

REFINITIV

DELTA REPORT

10-Q

CWT - CALIFORNIA WATER SERVICE

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1350

█	CHANGES	194
█	DELETIONS	610
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2023** **March 31, 2024**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number **1-13883**

CALIFORNIA WATER SERVICE GROUP

(Exact name of registrant as specified in its charter)

Delaware

77-0448994

(State or other jurisdiction

(I.R.S. Employer Identification No.)

of incorporation or organization)

**1720 North First Street
San Jose, California 95112**

(Address of principal executive offices)

408-367-8200

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of Each Class:	Trading Symbol(s)	Name of Each Exchange on Which Registered:
Common Stock, \$0.01 par value per share	CWT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to **submit** submit such **files**). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act) Yes No

As of **September 30, 2023** — **April 22, 2024**, there were approximately **57,711,000** **57,754,106** shares of the registrant's common stock outstanding.

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PART I—FINANCIAL INFORMATION

Item 1.

FINANCIAL STATEMENTS

The condensed consolidated financial statements presented in this filing on Form 10-Q have been prepared by management and are unaudited.

CALIFORNIA WATER SERVICE GROUP CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited (In thousands, except per share data)

September	December	March	
30,	31,	31,	December 31,
2023	2022	2024	2023

ASSETS	ASSETS
Utility plant:	Utility plant:
Utility plant:	
Utility plant:	
Utility plant	Utility plant \$4,817,310 \$4,536,272
Less accumulated depreciation and amortization	Less accumulated depreciation and amortization (1,568,986) (1,477,402)
Net utility plant	Net utility plant 3,248,324 3,058,870
Current assets:	Current assets:
Cash and cash equivalents	Cash and cash equivalents 34,735 62,100
Cash and cash equivalents	
Cash and cash equivalents	
Restricted cash	Restricted cash 34,315 22,925
Receivables:	Receivables:
Customers, net	
Customers, net	
Customers, net	Customers, net 78,561 55,079
Regulatory balancing accounts	Regulatory balancing accounts 52,918 66,826
Other, net	Other, net 21,766 20,932
Unbilled revenue, net	Unbilled revenue, net 45,178 33,140
Materials and supplies	Materials and supplies 15,454 12,564
Taxes, prepaid expenses, and other assets	Taxes, prepaid expenses, and other assets 19,355 21,969
Total current assets	Total current assets 302,282 295,535
Other assets:	Other assets:

Regulatory assets	Regulatory assets	265,630	283,620
Regulatory assets			
Regulatory assets			
Goodwill	Goodwill	36,814	36,814
Other assets		188,311	175,913
Other			
Total other assets	Total other assets	490,755	496,347
TOTAL ASSETS	TOTAL ASSETS	\$4,041,361	\$3,850,752
CAPITALIZATION AND LIABILITIES			
Capitalization:	Capitalization:		
Common stock, \$0.01 par value; 136,000 shares authorized, 57,711 and 55,598 outstanding in 2023 and 2022, respectively		\$ 577	\$ 556
Capitalization:			
Common stock, \$0.01 par value; 136,000 shares authorized, 57,754 and 57,724 outstanding on March 31, 2024 and December 31, 2023, respectively			
Common stock, \$0.01 par value; 136,000 shares authorized, 57,754 and 57,724 outstanding on March 31, 2024 and December 31, 2023, respectively			
Common stock, \$0.01 par value; 136,000 shares authorized, 57,754 and 57,724 outstanding on March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	875,640	760,336
Retained earnings	Retained earnings	534,451	556,698
Accumulated other comprehensive loss			
Noncontrolling interests	Noncontrolling interests	4,327	4,804
Total equity	Total equity	1,414,995	1,322,394
Long-term debt, net	Long-term debt, net	1,051,846	1,052,487

Total capitalization	Total capitalization	2,466,841	2,374,881
Current liabilities:			
Current maturities of long-term debt, net			
Current maturities of long-term debt, net	Current maturities of long-term debt, net	1,823	3,310
Short-term borrowings	Short-term borrowings	115,000	70,000
Accounts payable	Accounts payable	152,869	140,986
Regulatory balancing accounts	Regulatory balancing accounts	26,458	12,240
Accrued interest	Accrued interest	17,589	6,490
Accrued expenses and other liabilities	Accrued expenses and other liabilities	67,401	61,624
Total current liabilities	Total current liabilities	381,140	294,650
Deferred income taxes	Deferred income taxes	332,869	330,251
Regulatory liabilities and other			
Pension	Pension	80,674	78,443
Regulatory liabilities and other			
Advances for construction			
Advances for construction			
Advances for construction	Advances for construction	200,716	199,832
Contributions in aid of construction	Contributions in aid of construction	289,990	285,401
Commitments and contingencies (Note 10)			
Commitments and contingencies (Note 9)	Commitments and contingencies (Note 9)		

TOTAL CAPITALIZATION AND LIABILITIES	TOTAL CAPITALIZATION AND LIABILITIES	\$4,041,361	\$3,850,752
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See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 Unaudited (In thousands, except per share data)

	Three Months Ended March 31,	
	2024	2023
Operating revenue	\$ 270,749	\$ 131,100
Operating expenses:		
Operations:		
Water production costs	64,185	55,008
Administrative and general	35,596	35,986
Other operations	26,925	16,604
Maintenance	8,010	7,978
Depreciation and amortization	32,844	29,915
Income tax expense (benefit)	15,538	(5,644)
Property and other taxes	9,757	8,777
Total operating expenses	<u>192,855</u>	<u>148,624</u>
Net operating income (loss)	<u>77,894</u>	<u>(17,524)</u>
Other income and expenses:		
Non-regulated revenue	5,098	4,623
Non-regulated expenses	(1,954)	(2,275)
Other components of net periodic benefit credit	3,273	5,221
Allowance for equity funds used during construction	1,742	1,404
Income tax expense on other income and expenses	(1,321)	(1,794)
Net other income	<u>6,838</u>	<u>7,179</u>
Interest expense:		
Interest expense	15,800	12,818
Allowance for borrowed funds used during construction	(758)	(829)

Net interest expense		15,042	11,989	
Net income (loss)		69,690	(22,334)	
Net loss attributable to noncontrolling interests		(227)	(123)	
Net income (loss) attributable to California Water Service Group	\$	69,917	\$	(22,211)
Earnings (loss) per share:				
Basic		\$ 1.21	\$ (0.40)	
Diluted		\$ 1.21	\$ (0.40)	
Weighted average shares outstanding:				
Basic		57,733	55,666	
Diluted		57,774	55,666	

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited (In thousands, except per share data)

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Operating revenue	\$ 254,976	\$ 266,307	\$ 580,120	\$ 645,494
Operating expenses:				
Operations:				
Water production costs	92,347	88,750	218,222	221,195
Administrative and general	34,216	33,328	105,177	99,425
Other operations	32,331	26,676	74,758	81,945
Maintenance	8,930	8,433	24,063	23,389
Depreciation and amortization	29,897	28,844	89,636	86,387
Income tax expense (benefit)	3,949	5,890	(1,366)	5,927
Property and other taxes	9,832	9,440	27,731	25,853
Total operating expenses	211,502	201,361	538,221	544,121
Net operating income	43,474	64,946	41,899	101,373
Other income and expenses:				

Non-regulated revenue	4,535	4,573	13,643	16,772
Non-regulated expenses	(5,992)	(6,905)	(11,224)	(22,432)
Other components of net periodic benefit credit	4,776	3,737	14,753	11,516
Allowance for equity funds used during construction	1,387	1,004	4,146	3,021
Income tax expense on other income and expenses	(1,063)	(353)	(4,302)	(1,210)
Net other income	3,643	2,056	17,016	7,667
Interest expense:				
Interest expense	13,482	11,891	39,791	34,972
Allowance for borrowed funds used during construction	(690)	(572)	(2,314)	(1,724)
Net interest expense	12,792	11,319	37,477	33,248
Net income	34,325	55,683	21,438	75,792
Net loss attributable to noncontrolling interests	(113)	\$ (189)	(345)	(650)
Net income attributable to California Water Service Group	\$ 34,438	\$ 55,872	\$ 21,783	\$ 76,442
Earnings per share of common stock:				
Basic	\$ 0.60	\$ 1.03	\$ 0.38	\$ 1.41
Diluted	\$ 0.60	\$ 1.03	\$ 0.38	\$ 1.41
Weighted average shares outstanding:				
Basic	57,704	54,007	56,695	54,063
Diluted	57,740	54,042	56,731	54,104

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

CALIFORNIA WATER SERVICE GROUP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (In thousands)

For the nine months ended	September	
	September 30, 2023	30, 2022

		Three Months Ended March 31,		Three Months Ended March 31,
		2024		2024 2023
Operating activities:	Operating activities:	Operating activities:		
Net income		\$ 21,438	\$ 75,792	
Adjustments to reconcile net income to net cash provided by operating activities:				
Net income (loss)				
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				Adjustments to reconcile net income (loss) to net cash provided by operating activities:
Depreciation and amortization	Depreciation and amortization	91,131	88,488	
Change in value of life insurance contracts	Change in value of life insurance contracts	(712)	9,319	
Allowance for equity funds used during construction	Allowance for equity funds used during construction	(4,146)	(3,021)	
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:			Changes in operating assets and liabilities:
Receivables and unbilled revenue	Receivables and unbilled revenue	(6,063)	(67,277)	

Water Arrearages Payment			
Program cash received	—	20,836	
Water Arrearages Payment			
Program cash returned	—	(3,609)	
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	8,865	1,055
Other current assets	Other current assets	(356)	3,293
Other current liabilities	Other current liabilities	14,791	22,447
Other changes in noncurrent assets and liabilities	Other changes in noncurrent assets and liabilities	18,560	52,518
Net cash provided by operating activities	Net cash provided by operating activities	143,508	199,841
Investing activities:	Investing activities:	Investing activities:	
Utility plant expenditures	Utility plant expenditures	(274,129)	(222,088)
Life insurance proceeds	Life insurance proceeds	—	6,688
Purchase of life insurance contracts	Purchase of life insurance contracts	(2,681)	(6,688)
Asset acquisitions	Asset acquisitions	(2,816)	(6,319)
Net cash used in investing activities	Net cash used in investing activities	(279,626)	(228,407)

Financing activities:	Financing activities:	Financing activities:	
Short-term borrowings, net of issuance costs of \$1,552 for 2023 and \$0 for 2022		163,448	95,000
Short-term borrowings, net of debt issuance costs of \$0 for 2024 and \$1,552 for 2023			
Repayment of short-term borrowings	Repayment of short-term borrowings	(120,000)	(60,000)
Repayment of long-term debt	Repayment of long-term debt	(1,546)	(1,575)
Advances and contributions in aid of construction	Advances and contributions in aid of construction	16,707	18,785
Refunds of advances for construction	Refunds of advances for construction	(6,881)	(6,854)
Repurchase of common stock	Repurchase of common stock	(1,740)	(1,891)
Issuance of common stock, net		114,473	58,709
Issuance of common stock			
Dividends paid	Dividends paid	(44,030)	(40,471)
Distribution to noncontrolling interest		(288)	(348)
Others			
Net cash provided by financing activities			
Net cash provided by financing activities			

Net cash provided by financing activities	Net cash provided by financing activities	120,143	61,355
Change in cash, cash equivalents, and restricted cash	Change in cash, cash equivalents, and restricted cash		
		(15,975)	32,789
Cash, cash equivalents, and restricted cash at beginning of period	Cash, cash equivalents, and restricted cash at beginning of period	85,025	80,653
Cash, cash equivalents, and restricted cash at end of period	Cash, cash equivalents, and restricted cash at end of period	\$ 69,050	\$ 113,442
Supplemental information:	Supplemental information:	Supplemental information:	
Cash paid for interest (net of amounts capitalized)	Cash paid for interest (net of amounts capitalized)	\$ 25,945	\$ 19,178
Supplemental disclosure of non-cash activities:	Supplemental disclosure of non-cash activities:	Supplemental disclosure of non-cash activities:	
Accrued payables for investments in utility plant	Accrued payables for investments in utility plant	\$ 51,435	\$ 61,944
Utility plant contribution by developers	Utility plant contribution by developers	\$ 19,979	\$ 15,476

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

CALIFORNIA WATER SERVICE GROUP

Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2023 March 31, 2024

Dollar amounts in thousands, unless otherwise stated

Note 1. Organization and Operations and Basis of Presentation

California Water Service Group (Company) is a holding company that provides water utility and other related services in California, Washington, New Mexico, Hawaii, and Texas through its wholly-owned and non-wholly owned subsidiaries. California Water Service Company (Cal Water), Washington Water Service Company (Washington Water), New Mexico Water Service Company (New Mexico Water), and Hawaii Water Service Company, Inc. (Hawaii Water) provide regulated utility services under the rules and regulations of their respective state's regulatory commissions (jointly referred to as the Commissions). CWS Utility Services and HWS Utility Services LLC provide non-regulated water utility and utility-related services. TWSC, Inc. (Texas Water) holds a majority investment in a holding company that owns and operates regulated and contracted wastewater utilities.

The Company operates in one reportable segment, providing water and water related water-related utility services.

Basis of Presentation

The unaudited condensed interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission (SEC) and therefore do not contain all of the information and footnotes required by GAAP and the SEC for annual financial statements. Interim financial information includes the Company's Company's accounts and those of its wholly and non-wholly owned subsidiaries. The non-wholly owned subsidiary was consolidated using the voting interest model as the Company owns a majority of the non-wholly owned subsidiary's subsidiary's voting interests. The interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 as filed with the SEC on March 1, 2023 February 29, 2024.

The preparation of the Company's unaudited condensed consolidated interim financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses for the periods presented. These include, but are not limited to, estimates and assumptions used in determining the Company's regulatory asset and liability balances based upon probability assessments of regulatory recovery, utility plant useful lives, revenues earned but not yet billed, asset retirement obligations, allowance for credit losses, pension and other employee benefit plan liabilities, and income tax-related assets and liabilities. Actual results could materially differ from these estimates.

In the opinion of management, the accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of normal recurring transactions that are necessary to provide a fair presentation of the results for the periods covered.

Due to the seasonal nature of the water business, the results for interim periods are not indicative of the results for a 12-month period. Revenue and income are generally higher in the warm, dry summer months when water usage

and sales are greater. Revenue and income are generally lower in the winter months when cooler temperatures and rainfall curtail water usage and sales.

Noncontrolling Interests

Noncontrolling interests in the Company's condensed consolidated financial statements represents a 5.5%^{7.4%} interest not owned by Texas Water in a consolidated subsidiary. Texas Water obtained control over the subsidiary on May 1, 2021. Since the Company controls this subsidiary, its financial statements are consolidated with those of the Company, and the noncontrolling owner's 5.5%^{7.4%} share of the subsidiary's net assets and results of operations is deducted and reported as noncontrolling interests on the condensed consolidated balance sheet Condensed Consolidated Balance Sheet and as net loss attributable to noncontrolling interests in the condensed consolidated statement Condensed Consolidated Statement of operations. Operations. The Company reports noncontrolling interests in consolidated entities as a component of equity separate from the Company's equity. The Company's net income (loss) attributable to California Water Service Group excludes the net loss attributable to the noncontrolling interests.

Note 2. Summary of Significant Accounting Policies

Operating revenue Revenue

The following tables disaggregates the Company's operating revenue by source for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Three Months Ended September 30	
	2023	2022
Revenue from contracts with customers	\$ 253,337	\$ 238,268
Regulatory balancing account revenue	1,639	28,039
Total operating revenue	\$ 254,976	\$ 266,307

Nine Months Ended			
September 30			
2023	2022		
Three Months Ended March			
31,			
2024	2024	2024	2023

Revenue from contracts with customers	Revenue from contracts with customers	\$592,768	\$595,860
Regulatory balancing account revenue	Regulatory balancing account revenue	(12,648)	49,634
Total operating revenue	Total operating revenue	<u>\$580,120</u>	<u>\$645,494</u>

Revenue from contracts with customers

The Company principally generates operating revenue from contracts with customers by providing regulated water and wastewater services at tariff-rates authorized by the Commissions in the states in which they operate and non-regulated water and wastewater services at rates authorized by contracts with government agencies. Revenue from contracts with customers reflects amounts billed for the volume of consumption at authorized per unit rates, for a service charge, and for other authorized charges.

The Company satisfies its performance obligation to provide water and wastewater services over time as services are rendered. The Company applies the invoice practical expedient and recognizes revenue from contracts with customers in the amount for which the Company has a right to invoice. The Company has a right to invoice for the volume of consumption, for the service charge, and for other authorized charges.

