
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

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

Date of Report (date of earliest event reported): **November 6, 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 November 6, 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 third quarter of 2020, ended September 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 Friday, November 6, 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 November 6, 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: November 6, 2020

By: /s/ Thomas F. Smegal

Name: Thomas F. Smegal

Title: Vice President, Chief Financial Officer & Treasurer



1720 N. First Street, San Jose, CA 95112



November 6, 2020
For immediate release

CALIFORNIA WATER SERVICE GROUP ANNOUNCES
THIRD QUARTER 2020 RESULTS

SAN JOSE, CA – California Water Service Group (NYSE: CWT) (the “Company”) today announced net income of \$96.4 million or \$1.94 earnings per diluted common share for the third quarter of 2020, compared to a net income of \$42.4 million or \$0.88 earnings per diluted common share for the third quarter of 2019.

The \$54.0 million increase in net income was due to our determination that the October 14, 2020 proposed decision in the California 2018 General Rate Case (GRC) was sufficient evidence to record regulatory assets and associated revenues for interim rate recovery as well as benefits balancing accounts and the decoupling mechanisms. In the third quarter of 2020, the Company recorded revenues of \$37.6 million related to interim rate recovery regulatory assets, balancing account net revenue increases of \$37.0 million, and customer refunds for 2017 excess deferred federal income taxes (TCJA) of \$7.1 million. Included in the amounts above were third quarter interim rate recovery regulatory assets of \$18.9 million, balancing account net revenue increases of \$11.5 million, and \$3.0 million of 2017 TCJA refunds to customers. These increases were partially offset by increases in depreciation and amortization of \$2.4 million, employee wages costs of \$2.2 million, income taxes of \$1.6 million, bad debt expenses of \$0.9 million, and outside service costs of \$0.7 million.

Additionally, certain factors outside the Company's immediate control decreased net income \$1.2 million, including a \$2.6 million reduction in accrued unbilled revenue, partially offset by a \$1.2 million increase in unrealized gain on certain benefit plan investments.

The proposed decision for our California GRC is subject to adoption by the California Public Utilities Commission (CPUC), which can occur no earlier than the CPUC's November 19, 2020 meeting. Both California Water Service Company (Cal Water) and the CPUC's Public Advocates Office have provided feedback on the proposed decision. If adopted as proposed, the decision would approve the settlement reached in October of 2019 by Cal Water and the CPUC's Public Advocates Office, allow Cal Water to continue its decoupling balancing accounts through 2022, and allow Cal Water to retain its Pension Cost Balancing Account (PCBA) and Health Cost Balancing Account (HCBA).

We determined that the proposed decision for our California GRC provides additional evidence about conditions existing as of September 30, 2020. As of November 6, 2020, we also believe that it is probable that the proposed decision will be adopted by the CPUC without any material variation. Applying accounting standards for regulated operations, we recorded regulatory assets and associated operating revenue resulting from the regulatory mechanisms that were approved in the proposed decision as of September 30, 2020. In the unlikely event that the CPUC does not approve the proposed decision as issued, we will need to adjust our regulatory asset balances and operating revenue in the fourth quarter of 2020. Any such adjustment could result in a material decrease to our operating revenue and net operating income for full-year 2020.

According to President and Chief Executive Officer Martin A. Kropelnicki, the October 14, 2020 proposed decision helps enable the Company to continue to provide safe and reliable water service to customers.

“I’m pleased with the October 14, 2020 proposed decision for our California GRC. It fully supports our goal of providing customers with the highest quality water service and reflects the Commission’s support of our operations during the challenging COVID-19 pandemic health crisis,” he said.

“I’m also pleased with the solid progress we’ve made on our 2020 infrastructure improvement investment program, making improvements totaling \$221.3 million during the first nine months of 2020, despite the continuing pandemic. A top priority for the remainder of the year is to continue doing everything we can to keep our employees healthy and take care of our customers during this unprecedented time,” he said.

