net	785,257	786,754
Total capitalization	<u>1,567,280</u>	<u>1,566,660</u>
Current liabilities:		
Current maturities of long-term debt, net	21,872	21,868
Short-term borrowings	375,100	175,100
Accounts payable	128,216	108,463
Regulatory balancing accounts	1,602	4,462
Accrued interest	5,330	5,810
Accrued expenses and other liabilities	45,432	43,018
Total current liabilities	<u>577,552</u>	<u>358,721</u>
Deferred income taxes	223,955	222,590
Pension and postretirement benefits other than pensions	261,119	258,907
Regulatory liabilities and other	270,177	271,831
Advances for construction	195,056	191,062
Contributions in aid of construction	264,794	241,537
Commitments and contingencies		
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 3,359,933</u>	<u>\$ 3,111,308</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Unaudited

(In thousands, except per share data)

For the Three Months ended:

	June 30, 2020	June 30, 2019
Operating revenue	\$ 175,484	\$ 179,031
Operating expenses:		
Operations:		
Water production costs	71,142	64,635
Administrative and general	26,939	25,434
Other operations	25,898	22,542
Maintenance	6,722	5,692
Depreciation and amortization	24,542	22,326
Income taxes	622	4,321
Property and other taxes	7,126	7,068
Total operating expenses	<u>162,991</u>	<u>152,018</u>
Net operating income	<u>12,493</u>	<u>27,013</u>
Other income and expenses:		
Non-regulated revenue	4,208	5,130
Non-regulated expenses	(492)	(3,900)
Other components of net periodic benefit cost	(1,332)	(1,192)
Allowance for equity funds used during construction	1,705	1,686
Income tax expense on other income and expenses	(820)	(487)
Net other income	<u>3,269</u>	<u>1,237</u>
Interest expense:		
Interest expense	11,613	12,178
Allowance for borrowed funds used during construction	(1,132)	(924)
Net interest expense	<u>10,481</u>	<u>11,254</u>
Net income	<u>\$ 5,281</u>	<u>\$ 16,996</u>
Earnings per share		
Basic	<u>\$ 0.11</u>	<u>\$ 0.35</u>
Diluted	<u>\$ 0.11</u>	<u>\$ 0.35</u>
Weighted average shares outstanding		
Basic	<u>48,936</u>	<u>48,136</u>
Diluted	<u>48,936</u>	<u>48,136</u>
Dividends per share of common stock	<u>\$ 0.2125</u>	<u>\$ 0.1975</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) INCOME
Unaudited

(In thousands, except per share data)

For the Six Months ended:

	June 30, 2020	June 30, 2019
Operating revenue	\$ 301,047	\$ 305,142
Operating expenses:		
Operations:		
Water production costs	125,118	110,227
Administrative and general	56,619	54,531
Other operations	39,872	40,363
Maintenance	13,795	12,147
Depreciation and amortization	49,034	44,694
Income tax (benefit) expense	(3,315)	1,330
Property and other taxes	14,354	14,361
Total operating expenses	<u>295,477</u>	<u>277,653</u>
Net operating income	<u>5,570</u>	<u>27,489</u>
Other income and expenses:		
Non-regulated revenue	8,035	10,031
Non-regulated expenses	(8,946)	(6,119)
Other components of net periodic benefit cost	(2,762)	(2,451)
Allowance for equity funds used during construction	3,319	3,219
Income tax benefit (expense) on other income and expenses	93	(1,315)
Net other (loss) income	<u>(261)</u>	<u>3,365</u>
Interest expense:		
Interest expense	22,411	23,253
Allowance for borrowed funds used during construction	(2,076)	(1,755)
Net interest expense	<u>20,335</u>	<u>21,498</u>
Net (loss) income	<u>\$ (15,026)</u>	<u>\$ 9,356</u>
(Loss) earnings per share		
Basic	<u>\$ (0.31)</u>	<u>\$ 0.19</u>
Diluted	<u>\$ (0.31)</u>	<u>\$ 0.19</u>
Weighted average shares outstanding		
Basic	<u>48,759</u>	<u>48,111</u>
Diluted	<u>48,759</u>	<u>48,111</u>
Dividends per share of common stock	<u>\$ 0.4250</u>	<u>\$ 0.3950</u>



