

REFINITIV

# DELTA REPORT

## 10-Q

SJW - SJW GROUP

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 646

█ CHANGES 126

█ DELETIONS 218

█ ADDITIONS 302

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended **March 31, 2024** **June 30, 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 001-8966

**SJW GROUP**

(Exact name of registrant as specified in its charter)

Delaware **77-0066628**

(State or other jurisdiction of incorporation or  
organization) (I.R.S. Employer Identification No.)

**110 West Taylor Street, San 95110**  
**Jose, CA**

(Address of principal executive offices) (Zip Code)

**(408) 279-7800**

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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Common Stock, par value \$0.001 per share	SJW	New York Stock Exchange LLC
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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 (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to 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 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  Non-accelerated filer

Accelerated filer  Smaller reporting company

Emerging growth company

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of **April 22, 2024** **July 22, 2024**, there were **32,234,465** **32,711,600** shares of the registrant's Common Stock outstanding.

## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the federal securities laws relating to future events and future results. Private Securities Litigation Reform Act of SJW Group and its subsidiaries that are based on current expectations, estimates, forecasts, and projections about SJW Group and its subsidiaries and the industries in which SJW Group and its subsidiaries operate and the beliefs and assumptions of the management of SJW Group. 1995, as amended. Some of these forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," "projects," "strategy," or "anticipates," or the negative of those words or other comparable terminology. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict.

The accuracy of such statements is subject to a number of risks, uncertainties and assumptions including, but not limited to, the following factors:

- the effect of water, utility, environmental and other governmental policies and regulations, including regulatory actions concerning rates, authorized return on equity, authorized capital structures, capital expenditures, per- and polyfluoralkyl substances ("PFAS") and other decisions;
- changes in demand for water and other services;
- unanticipated weather conditions and changes in seasonality including those affecting water supply and customer usage;
- the effect of the impacts of climate change;
- unexpected costs, charges or expenses;
- our ability to successfully evaluate investments in new business and growth initiatives;
- contamination of our water supplies and damage or failure of our water equipment and infrastructure;
- the risk of work stoppages, strikes and other labor-related actions;
- catastrophic events such as fires, earthquakes, explosions, floods, ice storms, tornadoes, hurricanes, terrorist acts, physical attacks, cyber-attacks, epidemic or other similar occurrences;
- changes in general economic, political, business and financial market conditions;
- the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, changes in interest rates, compliance with regulatory requirements, compliance with the terms and conditions of our outstanding indebtedness and general market and economic conditions; and
- legislative and general market and economic developments.

The risks, uncertainties and other factors may cause the actual results, performance or achievements of SJW Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Results for a quarter are not indicative of results for a full year due to seasonality and other factors. In addition, actual results, are subject to performance or achievements to other risks and uncertainties that relate more broadly to our overall business, including those more fully materially differ are described in our filings with the SEC, including our most recent reports on Form 10-K, Form 10-Q and Form 8-K. Forward-looking statements are not guarantees of performance, and speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements except statement, whether as required by law, a result of new information, future events or otherwise.

## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

**SJW Group and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**  
(in thousands, except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<b>Operating revenue</b>				
Operating revenue				
Operating revenue				
<b>Operating expense:</b>				
Operating expense:				
Operating expense:				
Production Expenses:				
Production Expenses:				

Production Expenses:
Purchased water
Purchased water
Purchased water
Power
Power
Power
Groundwater extraction charges
Groundwater extraction charges
Groundwater extraction charges
Other production expenses
Other production expenses
Other production expenses
Total production expenses
Total production expenses
Total production expenses
Administrative and general
Administrative and general
Administrative and general
Maintenance
Maintenance
Maintenance
Property taxes and other non-income taxes
Property taxes and other non-income taxes
Property taxes and other non-income taxes
Depreciation and amortization
Depreciation and amortization
Depreciation and amortization
<b>Total operating expense</b>
<b>Total operating expense</b>
<b>Total operating expense</b>
<b>Operating income</b>
<b>Operating income</b>
<b>Operating income</b>
<b>Other (expense) income:</b>
<b>Other (expense) income:</b>
<b>Other (expense) income:</b>
Interest on long-term debt and other interest expense
Interest on long-term debt and other interest expense
Interest on long-term debt and other interest expense
Pension non-service credit (cost)
Pension non-service credit (cost)
Pension non-service credit (cost)
Other, net
Other, net
Other, net
<b>Income before income taxes</b>
<b>Income before income taxes</b>
<b>Income before income taxes</b>
Provision for income taxes
Provision for income taxes

Provision for income taxes	
<b>Net income</b>	
<b>Net income</b>	
<b>Net income</b>	
Other comprehensive (loss) income, net	
Other comprehensive (loss) income, net	
Other comprehensive (loss) income, net	
<b>Comprehensive income</b>	
<b>Comprehensive income</b>	
Other comprehensive income (loss), net	
<b>Comprehensive income</b>	
<b>Earnings per share</b>	
<b>Earnings per share</b>	
<b>Earnings per share</b>	
Basic	
Basic	
Basic	
Diluted	
Diluted	
Diluted	
<b>Dividends per share</b>	
<b>Dividends per share</b>	
<b>Dividends per share</b>	
<b>Weighted average shares outstanding</b>	
<b>Weighted average shares outstanding</b>	
<b>Weighted average shares outstanding</b>	
Basic	
Basic	
Basic	
Diluted	
Diluted	
Diluted	

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**SJW Group and Subsidiaries**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**  
**(in thousands, except share and per share data)**

	March 31, December 31,	
	2024	2023
	June 30, December 31,	2024 2023
<b>Assets</b>		
<b>Utility plant:</b>		
<b>Utility plant:</b>		
<b>Utility plant:</b>		
Land		
Land		
Land		
Depreciable plant and equipment		
Construction work in progress		