Additional Financial Results for the Third Quarter of 2020

Total operating revenue increased \$71.6 million to \$304.1 million in the third quarter of 2020 compared to \$232.5 million in the third quarter of 2019. The increase in the third quarter of 2020 was due to the October 14, 2020 California GRC proposed decision, which allowed the Company to record in the third quarter of 2020 the net operating revenue increases for the first nine months of 2020 that had not previously been recorded while resolution of the California GRC was pending.

Total operating expenses increased \$17.0 million, or 9.4%, to \$198.0 million in the third quarter of 2020 compared to \$181.0 million in the third quarter of 2019.

Water production expenses increased \$4.7 million, or 5.9%, to \$85.3 million in the third quarter of 2020 compared to \$80.6 million in the third quarter of 2019, primarily due to increased rates from our purchased water wholesalers, changes in water production mix, and an increase in customer usage.

Administrative and general and other operations expenses increased \$7.7 million to \$59.0 million in the third quarter of 2020 compared to \$51.3 million in the third quarter of 2019. The increase was due to a \$5.4 million cost increase associated with the recording of previously deferred water revenue adjustment mechanism (WRAM) revenue, a \$2.2 million increase in employee wages, a \$1.3 million increase in employee retirement pension benefit costs, a \$0.9 million increase in bad debt expense, and a \$0.7 million increase in outside service costs which were partially offset by decreases of \$2.0 million in water conservation program costs and \$0.5 million in travel costs.

Depreciation and amortization expense increased \$2.4 million, to \$24.7 million, in the third quarter of 2020, as compared to \$22.3 million in the third quarter of 2019, due to an increase in utility plant investment in 2019.

Income taxes increased \$1.6 million due to an increase in pre-tax income from operations which was partially offset by a \$7.1 million TCJA refund to customers authorized in the California GRC proposed decision. The Company's estimated combined effective income tax rate for 2020 is 11.6 percent.

Other income and expense, net of income tax benefits, increased \$0.7 million in 2020, mostly due to a \$1.2 million increase in unrealized gain on certain benefit plan investments and a \$0.8 million decrease in other components of net periodic benefit costs which was partially offset by a \$0.9 million decrease in allowance for funds used during construction.

Year-to-Date Results

For the nine-month period ended September 30, 2020, the Company had a net income of \$81.3 million or \$1.66 income per diluted common share, compared to net income of \$51.8 million or \$1.08 earnings per diluted common share for the nine-month period ended September 30, 2019.

The \$29.5 million increase in net income was due to our determination that the October 14, 2020 proposed decision in the California 2018 GRC allowed us to record regulatory assets and associated revenues for interim rate recovery. In the third quarter of 2020, the Company recorded revenues of \$37.6 million related to interim rate recovery regulatory assets and customer refunds for 2017 excess deferred federal income taxes of \$7.1 million. These increases were partially offset by increases in depreciation and amortization of \$6.8 million, employee wages costs of \$1.8 million, maintenance expense of \$1.7 million, bad debt expenses of \$1.6 million, and outside service costs of \$1.1 million.

Additionally, certain factors outside the Company's immediate control decreased net income \$0.5 million, including a \$2.8 million decrease in unrealized gain on certain benefit plan investments, partially offset by a \$2.2 million increase in accrued unbilled revenue.

Regulatory Update

On October 14, 2020, an administrative law judge (ALJ) with the CPUC issued a proposed decision for Cal Water's 2018 GRC filing. The proposed decision is subject to adoption by the CPUC, which can occur no earlier than the CPUC's November 19, 2020 meeting. If adopted as proposed, the decision would approve the settlement reached in October of 2019 by Cal Water and the CPUC's Public Advocates Office, allow Cal Water to continue its decoupling balancing accounts through 2022, and allow Cal Water to retain its PCBA and HCBA. Under this proposed decision, Cal Water would be authorized to invest \$828.0 million in its districts throughout California through 2021. This includes \$148.0 million of water system infrastructure upgrades that would be recovered via the CPUC's advice letter procedure once those projects are completed.