CALIFORNIA
WATER SERVICE GROUP
INVESTING FOR LIFE

Second Quarter 2020 Results Call Presentation

July 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, or economic effects of, the foregoing; consequences of eminent domain actions relating to our water systems; changes in regulatory commissions' policies and procedures; the outcome and timeliness of regulatory commissions' actions concerning rate relief and other actions, including with respect to the GRC; 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; our ability to complete, successfully integrate and achieve anticipated benefits from announced acquisitions; 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, Q2 and YTD
- Financial Highlights, Q2 and YTD
- Effects of the delayed California General Rate Case ("GRC")
- EPS Bridges
- Updated COVID-19 Impacts
- California Regulatory 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
- Communication & corporate governance



Enhanced Stockholder Value

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

Financial Results: Second Quarter

(amounts are in millions, except for EPS)	Q2 2019		Q2 2020	Variance
Operating Revenue	\$179.0	▼	\$175.5	(2.0%)
Operating Expenses	\$152.0	▲	\$163.0	7.2%
Net Interest Expense	\$11.3	▼	\$10.5	(7.1%)
Net Income (Loss)	\$17.0	▼	\$5.3	(68.8%)
EPS	\$0.35	▼	\$0.11	(68.6%)
Capital Investments	\$62.1	▲	\$68.3	10.0%

Financial Results: Year-to-Date

(amounts are in millions, except for EPS)	YTD 2019		YTD 2020	Variance
Operating Revenue	\$305.1	▼	\$301.0	(1.3%)
Operating Expenses	\$277.7	▲	\$295.5	6.4%
Net Interest Expense	\$21.5	▼	\$20.3	(5.6%)
Net Income (Loss)	\$9.4	▼	(\$15.0)	---
EPS	\$0.19	▼	(\$0.31)	---
Capital Investments	\$121.9	▲	\$133.5	9.5%

Q2 Financial Highlights

Net income decreased by \$11.7 million to \$5.3 million due primarily to these factors:

- The company estimates it would have recorded up to an additional \$29.1 million of pre-tax income in the second quarter from a timely, favorable resolution of the California GRC.
 - \$10.9 million represents delayed pre-tax income resulting from the settlement anticipated to be recovered through interim rate recovery process independent of disputes.
 - \$18.2 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 \$6.5 million increased water production expenses, of which \$5.7 million would be offset by requested regulatory mechanisms, and \$2.1 million increased pension benefit expenses.
- Unrealized benefit plan investment performance was \$3.0 million higher than in Q2 2019 due to a market rebound for equity investments in the quarter.
- Other impacts to the quarter were a \$2.2 million increase in depreciation expense and a \$1.0 million increase in maintenance expenses.

YTD Financial Highlights

Net income decreased by \$24.4 million to a loss of \$15.0 million due primarily to these factors:

- The company estimates it would have recorded up to an additional \$45.8 million of pre-tax income in 2020 to date from a timely, favorable resolution of the California GRC.
 - \$19.8 million represents delayed pre-tax income resulting from the settlement anticipated to be recovered through interim rate recovery process independent of disputes.
 - \$26.0 million represents income from disputed cost recovery regulatory mechanisms which will be recognized if approved.
- Unrealized benefit plan investment performance was \$4.0 million lower than in the first half of 2019 due to comparatively strong market conditions in 2019.
- Other impacts on a year to date basis were a \$4.3 million increase in depreciation expense, and \$1.6 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 operating income before taxes	\$ 42.2	\$ 38.9