Intangible assets	
Total utility plant	
Less accumulated depreciation and amortization	
Net utility plant	
<b>Nonutility properties and real estate investments</b>	
<b>Nonutility properties and real estate investments</b>	
<b>Nonutility properties and real estate investments</b>	
Less accumulated depreciation and amortization	
Net nonutility properties and real estate investments	
<b>Current assets:</b>	
<b>Current assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	
Cash and cash equivalents	
Cash and cash equivalents	
Accounts receivable:	
Accounts receivable:	
Accounts receivable:	
Customers, net of allowances for uncollectible accounts of \$6,198 and \$6,551 on March 31, 2024 and December 31, 2023, respectively	
Customers, net of allowances for uncollectible accounts of \$6,198 and \$6,551 on March 31, 2024 and December 31, 2023, respectively	
Customers, net of allowances for uncollectible accounts of \$6,198 and \$6,551 on March 31, 2024 and December 31, 2023, respectively	
Customers, net of allowances for uncollectible accounts of \$802 and \$6,551 on June 30, 2024 and December 31, 2023, respectively	
Customers, net of allowances for uncollectible accounts of \$802 and \$6,551 on June 30, 2024 and December 31, 2023, respectively	
Customers, net of allowances for uncollectible accounts of \$802 and \$6,551 on June 30, 2024 and December 31, 2023, respectively	
Income tax	
Other	
Accrued unbilled utility revenue	
Assets held for sale	
Prepaid expenses	
Current regulatory assets	
Other current assets	
Total current assets	
<b>Other assets:</b>	
Regulatory assets, less current portion	
Regulatory assets, less current portion	
Regulatory assets, less current portion	
Investments	
Postretirement benefit plans	
Other intangible asset	
Goodwill	
Other	
Total other assets	
<b>Total assets</b>	

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**SJW Group and Subsidiaries**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**  
(in thousands, except share and per share data)

	March 31, 2024	December 31, 2023
<b>Capitalization and liabilities</b>		
<b>Capitalization:</b>		
Stockholders' equity:		
Common stock, \$0.001 par value; authorized 70,000,000 shares; issued and outstanding shares 32,201,216 on March 31, 2024 and 32,023,004 on December 31, 2023	\$ 32	32
Additional paid-in capital	744,621	736,191
Retained earnings	494,249	495,383
Accumulated other comprehensive income	1,349	1,791
Total stockholders' equity	1,240,251	1,233,397
Long-term debt, less current portion	1,550,298	1,526,699
Total capitalization	2,790,549	2,760,096
<b>Current liabilities:</b>		
Lines of credit	210,748	171,500
Current portion of long-term debt	9,002	48,975
Accrued groundwater extraction charges, purchased water and power	17,205	24,479
Accounts payable	34,397	46,121
Accrued interest	19,056	15,816
Accrued payroll	8,818	12,229
Current regulatory liabilities	2,480	3,059
Other current liabilities	21,554	20,795
Total current liabilities	323,260	342,974
Deferred income taxes	239,960	238,528
Advances for construction	141,431	146,582
Contributions in aid of construction	331,869	326,451
Postretirement benefit plans	47,323	46,836
Regulatory liabilities, less current portion	469,953	461,108
Other noncurrent liabilities	23,167	22,492
Commitments and contingencies		
<b>Total capitalization and liabilities</b>	<b>\$ 4,367,512</b>	<b>4,345,067</b>

	June 30, 2024	December 31, 2023
<b>Capitalization and liabilities</b>		
<b>Capitalization:</b>		
Stockholders' equity:		
Common stock, \$0.001 par value; authorized 70,000,000 shares; issued and outstanding shares 32,668,904 on June 30, 2024 and 32,023,004 on December 31, 2023	\$ 33	32
Additional paid-in capital	771,189	736,191
Retained earnings	502,037	495,383
Accumulated other comprehensive income	1,349	1,791
Total stockholders' equity	1,274,608	1,233,397
Long-term debt, less current portion	1,549,587	1,526,699
Total capitalization	2,824,195	2,760,096
Current liabilities:		
Lines of credit	217,495	171,500
Current portion of long-term debt	9,023	48,975

Accrued groundwater extraction charges, purchased water and power	32,581	24,479
Accounts payable	37,932	46,121
Accrued interest	15,582	15,816
Accrued payroll	10,683	12,229
Income tax payable	2,059	—
Current regulatory liabilities	1,930	3,059
Other current liabilities	22,848	20,795
Total current liabilities	350,133	342,974
<b>Deferred income taxes</b>	240,903	238,528
<b>Advances for construction</b>	144,087	146,582
<b>Contributions in aid of construction</b>	333,611	326,451
<b>Postretirement benefit plans</b>	47,516	46,836
<b>Regulatory liabilities, less current portion</b>	475,293	461,108
<b>Other noncurrent liabilities</b>	23,689	22,492
<b>Commitments and contingencies</b>		
<b>Total capitalization and liabilities</b>	<b>\$ 4,439,427</b>	<b>4,345,067</b>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**SJW Group and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**  
**(in thousands, except share and per share data)**