Water System Improvements

Company-funded and developer-funded capital investments during the first nine months of 2020 were \$221.3 million, an increase of \$26.4 million, or 13.5 %, compared to \$194.9 million during the first nine months of 2019.

Liquidity Outlook

Our liquidity remains strong. We maintained \$113.3 million of cash as of September 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. On November 5, 2020, the CPUC approved Cal Water's request for an additional \$700.0 million of authorization for debt and equity financing, in addition to the \$170.0 million of borrowing capacity discussed above, to fund its capital improvement program through 2025. In addition, we will continue our 2020 infrastructure improvement investment program, estimated between \$260.0 and \$290.0 million. At our Board of Directors meeting on October 28, 2020, 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 modified cost balancing account (MCBA) was \$72.7 million as of September 30, 2020, an increase of 16.1%, or \$10.1 million, from the balance of \$62.6 million as of December 31, 2019.

Other Information

All stockholders and interested investors are invited to listen to the 2020 third quarter conference call on November 6, 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 #3858077. 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 November 6, 2020 through February 5, 2021, at 1-855-859-2056 or 1-404-537-3406, ID #3858077. 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/q32020slides.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 of Corporate Development and Chief Regulatory 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, 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: any failure by the CPUC to adopt the proposed decision as proposed; 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, including as a result of our suspension of collection activity; 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.

##

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
	2020	2019
ASSETS		
Utility plant:		
Utility plant	\$ 3,835,194	\$ 3,550,485
Less accumulated depreciation and amortization	(1,238,880)	(1,144,115)
Net utility plant	<u>2,596,314</u>	<u>2,406,370</u>
Current assets:		
Cash and cash equivalents	113,312	42,653
Receivables:		
Customers, net	53,397	32,058
Regulatory balancing accounts	54,415	38,225
Other, net	15,056	14,187
Unbilled revenue, net	46,247	34,879
Materials and supplies at weighted average cost	8,611	7,745
Taxes, prepaid expenses, and other assets	14,726	14,965
Total current assets	<u>305,764</u>	<u>184,712</u>
Other assets:		
Regulatory assets	484,435	433,322
Goodwill	30,349	2,615
Other assets	89,572	84,289
Total other assets	<u>604,356</u>	<u>520,226</u>
TOTAL ASSETS	<u>\$ 3,506,434</u>	<u>\$ 3,111,308</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value; 68,000 shares authorized, 49,840 and 48,532 outstanding in 2020 and 2019, respectively	\$ 498	\$ 485
Additional paid-in capital	422,391	362,275
Retained earnings	467,303	417,146
Total common stockholders' equity	<u>890,192</u>	<u>779,906</u>
Long-term debt, net	785,055	786,754
Total capitalization	<u>1,675,247</u>	<u>1,566,660</u>
Current liabilities:		
Current maturities of long-term debt, net	21,883	21,868
Short-term borrowings	375,100	175,100
Accounts payable	127,158	108,463
Regulatory balancing accounts	11,003	4,462
Accrued interest	14,233	5,810
Accrued expenses and other liabilities	54,446	43,018
Total current liabilities	<u>603,823</u>	<u>358,721</u>
Deferred income taxes, net	245,456	222,590
Pension and postretirement benefits other than pensions	261,081	258,907
Regulatory liabilities and other	257,054	271,831
Advances for construction	196,853	191,062
Contributions in aid of construction	266,920	241,537
Commitments and contingencies		
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 3,506,434</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:

	September 30, 2020	September 30, 2019
Operating revenue	\$ 304,108	\$ 232,537
Operating expenses:		
Operations:		
Water production costs	85,344	80,568
Administrative and General	29,208	26,779
Other operations	29,746	24,550
Maintenance	7,129	7,065
Depreciation and amortization	24,699	22,273
Income taxes	13,804	12,194
Property and other taxes	8,116	7,541
Total operating expenses	<u>198,046</u>	<u>180,970</u>
Net operating income	<u>106,062</u>	<u>51,567</u>
Other income and expenses:		
Non-regulated revenue	3,934	4,118
Non-regulated expenses	(2,865)	(4,351)
Other components of net periodic benefit cost	(1,008)	(1,857)
Allowance for equity funds used during construction	973	1,868
Income tax (expense) benefit on other income and expenses	(245)	330
Net other income	<u>789</u>	<u>108</u>
Interest expense:		
Interest Expense	11,162	10,279
Allowance for borrowed funds used during construction	(671)	(1,028)
Net interest expense	<u>10,491</u>	<u>9,251</u>
Net Income	<u>\$ 96,360</u>	<u>\$ 42,424</u>
Earnings per share		
Basic	<u>\$ 1.94</u>	<u>\$ 0.88</u>
Diluted	<u>\$ 1.94</u>	<u>\$ 0.88</u>
Weighted average shares outstanding		
Basic	<u>49,576</u>	<u>48,141</u>
Diluted	<u>49,576</u>	<u>48,141</u>
Dividends per share of common stock	<u>\$ 0.2125</u>	<u>\$ 0.1975</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(In thousands, except per share data)

For the Nine Months ended:

	September 30, 2020	September 30, 2019
Operating revenue	\$ 605,155	\$ 537,679
Operating expenses:		
Operations:		
Water production costs	210,462	190,795
Administrative and General	85,827	81,310
Other operations	69,618	64,913
Maintenance	20,924	19,212
Depreciation and amortization	73,733	66,967
Income taxes	10,489	13,524
Property and other taxes	22,470	21,902
Total operating expenses	493,523	458,623
Net operating income	111,632	79,056
Other income and expenses:		
Non-regulated revenue	11,969	14,149
Non-regulated expenses	(11,811)	(10,470)
Other components of net periodic benefit cost	(3,770)	(4,308)
Allowance for equity funds used during construction	4,292	5,087
Income tax expense on other income and expenses	(152)	(985)
Net other income	528	3,473
Interest expense:		
Interest Expense	33,573	33,532
Allowance for borrowed funds used during construction	(2,747)	(2,783)
Net interest expense	30,826	30,749
Net income	\$ 81,334	\$ 51,780
Earnings per share		
Basic	\$ 1.66	\$ 1.08
Diluted	\$ 1.66	\$ 1.08
Weighted average shares outstanding		
Basic	49,034	48,121
Diluted	49,034	48,121
Dividends per share of common stock	\$ 0.6375	\$ 0.5925



CALIFORNIA
WATER SERVICE GROUP
INVESTING FOR LIFE

Third Quarter 2020 Results Call Presentation

November 6, 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: any failure by the CPUC to adopt the proposed decision as published; 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, including as a result of our suspension of collections activities; 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



Paul Townsley
Vice President, Corporate
Development and Chief Regulatory
Officer



Dave Healey
Vice President, Controller

Presentation Overview

- Our Operating Priorities
- Recognition of 2018 GRC
- Financial Results, Q3 and YTD
- Financial Highlights, Q3 and YTD
- EPS Bridges
- Note on the Company's Earnings Power
- Continuing 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