The measurement of sales to customers is generally based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, the Company estimates consumption since the date of the last meter reading and the corresponding unbilled revenue is recognized. The estimate is based upon the number of unbilled days that month and the average daily customer billing rate from the previous month (which fluctuates based upon customer usage).

Contract terms are generally short-term and at will by customers and, as a result, no separate financing component is recognized for the Company's collections from customers, which generally require payment within 30 days of billing. The Company applies judgment, based principally on historical payment experience, in estimating its customers' ability to pay.

Certain customers are not billed for volumetric consumption, but are instead billed a flat rate at the beginning of each monthly service period. The amount billed is initially deferred and subsequently recognized over the monthly service period, as the performance obligation is satisfied. The deferred revenue balance or contract liability, which is included in "accrued expenses and other liabilities" on the unaudited condensed consolidated balance sheets, Condensed Consolidated Balance Sheets, is inconsequential.

In the following **tables**, revenue from contracts with customers is disaggregated by class of customers for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022**:

	Three Months Ended September 30	
	2023	2022
	\$	\$
Residential	\$ 150,031	\$ 140,585
Business	47,707	44,031
Multiple residential	18,778	17,333
Industrial	8,165	8,086
Public authorities	14,522	13,441
Other (a)	14,134	14,792
Total revenue from contracts with customers	\$ 253,337	\$ 238,268

	Nine Months Ended September 30	
	2023	2022
	\$	\$
Residential	\$ 342,806	\$ 348,965
Business	117,527	115,472
Multiple residential	50,280	48,343
Industrial	19,672	20,174
Public authorities	29,938	31,310
Other (a)	32,545	31,596
Total revenue from contracts with customers	\$ 592,768	\$ 595,860

	Three Months Ended March 31	
	2024	2023
	\$	\$
Residential	\$ 92,492	\$ 84,035
Business	34,549	31,974
Multiple residential	16,869	14,997
Industrial	6,640	5,634
Public authorities	6,962	6,425
Other (a)	(2,612)	2,160
Total revenue from contracts with customers	\$ 154,900	\$ 145,225

(a) Other includes accrued unbilled revenue.

Regulatory balancing account revenue

Regulatory balancing account revenue is revenue related to revenue mechanisms authorized in California by the California Public Utilities Commission (CPUC), which allow. For certain revenue mechanisms, the Company to recognize recognizes revenue when it is objectively determinable, probable of recovery and expected to be collected within 24 months following the end of the accounting period, and are not considered contracts with customers and are not included in the total revenue from contracts with customers in the table above. To the extent that revenue is estimated to be collectible beyond 24 months, recognition is deferred. Due to a delay These mechanisms include the Monterey-Style Water Revenue Adjustment Mechanism (MWRAM) which was approved in resolution of the Cal Water's most recent Cal Water General Rate Case (GRC) filing in July 2021 (2021 GRC Filing), GRC in March of 2024. The MWRAM tracks the difference between the revenue received for actual metered sales through the tiered volumetric rate and the revenue that would have been received with the same actual metered sales if a uniform rate had been in effect. The MWRAM is effective retroactive to January 1, 2023. In the first quarter of 2024, the Company did not recognize a benefit from any regulatory recorded \$31.1 million of revenue for the MWRAM.

These mechanisms in the first nine months of 2023. For 2022, the Company's authorized regulatory revenue mechanisms included also include the Water Revenue Adjustment Mechanism (WRAM).

The WRAM which decoupled revenue from the volume of the sales and allowed the Company to recognize the adopted level of volumetric revenues. The variance between adopted volumetric revenues and actual billed volumetric revenues for metered accounts was recorded as regulatory balancing account revenue. The WRAM concluded on December 31, 2022.; however, the Company has a net WRAM receivable balance for which the Company continues to defer revenue recognition for amounts estimated to be collected beyond 24 months following the end of the accounting period. The Company intends to apply the proceeds from the California Extended Water and Wastewater Arrearages Payment Program (Extended Program) to eligible customer WRAM balances.

Regulatory balancing accounts also includes include revenue that is recognized for balancing and memorandum accounts when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process. These mechanisms, such as the Modified Cost Balancing Account (MCBA), Conservation Expense Balancing Account (CEBA), Pension Cost Balancing Account (PCBA), and Health Cost Balancing Account (HCBA), generally provide for recovery As a result of the adopted levels delay in the approval of expenses for purchased water, purchased power, pump taxes, water conservation program costs, pension, and health care. the 2021 GRC, the CPUC authorized Cal Water to track the effect of the delay on customer billings in an Interim Rates Memorandum Account (IRMA) effective January 1, 2023. Variances between adopted actual customer billings and actual costs were those that would have been billed assuming the 2021 GRC had been implemented on January 1, 2023 are recorded as regulatory balancing account revenue. The 2021 GRC was approved in March of 2024 and final authorized rates have not yet been implemented as of March 31, 2024; as a result, Cal Water calculated and recorded this difference for all of 2023 and the first three months of 2024. Cal Water determined that the IRMA met regulatory asset recognition criteria under accounting standards for regulated utilities. In the first quarter of 2024, the Company recorded \$80.7 million of revenue in 2022. In 2023, in connection with for the CPUC's decision to discontinue the use of the WRAM, the variances for CEBA, HCBA, and PCBA are recorded against the originating expense. The MCBA concluded on December 31, 2022.

The CPUC issued a decision effective August 27, 2020 requiring that Class A companies submitting GRC filings after the effective date be (i) precluded from proposing the use of a full decoupling WRAM in their next GRCs and (ii) allowed the use of Monterey-Style Water Revenue Adjustment Mechanisms (MWRAM). In addition, the CPUC's decision allowed for Incremental Cost Balancing Accounts (ICBAs) to replace the MCBA. The MWRAM tracks the difference between the revenue received for actual metered sales through the tiered volumetric rate and the revenue that would have been received with the same actual metered sales if a uniform rate had been in effect. The ICBA tracks differences between the authorized per-unit prices of water production costs and actual per-unit prices of water production costs. Cal Water complied with this decision in its 2021 GRC Filing and expects the MWRAM and ICBAs to be approved and effective retroactive to January 1, 2023. For the first nine months of 2023, the Company did not record a regulatory asset or regulatory liability for the MWRAM or ICBAs.

Non-regulated Non-Regulated Revenue

The following tables disaggregate table disaggregates the Company's non-regulated revenue by source for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Three Months Ended September 30	
	2023	2022
Operating and maintenance revenue	\$ 2,918	\$ 3,184
Other non-regulated revenue	972	720
Non-regulated revenue from contracts with customers	3,890	3,904
Lease revenue	645	669
Total non-regulated revenue	\$ 4,535	\$ 4,573

	Nine Months Ended	
	September 30	
	2023	2022
Three Months Ended March		
31,		
	2024	2024
Three Months Ended March 31,		
		2023

Operating and maintenance revenue	Operating and maintenance revenue	\$ 9,229	\$ 9,822
Other non-regulated revenue	Other non-regulated revenue	2,553	4,951
Non-regulated revenue from contracts with customers	Non-regulated revenue from contracts with customers	11,782	14,773
Lease revenue	Lease revenue	1,861	1,999
Total non-regulated revenue	Total non-regulated revenue	\$13,643	\$16,772

Operating and maintenance services are provided for non-regulated water and wastewater systems owned by private companies and municipalities. The Company negotiates formal agreements with the customers under which **they provide** the Company provides operating, maintenance and customer billing services related to the customers' water system. The formal agreements outline the fee schedule for the services provided. The agreements typically call for a fee-per-service or a flat-rate amount per month. The Company satisfies its performance obligation of providing operating and maintenance services over time as services are rendered; as a result, the Company employs the invoice practical expedient and recognizes revenue in the amount that it has the right to invoice. Contract terms are generally short-term and, as a result, no separate financing component is recognized for its collections from customers, which generally require payment within 30 days of billing.

Other non-regulated revenue primarily relates to services for the design and installation of water mains and other water infrastructure for customers outside the regulated service areas and insurance program administration. **During the first nine months of 2022, the Company recorded a gain of \$2.7 million related to company owned life insurance.**

Lease revenue is not considered revenue from contracts with customers and is recognized following operating lease standards. The Company is the lessor in operating lease agreements with telecommunications companies under which cellular phone antennas are placed on the Company's **Company's** property.

Allowance for credit losses **Credit Losses**

The Company measures expected credit losses for Customer Receivables, Other Receivables, and Unbilled Revenue on an aggregated level. These receivables are generally trade receivables due in one year or less or expected to be billed and collected in one year or less. The expected credit losses for Other Receivables and

Unbilled Revenue are inconsequential. Customer receivables include receivables for water and wastewater services provided to residential customers, business, industrial, public authorities, and other customers. The expected credit losses for business, industrial, public authorities, and other customers are inconsequential. The overall risks related to the Company's receivables are low as water and wastewater services are seen as essential services. The estimate for the allowance for credit losses is based on a historical loss ratio, in conjunction with a qualitative assessment of elements that impact the collectability of receivables to determine if the allowance for credit losses should be further **adjusted**. Management's assessment **adjusted in accordance with the accounting guidance for credit losses**. Management **contemplates** available current information such as changes in economic factors, regulatory matters, industry trends, payment options and programs available to customers, and the methods that the Company is able to **utilize** to ensure payment.

The Company reviews its allowance for credit losses utilizing a quantitative assessment, which includes a trend analysis of customer billings and collections, agings by customer class, and unemployment rates. The Company also utilizes a qualitative assessment, which considers the future collectability on customer outstanding balances, **management's management's** estimate of the cash recovery, and a general assessment of the economic conditions in the locations the Company serves. Based on these assessments, the Company adjusts its allowance for credit losses. The Company has also taken into account \$82.0 million of funds that the Company received in April of 2024 from the Extended Program for eligible customers in California (refer to Note 11, "Subsequent Events" for more details). The Extended Program was created by the California Legislature, and is administered by the State Water Resources Control Board (Water Board) and provides relief to community water and wastewater systems for unpaid bills – arrearages – related to the COVID-19 pandemic. Based on the above assessments, the Company adjusted its allowance for credit losses accordingly.

The following table presents the activity in the allowance for credit losses for the **9-month period** **three months ended September 30, 2023** **March 31, 2024** and **12-month period** **twelve months ended December 31, 2022** **December 31, 2023**:

Allowance for credit losses		September 30, 2023	December 31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023
Beginning balance	Beginning balance	\$ 5,629	\$ 3,743		
Provision for credit loss	Provision for credit loss				
expense	expense	3,274	5,887		
Write-offs	Write-offs	(4,527)	(4,380)		
Recoveries	Recoveries	413	379		

Total ending allowance balance	Total ending allowance balance	\$ 4,789	\$ 5,629
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Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash within the Condensed Consolidated Balance Sheets that sum to the total of the same such amounts shown on the Condensed Consolidated Statements of Cash Flows (see Note 109 for further details on restricted cash):

	September December		March 31, 2024	December 31, 2023
	30, 2023	31, 2022		
Cash and cash equivalents	Cash and cash equivalents	\$ 34,735	\$ 62,100	
Restricted cash	Restricted cash	34,315	22,925	
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	\$ 69,050	\$ 85,025	

Earnings (Loss) per Share

Note 3. Stock-based Compensation

The Company's equity incentive plan was approved and amended by stockholders on April 27, 2005 and May 20, 2014, respectively. The Company is authorized to issue awards up to 2,000,000 shares. Basic earnings (loss) per share of common stock.

During stock is computed by dividing the first nine months net income (loss) attributable to California Water Service Group by the weighted average number of 2023 common shares outstanding during the Company granted period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts were exercised or converted into common stock. Restricted Stock Awards (RSAs) are included in the common shares outstanding because the shares have all the same voting and dividend rights as issued and unrestricted common stock.

New Accounting Standards and SEC Rules

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for the Company's annual periods beginning January 1, 2024, and for interim periods beginning January 1, 2025, with early adoption permitted. The guidance requires retrospective presentation of all prior periods presented in the financial statements. The Company is currently evaluating the potential effect that the updated standard will have on its financial statement disclosures and does not expect to early adopt.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures to expand the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for the Company's annual periods beginning January 1, 2025, with early adoption permitted. The guidance is applied prospectively with the option of retrospective application for each period presented. The Company is currently evaluating the potential effect that the updated standard will have on its financial statement disclosures and does not expect to early adopt.

In March 2024, the SEC issued SEC Release No. 33-11275, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*. The final rules enhance disclosures related to the risks and impacts of climate-related matters and, in April 2024, the SEC voluntarily stayed the new rules as a result of pending legal challenges. The new rules, if they become effective as adopted, would require various disclosures related to climate-related risks if those risks could have a material impact on the Company's business, results of operations, or financial condition. Required disclosures would also include information about the Company's greenhouse gas emissions, if material. In addition, the rules would require disclosure of certain climate-related financial metrics in the Company's financial statements. The final rules, if they become effective as adopted, would be effective no earlier than the Company's Annual Report on Form 10-K for the year ending December 31, 2025. The Company is currently evaluating the potential effect that the rules will have on its financial statement disclosures.

Note 3. Stock-Based Compensation.

For the three months ended March 31, 2024, the Company did not grant any RSAs of common stock to Officers and or to members of the Board of Directors. An Directors (Directors). Generally, an RSA share represents the right to receive a restricted share of the Company's common stock and is valued based on the fair market value of the Company's common stock at the date of grant. RSAs granted to Officers vest over 36 months with the first year cliff vesting. In general, RSAs granted to Board members the Directors vest at the end of 12 months. The RSAs are recognized as expense evenly over 36 months for the shares granted to Officers and 12 months for the shares granted to Board members. the Directors. As of September 30, 2023 March 31, 2024, there was approximately \$2.3 \$1.3 million of total unrecognized compensation cost related to RSAs. The cost is expected to be recognized over a weighted average period of 1.7 1.6 years.

A summary of the status of the outstanding RSAs as of September 30, 2023 March 31, 2024 is presented below:

	Number of RSA Shares	Weighted-Average Grant-Date Fair Value
RSAs at January 1, 2023	52,066	\$ 55.77
Granted	43,834	55.38
Vested	(37,210)	55.76
Forfeited	(2,025)	55.59
RSAs at September 30, 2023	<u>56,665</u>	<u>\$ 55.50</u>

	Number of RSA Shares	Weighted-Average Grant-Date Fair Value
RSAs at January 1, 2024	53,303	\$ 55.48
Vested	(28,843)	55.23
RSAs at March 31, 2024	<u>24,460</u>	<u>\$ 55.78</u>

During the first nine months of 2023, ended March 31, 2024, the Company granted did not grant any performance-based Restricted Stock Units (RSUs) to Officers. Generally, a RSU represents the right to receive a share of the Company's common stock. Each award reflects a target number of shares of common stock that may be issued to the award recipient. The 2023 awards may be earned upon the completion of a 3-year performance period. Whether RSUs are earned at the end of the performance period will be determined based on the achievement of certain performance objectives set by the Organization and Compensation Committee of the Board of Directors in connection with the issuance of the RSUs. The performance objectives are based on the Company's business plan covering the performance period. The performance objectives include achieving the budgeted return on equity, growth in stockholders' equity, and environmental, social, and governance targets. Depending on the results achieved during the 3-year performance period, the actual number of shares that a grant recipient receives at the end of the performance period may range from 0% to 200% of the target shares granted, provided that the grantee is continuously employed by the Company through the vesting date. If prior to the vesting date employment is terminated by reason of death, disability or normal retirement, then a pro rata portion of this award will vest. The RSUs are recognized as expense ratably over the 3-year performance period using the fair market value of the Company's common stock at the date of grant and an estimated number of RSUs that will vest during the performance period. As of September 30, 2023, there was approximately \$2.9 million of total unrecognized compensation cost related to RSUs. The cost is expected to be recognized over a weighted average period of 2.0 years.

A summary of the status of outstanding RSUs as of **September 30, 2023** **March 31, 2024** is presented below:

	Number of RSU Shares	Weighted-Average Grant-Date Fair Value
RSUs at January 1, 2023	92,625	\$ 54.06
Granted	43,633	55.48
Performance criteria adjustment	14,822	56.84
Vested	(40,589)	56.84
Forfeited	(14,309)	54.25
RSUs at September 30, 2023	<u>96,182</u>	<u>\$ 55.40</u>

	Number of RSU Shares	Weighted-Average Grant-Date Fair Value
RSUs at January 1, 2024	93,078	\$ 55.41
Performance criteria adjustment	13,735	53.96
Vested	(36,394)	53.96
RSUs at March 31, 2024	<u>70,419</u>	<u>\$ 55.87</u>

The Company has recorded compensation costs for the RSAs and RSUs **that which** are included in administrative and general operating expenses in the amount of **\$1.2** **\$0.7** million and **\$1.6** **\$0.1** million for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively. For the nine months ended **September 30, 2023** and **2022**, the Company has recorded compensation costs for the RSAs and RSUs in the amount of **\$2.7** million and **\$3.5** million, **2023**, respectively.