	Common Stock		Accumulated			Total Stockholders' Equity	
	Number of Shares	Amount	Other		Comprehensive Income		
			Paid-in Capital	Retained Earnings			
<b>Balances, December 31, 2023</b>	32,023,004	\$ 32	736,191	495,383	1,791	1,233,397	
Net income	—	—	—	11,699	—	11,699	
Unrealized loss on investment, net of tax of \$163	—	—	—	—	(442)	(442)	
Stock-based compensation	—	—	1,538	(9)	—	1,529	
Issuance of restricted and deferred stock units	30,432	—	(1,215)	—	—	(1,215)	
Employee stock purchase plan	21,755	—	1,101	—	—	1,101	
Common stock issuance, net of costs	126,025	—	7,006	—	—	7,006	
Dividends paid (\$0.40 per share)	—	—	—	(12,824)	—	(12,824)	
<b>Balances, March 31, 2024</b>	<b>32,201,216</b>	<b>\$ 32</b>	<b>744,621</b>	<b>494,249</b>	<b>1,349</b>	<b>1,240,251</b>	

	Common Stock	Additional			Accumulated Other Comprehensive Stockholders' Equity	Common Stock	Additional			Accumulated Other Comprehensive Stockholders' Equity
		Paid-in Capital	Retained Earnings	Loss			Paid-in Capital	Retained Earnings	Income	
<b>Balances, December 31, 2022</b>										
<b>Balances, December 31, 2022</b>										
<b>Balances, December 31, 2022</b>										
<b>Balances, December 31, 2023</b>										
<b>Balances, December 31, 2023</b>										
<b>Balances, December 31, 2023</b>										

Net income

Unrealized gain on investment, net of taxes of \$0

Unrealized loss on investment, net of tax of \$163

Stock-based compensation

Issuance of restricted and deferred stock units
Employee stock purchase plan
Common stock issuance, net of costs
Dividends paid (\$0.38 per share)
<b>Balances, March 31, 2023</b>
Dividends paid (\$0.40 per share)
<b>Balances, March 31, 2024</b>
Net income
Stock-based compensation
Stock-based compensation
Stock-based compensation
Issuance of restricted and deferred stock units
Common stock issuance, net of costs
Dividends paid (\$0.40 per share)
<b>Balances, June 30, 2024</b>

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss		Total Stockholders' Equity
	Number of Shares	Amount			Other	Comprehensive Loss	
					Retained Earnings	Other Comprehensive Loss	
<b>Balances, December 31, 2022</b>	30,801,912	\$ 31	651,004	458,356	1,477		1,110,868
Net income	—	—	—	11,530	—		11,530
Unrealized gain on investment, net of taxes of \$0	—	—	—	—	93		93
Stock-based compensation	—	—	1,199	(22)	—		1,177
Issuance of restricted and deferred stock units	38,776	—	(1,538)	—	—		(1,538)
Employee stock purchase plan	16,410	—	1,080	—	—		1,080
Common stock issuance, net of costs	570,026	—	40,997	—	—		40,997
Dividends paid (\$0.38 per share)	—	—	—	(11,722)	—		(11,722)
<b>Balances, March 31, 2023</b>	31,427,124	\$ 31	692,742	458,142	1,570		1,152,485
Net income	—	—	—	18,286	—		18,286
Unrealized gain on investment, net of taxes of \$(37)	—	—	—	—	8		8
Stock-based compensation	—	—	1,139	(17)	—		1,122
Issuance of restricted and deferred stock units	13,429	—	(20)	—	—		(20)
Common stock issuance, net of costs	290,477	1	22,781	—	—		22,782
Dividends paid (\$0.38 per share)	—	—	—	(11,947)	—		(11,947)
<b>Balances, June 30, 2023</b>	31,731,030	\$ 32	716,642	464,464	1,578		1,182,716

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**SJW Group and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
**(in thousands)**

Three months ended March		Six months ended June	
31,	2024	30,	2024
	2024	2023	2023

**Operating activities:**

Net income  
 Net income  
 Net income

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization  
Depreciation and amortization  
Depreciation and amortization  
Deferred income taxes  
Stock-based compensation  
Allowance for equity funds used during construction

Changes in operating assets and liabilities:

Changes in operating assets and liabilities:

Changes in operating assets and liabilities:

Accounts receivable and accrued unbilled utility revenue  
Accounts receivable and accrued unbilled utility revenue  
Accounts receivable and accrued unbilled utility revenue  
Accounts payable and other current liabilities  
Accrued groundwater extraction charges, purchased water and power

Tax receivable and payable, and other accrued taxes

Postretirement benefits

Regulatory assets and liabilities excluding cost of removal, income tax temporary differences, and postretirement benefits

Other changes, net

**Net cash provided by operating activities**

**Investing activities:**

Additions to utility plant:

Additions to utility plant:

Additions to utility plant:

Company-funded  
Company-funded  
Company-funded

Contributions in aid of construction

Cost to retire utility plant, net of salvage

Cost to retire utility plant, net of salvage

Cost to retire utility plant, net of salvage

Proceeds from sale of real estate investments

Other changes, net

Other changes, net

Other changes, net

**Net cash used in investing activities**

**Financing activities:**

Borrowings on line of credit  
Borrowings on line of credit  
Borrowings on line of credit

Repayments on line of credit

Long-term borrowings

Repayments of long-term borrowings

Issuance of common stock, net of issuance costs

Dividends paid

Dividends paid

Dividends paid

Receipts of advances and contributions in aid of construction

Refunds of advances for construction

Other changes, net

Net cash provided by financing activities	
Net change in cash and cash equivalents	
Cash and cash equivalents, beginning of period	
Cash and cash equivalents, end of period	
Cash and cash equivalents, end of period	
Cash and cash equivalents, end of period	
Cash paid during the period for:	
Cash paid during the period for:	
Cash paid during the period for:	
Interest	
Interest	
Interest	
Income taxes	
<b>Supplemental disclosure of non-cash activities:</b>	
<b>Supplemental disclosure of non-cash activities:</b>	
<b>Supplemental disclosure of non-cash activities:</b>	
Accrued payables for additions to utility plant	
Accrued payables for additions to utility plant	
Accrued payables for additions to utility plant	
Utility property installed by developers	
Proceeds receivable from sale of real estate investments	
Accrued selling expenses on sale of real estate investments	

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, JUNE 30, 2024**  
(in thousands, except share and per share data)

**Note 1. General**

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of the results for the interim periods.