Recognition of the 2018 California GRC

- On October 14th, the California Public Utilities Commission (“CPUC”) published a proposed decision in California Water Service Company’s (“Cal Water’s”) delayed 2018 General Rate Case (“GRC”), approving the settlement and proposing to adopt Cal Water’s positions on disputed financial matters in the case. The CPUC can vote on the proposed decision no earlier than November 19th.
- Based on the probable outcome of the GRC decision, the company has recognized three regulatory assets which had not been included in Q1 or Q2 financials:
 - A net Water Revenue Adjustment Mechanism (WRAM)/Modified Cost Balancing Account (MCBA) regulatory asset of \$28.8 million reflecting entries through the third quarter
 - A net Pension/Medical Cost Balancing Account regulatory asset of \$8.2 million
 - An Interim Rate Memorandum Account regulatory asset of \$37.6 million
- The company also reduced its estimated effective tax rate to account for the refund of \$7.1 million of excess deferred income tax embedded in the GRC proposed rates

These regulatory assets and liabilities and the effective tax rate are subject to the CPUC’s approval of the 2018 GRC proposed decision and could differ materially if the proposed decision is modified in any significant aspect by the full Commission

Financial Results: Third Quarter

(amounts are in millions, except for EPS)	Q3 2019		Q3 2020	Variance
Operating Revenue	\$232.5	▲	\$304.1	30.8%
Operating Expenses	\$181.0	▲	\$198.0	9.4%
Net Interest Expense	\$9.3	▲	\$10.5	13.4%
Net Income	\$42.4	▲	\$96.4	120.6%
EPS	\$0.88	▲	\$1.94	120.5%
Capital Investments	\$73.0	▲	\$84.7	16.0%

Financial Results: Year-to-Date

(amounts are in millions, except for EPS)	YTD 2019		YTD 2020	Variance
Operating Revenue	\$537.7	▲	\$605.2	12.5%
Operating Expenses	\$458.6	▲	\$493.5	7.6%
Net Interest Expense	\$30.7	▲	\$30.8	0.3%
Net Income	\$51.8	▲	\$81.3	57.1%
EPS	\$1.08	▲	\$1.66	53.7%
Capital Investments	\$194.9	▲	\$221.3	13.5%

Q3 Financial Highlights

Net income increased by \$54.0 million to \$96.4 million due to the recognition of the California GRC regulatory assets and lower effective tax rates, including \$43.0 million which would have been attributable to prior quarters if a timely proposed decision had been issued.

In addition, the following factors impacted the quarter:

- \$2.6 million reduction in accrued unbilled revenue as compared to 2019 unbilled revenue.
- 2020 Q3 unrealized benefit plan investment performance was \$1.2 million higher than in the third quarter of 2019.
- Other impacts for the quarter included a \$2.4 million increase in depreciation expense.