Note 4. Equity

On April 29, 2022, the Company entered into an equity distribution agreement to sell shares of its common stock having an aggregate gross sales price of up to \$350.0 million from time to time depending on market conditions through an at-the-market equity program over the next three years. The Company intends to use the net proceeds from these sales, after deducting **sales** commissions and offering expenses, for general corporate purposes, which may include working capital, construction and acquisition expenditures, investments and repurchases, and redemptions of securities. The Company did not utilize its at-the-market equity program during the three months ended **September 30, 2023** **March 31, 2024**. During the three months ended **September 30, 2022** **March 31, 2023**, the Company sold **461,034** **326,042** shares of common stock through its at-the-market equity program and raised proceeds of **\$26.9** **\$18.2** million, net of **\$0.3** **\$0.2** million in sales commissions.

The Company sold 2,025,891 shares of common stock through its at-the-market equity program and raised proceeds of \$112.7 million, net of \$1.1 million in sales commissions paid during the nine months ended September

30, 2023. During the nine months ended September 30, 2022, the Company sold 1,035,668 shares of common stock through its at-the-market equity program and raised proceeds of \$57.1 million, net of \$0.6 million in sales commissions.

As approved by the Company's stockholders at the 2022 Annual Meeting, effective July 26, 2022, the aggregate number of shares of common stock which the Company shall have authority to issue was increased from 68.0 million shares to 136.0 million shares. All of said 136.0 million shares shall be of one and the same series, namely shares with par value of \$0.01 per share.

The Company's changes in total equity for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** were as follows:

Nine months ended September 30, 2023								
	Common Stock		Additional Paid-in Capital		Retained Earnings	Noncontrolling Interests	Total Equity	
	Shares	Amount						
(In thousands)								
Balance at January 1, 2023	55,598	\$ 556	\$ 760,336	\$ 556,698	\$ 4,804	\$ 1,322,394		
Net loss	—	—	—	(22,211)	(123)	(22,334)		
Issuance of common stock	420	4	18,922	—	—	18,926		
Repurchase of common stock	(27)	—	(1,542)	—	—	(1,542)		
Dividends paid on common stock (\$0.2600 per share)	—	—	—	(14,456)	—	(14,456)		
Investment in business with noncontrolling interest	—	—	(111)	—	111	—		
Balance at March 31, 2023	<u>55,991</u>	<u>560</u>	<u>777,605</u>	<u>520,031</u>	<u>4,792</u>	<u>1,302,988</u>		
Net income (loss)	—	—	—	9,556	(109)	9,447		
Issuance of common stock	1,713	17	96,482	—	—	96,499		
Repurchase of common stock	(2)	—	(108)	—	—	(108)		
Dividends paid on common stock (\$0.2600 per share)	—	—	—	(14,571)	—	(14,571)		
Investment in business with noncontrolling interest	—	—	(56)	—	56	—		

Distribution to noncontrolling interest	—	—	—	—	(288)	(288)
Balance at June 30, 2023	57,702	577	873,923	515,016	4,451	1,393,967
Net income (loss)	—	—	—	34,438	(113)	34,325
Issuance of common stock	11	—	1,796	—	—	1,796
Repurchase of common stock	(2)	—	(90)	—	—	(90)
Dividends paid on common stock (\$0.2600 per share)	—	—	—	(15,003)	—	(15,003)
Investment in business with noncontrolling interest	—	—	11	—	(11)	—
Balance at September 30, 2023	57,711	\$ 577	\$ 875,640	\$ 534,451	\$ 4,327	\$ 1,414,995

Three Months Ended March 31, 2024								
	Common Stock		Additional		Accumulated			
	Shares	Amount	Paid-in Capital	Retained Earnings	Other Comprehensive Loss	Noncontrolling Interests	Total Equity	
(In thousands)								
Balance at January 1, 2024	57,724	\$ 577	\$ 876,583	\$ 549,573	\$ —	\$ 3,579	\$ 1,430,312	
Net income	—	—	—	69,917	—	(227)	69,690	
Issuance of common stock	55	1	1,506	—	—	—	—	1,507
Repurchase of common stock	(25)	—	(1,142)	—	—	—	—	(1,142)
Dividends paid on common stock (\$0.2800 per share)	—	—	—	(16,164)	—	—	(16,164)	
Adjustment for unrecoverable pension benefit plan costs	—	—	—	—	(13,663)	—	—	(13,663)
Amounts reclassified to earnings (a)	—	—	—	—	297	—	—	297
Investment in business with noncontrolling interest	—	—	(53)	—	—	53	—	—

Balance at March 31, 2024	57,754	578	876,894	603,326	(13,366)	3,405	1,470,837
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Nine months ended September 30, 2022							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Noncontrolling Interests	Total Equity	
	Shares	Amount					
(In thousands)							
Balance at January 1, 2022	53,716	\$ 537	\$ 651,121	\$ 514,873	\$ 5,386	\$ 1,171,917	
Net income (loss)	—	—	—	1,086	(192)	894	
Issuance of common stock	85	1	1,106	—	—	—	1,107
Repurchase of common stock	(28)	—	(1,674)	—	—	—	(1,674)
Dividends paid on common stock (\$0.2500 per share)	—	—	—	(13,429)	—	—	(13,429)
Investment in business with noncontrolling interest	—	—	(54)	—	54	—	—
Balance at March 31, 2022	53,773	538	650,499	502,530	5,248	1,158,815	
Net income (loss)	—	—	—	19,484	(269)	19,215	
Issuance of common stock	585	6	32,118	—	—	32,124	
Repurchase of common stock	(2)	—	(111)	—	—	—	(111)
Dividends paid on common stock (\$0.2500 per share)	—	—	—	(13,452)	—	—	(13,452)
Investment in business with noncontrolling interest	—	—	(153)	—	153	—	—
Distribution to noncontrolling interest	—	—	—	—	(348)	(348)	
Balance at June 30, 2022	54,356	544	682,353	508,562	4,784	1,196,243	
Net income (loss)	—	—	—	55,872	(189)	55,683	
Issuance of common stock	470	4	29,034	—	—	29,038	

Repurchase of common stock	(2)	—	(105)	—	—	(105)
Dividends paid on common stock (\$0.2500 per share)	—	—	—	(13,590)	—	(13,590)
Investment in business with noncontrolling interest	—	—	(278)	—	278	—
Balance at September 30, 2022	<u>54,824</u>	<u>\$ 548</u>	<u>\$ 711,004</u>	<u>\$ 550,844</u>	<u>\$ 4,873</u>	<u>\$ 1,267,269</u>

Note 5. Earnings Per Share of Common Stock

The computations of basic and diluted earnings per share of common stock are noted in the tables below. Basic earnings per share of common stock (a) This accumulated other comprehensive loss component is computed by dividing the net income attributable to California Water Service Group by the weighted average number of common shares outstanding during the period. RSAs are included in the weighted average common shares outstanding because computation of net periodic costs for the shares have all Company's supplemental executive retirement plan (SERP), specifically the same voting following components: amortization of unrecognized (gain) loss and dividend rights amortization of prior service credit.

	Three Months Ended March 31, 2023						
	Common Stock		Additional Paid-in Capital	Retained Earnings	Noncontrolling Interests		Total Equity
	Shares	Amount			—	—	
(In thousands)							
Balance at January 1, 2023	55,598	\$ 556	\$ 760,336	\$ 556,698	\$ 4,804	\$ 1,322,394	
Net loss	—	—	—	(22,211)	(123)	(22,334)	
Issuance of common stock	420	4	17,380	—	—	17,384	
Repurchase of common stock	(27)	—	—	—	—	—	
Dividends paid on common stock (\$0.2600 per share)	—	—	—	(14,456)	—	(14,456)	
Investment in business with noncontrolling interest	—	—	(111)	—	111	—	
Balance at March 31, 2023	<u>55,991</u>	<u>560</u>	<u>777,605</u>	<u>520,031</u>	<u>4,792</u>	<u>1,302,988</u>	

In Cal Water's 2021 GRC decision that was issued in March of 2024, SERP expenses were not approved to be recovered from customers for the years 2023, 2024 and 2025. Without regulatory recovery, Cal Water no longer

meets the regulatory asset recognition criteria to record the unrecognized prior service costs and actuarial gain and loss amounts related to the SERP as issued a regulatory asset. The Company has applied compensation recognition guidance and unrestricted common stock.

	Three Months Ended September 30	
	2023	2022
(In thousands, except per share data)		
Net income	\$ 34,325	\$ 55,683
Net loss attributable to noncontrolling interests	\$ (113)	\$ (189)
Net income attributable to California Water Service Group	\$ 34,438	\$ 55,872
Weighted average common shares outstanding, basic	57,704	54,007
Weighted average common shares outstanding, dilutive	57,740	54,042
Earnings per share of common stock - basic	\$ 0.60	\$ 1.03
Earnings per share of common stock - diluted	\$ 0.60	\$ 1.03
	Nine Months Ended September 30	
	2023	2022
(In thousands, except per share data)		
Net income	\$ 21,438	\$ 75,792
Net loss attributable to noncontrolling interests	\$ (345)	\$ (650)
Net income attributable to California Water Service Group	\$ 21,783	\$ 76,442
Weighted average common shares outstanding, basic	56,695	54,063
Weighted average common shares outstanding, dilutive	56,731	54,104
Earnings per share of common stock - basic	\$ 0.38	\$ 1.41
Earnings per share of common stock - diluted	\$ 0.38	\$ 1.41

recorded the unrecognized prior service costs and actuarial gains and losses to accumulated other comprehensive loss. As of March 31, 2024, the Company reclassified \$13.7 million to accumulated other comprehensive loss, which is Cal Water's cumulative portion of the regulatory asset.

Note 6.5. Pension Plan and Other Postretirement Benefits

The Company provides a qualified, defined-benefit, non-contributory pension plan for substantially all its employees. The Company makes annual contributions to fund amounts accrued for the qualified pension plan. The Company also maintains an unfunded, non-qualified supplemental executive retirement plan. SERP. The costs of the plans are charged to expense or are capitalized in utility plant as appropriate.

The Company offers medical, dental, vision, and life insurance benefits for retirees and their spouses and dependents. Participants are required to pay a premium, which offsets a portion of the cost.

Cash

No cash contributions were made by the Company to the pension plans were \$2.9 million and \$12.4 million for the nine months ended September 30, 2023 and 2022, respectively. Cash contributions made by the Company to nor the other postretirement benefit plans were for the three months ended March 31, 2024. The Company made cash contributions of \$2.9 million and \$0.2 million, and \$0.5 million for the nine months ended September 30, 2023 and 2022, respectively. The total 2023 estimated cash contributions respectively, to the pension plans and other postretirement benefits benefit plan for the three months ended March 31, 2023. The Company estimates in 2024 that the annual contribution to the pension plans are expected to will be approximately \$2.9 \$0.7 million and the annual contribution to the other postretirement plan will be \$0.2 million, respectively.

million.

The following table lists components of net periodic benefit costs for the pension plans and other postretirement benefits. The data listed under "pension plan" includes the qualified pension plan and the non-qualified supplemental executive retirement plan. SERP. The data listed under "other benefits" is for all other postretirement benefits.

	Three Months Ended September 30			
	Pension Plan		Other Benefits	
	2023	2022	2023	2022
Service cost	\$ 6,046	\$ 9,235	\$ 1,126	\$ 1,683
Interest cost	8,746	6,329	1,297	1,008
Expected return on plan assets	(13,421)	(11,307)	(2,636)	(2,482)
Amortization of prior service cost	131	242	39	39
Recognized net actuarial (gain) loss	(637)	999	(581)	(228)
Net periodic benefit cost (credit)	\$ 865	\$ 5,498	\$ (755)	\$ 20

	Nine Months Ended September 30			
	Pension Plan		Other Benefits	
	2023	2022	2023	2022
Service cost	\$ 18,137	\$ 27,704	\$ 3,379	\$ 5,048
Interest cost	26,238	18,986	3,892	3,024
Expected return on plan assets	(40,263)	(33,920)	(7,907)	(7,445)

Amortization of prior service cost	394	727	116	117
Recognized net actuarial (gain) loss	(1,911)	2,997	(1,744)	(685)
Net periodic benefit cost (credit)	\$ 2,595	\$ 16,494	\$ (2,264)	\$ 59

	Three Months Ended March 31,			
	Pension Plan		Other Benefits	
	2024	2023	2024	2023
Service cost	\$ 5,648	\$ 6,046	\$ 1,520	\$ 1,126
Interest cost	8,881	8,746	1,684	1,297
Expected return on plan assets	(13,236)	(13,421)	(2,987)	(2,636)
Amortization of prior service cost	131	131	39	39
Recognized net actuarial (gain) loss	189	(637)	(198)	(581)
Net periodic benefit cost (credit)	\$ 1,613	\$ 865	\$ 58	\$ (755)

Service cost portion of the pension plan and other postretirement benefits is recognized in "administrative" and "general" expenses within the Condensed Consolidated Statements of Operations. Other components of net periodic benefit costs include interest costs, expected return on plan assets, amortization of prior service costs, and recognized net actuarial loss and are reported together as "other" components of net periodic benefit cost within the Condensed Consolidated Statements of Operations.

Note 7.6. Short-term and Long-term Borrowings

On March 31, 2023, the Company and Cal Water entered into syndicated credit agreements, which provide for unsecured revolving credit facilities of up to an initial aggregate amount of \$600.0 million for a term of five years. The Company and subsidiaries that it designates may borrow up to \$200.0 million under the Company's revolving credit facility (the Company facility). Cal Water may borrow up to \$400.0 million under its revolving credit facility (the Cal Water facility). Additionally, the credit facilities may be increased by up to an incremental \$150.0 million under the Cal Water facility and \$50.0 million under the Company facility, subject in each case to certain conditions. At the Company's or Cal Water's option, as applicable, borrowings under the Company and Cal Water facilities, as applicable, will bear interest annually at a rate equal to (i) the base rate, plus an applicable margin of 0.00% to 0.250%, depending on the Company and its subsidiaries' consolidated total capitalization ratio, or (ii) Term SOFR, plus an applicable margin of 0.800% to 1.250%, depending on the Company and its subsidiaries' consolidated total capitalization ratio.

The Company and Cal Water facilities contain affirmative and negative covenants and events of default customary for credit facilities of this type including, among other things, limitations and prohibitions relating to additional

indebtedness, liens, mergers, and asset sales. Also, the Company and Cal Water facilities contain financial covenants governing the Company and its **subsidiaries' subsidiaries'** consolidated total capitalization ratio and interest coverage ratio. As of **September 30, 2023** **March 31, 2024**, the Company and Cal Water are in compliance with all of the covenant requirements and are eligible to use the full amount of the undrawn portion of the Company and Cal Water facilities, as applicable.

Borrowings on the Company **facility lines of credit** as of **each of September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** were **\$35.0** million. Borrowings **\$65.0** million and **\$50.0** million, respectively. Outstanding borrowings on the Cal Water **facility lines of credit** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** were **\$80.0** **\$215.0** million and **\$35.0** **\$130.0** million, respectively. The average borrowing rate for borrowings on the Company and Cal Water **facilities lines of credit** during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** was **5.96%** **6.38%** compared to **2.18%** **5.49%** for the same period last year.

Note 8.7. Income Taxes

The Company adjusts its effective tax rate each quarter to be consistent with the estimated annual effective tax rate. The Company also records the tax effect of unusual or infrequently occurring discrete items.

The provision for income taxes is shown in the tables below:

	Three Months Ended September 30			
	2023	2022		
Income tax expense	\$ 5,012	\$ 6,243		

	Nine Months Ended September 30			
	2023	2022		
Income tax expense	\$ 2,936	\$ 7,137		

	Three Months Ended March 31,			
	2024	2023		
Income tax (benefit) expense	\$ 16,859	\$ (3,850)		

Income tax expense **decreased \$1.2** **increased \$20.7** million to **\$5.0** million in **\$16.9** million for the **third quarter of 2023** **three months ended March 31, 2024** as compared to **\$6.2** **\$3.9** million in tax benefit for the **third quarter of 2022, three months ended March 31, 2023**, primarily due to **a decrease** **an increase** in the **pre-tax income** in the **third quarter of 2023** as compared to the same period in **2022**.