The unaudited interim financial information has been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission. The Notes to Consolidated Financial Statements in SJW Group's 2023 Annual Report on Form 10-K should be read in conjunction with the accompanying unaudited condensed consolidated financial statements.

SJW Group is a holding company with four wholly owned subsidiaries: San Jose Water Company ("SJWC"), SJWTX Holdings, Inc., SJW Land Company, and SJWNE LLC. SJWTX Holdings, Inc., is a holding company for its wholly owned subsidiaries, SJWTX, Inc., doing business as The Texas Water Company ("TWC"), Texas Water Operation Services, LLC, ("TWOS") and Texas Water Resources, LLC ("TWR"). SJWNE LLC is the holding company for Connecticut Water Service, Inc. ("CTWS") whose wholly owned subsidiaries are The Connecticut Water Company ("CWC"), The Maine Water Company ("MWC"), New England Water Utility Services, Inc. ("NEWUS"), and Chester Realty, Inc. SJWC, CWC, TWC, TWOS, TWR, MWC and NEWUS are referred to as "Water Utility Services." SJW Land Company and Chester Realty, Inc. are collectively referred to as "Real Estate Services."

**Revenue**

Water sales are seasonal in nature and influenced by weather conditions. The timing of precipitation and climatic conditions can cause seasonal water consumption by customers to vary significantly. Due to the seasonal nature of the water business, the operating results for interim periods are not indicative of the operating results for a 12-month period. Revenue is generally higher in the warm, dry summer months when water usage and sales are greater, and lower in the winter months when cooler temperatures and increased precipitation curtail water usage resulting in lower sales.

SJW Group's revenue components are as follows:

	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023	2024	2023
Revenue from contracts with customers						
Alternative revenue programs, net						

Other balancing and memorandum accounts and regulatory mechanisms, net

Rental income

\$

#### Nonutility Properties and Real Estate Investments

The major components of real estate investments and nonutility properties as of **March 31, 2024** **June 30, 2024** and December 31, 2023, are as follows:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Land		
Wholesale water supply assets		
Buildings and improvements		
Subtotal		
Subtotal		
Subtotal		
Less: accumulated depreciation and amortization		
Total		

In March 2023, SJW Land Company entered into a broker agreement to sell its warehouse, office **buildings**, **building**, and land property located in Knoxville, Tennessee. The company reclassified the Tennessee properties from held-and-used to held-for-sale at March 31, 2023. The company's intention is to complete company recorded the **sale** Tennessee properties at the lower of these assets within the next twelve months. The company their carrying value or estimated fair value less

#### SJW GROUP AND SUBSIDIARIES

#### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**March 31, June 30, 2024**

(in thousands, except share and per share data)

records the Tennessee properties at the lower of their carrying value or estimated fair value less cost to sell, and also stopped recording depreciation on assets held for sale. SJW Group's broker provides provided the estimated fair value of the Tennessee properties. No impairment has been recorded as

In April 2024, SJW Land Company completed the estimated fair value less cost to sell exceeds carrying value. The property is classified as part sale of a warehouse building of the Real Estate Services reportable segment. Tennessee properties for \$27,000. The pre-tax gain on the sale was \$6,918. In June 2024, SJW Land Company completed the sale of an office building, land, and parking lot of the Tennessee properties for \$17,000. The pre-tax loss on the sale was \$7,827. The net pre-tax loss associated with these transactions for the three and six months ended June 30, 2024 was \$909 and is included in the "Other, net" line on the condensed consolidated statements of comprehensive income. A portion of the proceeds from these sales totaling \$2,801 is being held in escrow pending completion of certain post-closing obligations. As a result of these two transactions, the sale of the Tennessee properties is complete and the company does not have any other assets held for sale.

The sale of the Tennessee properties does not represent a strategic shift that has or will have a major effect on SJW Group; therefore, the sale does not qualify for treatment as a discontinued operation.

In April 2024, SJW Land Company completed the sale of a warehouse building of the Tennessee properties for \$27,000. The estimated pre-tax gain on the sale is \$7,000.

are included in SJW Group's "Real Estate Services" reportable segment in [Note 9](#), "Segment and Non-Tariffed Business Reporting". The following represents the major components of the Tennessee warehouse buildings and land property properties that were recorded in assets held-for-sale on the condensed consolidated balance sheets as of **March 31, 2024** **December 31, 2023**:

	March 31, 2024	December 31, 2023
Land	\$ 13,170	
Buildings and improvements	44,950	
Subtotal	58,120	
Less: accumulated depreciation and amortization	17,270	
Total	\$ 40,850	

#### Fair Value Measurement

The following instruments are not measured at fair value on SJW Group's condensed consolidated balance sheets as of **March 31, 2024** **June 30, 2024**, but require disclosure of their fair values: cash and cash equivalents, accounts receivable and accounts payable. The estimated fair value of such instruments as of **March 31, 2024** **June 30, 2024**

approximates their carrying value as reported on the condensed consolidated balance sheets. There have been no changes in valuation techniques during the three and six months ended **March 31, 2024** **June 30, 2024**. The fair value of these instruments would be categorized as Level 2 in the fair value hierarchy, with the exception of cash and cash equivalents, which would be categorized as Level 1.