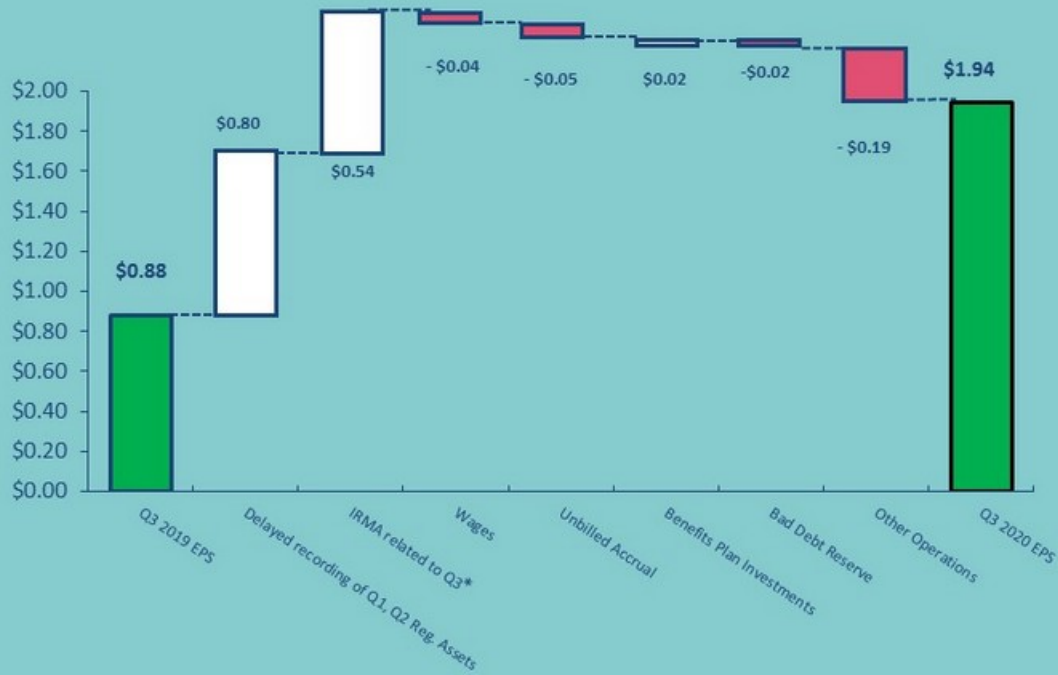
YTD Financial Highlights

Net income increased by \$29.5 million to \$81.3 million due primarily to the recognition of the interim rates memorandum account regulatory assets and lower estimated effective tax rate which we concluded was the probable outcome of the 2018 General Rate Case.

In addition:

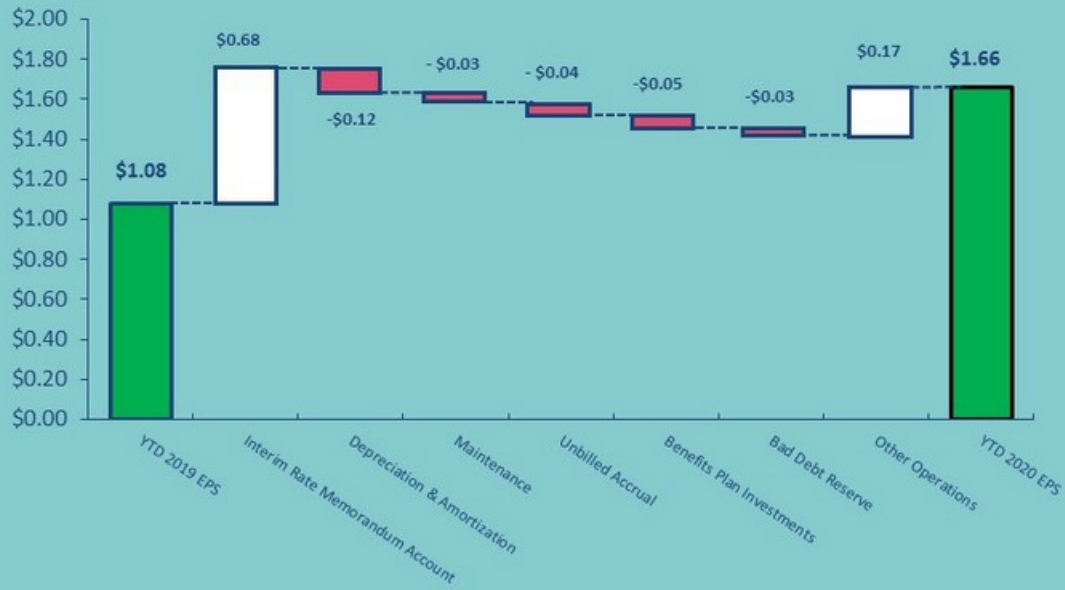
- 2020 Unrealized benefit plan investment performance was \$2.8 million lower than in the first three quarters of 2019 due to comparatively strong market conditions in 2019.
- Accrued unbilled revenue increased \$2.2 million over the same period in 2019.
- Other impacts on a year to date basis were a \$6.7 million increase in depreciation expense and \$1.7 million increase in maintenance expenses.