Income tax expense decreased \$4.2 million to \$2.9 million for the first nine months of 2023 as compared to \$7.1 million for the first nine months of 2022, primarily due to a decrease in the pre-tax **operating** income in the first **nine** three months of 2023 ended March 31, 2024 as compared to 2022. The increase in income tax expense was primarily due to the recognition of income related to the 2021 GRC decision.

The Company's effective tax rate was 11.4% 19.6% and 14.6% before discrete items as of September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023. The increase in the effective tax rate was primarily due to the recognition of the 2021 GRC.

The Company had unrecognized tax benefits of approximately \$14.8 \$16.6 million and \$16.9 \$14.0 million as of September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Included in the balance of unrecognized tax benefits as of September 30, 2023 March 31, 2024 and 2022, 2023, is \$4.6 \$5.0 million and \$4.2 \$4.5 million, respectively, of tax benefits that, if recognized, would result in an adjustment to the Company's effective tax rate. The Company does not expect its unrecognized tax benefits to change significantly within the next 12 months.

Note 9.8. Regulatory Assets and Liabilities

Regulatory assets and liabilities were comprised of the following as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	Recovery Period	September 30, 2023		December 31, 2022		Recovery Period	March 31, 2024		December 31, 2023	
		Recovery Period	September 30, 2023	Recovery Period	December 31, 2022		Recovery Period	March 31, 2024	Recovery Period	December 31, 2023
Regulatory Assets	Regulatory Assets					Regulatory Assets				
Retiree group health	Indefinite	\$ —	\$ 171							
Property-related temporary differences (tax benefits flowed through to customers)	Property-related temporary differences (tax benefits flowed through to customers)	Indefinite	143,546	143,546						
Other accrued benefits	Other accrued benefits	Indefinite	25,762	24,946						
Net WRAM and MCBA long-term accounts receivable	Various	34,810	41,558							

Net WRAM and Modified Cost Balancing Account (MCBA) long-term accounts receivable				
Asset retirement obligations, net	Asset retirement obligations, net	Indefinite	26,930	24,548
Interim rates memorandum account (IRMA) long-term accounts receivable		1 - 2 years	3,407	3,682
IRMA long- term accounts receivable				
MWRAM				
Tank coating	Tank coating	Various	18,910	16,395
Recoverable property losses	Recoverable property losses	Various	2,743	3,144
PCBA		Various	3,661	19,091
General district balancing account receivable		1 year	389	377
Pension Cost Balancing Account (PCBA)				

Customer assistance program (CAP) and Rate support fund (RSF) accounts receivable	Customer assistance program (CAP) and Rate support fund (RSF) accounts receivable	1 year	2,450	2,965	
Other regulatory assets	Other regulatory assets	Various	3,022	3,197	
Total Regulatory Assets	Total Regulatory Assets		\$265,630	\$283,620	
<i>Regulatory Liabilities</i>	<i>Regulatory Liabilities</i>			<i>Regulatory Liabilities</i>	=
Cost of removal					
Future tax benefits due to customers	Future tax benefits due to customers		\$131,218	\$131,155	
Pension and retiree group health	Pension and retiree group health		58,678	58,678	
HCBA			2,771	14,318	
Incremental cost balancing account (ICBA)					
IRMA long-term regulatory liability					

Health Cost Balancing Account (HCBA)			
PCBA	PCBA	5,799	—
CEBA		1,424	6,036
Conservation Expense Balancing Account			
Net WRAM and MCBA long-term payable	Net WRAM and MCBA long-term payable	2,065	172
Other components of net periodic benefit cost	Other components of net periodic benefit cost	7,975	2,475
RSF regulatory liability	RSF regulatory liability	1,269	—
Other regulatory liabilities	Other regulatory liabilities	1,465	845
Total Regulatory Liabilities	Total Regulatory Liabilities	<u>\$212,664</u>	<u>\$213,679</u>

The IRMA regulatory asset increase was for the additional amount the Company would have billed customers in 2023 and the first quarter of 2024 had the 2021 GRC been approved on time. The IRMA regulatory liability represents additional CAP and RSF credits the Company would have provided to customers in 2023 and the first quarter of 2024 had the 2021 GRC been approved on time.

The MWRAM regulatory asset represents the difference between the revenue received for actual metered sales through the tiered volumetric rate and the revenue that would have been received with the same actual metered sales if a uniform rate had been in effect.

The ICBA tracks differences between the authorized prices of water production costs and actual prices of water production costs. In the first quarter of 2024, the Company recorded a regulatory liability for certain service territories of \$10.8 million as the authorized water production costs were higher than actual water production costs.

The Company also recorded a regulatory asset for certain service territories of \$1.6 million as the authorized water production costs were lower than actual water production costs. The ICBA regulatory asset is part of "Other regulatory assets" in the table above.

Short-term regulatory assets and liabilities are excluded from the above table.

The short-term regulatory assets were \$52.9 million \$56.1 million as of September 30, 2023 March 31, 2024 and \$66.8 million \$64.2 million as of December 31, 2022 December 31, 2023. The short-term regulatory assets as of September 30, 2023 March 31, 2024 and December 31, 2023, primarily consist consisted of net WRAM and MCBA, and PCBA receivables. As receivables and are included in current assets as part of December 31, 2022, regulatory balancing accounts on the short-term regulatory assets primarily consist of net WRAM and MCBA, IRMA, and PCBA receivables. Condensed Consolidated Balance Sheets.

The short-term portions portion of regulatory liabilities were \$26.5 million \$16.6 million as of September 30, 2023 March 31, 2024 and \$12.2 million \$21.5 million as of December 31, 2022 December 31, 2023. The short-term regulatory liabilities as of September 30, 2023 March 31, 2024 and December 31, 2023, primarily consist consisted of TCJA, HCBA Tax Cuts and CEBA liabilities. As of December 31, 2022, the short-term Jobs Act regulatory liabilities primarily consist and HCBA liabilities and are included in current liabilities as part of TCJA liabilities.

regulatory balancing accounts on the Condensed Consolidated Balance Sheets.

Note 10.9. Commitments and Contingencies

Commitments

The Company has significant long-term commitments to purchase water from water wholesalers. The Company also has operating and finance leases for water systems, offices, land easements, licenses, equipment, and other facilities. These commitments and leases are described in the Company's Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

On August 16, 2022, BVRT Utility Holding Company (BVRT), a majority owned subsidiary of Texas Water, entered into a long-term water supply agreement with the Guadalupe Blanco River Authority (GBRA) through its wholly owned subsidiary, Camino Real Utility (Camino Real). The Company has provided a limited guarantee to GBRA for the agreed upon obligations. GBRA is a water conservation and reclamation district established by the Texas Legislature that oversees water resources for 10 counties. Under the terms of the agreement with GBRA, Camino Real is contracted to receive up to 2,419 acre-feet of potable water annually. The GBRA agreement involves four off-takers, including Camino Real, and GBRA plans to extend a potable water pipeline from the City of Lockhart to the City of Mustang Ridge and surrounding areas. Camino Real is contracted to be the utility service provider in this area of the Austin metropolitan region and to provide potable water, recycled water, and wastewater services to portions of the City of Mustang Ridge and surrounding areas. In 2022, Camino Real committed \$21.5 million for its share of the cost of the pipeline project and project. In 2023, Camino Real committed an additional \$11.1 \$22.3 million for its share of the cost of the pipeline project in January of 2023. project. As of September 30, 2023 March 31, 2024, this committed cash has not been transferred to GBRA and is classified as part of restricted

cash on the Condensed Consolidated Balance Sheets. The Company currently expects the committed cash to be transferred to GBRA ~~in~~ before the first half ~~end~~ of 2024.

Contingencies

Groundwater Contamination

The Company has undertaken litigation against third parties to recover past and ~~anticipated future~~ costs related to groundwater contamination in our service areas. The cost of litigation is ~~generally~~ expensed as incurred and any settlement is first offset against such costs. The CPUC's general policy requires all proceeds from ~~groundwater~~ contamination litigation to be used first to pay transactional expenses, then to make customers whole for water treatment costs to comply with the CPUC's water quality standards. The CPUC allows for a risk-based consideration of contamination proceeds which exceed the costs of the remediation described above and may result in some sharing of proceeds with ~~shareholders~~, the shareholder, determined on a ~~case by case~~ case-by-case basis. The CPUC has authorized various memorandum accounts that allow the Company to track significant litigation costs and to request recovery of these costs in future ~~filings~~, ~~filings and uses of proceeds to comply with~~ CPUC's general policy.

Other Legal Matters

From time to time, the Company is involved in various disputes and litigation matters that arise in the ordinary course of business. The status of each significant matter is reviewed and assessed for potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount of the range of loss can be estimated, a liability is accrued for the estimated loss in accordance with the accounting standards for contingencies. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based on the best information available at the time. While the outcome of these disputes and litigation matters cannot be predicted with any certainty, management does not believe when taking into account existing reserves the ultimate resolution of these matters will materially affect the Company's financial position, results of operations, or cash flows. As of ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~December 31, 2022~~ ~~December 31, 2023~~, the Company recognized a liability of ~~\$5.6 million~~ ~~\$6.9 million~~ and ~~\$5.3 million~~ ~~\$6.0 million~~, respectively, ~~prior to insurance recoveries~~, for known legal matters primarily due to potable water main leaks and other ~~work-related~~ ~~work related~~ legal matters. The cost of litigation is expensed as incurred and any settlement is first offset against such costs. Any settlement in excess of the cost to litigate is accounted for on a ~~case by case~~ ~~case-by-case~~ basis, dependent on the nature of the settlement.

Note 11.10. Fair Value of Financial Assets and Liabilities

The accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires certain disclosures about assets and liabilities measured at fair value. A hierarchical framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value is established by this guidance. The three levels in the hierarchy are as follows:

Level 1 - 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - 2—Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Specific valuation methods include the following:

Cash, ~~Accounts~~ accounts receivable, short-term borrowings, and accounts payable carrying amounts approximated the fair value because of the short-term maturity of the instruments.

Pension and other postretirement benefit plan assets are measured at either net asset value or level 1 depending on the investment.

Long-term debt fair values were estimated using the published quoted market price, ~~of similar securities~~, if available, or the discounted cash flow analysis, based on the current rates available using a risk-free rate (a U.S. Treasury securities yield curve) plus a risk premium of 0.60%.

September 30, 2023					
Fair Value					
Cost	Level 1	Level 2	Level 3	Total	
Long-term debt, including current maturities, net \$ 1,053,669	\$ —	\$ 895,182	\$ —	\$ 895,182	

March 31, 2024					
Fair Value					
Cost	Level 1	Level 2	Level 3	Total	
Long-term debt, including current maturities, net \$ 1,053,275	\$ —	\$ 939,102	\$ —	\$ 939,102	

December 31, 2022					
Fair Value					

	Cost	Level 1	Level 2	Level 3	Total
Long-term debt, including current maturities, net	\$ 1,055,797	\$ —	\$ 977,227	\$ —	\$ 977,227

	December 31, 2023				
	Fair Value				
	Cost	Level 1	Level 2	Level 3	Total
Long-term debt, including current maturities, net	\$ 1,053,440	\$ —	\$ 965,444	\$ —	\$ 965,444

Note 11. Subsequent Event

California Extended Water and Wastewater Arrearages Payment Program

The California Water and Wastewater Arrearages Payment Program was created by the California Legislature to be administered by the Water Board in order to provide relief to community water and wastewater systems for unpaid bills (arrearages) related to the COVID-19 pandemic.

In 2023, the Extended Program was established and extended the relief period to include arrearages accrued from June 16, 2021 to December 31, 2022. In response to the Extended Program, Cal Water submitted an application for \$82.0 million in eligible customer arrearages and \$1.0 million in program administrative costs which was approved by the Water Board. Cal Water received the funds in April of 2024 and intends to apply the funds to identified eligible past due customer balances during the second quarter of 2024.

Note 12. Immaterial Restatement of Prior Period Financial Statements

Subsequent to the issuance of the Company's Consolidated Financial Statements for the year ended December 31, 2021, during the fourth quarter of 2022, the Company identified an immaterial error for a regulatory liability and corresponding decreases to operating revenue and deferred income taxes that were not recorded in 2019 associated with customer refunds. The error does not impact customer billings or cash refunded to customers.

The Company corrected the error in the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, through a restatement of the opening retained earnings balance for the year ended December 31, 2020. The Company believes the error is immaterial to the previously issued Financial Statements for prior periods.

The corrections to the Company's retained earnings and total equity as of September 30, 2022, June 30, 2022, and March 31, 2022, reported in note 4, were as follows:

As of September 30, 2022

	As Previously		Corrections	As Corrected
	Reported			
(In thousands)				
Retained earnings	\$	561,907	\$ (11,063)	\$ 550,844
Total equity	\$	1,278,332	\$ (11,063)	\$ 1,267,269

	As of June 30, 2022			
	As Previously		Corrections	As Corrected
	Reported			
(In thousands)				
Retained earnings	\$	519,625	\$ (11,063)	\$ 508,562
Total equity	\$	1,207,306	\$ (11,063)	\$ 1,196,243

	As of March 31, 2022			
	As Previously		Corrections	As Corrected
	Reported			
(In thousands)				
Retained earnings	\$	513,593	\$ (11,063)	\$ 502,530
Total equity	\$	1,169,878	\$ (11,063)	\$ 1,158,815

Item 2

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts in thousands unless otherwise stated)

FORWARD-LOOKING STATEMENTS

This quarterly report, including all documents incorporated by reference, contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 (the PSLRA). The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the PSLRA. Forward-looking statements in this quarterly report are based on currently available information, expectations, estimates, assumptions and projections, and our management's beliefs, assumptions, judgments and expectations about us, the water utility industry and general economic conditions. These statements are not statements of historical fact. When used in our documents, statements that are not historical in nature, including words like "will," "would," "will," "would," "expects," "intends," "plans," "believes," "may," "could," "could," "estimates," "assumes," "anticipates," "projects," "progress," "progress," "predicts," "hopes," "targets," "hopes," "targets," "forecasts," "should," "seeks," "indicates," "indicates," or variations of these words or similar expressions are intended to identify forward-looking statements. Examples of forward-looking statements in this quarterly report include, but are not limited to, statements describing our intention, indication or expectation regarding dividends or targeted payout ratio, our expectations, anticipations or beliefs

regarding governmental, legislative, judicial, administrative or regulatory timelines, regulatory compliance, decisions, approvals, authorizations, requirements or other actions, including our 2021 GRC Filing, rate amounts or cost recovery, mechanics, certain PFAS polyfluoroalkyl substances (PFAS) regulations, and associated impacts, such as our expected or estimated revenue, benefit expectations regarding regulatory asset and operating revenue recognition, sources of funding or capital requirements, our intentions and plans supporting the remediation of the material weakness in our internal control over financial reporting, estimates of, or expectations regarding, capital expenditures, funding needs or other capital requirements, obligations, contingencies or commitments, our expectations regarding water sources, our beliefs regarding adequacy of water supplies, estimates relating to our significant accounting policies, such as deferred revenue or assets or refund of advances, our expectations regarding stock-based compensation and estimated contributions to our pension plans and other postretirement benefit plans, our estimated annual effective tax rate and expectations regarding tax benefits, our intentions regarding application of funds for identified eligible past due customer balances and use of net proceeds from any future equity or debt issuances or borrowings or our intentions or anticipations regarding our sources of funding, capital structure or capital allocation plans. The forward-looking statements are not guarantees of future performance. They are based on numerous assumptions that we believe are reasonable, but they are open to a wide range of uncertainties and business risks. Consequently, actual results may vary materially from what is contained in a forward-looking statement.