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

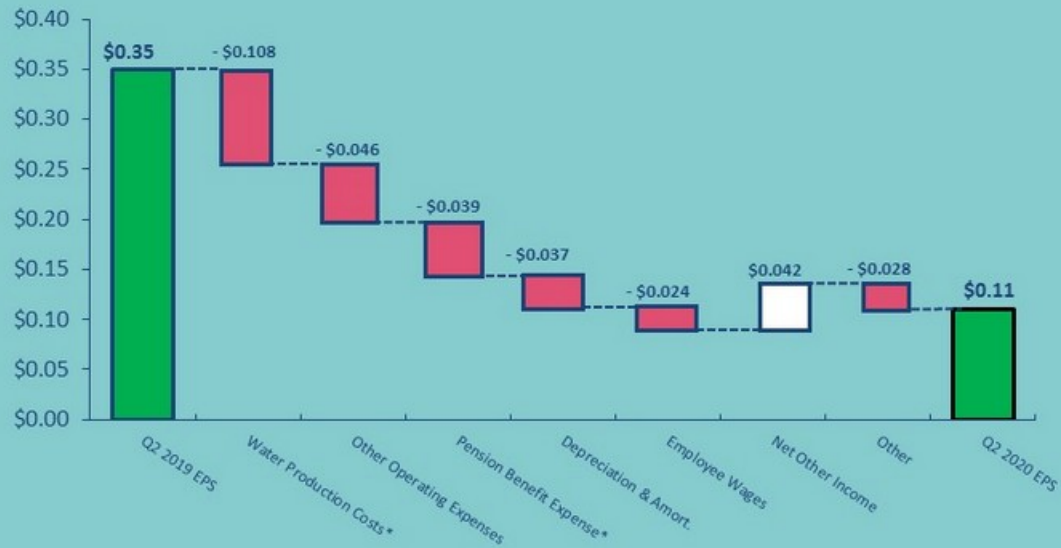
** Not subject to income tax

- The 2020 sales forecasts included in the GRC settlement are approximately 7% lower than 2019 adopted sales, reducing adopted production costs and revenue requirement.
- We estimate approval of the settlement would have allowed the company to record additional revenue of \$5.6 to \$10.9 million in the second quarter, with the low end of the revenue range linked with a \$5.2 million reduction in second quarter depreciation expense. These would be recognized after a final decision in the GRC.

Potential Impact of Disputed GRC Items in Q2

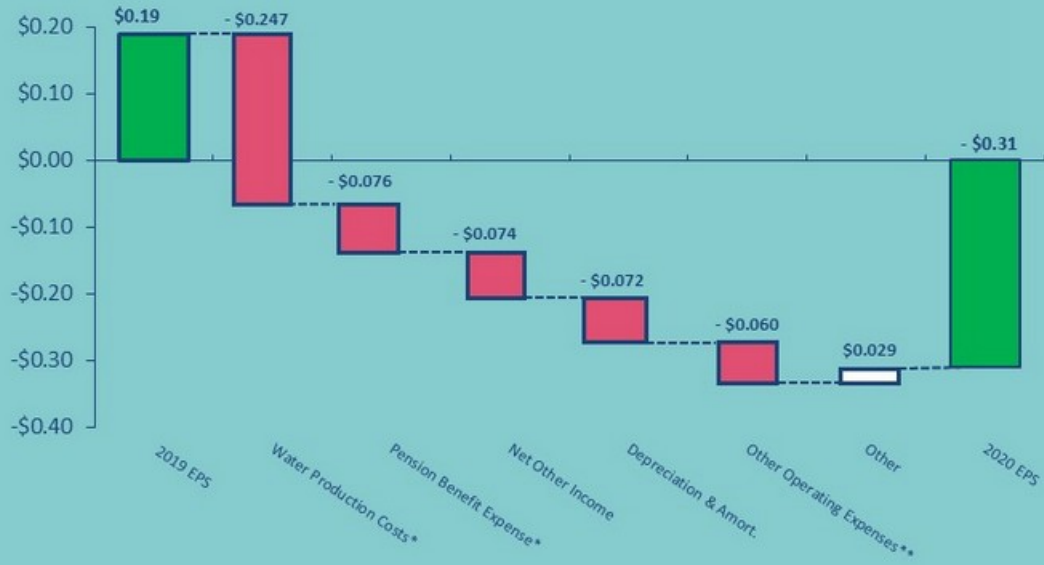
- As shown on the previous slide, the depreciation dispute is a “pass-through” expense affecting both adopted revenue and expense.
- We did not record the effect of the disputed 2020 WRAM/MCBA decoupling mechanism in the second quarter, consistent with Q1. Prevailing on this issue would allow us to record these accounts as we have in past periods, recognizing approximately \$14.9 million of additional revenue for the quarter 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 \$3.3 million of revenue in accordance with GAAP.
- 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 Q2 2019 to Q2 2020



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

EPS Bridge Y-T-D 2019 to 2020



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

COVID-19 Pandemic Update

- The Company has continued its policies and practices to protect customers and employees during the pandemic. We are designated an essential business and most employees continue to work onsite and in our communities. We are complying with local regulations in our service areas as well as mandating masks and other personal protective equipment (PPE) for our employees.
- California, and specifically in Kern and Los Angeles Counties where we operate, has seen increasing caseloads and hospitalizations in the past few months. Our customer centers in all states remain closed and collection activities are suspended.
- We have offered additional help to our communities through a directed grant of \$400,000 to customers who are struggling to pay bills.
- To date, we have had no significant service disruption due to COVID-19.