EPS Bridge Q3 2019 to Q3 2020



* IRMA is the interim rate memorandum account, representing rate increases which the company will recover for that time period

EPS Bridge YTD 2019 to 2020



Note on the Company's Earnings Power

- California General Rate Case, if the proposed decision is adopted, allows for net income from regulated operations in that state of \$76 million in test year 2020, reflecting the authorized equity return on approximately \$1.5 billion in rate base.
- The company's other regulated operations represent around \$110 million of rate base.
- Equity returns on regulated business are dependent on costs being in line with adopted costs. In New Mexico, Washington, and Hawaii returns are also affected by water sales. Beginning in 2023, we expect earnings in California to also be affected by water sales.
- On an annual basis, the company does not anticipate net income from changes in unbilled revenue accruals or unrealized changes in the value of certain retirement assets, though these factors are adding \$9.6 million to our year-to-date net income. Unbilled revenue accruals decline in the fourth quarter as the weather in most of our service territories cools.
- Margins on unregulated activities, recognition of regulatory assets for the equity portion of funds used during construction ("AFUDC"), and state tax timing differences can also have large effects on net income.

Continuing Impacts from COVID-19 Pandemic

- We continue to operate with enhanced safety protocols to protect customers and employees from infection.
- We have seen increased customer account aging from the suspension of collection activity.
 - Bills outstanding more than 90 days increased to \$5.4 million. Only a portion of such amounts are typically uncollectible.
 - The company has increased its reserve for doubtful accounts from \$1.6 million to \$2.7 million in the third quarter.
- All four states will continue to suspend water shutoffs through at least the end of 2020.
- Incremental COVID-19 related expenses in the third quarter were less than \$0.1 million. Regulatory Commissions in Hawaii and California have allowed accounting to track and potentially recover incremental operating expenses related to the pandemic.
- Water sales in aggregate have been close to adopted levels (95% of adopted sales in California), with increases in residential usage being offset by lower business, industrial, and public authority sales.
- Liquidity remains strong. As of September 30, we had \$113 million of cash and additional current capacity of more than \$170 million on lines of credit, subject to meeting borrowing conditions.

California Regulatory Update

- As discussed above, the CPUC issued a proposed decision in Cal Water's 2018 GRC adopting the settlement and Cal Water's positions on monetary disputed items. The Commission cannot vote on the proposed decision until November 19, 2020.
- As previously disclosed, the CPUC adopted a policy decision on August 27, 2020 which bars Cal Water from requesting continuation of its WRAM/MCBA decoupling mechanism in the 2021 GRC affecting years 2023-2025.
 - Cal Water has filed an appeal to the Decision, known as a request for rehearing, but the appeal is unlikely to be ruled upon until after the deadline for filing the 2021 GRC.



YTD Capital Investment Update

- Company and developer-funded capital investments were \$221.3 million in the first three quarters of 2020, an increase of 13.5% compared to the same period in 2019.
- The Company has previously estimated it would spend \$260-290 million on capital in 2020.
- On October 13, 2020, Cal Water announced it had completed and activated service on the Palos Verdes Peninsula Water Reliability Project, the largest capital project in the company's history.
- On November 5, 2020, the CPUC adopted a decision granting Cal Water's request for \$700 million of additional financing authority which is expected to be used to help finance the company's approved and projected capital programs through 2025 or later.