Factors which may cause actual results to be different than those expected or anticipated include, but are not limited to:

- the outcome and timeliness of regulatory commissions' actions concerning rate relief and other matters;
- changes in regulatory commissions' policies and procedures, such as the California Public Utilities Commission (CPUC)'s decision in 2020 to preclude companies from proposing fully decoupled Water Revenue Adjustment Mechanisms (WRAM) (which impacted Cal Water's most recent general rate case (GRC) filing in July 2021 (2021 GRC));
- our ability to invest or apply the proceeds from the issuance of common stock in an accretive manner;
- governmental and regulatory commissions' decisions, including decisions on proper disposition of property;
- consequences of eminent domain actions relating to our water systems;
- changes in regulatory commissions' policies and procedures, such as the California Public Utilities Commission (CPUC)'s decision in 2020 to preclude companies from proposing fully decoupled WRAMs (which impacted our 2021 GRC Filing);
- the outcome and timeliness of regulatory commissions' actions concerning rate relief and other matters, including with respect to our 2021 GRC Filing;
- increased risk of inverse condemnation losses as a result of climate change and drought;
- our ability to renew leases to operate water systems owned by others on beneficial terms;
- changes in California State Water Resources Control Board (Water Board) water quality standards;

- changes in environmental compliance and water quality requirements;
- electric power interruptions, especially as a result of Public Safety Power Shutoff (PSPS) programs;
- availability of water supplies;
- housing and customer growth;
- the impact of opposition to rate increases;
- our ability to recover costs;
- availability of our ability to renew leases to operate water supplies; systems owned by others on beneficial terms;

- 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 the unions;
- changes in customer water use patterns and the effects of conservation, including as a result of drought conditions;
- our ability to complete, in a timely manner or at all, successfully integrate, and achieve anticipated benefits from announced acquisitions;
- the impact of weather, climate change, natural disasters, and actual or threatened public health emergencies, including disease outbreaks, on our operations, water quality, water availability, water sales and operating results and the adequacy of our emergency preparedness;
- 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;
- risks associated with expanding our business and operations geographically;

- the impact of stagnating or worsening business and economic conditions, including inflationary pressures, general economic slowdown or a recession, increasing interest rates, instability of certain financial institutions, changes in monetary policy, adverse capital markets activity or macroeconomic conditions as a result of geopolitical conflicts, and the prospect of a shutdown of the U.S. federal government;
- the impact of market conditions and volatility on unrealized gains or losses on our non-qualified benefit plan investments and our operating results;
- the impact of weather and timing of meter reads on our accrued unbilled revenue;
- the impact of evolving legal and regulatory requirements, including emerging environmental, social and governance requirements; and
- the risks set forth in “Risk Factors” included in the Company's Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

In light of these risks, uncertainties and assumptions, investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this quarterly report or as of the date of any document incorporated by reference in this quarterly report, as applicable. When considering forward-looking statements, investors should keep in mind the cautionary statements in this quarterly report and the documents incorporated by reference. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We maintain our accounting records in accordance with GAAP and as directed by the Commissions to which our operations are subject. The process of preparing financial statements in accordance with GAAP requires the use of estimates on the part of management. The estimates used by management are based on historic experience and an understanding of current facts and circumstances. Management believes that the following accounting policies are critical because they involve a higher degree of complexity and judgment, and can have a material impact on our results of operations, financial condition, and cash flows of the business. These policies and their key characteristics are discussed in detail in the Company's Company's Annual Report on Form 10-K for the year ended December 31, 2022 (2022) December 31, 2023 (2023) Annual Report on Form 10-K. They include:

- revenue recognition;
- regulated utility accounting;
- income taxes; and
- pension, which includes supplemental executive retirement plan (SERP), and postretirement health care benefits.

For the nine three months ended September 30, 2023 March 31, 2024, besides the change noted below there were no other changes in the methodology for computing critical accounting estimates, no additional accounting

estimates met the standards for critical accounting policies, and there were no material changes to the important assumptions underlying the critical accounting estimates.

Pension

As of the first quarter of 2024, we believe it is not probable that future SERP costs will be recovered in future rates for Cal Water at least for the period in which the 2021 GRC FILING

On July 2, 2021 is in effect as the 2021 GRC does not allow for SERP expenses to be recovered from customers. As of March 31, 2024, we have reclassified our SERP regulatory asset for Cal Water filed its 2021 GRC requesting water infrastructure improvements of \$1.0 billion and recorded accumulated other comprehensive loss in accordance with the rate case plan for all of its regulated operating districts (except Grand Oaks) for the years 2022, 2023, generally accepted accounting principles.

CALIFORNIA EXTENDED WATER AND WASTEWATER ARREARAGES PAYMENT PROGRAM

The California Water and 2024. A partial settlement with Wastewater Arrearages Payment Program was created by the California Public Advocates Office primarily addressing non-revenue matters was submitted on September 2, 2022. The CPUC continues to evaluate the proposal along with proposals of other parties. A final decision on the case was previously expected Legislature to be issued administered by the Water Board in late 2022 in accordance with order to provide relief to community water and wastewater systems for unpaid bills (arrearages) related to the CPUC's rate case plan, with new rates going into effect on January 1, 2023; however, due to unspecified delays at the CPUC, the timing of a final decision is uncertain. COVID-19 pandemic.

In June of 2023, the CPUC issued a decision extending its statutory deadline California Extended Water and Wastewater Arrearages Payment Program was established and extended the relief period to issue a final decision until December 31, 2023 include arrearages accrued from June 16, 2021 to December 31, 2022. Normally, the CPUC is subject to a requirement to process applications within 18 months of filing. In our experience, it is the CPUC's practice to extend its statutory deadline, in some cases multiple times, as needed. On July 13, 2023, the CPUC co-assigned a second Administrative Law Judge (ALJ) response to the extended program, Cal Water GRC to facilitate the process.

As part of the 2021 GRC Filing, Cal Water has proposed the use of a MWRAM submitted an application for \$82.0 million in eligible customer arrearages and ICBA as the CPUC issued a decision effective August 27, 2020 requiring that Class A companies submitting GRC filings after the effective date be (i) precluded from proposing the use of a full decoupling WRAM \$1.0 million in their next GRCs and (ii) allowed the use of MWRAM. In addition, the CPUC's decision allowed ICBAAs to replace the MCBA. We expect the MWRAM to be implemented in 2023 and effective retroactive back to January 1, 2023. For the first nine months of 2023, we did not record a regulatory asset or regulatory liability for the MWRAM and ICBA mechanisms. In addition, we did not record WRAM or MCBA adjustments in the first nine months of 2023, as the mechanisms concluded on December 31, 2022.

INTERIM RATES MEMORANDUM ACCOUNT (IRMA), MWRAM, AND DROUGHT RESPONSE MEMORANDUM ACCOUNT (DREMA)

The IRMA tracks the difference between the current rates that continue to be billed starting January 1, 2023 (considered to be interim rates), and the rates that will eventually be approved pursuant to the CPUC's decision concerning Cal Water's 2021 GRC Filing, plus any additional revenue changes approved since July 1, 2021 (final rates). We expect to recognize the regulatory asset and corresponding operating revenue once the 2021 GRC Filing is program administrative costs which was approved by the CPUC.

The MWRAM tracks the difference between the revenue received for actual metered sales through tiered volumetric rates and the revenue that would have been received with the same actual metered sales if a uniform rate had been in effect. Water Board. Cal Water expects received the MWRAM funds in April of 2024 and intends to be effective retroactive apply the funds to January 1, 2023. We expect to recognize identified eligible past due customer balances during the regulatory asset and corresponding operating revenue once the 2021 GRC Filing is approved by the CPUC.

The DREMA tracks lost revenues associated with reduced sales revenue when customer demand is affected by requests for voluntary and mandatory usage reductions in California and is in effect for us in 2023 when our regulated service territories in California are under voluntary and mandatory usage reductions. The final value of the DREMA will depend on the resolution of the 2021 GRC Filing. We expect to recognize the regulatory asset and corresponding operating revenue once the 2021 GRC Filing is approved by the CPUC and an advice letter for recovery is approved by the CPUC.

Operating revenue for the first nine months of 2023 does not include any benefit of the proposed revenue rate relief tracked in the IRMA or regulatory mechanisms (MWRAM and DREMA) due to the delay in approval of our 2021 GRC Filing. We currently estimate the adverse impact of the delayed decision on nine months ended September 30, 2023 operating revenue to be between approximately \$60.0 million and \$93.0 million, of which \$16.0 million to \$18.0 million is related to the DREMA. For the third second quarter of 2023, we estimate the adverse impact of the delayed decision on operating revenue to be between approximately \$14.0 million and \$27.0 million, of which \$5.0 million to \$5.5 million is related to the DREMA. These estimates are based on the current positions of the parties to the 2021 GRC Filing and consumption driven regulatory mechanisms. The delay in our GRC approval is expected to move CPUC approval of DREMA 2023 operating revenue into 2024. The cumulative adjustment will be recorded in the quarter in which final approval is received.

RESULTS OF THIRD QUARTER 2023 OPERATIONS

COMPARED TO THIRD QUARTER 2022 OPERATIONS

Dollar amounts in thousands, unless otherwise stated

Overview

Net Income Attributable to California Water Service Group

Net income attributable to California Water Service Group for the third quarter of 2023 three months ended March 31, 2024 was \$34.4 million \$69.9 million or \$0.60 \$1.21 earnings per diluted common share, compared to net income loss of \$55.9 million \$22.2 million or \$1.03 earnings \$0.40 loss per diluted common share for the third quarter three months ended March 31, 2023. The results for the three months ended March 31, 2024, include a cumulative adjustment for the impacts of 2022, the 2021 GRC, retroactive to January 1, 2023 as described below.

The \$21.5 million decrease \$92.1 million increase in net income was primarily due to a decrease an increase in operating revenue of \$11.3 million and \$139.6 million partially offset by an increase in total operating expenses of \$10.1 million \$44.2 million. The total operating expense increase was primarily due to an increase in water

production costs of \$9.2 million, increases in other operations expenses of \$5.6 million \$10.3 million, water production costs an increase in income tax expense of \$3.6 million \$21.2 million, and an increase in depreciation and amortization expenses of \$1.1 million, administrative and general expense of \$0.9 million, maintenance expenses of \$0.5 million, and property and other taxes of \$0.4 million \$2.9 million. These increases were partially offset by a decrease in income tax expense of \$2.0 million.

Operating Revenue

Operating revenue decreased \$11.3 million increased \$139.6 million, or 4.3% 106.5%, to \$255.0 million in \$270.7 million for the third quarter of 2023 three months ended March 31, 2024 as compared to the third quarter three months ended March 31, 2023, primarily as a result of 2022, with such the adoption of the 2021 GRC decision, which increased revenue \$111.8 million, including \$87.9 million in interim rate relief attributable to 2023. The sources of the change attributed to the following: in operating revenue were:

Net change due to rate changes, usage, and other (1)	\$ 14,718	13,986
WRAM Interim Rates Memorandum Account (IRMA) revenue (2)	(34,410)	80,664
MCBA Monterey-Style Water Revenue Adjustment Mechanism (MWRAM) revenue (3)	4,852	31,066
Other balancing account revenue (4)		1,704
Deferral of revenue (5) (4)	1,805	13,933
Net operating revenue decrease increase	<u><u>\$11,331</u></u>	<u><u>139,649</u></u>

1. The net change due to rate changes, usage, and other in the above table was primarily driven by rate increases in California of \$13.7 million \$12.0 million.
2. WRAM revenue decrease is due Due to the mechanism concluding delay in the resolution of the 2021 GRC, the CPUC authorized Cal Water to track in an IRMA the variances between actual customer billings and those that would have been billed assuming the 2021 GRC had been effective January 1, 2023. Such variances are recorded as regulatory balancing account revenue. The 2021 GRC was approved in March of 2024 and final rates for the 2021 GRC were not implemented as of December 31, 2022 March 31, 2024; as a result, no WRAM Cal Water recorded IRMA revenue was recorded for the third quarter of 2023. In the third quarter \$80.7 million of 2022, we recognized \$34.4 million of WRAM revenue as actual billed volumetric revenue was lower than adopted volumetric revenue, which \$70.3 million is attributable to 2023.

3. MCBA MWRAM revenue increase is due to the mechanism concluding as variance between actual metered sales billed through the tiered volumetric rate and the revenue that would have been received with the same actual metered sales if a uniform rate had been in effect. In March of December 31, 2022 2024, Cal Water received approval of the 2021 GRC which authorized the use of the MWRAM effective January 1, 2023; as a result, no MCBA revenue was recorded for in the third quarter of 2023. In the third quarter 2024, we recorded MWRAM revenue of 2022, we reduced revenue by \$4.9 million as actual water production costs were lower than adopted water production costs. As required by the MCBA mechanism, the difference in actual water production costs and adopted water production costs in California was recorded \$31.1 million of which \$17.6 million is attributable to operating revenue. 2023.
4. The other balancing account revenue consists of the pension, conservation and health care balancing account revenues. Pension and conservation balancing account revenues are the differences between actual expenses and adopted rate recovery. Health care balancing account revenue is 85% of the difference between actual health care expenses and adopted rate recovery. In the third quarter of 2023, the adjustments for these balancing accounts were recorded as an increase to the originating expense accounts of \$2.8 million rather than as an operating revenue decrease. In the third quarter of 2022, actual conservation, pension and health care costs were below the adopted costs and a decrease to revenue of \$1.7 million was recognized for the difference.
5. The deferral of revenue consists of amounts that are expected to be collected from customers beyond 24 months following the end of the accounting period. The deferral decreased period in the third quarter of 2023 as compared to the third quarter of 2022 primarily due to the recognition of deferred balancing account which these revenues were recorded. Deferred revenue in 2024 decreased as we expect to apply funds from the third quarter of 2023 California Extended Water and Wastewater Arrearages Payment Program against certain WRAM receivables.

Total Operating Expenses

Total operating expenses increased \$10.1 million \$44.2 million, or 5.0% 29.8%, to \$211.5 million in \$192.9 million for the third quarter of 2023, three months ended March 31, 2024, as compared to \$201.4 million in the third quarter of 2022.

Water production cost consists of purchased water, purchased power, and pump taxes. It represents the largest component of total operating expenses, accounting for approximately 43.7% of total operating expenses \$148.6 million for the third quarter of 2023, as compared to 44.1% of total operating expenses for the third quarter of 2022. Water production costs increased 4.1% in the third quarter of 2023 as compared to the same period last year primarily due to an increase in our purchased water and pump tax rates.

Sources of water as a percent of total water production are listed in the following table:

	Three Months Ended September 30	
	2023	2022
Well production	50 %	50 %
Purchased	45 %	46 %

Surface	5 %	4 %
Total	100 %	100 %

The components of water production costs are shown in the table below:

	Three Months Ended September 30		
	2023	2022	Change
Purchased water	\$ 71,552	\$ 69,931	\$ 1,621
Purchased power	15,729	15,088	641
Pump taxes	5,066	3,731	1,335
Total	\$ 92,347	\$ 88,750	\$ 3,597

Administrative and general expense increased \$0.9 million, or 2.7%, to \$34.2 million in the third quarter of 2023, as compared to \$33.3 million in the third quarter of 2022. The increase was primarily due to \$0.5 million in higher employee labor costs primarily driven by annual increases in employee wages.

Other operations expenses increased \$5.6 million, or 21.2%, to \$32.3 million in the third quarter of 2023, as compared to \$26.7 million in the third quarter of 2022. The increase was primarily due to an increase in bad debt costs of \$2.0 million, a decrease in deferred costs associated with deferred revenue of \$1.5 million (see deferral of revenue above) and an increase in employee labor costs of \$0.9 million driven by annual increases in employee wages.

Maintenance expense increased \$0.5 million, or 5.9%, to \$8.9 million in the third quarter of 2023, as compared to \$8.4 million in the third quarter of 2022, due to an increase in repairs of reservoirs and tanks.

Depreciation and amortization expense increased \$1.1 million, or 3.7%, to \$29.9 million in the third quarter of 2023, as compared to \$28.8 million in the third quarter of 2022, mostly due to utility plant placed in service in 2022.

Income tax expense decreased \$2.0 million to \$3.9 million in the third quarter of 2023, as compared to \$5.9 million in the third quarter of 2022. The decrease was primarily due to a decrease in pre-tax net operating income in the third quarter of 2023 as compared to the prior year.

Property and other taxes increased \$0.4 million to \$9.8 million in the third quarter of 2023, as compared to \$9.4 million in the same period of 2022, mostly due to an increase in assessed property values for utility plant in service.

Other Income and Expenses

Net other income increased \$1.5 million to \$3.6 million in the third quarter of 2023, as compared to a net other income of \$2.1 million in the third quarter of 2022, due primarily to a \$1.0 million increase in other components of net periodic benefit credit and a \$0.4 million increase in allowance for equity funds used during construction.

Interest Expense

Net interest expense increased \$1.5 million, or 13.0%, to \$12.8 million in the third quarter of 2023, as compared to \$11.3 million in the third quarter of 2022. The increase was primarily due to an increase in short-term borrowing rates and higher outstanding line of credit balances.

**RESULTS OF THE NINE MONTHS ENDED SEPTEMBER 30, 2023 OPERATIONS
COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2022 OPERATIONS**
Dollar amounts in thousands, unless otherwise stated

Overview

Net Income Attributable to California Water Service Group

Net income attributable to California Water Service Group for the first nine three months of 2023 was \$21.8 million or \$0.38 earnings per diluted common share, compared to net income of \$76.4 million or \$1.41 earnings per diluted common share for the first nine months of 2022.