The fair value of SJW Group's long-term debt was **\$1,355,609** **\$1,335,706** and **\$1,394,412** as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively, and was determined using a discounted cash flow analysis, based on the current rates for similar financial instruments of the same duration and creditworthiness of the company. Of the total fair value of long-term debt at **March 31, 2024** **June 30, 2024** and December 31, 2023, **\$1,339,659** **\$1,319,532** and **\$1,378,683**, respectively, would be categorized as Level 2 in the fair value hierarchy and **\$15,950** **\$16,174** and **\$15,729**, respectively, would be categorized as Level 3 in the fair value hierarchy.

CTWS's additional retirement benefits under the supplemental executive retirement plans and retirement contracts are funded by investment assets held by a Rabbi Trust. The fair value of the money market funds, mutual funds and fixed income investments in the Rabbi Trust was **\$2,890** **\$2,639** and **\$2,833** as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively, and are categorized as Level 1 in the fair value hierarchy.

#### **Earnings per Share**

Basic earnings per share is calculated using income available to common stockholders, divided by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated using income available to common stockholders divided by the weighted average number of shares of common stock including both shares outstanding and shares potentially issuable in connection with restricted common stock awards under SJW Group's long-term incentive plans, shares potentially issuable under the performance stock plans assumed through the business combination with CTWS, and shares potentially issuable under SJW Group's employee stock purchase plans. For the three months ended **March 31, 2024** **June 30, 2024** and 2023, **12,221** **6,567** and **8,855** **1,843** anti-dilutive restricted common stock units were excluded from the diluted earnings per share calculation, respectively.

#### **New Accounting Standards**

In November For the six months ended June 30, 2024 and 2023, 9,394 and 10,698 anti-dilutive restricted common stock units were excluded from the FASB issued Accounting Standards Update ("ASU") 2023-07, "Improvements to Reportable Segment Disclosures." ("ASU 2023-07"). Among other changes, the ASU requires disclosure of significant segment expenses and extends certain annual disclosures to interim periods. The ASU is effective for SJW Group beginning with its annual financial diluted earnings per share calculation, respectively.

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#### **Statements for Accounts Receivable**

During the year ending December 31, 2024. Early adoption is permitted, second quarter of 2024, SJW Group is currently evaluating recorded a reduction to its allowance for credit losses of \$7,822, of which \$3,960 resulted in a reduction to regulatory assets and \$3,862 was recorded through administrative and general expense (\$2,782 net of tax or \$0.09 per diluted share).

#### **New Accounting Standards**

The recently issued accounting standards that have not yet been adopted by the requirements company as of ASU 2023-07, June 30, 2024 are as follows:

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures." The ASU amends certain income tax disclosure requirements, including adding requirements to present the reconciliation of income tax expense computed at the statutory rate to actual income tax expense using both percentages and amounts and providing a disaggregation of income taxes paid. Further, certain disclosures are eliminated, including the current requirement to disclose information on changes in unrecognized tax benefits in the next 12 months. The ASU is effective for SJW Group

beginning with its annual financial statements for the year ending December 31, 2025. Early adoption is permitted.

Standard	Description	Date of Adoption	Application	Effect on the Condensed Consolidated Financial Statements
Accounting Standards Update ("ASU") 2023-07 "Improvements to Reportable Segment Disclosures"	The ASU requires disclosure of significant segment expenses, extends certain annual disclosures to interim periods, and additional qualitative disclosures regarding the chief operating decision maker.	The ASU is effective for SJW Group beginning with its annual financial statements for the year ending December 31, 2024. Early adoption is permitted.	Retrospective	SJW Group is currently evaluating the requirements of ASU 2023-07.
ASU 2023-09 "Improvements to Income Tax Disclosures"	The ASU amends certain income tax disclosure requirements, including adding requirements to present the reconciliation of income tax expense computed at the statutory rate to actual income tax expense using both percentages and amounts and providing a disaggregation of income taxes paid. Further, certain disclosures are eliminated, including the current requirement to disclose information on changes in unrecognized tax benefits in the next 12 months.	The ASU is effective for SJW Group beginning with its annual financial statements for the year ending December 31, 2025. Early adoption is permitted.	Prospective, with retrospective application also permitted.	SJW Group is currently evaluating the requirements of ASU 2023-09.

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**Note 2. Regulatory Matters**

Regulatory assets and liabilities are comprised of the following as of **March 31, 2024** **June 30, 2024** and December 31, 2023:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Regulatory assets:		
Income tax temporary differences (a)		
Income tax temporary differences (a)		
Income tax temporary differences (a)		
Unrecognized pensions and other postretirement benefits (b)		
Business combinations debt premium (c)		
Employee benefit costs (d)		
Monterey Water Revenue Adjustment Mechanism ("MWRAM") (e)		
Customer Assistance Program ("CAP") balancing account (f)		
Catastrophic event memorandum accounts ("CEMA") (g)		
2022 general rate case interim memorandum account (h)		
Water supply costs (i)		
Other (j)		
Total regulatory assets		
Less: current regulatory assets (k)		
Total regulatory assets, less current portion		
Regulatory liabilities:		
Cost of removal (l)		
Cost of removal (l)		
Cost of removal (l)		
Future income tax benefits due to customers (m)		
Unrecognized pensions and other postretirement benefits (b)		
Revenue adjustment mechanisms (n)		
Water supply costs (i)		
Other (o)		

Total regulatory liabilities

Less: current regulatory liabilities (p)

Total regulatory liabilities, less current portion

- (a) Consists primarily of temporary income tax differences that are flowed through to customers, which will be recovered in future rates as these temporary differences reverse. The company expects to recover regulatory assets related to plant depreciation income tax temporary differences over the lives of the plant assets, which are between 4 to 100 years.
- (b) Represents actuarial losses and gains and prior service cost that have not yet been recognized as components of net periodic benefit cost for certain pension and other postretirement benefit plans.
- (c) Consists of debt fair value adjustments recognized through purchase accounting for the completed merger with CTWS in 2019.
- (d) Includes deferrals of pension and other postretirement benefit expense and cost of accrued benefits for vacation.
- (e) MWRAM is described in the following section.