Business Development Q3 Update

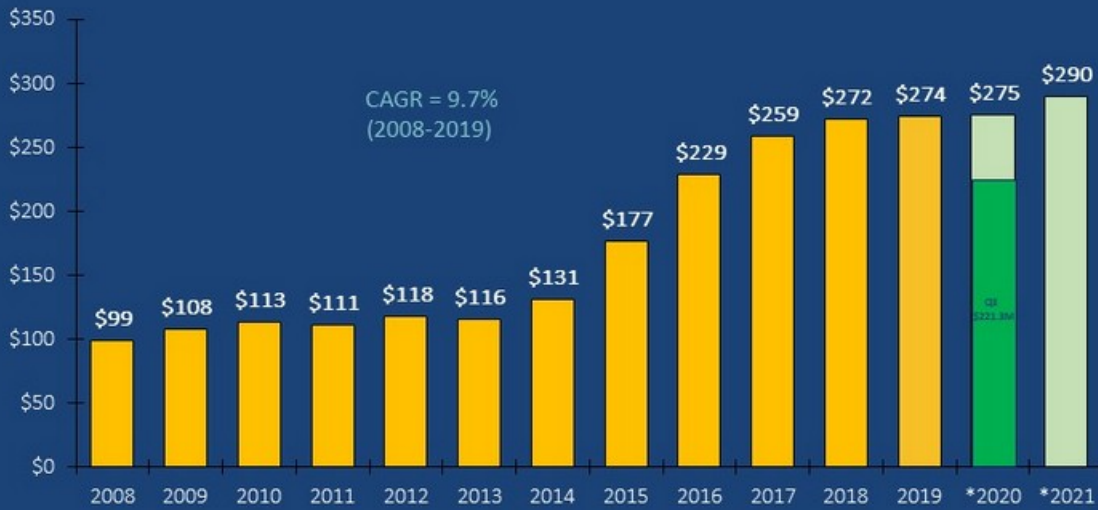
- On October 5, 2020, the company announced it had signed an agreement to acquire the Animas Valley water system in northwest New Mexico, subject to government approvals and a number of closing conditions. Animas Valley serves approximately 2,000 water service connections near Farmington.
- On November 3, 2020, the company announced it had closed the purchase of Kalaeloa water and wastewater on the island of Oahu. Kalaeloa currently serves 140 water and 80 wastewater customers in a growing area west of Honolulu.
- On October 29, 2020 the company announced an agreement to acquire the wastewater assets of Gunner Ranch West in Madera County California subject to closing conditions. The wastewater system will serve a hospital and is expected to serve a future growth area of up to 2,840 residential units.
- The Gunner system adds to Cal Water's presence in Madera County, where it has applied to the CPUC to provide water and wastewater services for the Preserve, a planned development of up to 1,400 residential units, and where it is providing operations and maintenance services for the water and wastewater systems of Tesoro Viejo, a planned development of up to 5,190 residential units.
- Hawaii Water Service continues to work with regulators for approval of its Kapalua (Maui) water and wastewater change of control application, anticipating completion by Q1 2021.

YTD Development Activity Matrix 2020

System	Water Connections	Wastewater Connections	Total	Status
Rainier View Water (WA)	18,500		18,500	Closed June 1, 2020
Kalaeloa Water (HI)	140	80	220	Closed November 3, 2020
Kapalua Water and Wastewater (HI)	500	500	1,000	Pending Regulatory Approval/Est close Q1 2021
The Preserve at Millerton (CA)	Future up to 1,400	Future up to 1,400	Future up to 2,800	Pending Regulatory Approval
Gunner Ranch Wastewater (CA)		Future up to 2,840	Future up to 2,840	Announced
Animas Valley (NM)	2,000		2,000	Announced

Capital Investment History and Projection

(in millions)



*2020-2021 are the midpoints of the company's current estimates, pending the adoption of the proposed decision in the 2018 California GRC, and investments in other jurisdictions.

Estimated Regulated Rate Base of CWT

(in millions)



*2020-2022 shows rate base included in the California GRC proposed decision which is subject to final approval by the CPUC plus that in other jurisdictions. Advice Letter values reflect authorized amounts which would be included only after projects are complete and in service. Rate Base values for 2021 and 2022 assume Cal Water is eligible for all escalation rate increases included in the proposed decision. Escalation increases are subject to an earnings test.

Wrapping Up and Look Ahead

- Finish line is in sight for the 2018 California GRC. We'll be working to confirm it is completed consistent with the Proposed Decision.
- 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.





CALIFORNIA
WATER SERVICE GROUP
INVESTING FOR LIFE

Discussion