The \$54.6 million decrease in net income was primarily due to a decrease in operating revenue of \$65.4 million partially offset by a decrease in total operating expenses of \$5.9 million ended March 31, 2023. The total operating expense decrease was primarily due to a decrease in water production costs of \$3.0 million, a decrease in other operations expenses of \$7.1 million, and an increase in income tax benefit of \$7.3 million. These decreases were partially offset by increases in administrative and general expense of \$5.8 million, depreciation and amortization expenses of \$3.2 million, and property and other taxes of \$1.8 million. Additionally, there was an increase of \$9.3 million in net other income, primarily due to a \$0.7 million unrealized gain on non-qualified benefit plan investments during the first nine months 2023 compared to a \$9.3 million unrealized loss on certain non-qualified benefit plan investments in the first nine months of 2022.

The change in unrealized gains on non-qualified benefit plan investments was caused by favorable market conditions, which is a factor outside our immediate control. Our net income and net other income in future periods are expected to continue to be similarly affected, potentially significantly, by increases or decreases in unrealized gains or losses on non-qualified benefit plan investments, particularly during periods of significant market volatility or significantly favorable or unfavorable market conditions.

Operating Revenue

Operating revenue decreased \$65.4 million, or 10.1%, to \$580.1 million for the first nine months of 2023 as compared to the first nine months of 2022, with such change attributed to the following:

Net change due to rate changes, usage, and other (1)	\$ (2,297)
WRAM revenue (2)	(45,656)
MCBA revenue (3)	(3,126)
Other balancing account revenue (4)	5,714
Deferral of revenue (5)	(20,009)
Net operating revenue decrease	\$ (65,374)

1. The net change due to rate changes, usage, and other in the above table was primarily driven by a 5.6% decrease in customer usage, which we believe is primarily due to higher winter precipitation in our California

service territories and water conservation compared to the same period in 2022. The decrease was partially offset by rate increases in California of \$18.9 million.

2. WRAM revenue decrease is due to the mechanism concluding as of December 31, 2022; as a result, no WRAM revenue was recorded for the first nine months of 2023. In the first nine months of 2022, we recognized \$45.7 million of WRAM revenue as actual billed volumetric revenue was lower than adopted volumetric revenue.
3. MCBA revenue decrease is due to the mechanism concluding as of December 31, 2022; as a result, no MCBA revenue was recorded for the first nine months of 2023. In the first nine months of 2022, we recognized \$3.1 million of MCBA revenue as actual water production costs were higher than adopted water production costs. As required by the MCBA mechanism, the difference in actual water production costs and adopted water production costs in California was recorded to operating revenue.
4. The other balancing account revenue consists of the pension, conservation and health care balancing account revenues. Pension and conservation balancing account revenues are the differences between actual expenses and adopted rate recovery. Health care balancing account revenue is 85% of the difference between actual health care expenses and adopted rate recovery. In the first nine months of 2023, the adjustments for these balancing accounts was recorded as an increase to the originating expense accounts by \$9.0 million rather than as an operating revenue decrease. In the first nine months of 2022, actual conservation, pension and health care costs were below the adopted costs and a decrease to revenue of \$5.6 million was recognized for the difference.
5. The deferral of revenue consists of amounts that are expected to be collected from customers beyond 24 months following the end of the accounting period. The deferral increased in the first nine months of 2023 as compared to the first nine months of 2022 primarily due to extending the estimated recovery periods for certain net WRAM and MCBA balances beyond 24 months from the end of the accounting period, as requested in the 2023 WRAM/MCBA advice letter filings.

Total Operating Expenses

Total operating expenses decreased \$5.9 million, or 1.1%, to \$538.2 million for the first nine months of 2023, as compared to \$544.1 million for the first nine months of 2022.

Water production costs consists of purchased water, purchased power, and pump taxes. It represents the largest component of total operating expenses, accounting for approximately 40.5% 33.3% of total operating expenses in for the first nine three months of 2023 ended March 31, 2024 as compared to 40.7% 37.0% of total operating expenses in for the first nine three months of 2022 ended March 31, 2023. Water production costs decreased 1.3% in increased \$9.2 million, or 16.7%, for the first nine three months of 2023 ended March 31, 2024 as compared to the same period last year primarily due to recording a 5.6% decrease in customer usage which cumulative adjustment of \$9.2 million for the impacts of the 2021 GRC. For the three months ended March 31, 2024, we

believe is primarily due to recorded \$7.0 million of water production costs for the Incremental Cost Balancing Accounts (ICBA) attributable to higher winter precipitation in our California service territories and water conservation compared to the same period in 2022, fiscal year 2023.

Sources of water as a percent of total water production are listed in the following table:

		Nine Months Ended		Three Months Ended March 31,				2023	
		September 30		2024					
		2023	2022						
Well production	Well production	49 %	49 %			54	%	48 %	
Purchased	Purchased	47 %	47 %	Purchased		45	%	49 %	
Surface	Surface	4 %	4 %	Surface		1	%	3 %	
Total	Total	100 %	100 %	Total		100	%	100 %	

The components of water production costs are shown in the table below:

		Nine Months Ended September 30			Three Months Ended March 31,			Change
		2023	2022	Change	2024	2023		
Purchased water	Purchased water	\$170,220	\$174,653	\$(4,433)				
Purchased power	Purchased power	34,950	34,630	320				
Pump taxes	Pump taxes	13,052	11,912	1,140				
ICBA								
Total	Total	\$218,222	\$221,195	\$(2,973)				

Administrative and general Other operations expenses increased \$5.8 million \$10.3 million, or 5.8% 62.2%, to \$105.2 million in \$26.9 million for the first nine three months of 2023, ended March 31, 2024, as compared to \$99.4 million in \$16.6 million for the first nine three months of 2022, ended March 31, 2023. The increase was primarily due to higher labor costs of \$4.9 million primarily driven by annual increases in employee wages.

Other operations expenses decreased \$7.1 million, or 8.7%, to \$74.8 million in the first nine months of 2023, as compared to \$81.9 million in the first nine months of 2022. The decrease was primarily due to an increase in deferred costs associated with deferred revenue of \$16.4 million \$11.4 million (see deferral of revenue above), which was partially offset by an increase in employee labor costs of \$2.8 million, bad debt costs of \$1.2 million, wastewater operating costs of \$1.2 million, conservation expenses of \$1.1 million, general maintenance costs of \$1.0 million, and water quality lab testing fees of \$0.8 million.

Maintenance expense increased \$0.7 million, or 2.9%, to \$24.1 million in the first nine months of 2023, as compared to \$23.4 million in the first nine months of 2022, mostly due to an increase in repair costs of reservoirs, tanks, and equipment.

Depreciation and amortization expense increased \$3.2 million \$2.9 million, or 3.8% 9.8%, to \$89.6 million in \$32.8 million for the first nine three months of 2023, ended March 31, 2024, as compared to \$86.4 million in \$29.9 million for the first nine three months of 2022, mostly ended March 31, 2023, primarily due to utility plant placed in service in 2022, 2023.

Income tax expense decreased \$7.3 million increased \$21.1 million to a \$1.4 million income tax benefit in \$15.5 million for the first nine three months of 2023, ended March 31, 2024, as compared to income tax expense benefit of \$5.9 million in \$5.6 million for the first nine three months of 2022, ended March 31, 2023. The decrease increase in income tax expense was primarily due to a decrease an increase in the pre-tax operating income in for the first nine three months of 2023 ended March 31, 2024 as compared to the same period of 2022, 2023 due to higher pre-tax operating income.

Property and other taxes increased \$1.8 million \$1.0 million to \$27.7 million in \$9.8 million for the first nine three months of 2023, ended March 31, 2024, as compared to \$25.9 million \$8.8 million in the same period of 2022, mostly 2023, primarily due to an increase in assessed property values.

Other Income and Expenses

Net other income increased \$9.3 million to \$17.0 million in the first nine months of 2023, as compared to net other income of \$7.7 million in the first nine months of 2022, due primarily to a \$10.0 million increase in unrealized gains on non-qualified benefit plan investments.

Interest Expense

Net interest expense increased \$4.3 million \$3.0 million, or 12.7% 25.4%, to \$37.5 million in \$15.0 million for the first nine three months of 2023, ended March 31, 2024, as compared to \$33.2 million in \$12.0 million for the first nine three months of 2022, ended March 31, 2023. The increase was due primarily to an increase in short-term borrowing rates and higher outstanding line of credit balances.

REGULATORY MATTERS

California Regulatory Activity

2021 GRC Interim Rates

In June The CPUC approved a decision on March 7, 2024 on the 2021 GRC. The decision marked the end of 2022, an extensive review of Cal Water's water system improvement plans, costs, and rates. The decision as issued adopts a revised version of the alternate proposed decision issued January 24, 2024, and increases adopted revenues, after corrections, for 2023 by approximately \$41.5 million retroactive to January 1, 2023. It also potentially increases revenues by up to approximately \$30.0 million for 2024 and \$30.6 million for 2025, subject to the CPUC's earnings test and inflationary adjustments.

The decision authorizes Cal Water ~~filed to invest approximately \$1.2 billion from 2021 through 2024 in water system infrastructure projects that we believe are needed to continue providing safe, reliable water service to customers throughout California. This includes approximately \$160 million of infrastructure projects that may be submitted for recovery via the CPUC's advice letter process.~~

The CPUC's decision approves a ~~motion requesting authority for progressive rate design that is intended to provide budget stability while benefiting low-income and low-water-using customers by significantly decreasing the establishment cost of an IRMA~~ the first six units of water consumed and increasing the percentage of fixed costs that are recovered in the ~~event service charge~~.

On March 15, 2024, Cal Water submitted a request for expedited corrections in the March 7th decision. The decision and its appendices contain certain language, numbers, and calculations that are inconsistent or do not fully reflect the substantive outcomes described in the approved decision. On April 23, 2024, the executive director of the CPUC ~~did not issue~~ issued a decision approving the corrections.

On April 1, 2024, Cal Water submitted an advice letter requesting an increase in annual revenue of \$42.5 million for all of its rate making areas (besides Grand Oaks) effective May 1, 2024. The advice letter includes the effects of the expense offsets of \$4.7 million and cost of capital filing of \$11.4 million that were implemented on January 1, 2024 as well as \$5.8 million in rate base offsets that will be effective on May 1, 2024. The remaining \$20.6 million increase is primarily due to escalations. If the advice letter is approved, Cal Water expects to implement the new rates incorporating all these items on May 31, 2024.

2021 GRC IRMA

The 2021 GRC was approved in March of 2024 and ~~final decision rates~~ for the 2021 GRC ~~Filing~~ were not implemented as of March 31, 2024; as a result, Cal Water calculated and recorded a regulatory asset of \$80.7 million and a corresponding increase to revenue for the difference between final rates and interim rates for all of 2023 and the first three months of 2024. Cal Water also recorded a regulatory liability of \$7.0 million and a corresponding increase to regulatory assets for Customer Assistance Program (CAP) and Rate Support Fund (RSF) program credits that would have been given to customers had the rate case been approved on time.

The IRMA will remain open until the new rates from the 2021 GRC decision are implemented.

Rate Base Offset Requests

For construction projects authorized in ~~time for~~ GRCs as advice letter projects, Cal Water is allowed to request rate base offsets to increase revenues after the project goes into service. In March of 2024, Cal Water submitted a \$39.1 million rate base offset advice letter to recover \$5.8 million of annual revenue increases in all of its regulated districts. ~~The new rates are expected to be implemented on January 1, 2023. In November of 2022, the ALJ granted Cal Water's request for the IRMA. Accordingly, on December 27, 2022, Cal Water requested that the IRMA, which was approved by the CPUC, track the difference between interim rates and final rates. After the CPUC's 2021 GRC Filing decision is issued and final rates are implemented, then Cal Water will file for recovery of the IRMA. Once approved, customer bills are expected to be adjusted to account for the difference between interim rates and final rates back to January 1, 2023.~~

~~In January of 2023, Cal Water filed a motion requesting a modification to the November 2022 ruling to apply an inflationary rate increase to interim rates. In the motion, Cal Water requested inflationary rate increases of 1.5% in Marysville and 4% for all other ratemaking areas except Selma, Travis Air Force Base, and Visalia for whom a rate~~

increase was not requested. In February of 2023, the ALJ granted Cal Water's request. Cal Water implemented the increased interim inflation rates on May 5, 2023.

2021 Cost of Capital Application

On May 3, 2021, after an approved extension from a 2020 due date, Cal Water filed its required application with the CPUC to review its cost of capital for 2022 through 2024. At the time of filing, Cal Water had an approved return on equity of 9.2%, a cost of debt of 5.51%, and a capital structure of 53.4% equity and 46.6% debt. Cal Water requested a return on equity of 10.35%, a cost of debt of 4.23%, and a capital structure of 53.4% equity and 46.6% debt. The California Public Advocates Office recommended a return on equity of 7.81%, a cost of debt of 4.23%, and a capital structure of 49.4% equity and 50.6% debt. Evidentiary hearings were held in May 2022 and the case was submitted to the CPUC at the end of the second quarter of 2022. In the second quarter of 2023, the CPUC issued and adopted a proposed decision for the 2021 Cost of Capital Application. Cal Water was authorized a return on equity of 9.05%, a cost of debt of 4.23%, a capital structure of 53.4% equity and 46.6% debt, and an authorized rate of return of 6.80% for 2023 and 2024. The CPUC also reauthorized the Water Cost of Capital Mechanism (WCCM) which automatically adjusts the rate of return when the Moody's Utilities Bond Index (Index) fluctuates between cost of capital applications. Because the Index changed in 2022, the WCCM triggered for 2023. Cal Water implemented new rates based on an authorized 9.57% return on equity, with a 4.23% cost of debt and an authorized rate of return of 7.08% on July 31, 2023. The 40 basis-point reduction from Cal Water's current rate of return of 7.48% lowered annual adopted operating revenue by \$7.0 million and is subject to change based on finalization of the 2021 GRC Filing.

In October of 2023, Cal Water evaluated the WCCM for 2024 and determined that it was triggered due to a change in the Index in 2023. Cal Water filed an advice letter to implement new rates based on an authorized 10.27% return on equity, with a 4.23% cost of debt and an authorized rate of return of 7.46% effective January 1, 2024. We currently expect that the 38 basis-point increase from Cal Water's current rate of return of 7.08% will positively impact adopted annual operating revenue by approximately \$10.0 million. This estimate is subject to change based on finalization of the 2021 GRC Filing.

2023 Financing Application for California

On October 6, 2023, Cal Water filed a financing application with the CPUC requesting authority to issue up to \$1.3 billion of new equity and debt securities, in addition to previously-authorized amounts, to finance water system infrastructure investments in 2024, 2025, and 2026. Cal Water also seeks a continuation of its existing waiver that authorizes each Cal Water borrowing under revolving credit arrangements to be payable at periods up to twenty-four months from the date of the applicable borrowing, rather than the twelve month period currently permitted for short-term borrowings.

May 31, 2024 as discussed above.

Polyfluoroalkyl Substances Memorandum Account (PFAS MA)

Public water systems have been ordered by the State Water Resources Control Board to detect, monitor, and report perfluorooctanoic and perfluorooctanesulfonic acid in drinking water. In the third quarter of 2020, On April 18, 2024, the CPUC dismissed Cal Water's application requesting authorization to modify a previously approved

the PFAS-expense memorandum account to include capital investments related to PFAS MA which allows compliance for future recovery. The

dismissal does not preclude Cal Water to track incremental expenses related to compliance with from seeking regulatory recovery for the order. capital investments. Cal Water may seek recovery through a separate application, a GRC application, or a tier 3 advice letter.

Application for Rehearing for the WRAM

The tracking of capital costs was excluded due to CPUC issued a decision effective August 27, 2020 requiring that Class A companies submitting GRC filings after the current lack effective date be precluded from proposing the use of a maximum contaminant level (MCL).

In March of 2023, the United States Environmental Protection Agency (EPA) issued proposed maximum contaminant levels for six per- and polyfluoroalkyl substances (PFAS). full decoupling WRAM in their next GRCs. In September of 2023, 2020, Cal Water filed an application with Application for Rehearing at the CPUC seeking to modify reverse the PFAS MA to track capital related costs associated with activities necessary to comply with the proposed PFAS drinking water regulations. Cal Water also proposed to submit Tier 2 advice letters requesting authority to add completed PFAS-related capital projects to authorized rate base.