**SJW GROUP AND SUBSIDIARIES**

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**March 31, 2024**

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- (f) Represents costs associated with SJWC's CAP.
- (g) Primarily related to increased bad debt expenses associated with SJWC's response to COVID-19. The California Public Utilities Commission ("CPUC") has authorized water utilities to activate CEMA accounts in order to track savings and costs related to SJWC's response to catastrophic events, which includes external labor and materials, increases in bad debt from suspension of shutoffs for non-payment, waived deposits and reconnection fees, and divergence from actual versus authorized usage. At December 31, 2023, balance primarily relates to increased bad debt expenses associated with SJWC's response to COVID-19.
- (h) Represents the difference between revenues collected in interim rates in effect as of January 1, 2022 and revenues that would result from rates authorized in SJWC's 2022 general rate case retroactive to January 1, 2022.
- (i) Reflects differences in actual water supply costs compared to amounts assumed in base rates, including applicable changes and variations in costs and quantities that affect the overall mix of the water supply.
- (j) Other includes other balancing and memorandum accounts and regulatory mechanisms, deferred costs for certain information technology activities, asset retirement obligations, tank painting, well reconditioning and rate case expenses.
- (k) As of March 31, 2024 June 30, 2024, primarily relates to the current portion of CWC's deferred well redevelopment and rate case costs. As of December 31, 2023, primarily relates to the current portion of MWRAM.

**SJW GROUP AND SUBSIDIARIES**

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**June 30, 2024**

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- (l) Represents amounts collected in rates from customers for estimated costs to retire assets at the end of their expected useful lives before the costs are incurred.
- (m) On December 22, 2017 the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was signed into law. The Tax Act included a reduction in the federal income tax rate from 35% to 21%. The rate reduction was effective on January 1, 2018 and resulted in a regulatory liability for the excess deferred income taxes. The benefit of amortization of excess deferred income taxes flows back to the customers under current normalization rules and agreed upon methods with the commissions.
- (n) Consists of Water Rate Adjustment mechanism ("WRA") and WCMA, Water Conservation Memorandum Account ("WCMA"), which are described in the following section.
- (o) Other includes other balancing and memorandum accounts, other regulatory mechanisms and accrued tank painting costs.
- (p) As of March 31, 2024 June 30, 2024 and December 31, 2023, primarily relates to the current portion of WRA.

SJWC has established balancing accounts for the purpose of tracking the under-collection or over-collection associated with expense changes and revenue authorized by the CPUC to offset those expense changes. In 2022, SJWC's general rate case decision approved SJWC has been authorized for the use of the Full Cost Balancing Account to track the water supply costs and energy consumption. The MWRAM balancing account 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 would have been in effect.

SJWC also maintains memorandum accounts to track impacts due to catastrophic events, certain unforeseen water quality expenses related to new federal and state water quality standards, energy efficiency, water conservation, water tariffs, and other approved activities or as directed by the CPUC. The WCMA allows SJWC to track lost revenue, net of related water costs, associated with reduced sales due to water conservation and associated calls for water use reductions, reductions, both mandatory and voluntary. SJWC records the lost revenue captured in the WCMA balancing accounts. Applicable drought surcharges collected are used to offset the revenue losses tracked in the WCMA. Mandatory water conservation requirements from Santa Clara Valley Water District ("Valley Water") ended on April 11, 2023, which also ended SJWC's Mandatory Conservation Plan, that included drought allocations and surcharges. On October 2, 2023, the CPUC approved the continuation of WCMA and Water Conservation Expense Memorandum Account under the voluntary call for conservation effective April 20, 2023. All balancing accounts and memorandum accounts not included for recovery or refund in the current general rate case will be reviewed by the CPUC in SJWC's next general rate case or at the time an individual account balance reaches a threshold of 2% of authorized revenue, whichever occurs first.

CWC has been authorized by the Connecticut Public Utilities Regulatory Authority ("PURA") to utilize a Water Revenue Adjustment mechanism ("WRA"), WRA, a decoupling mechanism, to mitigate risk associated with changes in demand. The WRA is used to reconcile actual water demands with the demands projected in the most recent general

rate case and allows the company to implement a surcharge or sur-credit as necessary to recover or refund the revenues approved in the general rate case. The WRA allows the company to defer, as a regulatory asset or liability, the amount by which actual revenues deviate from the revenues allowed in the most recent general rate proceedings.

As of **March 31, 2024** **June 30, 2024** and December 31, 2023, SJW Group's regulatory assets not earning a return primarily included unrecognized pensions and other postretirement benefits and business combination debt premiums. The total amount of regulatory assets not earning a return at **March 31, 2024** **June 30, 2024** and December 31, 2023, either by interest on the regulatory asset or as a component of rate base at the allowed rate of return, was **\$42,598** **\$41,960** and **\$43,141**, respectively.