Business Impacts from COVID-19 Pandemic

- We have seen increased customer account aging from the suspension of collection activity.
 - Bills outstanding more than 90 days increased to \$3.4 million. Only a portion of such amounts are typically uncollectible.
 - The company has increased its reserve for doubtful accounts from \$0.8 million to \$1.6 million as of the second quarter.
- Water sales in aggregate have been close to adopted levels, with increases in residential usage being offset by lower business, industrial, and public authority sales.
- 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 Q2, we recorded approximately \$0.6 million of incremental operating expenses to the memorandum account.
 - Additionally, increases in estimated uncollectible expenses, including the recorded reserve for doubtful accounts, 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.
- Hawaii Water Service has also requested to track impacts of COVID on its costs and revenues.
- Liquidity remains strong. As of June 30, we had \$114 million of cash and additional current capacity of more than \$170 million on lines of credit.

California Regulatory Update

- The CPUC extended its deadline for consideration of Cal Water’s 2018 GRC to September 30, 2020.
 - In order to meet this date, the Commission must issue a proposed decision by August 25.
- On July 3, the CPUC issued an unexpected proposed decision in an unrelated policy case. If adopted, the decision would require Cal Water to propose removing its decoupling mechanism in the next GRC.
 - The decision is troubling, in that the Commission draws conclusions based on a cursory review of limited evidence. The Company and other interested groups are asking the CPUC to collect and review more evidence before making a policy decision in this area. We believe that a full review of the policy will allow the CPUC to reach a different conclusion.
 - It is unclear what effect a policy decision might have on the GRC resolution of related matters.



Q2 Capital Investment Update

- Company and developer-funded capital investments were \$133.5 million in the first half of 2020, an increase of 9.5% compared to the same period in 2019.
- The Company has previously estimated it would spend \$260-290 million on capital in 2020.
- While the Company has experienced some individual project slowdowns related to COVID-19, overall the capital program has been on track with our expectations.
- We anticipate adding about \$5 million incremental capital investment in 2021 in the expanded Washington service area (formerly Rainier View Water).

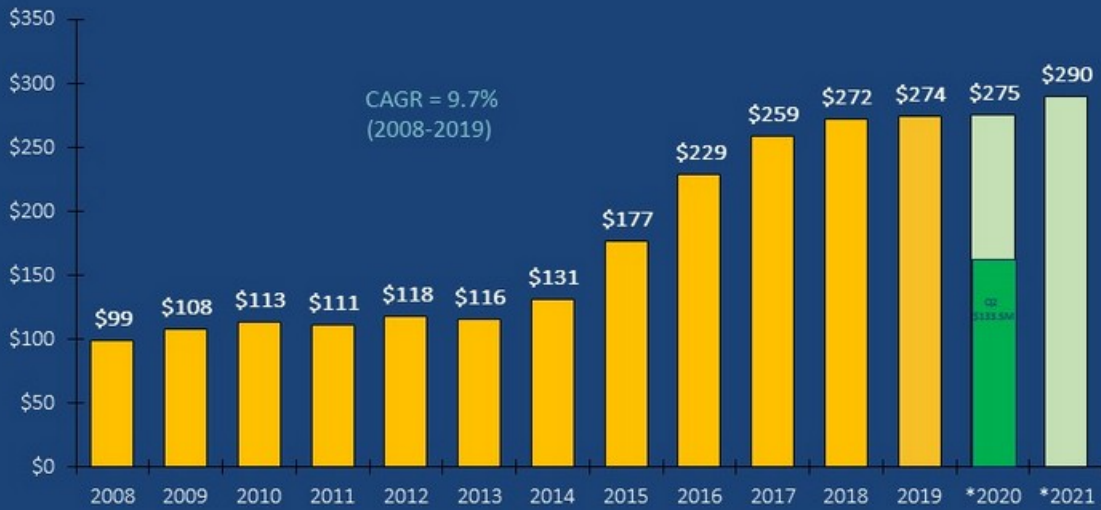
Business Development Update

- Washington Water Service closed the Rainier View transaction in early June and is working on transition activities to integrate our operations.
- Hawaii Water Service is working with regulators for approval of its Kalaeloa (Oahu) and Kapalua (Maui) change of control applications, anticipating completion of both by Q1 2021.

System	Water Connections	Wastewater Connections	Total	Estimated Close
Rainier View Water	18,500		18,500	June 1, 2020
Kalaeloa Water	120	80	200	Q1 2021
Kapalua Water and Wastewater	500	500	1,000	Q1 2021

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

- Management will have a regulatory focus in the third quarter, working to modify or oppose the CPUC policy decision on decoupling and anticipating a GRC proposed decision this summer.
- Company operators are providing a high level of service to our customers during COVID-19 mitigation while keeping our employees safe.
- 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