California Drought Memorandum Account (DRMA)

August 27, 2020 CPUC decision. In June September 2021, Cal Water submitted advice letters to request a DRMA to track the incremental operational and administrative costs incurred to further implement updated Rule 14.1 for voluntary conservation measures and Schedule 14.1 for implementation of our Water Shortage Contingency Plan, including activities related to enhanced conservation efforts, staffing, and capital expenditures to ensure a safe, reliable water supply. The DRMA would also track monies paid by customers for fines, penalties, or other compliance measures associated with water use violations; and penalties paid by Cal Water to its water wholesalers. The DRMA was approved by the CPUC with an effective date of June 14, 2021. As of September 30, 2023 denied the Application for Rehearing. On or about October 27, 2021, Cal Water has incurred \$2.0 million along with four other Class A California water utilities filed Petitions for a Writ of cumulative DRMA related costs, of which \$0.6 million was incurred in Review with the first nine months of 2023.

California's Governor California Supreme Court (Court). On May 18, 2022, the Court issued writs granting review and ordered the CPUC and other filing parties to submit additional pleadings to the Court. The final pleadings were submitted on January 13, 2023. On April 18, 2024, the Court set oral argument for May 8, 2024, and it is anticipated that the Court will issue a drought declaration for all California counties through a series of State of Emergency Proclamations. Given these drought proclamations and then-existing water usage levels in all of its service areas, in 2022 Cal Water activated Stage 2 decision before the end of the "Water Use Restrictions of its Water Shortage Contingency Plan (WSCP)" of Schedule 14.1 in all of its service areas; as a result, Cal Water saw an increase in DRMA related costs in 2022 and the first nine months of 2023.

In Stage 1, irrigating ornamental landscape with potable water is prohibited during the hours of 8:00 a.m. and 6:00 p.m. For Stage 2, irrigating ornamental landscapes with potable water is limited to no more than three days per

week as well as prohibited during the hours of 8:00 a.m. and 6:00 p.m. In addition, this stage states that new connections may not install single-pass cooling systems for air conditioning or other cooling system applications unless required for health or safety reasons.

On March 24, 2023, the Governor issued an Executive Order (EO) that, among other things, ended the voluntary 15% water conservation target and ended the requirement that local water agencies implement Stage 2 of their drought contingency plans. This EO maintained the ban on wasteful water uses and retained the State of Emergency for all 58 California counties to allow for drought response and recovery efforts to continue.

On May 8, 2023, Cal Water deactivated Stage 2 and moved to Stage 1 of Cal Water's Schedule 14.1 in all regulated service areas.

On July 28, 2023, Cal Water submitted a Tier 3 advice letter requesting authority to amortize \$1.4 million of incremental expenses incurred from June 14, 2021 to December 31, 2022 tracked in the DRMA. Cal Water requested the 12-month surcharge to be effective January 1, 2024; however, the effective date is subject to change as Tier 3 advice letters require a resolution to be adopted by the CPUC.

Expense Offset Requests

Expense offsets are dollar-for-dollar increases in revenue to match increased expenses, and therefore do not affect net operating income.

In December of 2022, Cal Water submitted an advice letter to request offsets for increases in purchased water costs and pump taxes in five of its regulated districts totaling \$5.1 million. The new rates were implemented on January 1, 2023.

In July of 2023, Cal Water submitted an advice letter to request offsets for increases in purchased water costs, pump taxes, and purchased power costs in 11 of its regulated districts totaling \$24.6 million. The new rates were implemented on July 31, 2023.

WRAM/MCBA Filings

In April and July of 2023, Cal Water submitted advice letters to true up the revenue under-collections for the 2022 annual WRAMs/MCBAs of its regulated districts. A net under-collection of \$76.6 million is being recovered from customers in the form of 12, 18, and greater-than-18-month surcharges. The new surcharges incorporate net WRAM/MCBA balances that were previously approved for recovery and were implemented on May 5, 2023, except for Kern River Valley's surcharge, which is expected to be implemented on January 15, 2024. The balance also includes \$1.5 million of settlement proceeds from a settled lawsuit with the Stockton East Water District related to purchased water in Stockton. Cal Water will pass the benefit to its Stockton customers through a reduction of its net WRAM receivable.

2018 GRC CEBA Filing

In March of 2023, Cal Water submitted an advice letter to amortize the CEBA from the 2018 GRC that tracked the difference between adopted and actual costs for the period of 2020-2022. \$6.2 million is being refunded to

customers in some districts in the form of one-time or 12-month surcredits as actual conservation program costs during 2020-2022 were lower than the adopted conservation program costs. The new surcredits were implemented on May 5, 2023.

2018 GRC HCBA and PCBA Filing

In June of 2023, Cal Water submitted an advice letter to amortize the HCBA and PCBA from the 2018 GRC that tracked the difference between adopted and actual costs for the period of 2020-2022. For the HCBA, \$14.0 million is expected to be refunded to customers in the form of one-time or 12-month surcredits as actual employee and retiree medical costs during 2020-2022 were lower than the adopted employee and retiree medical costs. For the PCBA, \$17.4 million is expected to be recovered from customers in the form of one-time or 12-month surcharges as actual costs for employee pension benefits during 2020-2022 were higher than the adopted employee pension benefits. The new rates were implemented on July 31, 2023.

City of Hawthorne GRC Filing

In June of 2023, the City of Hawthorne approved Cal Water's water rate increase proposal for 2023-2026. Cal Water was approved to increase total revenue by \$0.9 million incrementally over 4 years. Revenue will increase by 1.5% in 2023, 1.9% in 2024, 1.6% in 2025 and 2.3% in 2026. The 2023 increase was implemented on July 1, 2023. Cal Water was also approved to establish a Full Cost Balancing Account to track differences between adopted and actual water production costs.

Regulatory Activity - Other States

2023 Washington Water GRC (Washington Water)

On April 10, 2023, Washington Water filed a GRC application with the Washington Utilities and Transportation Commission (UTC) requesting an annual revenue increase of \$3.0 million for its East Pierce Water System phased in over two years and an annual revenue increase of \$0.6 million for its legacy Washington Water system. In July of 2023, the UTC approved an annual revenue increase of \$2.1 million. Washington Water implemented the new rates on July 28, 2023.

Pukalani GRC (Hawaii Water)

On December 30, 2022, Hawaii Water filed a GRC application with the Hawaii Public Utilities Commission requesting an annual revenue increase of \$0.6 million phased in over two years. A full settlement with Consumer Advocates with an annual revenue increase of \$0.5 million phased in over two years was filed on September 22, 2023. Hawaii Water is expecting a Commission decision in the fourth quarter of 2023. year.

LIQUIDITY

Cash flow Flow from Operations Operating Activities

Cash During the three months ended March 31, 2024, we generated cash flow from operations for the first nine months of 2023 was \$143.5 million \$26.5 million compared to \$199.8 million \$21.0 million for the same period in 2022. The decrease in the first nine months of 2023 as compared to 2022 was primarily due to decrease in net income of \$54.4 million for the first nine months of 2023 as compared to the same period last year and the net receipt of \$17.2 million from the Water Arrearages Payment Program in 2022. 2023. Cash generated by operations varies during the year due to customer billings, and timing of collections and contributions to our benefit plans.

During the first nine three months of 2023, ended March 31, 2024, we made did not make any cash contributions of \$2.9 million to our employee pension plan compared to contributions of \$12.4 million during the first nine months of 2022. During the first nine months of 2023, we made contributions of \$0.2 million to the nor our other postretirement benefit plans compared to plans. During the three months ended March 31, 2023, we made cash contributions of \$0.5 million during the first nine months of 2022, \$2.9 and \$0.2 million, respectively, to our pension plans and to our other postretirement benefit plans. The full-year 2023 2024 estimated cash contribution to the pension plans and other postretirement benefits plans are expected to be approximately \$2.9 million \$0.7 million and \$0.2 million, respectively.

The water business is seasonal. Billed revenue is lower in the cool, wet winter months when less water is used compared to the warm, dry summer months when water use is highest. This seasonality results in the possible need for short-term borrowings under the Company and Cal Water facilities bank lines of credit in the event cash is not available sufficient to cover operating costs during the winter period. The increase in cash flows flow during the summer allows for a pay down of short-term borrowings to be paid down. borrowings. Customer water usage can be lower than normal in drought years and when greater-than-normal more than normal precipitation falls in our service areas or temperatures are lower than normal, especially in the summer months. The reduction in water usage reduces cash flow from operations and increases the need for short-term bank borrowings.

On July 10, 2023, California Governor Gavin Newsom signed Senate Bill 122, which included several revisions to the California Water and Wastewater Arrearages Payment Program (Program). Most notably, Senate Bill 122 extends the time period covered by the Program to December 31, 2022, as opposed to June 15, 2021. As part of the initial program which covered the period Cash Flow from March 4, 2020 through June 15, 2021, the Company secured \$17.2 million to assist customers with past-due bills. The Company expects to file an application to seek additional relief for its customers with past-due bills during the month of November 2023.

Investing Activities

During the first nine three months of ended March 31, 2024 and 2023, and 2022, we used \$274.1 million \$109.8 million and \$222.1 million \$82.0 million, respectively, of cash for Company-funded and developer-funded utility plant capital expenditures. Annual expenditures fluctuate Cash used in investing activities fluctuates each year largely due to the availability of construction resources and our ability to obtain construction permits in a timely manner. For 2023, the Company's 2024, our utility capital program will expenditures are estimated to be dependent, in part, on the timing and nature of regulatory approvals in connection with Cal Water's 2021 GRC Filing. The Company proposed to the CPUC spending \$1.0 billion on water infrastructure investments in 2022-2024. Capital expenditures in California are evaluated in the context of the pending GRC Filing and may change as the case moves forward. \$365.0 million.

Cash Flow from Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2024 was \$120.1 million during the first nine months of 2023 \$86.6 million compared to \$61.4 million of net cash provided by financing activities \$62.5 million for the same period in 2022. 2023. For 2024, this includes our issuance of \$0.8 million of Company common stock through our employee stock purchase plan. For 2023, this includes our issuance of \$112.7 million \$18.2 million of Company common stock through our at-the-market equity program and \$1.8 million through our

employee stock purchase plan. For 2022, this includes our issuance of \$57.1 million of Company common stock through our at-the-market equity program and \$1.6 million \$0.6 million through our employee stock purchase plan.

During the first nine three months of ended March 31, 2024 and 2023, and 2022, we borrowed \$165.0 million \$170.0 million and \$95.0 million, respectively, on our previous unsecured revolving credit facilities. We made repayments on our previous unsecured revolving credit facilities of \$120.0 million \$70.0 million and \$60.0 million \$35.0 million during the first nine three months of ended March 31, 2024 and 2023, and 2022, respectively. During the first nine three months of 2023, we also paid \$1.6 million in issuance costs for the Company and Cal Water facilities entered into on March 31, 2023, as described below.

On March 31, 2023, the Company and Cal Water entered into the Company and Cal Water credit facilities, which provide for unsecured revolving credit facilities of up to an initial aggregate amount of \$600.0 million for a term of five years. The Company and subsidiaries that it designates may borrow up to \$200.0 million under the Company's Company's revolving credit facility (the Company facility). Cal Water may borrow up to \$400.0 million under the Cal Water revolving credit facility (the Cal Water facility). Additionally, the credit facilities may be increased by up to an incremental \$150.0 million under the Cal Water facility and \$50.0 million under the Company facility, subject in each case to certain conditions.

The net WRAM and MCBA Modified Cost Balancing Account receivable balances were \$75.2 \$57.9 million and \$94.8 million \$100.3 million as of September 30, 2023 March 31, 2024 and 2022, 2023, respectively. There also was an MWRAM receivable balance of \$31.1 million as of March 31, 2024. The receivable balances were primarily financed by Cal Water using short-term and long-term financing arrangements to meet operational cash requirements. Interest on the receivable balances, which represents the interest recoverable from customers, is limited to the then-current 90-day commercial paper rates, which typically are significantly lower than Cal Water's short and long-term financing rates.

Short-term and Long-term Financing

During the first nine three months of 2023, ended March 31, 2024, we utilized cash generated from operations and temporary borrowings on our previous unsecured revolving credit facilities and cash received from the sale of Company common stock through our at-the-market equity program to fund operations and capital investments.

In future periods, management anticipates funding our utility plant needs through a relatively balanced approach between balance of long term debt and equity.

Short-term liquidity is provided by the Company and Cal Water facilities and internally generated funds. Long-term financing is accomplished through the use of both debt and equity. The Company and subsidiaries that it designates may borrow up to \$200.0 million under the Company facility. Cal Water may borrow up to \$400.0 million under the Cal Water facility; however, all borrowings must be repaid within 12 months unless a different period is

required or authorized by the CPUC. The proceeds from the Company and Cal Water facilities may be used for working capital purposes.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, short-term borrowings of \$115.0 million \$280.0 million and \$70.0 million, \$180.0 million, respectively, were outstanding on the Company and Cal Water facilities.

Given our ability to access our lines of credit on a daily basis, cash balances are managed to levels required for daily cash needs and excess cash is invested in short-term or cash equivalent instruments. Minimal operating levels of unrestricted cash are maintained for Washington Water, New Mexico Water, Hawaii Water and Texas Water.

The Company and Cal Water facilities contain affirmative and negative covenants and events of default customary for credit facilities of this type including, among other things, limitations and prohibitions relating to additional indebtedness, liens, mergers, and asset sales. Also, the Company and Cal Water facilities contain financial covenants that require the Company and its subsidiaries' consolidated total capitalization ratio not to exceed 66.7% and an interest coverage ratio of three or more. As of September 30, 2023 March 31, 2024, we are in compliance with all of the covenant requirements and are eligible to use the full amount of the undrawn portion of the Company and Cal Water facilities.

Long-term financing, which includes First Mortgage Bonds, other debt securities, and common stock, has typically been used to replace short-term borrowings and fund utility plant expenditures. Internally generated funds, after making dividend payments, provide positive cash flow, but have not been at a level to meet the needs of our utility plant expenditure requirements. Management expects this trend to continue given our planned utility plant expenditures for the next five years. Some utility plant expenditures are funded by payments received from developers for contributions in aid of construction or advances for construction. Funds received for contributions in aid of construction are non-refundable, whereas funds classified as advances in for construction are generally refundable over 40 years. Management believes long-term financing is available to meet our cash flow needs through issuances in of both debt and equity instruments.

Summarized Financial Information for Guarantors and the Issuer of Guaranteed Securities. Securities

On April 17, 2009, Cal Water (Issuer) issued \$100.0 million aggregate principal amount of 5.500% First Mortgage Bonds due 2040, all of which are fully and unconditionally guaranteed by the Company (Guarantor). Certain subsidiaries of the Company do not guarantee the security and are referred to as Non-guarantors. The Guarantor fully, absolutely, irrevocably and unconditionally guarantees the punctual payment when due, whether at stated maturity, by acceleration, by notice of prepayment or otherwise, of the principal, premium, if any, and interest on the bonds. The bonds rank equally among Cal Water's Water's other First Mortgage Bonds.

The following tables present summarized financial information of the Issuer subsidiary and the Guarantor. The information presented below excludes eliminations necessary to arrive at the information on a consolidated basis. In presenting the summarized financial statements, the equity method of accounting has been applied to the

Guarantor interests in the Issuer. The summarized information excludes financial information of the Non-guarantors, including earnings from and investments in these entities.