### Note 3. Capitalization

In March 2023, SJW Group entered into Amendment No. 1 to the equity distribution agreement (the "Equity Distribution Agreement"), dated November 17, 2021, between SJW Group and J.P. Morgan Securities LLC, Janney Montgomery Scott LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC, pursuant to which the company may offer and sell shares of its common stock, \$0.001 par value per share, from time to time in "at-the-market" offerings, having an aggregate gross sales price of up to \$240,000. For the three and six months ended **March 31, 2024** **June 30, 2024**, SJW Group issued and sold a total of **126,025** **458,605** and **584,630** shares of

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common stock, **with** **respectively**, at a weighted average price of **\$57.13** **\$56.13** and **\$56.35** per share, **respectively**, and received **\$7,006** **\$25,296** and **\$32,302** in net proceeds, **respectively**, under the Equity Distribution Agreement. Since the inception of the Equity Distribution Agreement, SJW Group has issued and sold **2,130,682** **2,589,287** shares of common stock at a weighted average price of **\$72.60** **\$69.68** for a total net proceeds of **\$151,004** **\$176,299** and has **\$85,309** **\$59,567** of aggregate gross sales price of shares remaining **to issue** under the Equity Distribution Agreement to issue into shares. **Agreement.**

### Note 4. Lines of Credit and Long-Term Liabilities

SJW Group's contractual obligations and commitments include senior notes, bank term loans, revenue bonds, state revolving fund loans and other obligations.

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#### Lines of Credit

The **weighted-average** **weighted average** interest rate on short-term borrowings outstanding at **March 31, 2024** **June 30, 2024**, was **6.42%** **6.45%** compared to 6.48% at December 31, 2023.

#### Long-term Financing Agreements

On November 15, 2023, CWC entered into a note purchase agreement with certain affiliates of American United Life Insurance, The State Life Insurance, Mutual of Omaha Insurance, and United of Omaha Life Insurance, pursuant to which the company sold an aggregate principal amount of \$25,000 of its 6.46% Senior Notes, Series 2023 ("Series 2023 Notes"). The Series 2023 Notes are unsecured obligations of CWC and are due on January 1, 2054. Interest is payable semi-annually in arrears on January 15th and July 15th of each year. The closing of the notes purchase agreement occurred in January 2024.

### Note 5. Income Taxes

For the three and six months ended June 30, 2024, income tax expense was \$3,724 and 5,955, respectively. Income tax **expense** **benefit** for the three and six months ended **March 31, 2024** **June 30, 2023** was \$1,512 and **2023** was \$2,231 and \$1,078, \$434, respectively. The effective consolidated income tax rates were **16%** **15%** and **9%** **(9%)** for the three months ended **March 31, 2024** **June 30, 2024** and 2023, respectively, and **16%** and **(1%)** for the six months ended June 30, 2024 and 2023, respectively. The higher effective tax rate for the three and six months ended **March 31, 2024** **June 30, 2024** was primarily due to the **partial release of an uncertain tax deficiencies recorded** **position** **reserve** in the **first** **second** quarter of 2024 for share-based payments 2023 and other discrete tax items.

SJW Group had unrecognized tax benefits, before the impact of deductions of state taxes, excluding interest and penalties, of approximately **\$4,488** **\$4,630** and **\$4,511** as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively. SJW Group currently does not expect uncertain tax positions to change significantly over the next 12 months, except in the case of a lapse of the statute of limitations.

### Note 6. Commitments and Contingencies

SJW Group is subject to ordinary routine litigation incidental to its business. There are no pending legal proceedings to which SJW Group or any of its subsidiaries is a party, or to which any of its properties is the subject, that are expected to have a material effect on SJW Group's business, financial position, results of operations or cash flows.

### Note 7. Benefit Plans

SJW Group maintains noncontributory defined benefit pension plans for its eligible employees. SJWC employees hired before March 31, 2008 and CWC and MWC employees hired before January 1, 2009 are entitled to benefits under the pension plans based on the employee's years of service and compensation. For SJWC employees hired on or after March 31, 2008, benefits are determined using a cash balance formula based upon compensation credits and interest credits for each employee. Starting in 2023, TWC employees are also eligible to participate under SJWC's cash balance plan. Certain employees hired before March 1, 2012, and covered by a plan merged into the CWC plan in 2013 are also entitled to benefits based on the employee's years of service and compensation. CTWS employees hired on or after January 1, 2009, are entitled to an additional 1.5% of eligible compensation to their company sponsored savings plan. SJW Group does not have multi-employer plans.

In addition, senior management hired before March 31, 2008, for SJWC and January 1, 2009 for CWC, are eligible to receive additional retirement benefits under supplemental executive retirement plans and retirement contracts. SJWC's senior management hired on or after March 31, 2008, are eligible to receive additional retirement benefits under SJWC's Cash Balance Executive Supplemental Retirement Plan. The supplemental retirement plans and Cash Balance Executive Supplemental Retirement Plan are non-qualified plans in which only senior management and other designated members of management may participate. SJW Group also provides health care and life insurance benefits for retired employees under employer-sponsored postretirement benefits that are not pension plans.

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The components of net periodic benefit costs for the defined benefit plans and other postretirement benefits for the three and six months ended March 31, 2024 June 30, 2024 and 2023 are as follows:

	Pension Benefits				Other Benefits	
	Three months ended March 31,					
	2024	2023	2024	2023		
Service cost	\$ 1,665	1,892	\$ 166	160		
Interest cost	3,613	3,558	295	317		
Expected return on assets	(4,463)	(4,069)	(267)	(217)		
Amortization of actuarial loss (gain)	(18)	554	(160)	(88)		
Amortization of prior service cost	4	4	—	—		
<b>Total</b>	<b>\$ 801</b>	<b>1,939</b>	<b>\$ 34</b>	<b>172</b>		

	Pension Benefits				Other Benefits	
	Three months ended June 30,					
	2024	2023	2024	2023		
Service cost	\$ 1,666	1,892	\$ 166	160		
Interest cost	3,613	3,557	295	317		
Expected return on assets	(4,463)	(4,069)	(267)	(217)		
Amortization of actuarial (gain) loss	(18)	554	(161)	(88)		
Amortization of prior service cost	4	4	—	—		
<b>Total</b>	<b>\$ 802</b>	<b>1,938</b>	<b>\$ 33</b>	<b>172</b>		

	Pension Benefits				Other Benefits	
	Six months ended June 30,					
	2024	2023	2024	2023		
Service cost	\$ 3,331	3,784	\$ 332	320		
Interest cost	7,226	7,115	591	634		
Expected return on assets	(8,926)	(8,138)	(534)	(434)		
Amortization of actuarial (gain) loss	(35)	1,108	(322)	(176)		
Amortization of prior service cost	7	7	—	—		
<b>Total</b>	<b>\$ 1,603</b>	<b>3,876</b>	<b>\$ 67</b>	<b>344</b>		

In 2024, SJW Group expects to make required and discretionary cash contributions of up to \$4,515 to the pension plans and other postretirement benefits. For the three and six months ended March 31, 2024 June 30, 2024, SJW Group has made no \$2,258 of contributions to such plans.