Summarized Statement of Operations

(in thousands)	Nine Months Ended September 30,		Twelve Months Ended December 31,	
	2023		2022	
	Issuer	Guarantor	Issuer	Guarantor
Net sales	\$ 523,080	\$ —	\$ 775,382	\$ —
Gross profit	\$ 317,807	\$ —	\$ 506,890	\$ —
Income from operations	\$ 41,524	\$ 402	\$ 124,464	\$ 363
Equity in earnings of guarantor	\$ —	\$ 20,365	\$ —	\$ 94,339
Net income	\$ 21,536	\$ 21,438	\$ 92,769	\$ 95,263

Summarized Balance Sheet Information

(in thousands)	As of September 30, 2023		As of December 31, 2022	
	Issuer	Guarantor	Issuer	Guarantor
Current assets	\$ 231,788	\$ 8,685	\$ 208,962	\$ 31,913
Intercompany receivable from Non-guarantors	\$ 1,346	\$ 46,780	\$ 3,339	\$ 34,100
Other assets	\$ 444,602	\$ 1,169,320	\$ 450,668	\$ 1,080,720
Long-term intercompany receivable from Non-issuers	\$ —	\$ 36,475	\$ —	\$ 37,869
Net utility plant	\$ 2,968,822	\$ 2	\$ 2,805,242	\$ —
Total assets	\$ 3,646,558	\$ 1,261,262	\$ 3,468,211	\$ 1,184,602
Current liabilities	\$ 322,916	\$ 37,583	\$ 242,538	\$ 35,260
Intercompany payable to Non-guarantors and Guarantor	\$ 3,539	\$ —	\$ 562	\$ —
Long-term debt	\$ 1,051,423	\$ —	\$ 1,051,994	\$ —
Other liabilities	\$ 1,105,625	\$ 2,935	\$ 1,098,378	\$ 2,485
Total Liabilities	\$ 2,483,503	\$ 40,518	\$ 2,393,472	\$ 37,745

Summarized Statement of Operations

(in thousands)	Three Months Ended March 31, 2024		Twelve Months Ended December 31, 2023	
	Three Months Ended March 31, 2024		Twelve Months Ended December 31, 2023	
	Issuer	Guarantor	Issuer	Guarantor
Net sales	\$ 253,439	\$ —	\$ 720,577	\$ —
Gross profit	\$ 193,604	\$ —	\$ 449,221	\$ —
Income from operations	\$ 81,266	\$ 257	\$ 82,157	\$ 590

Equity in earnings of guarantor	\$ —	\$ 69,002	\$ —	\$ 49,998
Net income	\$ 73,579	\$ 69,690	\$ 57,168	\$ 51,376

Summarized Balance Sheet Information

(in thousands)	As of March 31, 2024		As of December 31, 2023	
	Issuer	Guarantor	Issuer	Guarantor
Current assets	\$ 196,749	\$ 9,568	\$ 213,469	\$ 10,126
Intercompany receivable from Non-guarantors	\$ 3,436	\$ 53,618	\$ 3,664	\$ 44,882
Other assets	\$ 603,153	\$ 1,247,621	\$ 479,642	\$ 1,190,076
Long-term intercompany receivable from Non-issuers	\$ —	\$ 85,678	\$ —	\$ 82,610
Net utility plant	\$ 3,554,567	\$ —	\$ 3,487,788	\$ —
Total assets	\$ 4,357,905	\$ 1,396,485	\$ 4,184,563	\$ 1,327,694
Current liabilities	\$ 413,610	\$ 67,778	\$ 351,964	\$ 53,069
Intercompany payable to Non-guarantors and Guarantor	\$ 114	\$ —	\$ —	\$ —
Long-term debt	\$ 1,051,952	\$ —	\$ 1,052,350	\$ —
Other liabilities	\$ 1,663,456	\$ 3,335	\$ 1,595,852	\$ 3,068
Total Liabilities	\$ 3,129,132	\$ 71,113	\$ 3,000,166	\$ 56,137

Dividends

During the **first nine three months of 2023, ended March 31, 2024**, our quarterly common stock dividend payments were **\$0.78** **\$0.28** per share compared to **\$0.75** **\$0.26** per share during for the **first nine three months of 2022, ended March 31, 2023**. For the full year **2022, 2023**, the payout ratio was **56.5%** **113.8%** of net income. On a long-term basis, our goal is to achieve a dividend payout ratio of 60% of net income.

At the **October 25, 2023** **April 24, 2024** meeting, the **Company's** **Company's** Board of Directors declared the **fourth** **second** quarter dividend of **\$0.26** **\$0.28** per share payable on **November 17, 2023** **May 17, 2024**, to stockholders of record on **November 6, 2023** **May 6, 2024**. This was our **315th** **317th** consecutive quarterly dividend.

2023 2024 Financing Plan

We intend to fund our utility plant needs in future periods through a relatively balanced approach between long-term debt and equity. The Company and Cal Water have a syndicated unsecured revolving line of credit of \$200.0 million and \$400.0 million, respectively, for short-term borrowings. As of **September 30, 2023** **March 31, 2024**, the Company's and Cal Water's availability on these unsecured revolving lines of credit was **\$165.0 million** **\$135.0 million** and **\$320.0 million** **\$185.0 million**, respectively.

Book Value and Stockholders of Record

Book value per common share was **\$24.44** **\$25.41** at **September 30, 2023** **March 31, 2024** compared to **\$23.70** **\$24.72** at **December 31, 2022** **December 31, 2023**. There were approximately **1,817** **1,767** stockholders of

record for our common stock as of August 7, 2023 February 12, 2024.

Utility Plant Expenditures

During the first nine months of 2023, ended March 31, 2024, utility plant expenditures totaled \$274.1 million \$109.8 million for Company-funded and developer-funded projects. For 2023, the Company's 2024, we estimate utility capital program will expenditures to be dependent in part on the timing and nature of regulatory approvals in connection with Cal Water's 2021 GRC filing. The Company proposed to the CPUC spending \$1.0 billion on water infrastructure investments in 2022-2024. Capital expenditures in California are evaluated in the context of the pending GRC and may change as the case moves forward. \$365.0 million.

As of September 30, 2023 March 31, 2024, construction work in progress was \$340.5 million \$321.4 million. Construction work in progress includes projects that are under construction but not yet complete and placed in service.

WATER SUPPLY

Our source of supply varies among our operating districts. Certain districts obtain all of their supply from wells; some districts purchase all of their supply from wholesale suppliers; and other districts obtain supply from a combination of wells and wholesale suppliers. A small portion of supply comes from surface sources and is processed through Company-owned water treatment plants. To the best of management's management's knowledge, we are meeting water quality, environmental, and other regulatory standards for all Company-owned systems.

Historically, approximately half of our annual water supply is pumped from wells. State groundwater management agencies operate differently in each state. Some of our wells extract ground water from water basins under state ordinances. These are adjudicated groundwater basins, in which a court has settled the dispute between landowners, or other parties over how much annual groundwater can be extracted by each party. All of our adjudicated groundwater basins are located in the State of California. Our average annual groundwater extraction from adjudicated groundwater basins approximates 5.7 billion 6.7 billion gallons or 10.8% 13.1% of our total average annual (2022-2023) water supply pumped from wells. Historically, we have extracted less than 100% of our annual adjudicated groundwater rights and have the right to carry forward up to 20% of the unused amount to the next annual period. All of our remaining wells extract ground water from managed or unmanaged water basins. There are no set limits for the ground water extracted from these water basins. Our average annual groundwater extraction from managed groundwater basins approximates 31.5 billion 29.7 billion gallons or 59.9% 57.6% of our total average annual water supply pumped from wells. Our average annual groundwater extraction from unmanaged groundwater basins approximates 15.4 billion 15.1 billion gallons or 29.3% of our total average annual water supply pumped from wells. Most of the Many managed groundwater basins we extract water from have groundwater recharge facilities. We are required to facilities for which we financially support these groundwater recharge facilities activities by paying well pump taxes. Our well pump taxes were \$5.1 million and \$3.7 million for For the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. For the nine months ended September 30, 2023 and 2022, 2023, our well pump taxes were \$13.1 million \$5.0 million and \$11.9 million \$3.9 million, respectively. In 2014, the State of California enacted the Sustainable Groundwater

Management Act of 2014 (SGM Act) (SGMA). The law and its implementing regulations required most basins to ~~select~~ create a sustainability agency by 2017, develop a sustainability plan by the end of 2022, and show progress toward sustainability by 2027. We expect that after the SGM Act's SGMA provisions are fully implemented, substantially all the Company's Company's California groundwater will be produced from sustainably managed and ~~and/or~~ adjudicated basins.

California's California's normal weather pattern yields little precipitation between mid-spring and mid-fall. The Washington Water service areas receive precipitation in all seasons, with the heaviest amounts during the winter. New Mexico Water's rainfall is heaviest in the summer monsoon season. Hawaii Water receives precipitation throughout the year, with the largest amounts in the winter months. Typically, water usage in all service areas is highest during the warm and dry summers and declines in the cool winter months. Rain and snow during the winter months in California replenish underground water aquifers and fill reservoirs, providing the water supply for subsequent delivery to customers. As of July 17, 2023 April 9, 2024, the State of California snowpack water content during for the 2023-2024 water year was 667% 127% of long-term averages (per the California Department of Water Resources, Northern Sierra Precipitation Accumulation report). The northern Sierra region is the most important for the state's urban water supplies. The central and southern portions of the Sierras have recorded 750% 113% and 500% 107%, respectively, of long-term averages. Management believes that supply pumped from underground aquifers and purchased from wholesale suppliers will be adequate to meet customer demand during 2023 2024 and thereafter. Long-term water supply plans are developed for each of our districts to help assure an adequate water supply under various operating and supply conditions. Some districts have unique challenges in meeting water quality standards, but management believes that supplies will meet current standards using currently available treatment processes.

On May 31, 2018, California's Governor signed two bills (Assembly Bill 1668 and Senate Bill 606) into law that were intended to establish long-term standards for water use efficiency. The bills revise and expand the existing urban water management plan requirements to include five-year drought risk assessments, water shortage contingency plans, and annual water supply/demand assessments. The California State Water Resources Control Board, in conjunction with the California Department of Water Resources, is expected to establish long-term water use standards for indoor residential use, outdoor residential use, water losses, and other uses. Cal Water will also be required to calculate and report on urban water use targets by November 1, 2023, and each November 1 thereafter, of each year, that compare compares actual urban water use to the targets. Management believes that Cal Water is well positioned to comply with all such regulations.

In March April of 2023, 2024, the EPA issued proposed maximum contaminant U.S. Environmental Protection Agency (EPA) finalized a National Primary Drinking Water Regulation establishing legally enforceable levels for six PFAS. Based on current information, if PFAS in drinking water. Under the PFAS regulation, is adopted in its current form, we expect that we would have three years water utilities with impacted water systems across the country are required to monitor for these PFAS by 2027 and to comply with the final PFAS regulations and we Maximum Contaminant Levels (MCL) by 2029. We estimate that a capital investments investment of approximately \$200.0 million would \$215.0 million will be required to comply. comply with the regulation.

On April 17, 2024, the Water Board adopted a new MCL of 10 parts per billion for Chromium-6 in drinking water. Our water systems in California will be required to comply with the regulation within two to four years. We developed and installed treatment for this contaminant at most of our impacted water sources when the same MCL, which was subsequently vacated for administrative reasons, was originally set in 2014. After the MCL was vacated, we continued to treat our impacted water systems. We anticipate installing treatment for the remaining sites before the regulatory deadline.

CONTRACTUAL OBLIGATIONS

During the ~~nine~~ three months ended ~~September 30, 2023~~ March 31, 2024, there were no material changes in contractual obligations outside the normal course of business.

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We do not hold, trade in or issue derivative financial instruments and therefore are not exposed to risks these instruments present. Our market risk to interest rate exposure is limited because the cost of long-term financing and short-term bank borrowings, including interest costs, is covered in consumer water rates as approved by the Commissions. We do not have foreign operations; therefore, we do not have a foreign currency exchange risk. Our business is sensitive to commodity prices and is most affected by changes in purchased water and purchased power costs.

Historically, the CPUC's balancing account or offsettable expense procedures allowed for increases in purchased water, pump tax, and purchased power costs to be flowed through to consumers. Traditionally, a significant percentage of our net income and cash flows come from California regulated operations; therefore the CPUC's actions have a significant impact on our business. See Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Regulatory Matters."

Item 4.

CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management, including the Chief Executive Officer and Chief Financial Officer, recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Accordingly, our disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of **September 30, 2023**. Based on that evaluation **March 31, 2024** and **the changes made to our internal control over financial reporting in the second and third quarters of 2023 noted below**, our management, including our Chief Executive Officer and Chief Financial Officer, have concluded that our disclosure controls and procedures were **effective**.

effective at the reasonable assurance level.

(b) Changes to Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the **third first** quarter of **2023 2024** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, other than as described below. During the second and third quarters of 2023, management remediated the material weakness in our internal control over financial reporting as of December 31, 2022 disclosed in Item 9A of our 2022 Annual Report on Form 10-K by implementing the following changes:

- Monthly, management of the rates and accounting departments will meet to evaluate the nature of all regulatory activity (examples include advice letter filings, GRC applications, testimony, and settlements) that has occurred during the month and is expected to occur in subsequent months, and identify the regulatory activity which will have an accounting and financial reporting impact. After the monthly meeting, accounting management will determine the required accounting for the regulatory activity having an accounting and financial reporting impact, and a memo will be written and reviewed by rates management and accounting management to conclude on the accounting and financial reporting for such activity.
- At the end of each quarter, rates management will confirm to accounting management that all regulatory activity filed or soon to be filed and which may have an accounting and financial reporting impact have been evaluated and reflected in the financial statements, before finalizing the Company's financial statements.**reporting.**

PART II—OTHER INFORMATION

Item 1.

LEGAL PROCEEDINGS

From time to time, the Company is involved in various disputes and litigation matters that arise in the ordinary course of business. The status of each significant matter is reviewed and assessed for potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount of the range of loss

can be reasonably estimated, a liability is accrued for the estimated loss in accordance with the accounting standards for contingencies. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based on the best information available at the time. While the outcome of these disputes and litigation matters cannot be predicted with any certainty, management does not believe when taking into account existing reserves the ultimate resolution of these matters will materially affect the Company's financial position, results of operations, or cash flows. In the future, we may be involved in disputes and litigation related to a wide range of matters, including employment, construction, environmental issues and operations. Litigation can be time-consuming and expensive and could divert management's time and attention from our business. In addition, if we are subject to new lawsuits or disputes, we might incur significant legal costs and it is uncertain whether we would be able to recover the legal costs from customers or other third parties. **For more information** Please refer to Note 10.9, "Commitments and Contingencies" for more information.

Item 1A.

RISK FACTORS

There have been no material changes to the Company's risk factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year-ended **December 31, 2022** **December 31, 2023** filed with the SEC on **March 1, 2023** **February 29, 2024**.

Item 5.

OTHER INFORMATION

(c) Trading Plans

During the last fiscal quarter, no director or Section 16 officer of the Company adopted or terminated any Rule 10b5-1 or non-Rule 10b5-1 trading arrangement (as defined under SEC rules).

Item 6.

EXHIBITS

Exhibit Number	Description
3.1	Certificate of Incorporation of California Water Service Group (Exhibit 3.1 to the Quarterly Report on Form 10-Q filed August 9, 2006)
3.2	Certificate of Amendment to Certificate of Incorporation of California Water Service Group (Exhibit 3.1 to the Current Report on Form 8-K filed June 10, 2011)
3.3	Certificate of Amendment to Amended Certificate of Incorporation of California Water Service Group (Exhibit 3.3 to the Quarterly Report on Form 10-Q filed July 28, 2022)
3.4	Certificate of Amendment to Amended Certificate of Incorporation of California Water Service Group (Exhibit 3.4 to the Quarterly Report on Form 10-Q filed July 27, 2023)
3.5	Amended and Restated Bylaws of California Water Service Group, as amended on February 28, 2024 (Exhibit 3.1 to the Current Annual Report on Form 8-K10-K filed February 24, 2023 February 29, 2024)
4.0	The Company agrees to furnish upon request to the Securities and Exchange Commission a copy of each instrument defining the rights of holders of long-term debt of the Company.
31.1	Chief Executive Officer certification of financial statements pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer certification of financial statements pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from this Quarterly Report on Form 10-Q formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Cash Flows, (iv) the Notes to the Condensed Consolidated Financial Statements, and (v) Part II, Item 5(c).
104	The cover page from this Quarterly Report on Form 10-Q formatted in iXBRL (included as exhibit Exhibit 101)

SIGNATURES

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

CALIFORNIA WATER SERVICE GROUP

Registrant

October 26, 2023 April 25, 2024

By: /s/ David B. Healey James P. Lynch

David B. Healey James P. Lynch

Senior Vice President, Chief Financial Officer and
Treasurer

Chief Financial Officer and Treasurer

(Principal Financial Officer)

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Exhibit 31.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Martin A. Kropelnicki, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, of California Water Service Group;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its

consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **October 26, 2023** April 25, 2024

By: /s/ Martin A. Kropelnicki

MARTIN A. KROPELNICKI

Chairman, President and Chief Executive Officer

Exhibit 31.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, David B. Healey, James P. Lynch, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024**, of California Water Service Group;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **October 26, 2023** **April 25, 2024**

By: **/s/ David B. Healey James P. Lynch**

DAVID B. HEALEY JAMES P. LYNCH

Senior Vice President, Chief Financial Officer and
Treasurer

(Principal Financial Officer)

Exhibit 32

**CERTIFICATION OF CEO AND CFO
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies that this quarterly report on Form 10-Q for the period ended **September 30, 2023** **March 31, 2024** fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of California Water Service Group.

Date: **October 26, 2023** **April 25, 2024**

By: **/s/ Martin A. Kropelnicki**

MARTIN A. KROPELNICKI

Chairman, President and Chief Executive Officer
California Water Service Group

Date: **October 26, 2023** **April 25, 2024**

By: **/s/ David B. Healey James P. Lynch**

DAVID B. HEALEY JAMES P. LYNCH

Senior Vice President, Chief Financial Officer and
Treasurer
(Principal Financial Officer)

California Water Service Group

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