**Note 8. Equity Plans**

SJW Group's long-term incentive plans provide employees, non-employee board members or the board of directors of any parent or subsidiary, consultants, and other independent advisors who provide services to the company or subsidiary the opportunity to acquire an equity interest in SJW Group. SJW Group also maintains stock plans in connection with its acquisition of CTWS which are no longer granting new stock awards. In addition, shares are issued to employees under SJW Group's employee stock purchase plan ("ESPP"). As of **March 31, 2024** **June 30, 2024**, **181,280** **192,750** shares are issuable upon the vesting of outstanding restricted stock units and deferred restricted stock units and an additional **1,055,383** **1,034,642** shares are available for award issuances under the long-term incentive plans.

A summary of compensation costs charged to income, by award type, and proceeds from the ESPP, are presented below for the three **and six** months ended **March 31, 2024** **June 30, 2024** and 2023:

Compensation costs charged to income:

Compensation costs charged to income:

Compensation costs charged to income:

ESPP

ESPP

ESPP

Restricted stock and deferred restricted stock

Restricted stock and deferred restricted stock

Restricted stock and deferred restricted stock

Total compensation costs charged to income

Total compensation costs charged to income

Total compensation costs charged to income

ESPP proceeds

ESPP proceeds

ESPP proceeds

#### **SJW GROUP AND SUBSIDIARIES**

#### **NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**June 30, 2024**

**(in thousands, except share and per share data)**

#### **Restricted Stock and Deferred Restricted Stock**

For the three months ended **March 31, 2024** **June 30, 2024** and 2023, SJW Group granted **37,520** **24,692** and **27,732** **9,610**, respectively, one year and three year service-based restricted stock awards with a **weighted-average** **weighted average** grant date fair value per unit of **\$61.10** **\$50.04** and **\$77.88** **\$75.28**, respectively. For the six months ended **June 30, 2024** and 2023, SJW Group granted **64,482** and **37,342**, respectively, one year and three year service-based restricted stock awards with a **weighted average** grant date fair value per unit of **\$58.39** and **\$77.21**, respectively.

For the three months ended **March 31, 2024** **June 30, 2024**, SJW Group granted 356 target units of performance-based and market-based restricted stock awards with a **weighted average** grant date fair value per unit of \$52.90 and no performance-based or market-based restricted stock awards were granted in the same period in 2023. For the six months ended **June 30, 2024** and 2023, SJW Group granted **44,433** **45,763** and **31,345** target units, respectively, of performance-based and market-based restricted stock awards with a **weighted-average** **weighted average** grant date fair value per unit of **\$53.69** **\$55.60** and **\$80.05**, respectively. Based upon actual attainment relative to the target performance metric, the number of shares issuable can range between 0% to 150% of the target number of shares for performance-based restricted stock awards, or between 0% and 200% of the target number of shares for market-based restricted stock awards.

As of **March 31, 2024** **June 30, 2024**, the total unrecognized compensation costs related to restricted and deferred restricted stock plans was **\$8,149** **\$7,555**. This cost is expected to be recognized over a **weighted-average** **weighted average** period of **2.17** **2.04** years.

#### **SJW GROUP AND SUBSIDIARIES**

#### **NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**March 31, 2024**

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#### **Employee Stock Purchase Plan**

SJW Group's recorded expenses for its ESPP were **\$97** **\$106** and **\$90** **\$203** for the three **and six** months ended **March 31, 2024** **June 30, 2024**, respectively, and **2023**, **\$106** and **\$196** for the three and six months ended **June 30, 2023**, respectively. The total unrecognized compensation costs related to the semi-annual offering period that ends July 31, 2024, for the **employee stock purchase plan** **ESPP** is approximately **\$141** **\$35**. This cost is expected to be recognized during the **second** and **third** **quarters** **quarter** of 2024.

**Note 9.**

**Segment and Non-Tariffed Business Reporting**

SJW Group is a holding company with four subsidiaries: (i) SJWC, (ii) SJWTX Holdings, Inc., a holding company for TWC, its consolidated variable interest entity, Acequia Water Supply Corporation, TWOS and TWR, (iii) SJW Land Company, and (iv) SJWNE LLC, a holding company for CTWS and its subsidiaries, CWC, MWC, NEWUS and Chester Realty, Inc. The first segment provides water utility and utility-related services to its customers through SJW Group's subsidiaries, SJWC, CWC, TWC, MWC, and NEWUS together referred to as "Water Utility Services." Water Utility Services' activities are water utility operations with both regulated and non-tariffed businesses. The second segment consists of property management and investment activity conducted by SJW Land Company and Chester Realty, Inc., referred to as "Real Estate Services."

SJW Group's reportable segments have been determined based on information used by the chief operating decision maker. SJW Group's chief operating decision maker includes the Chairman, President and Chief Executive Officer, and his executive staff. The executive staff reviews financial information presented on a consolidated basis that is accompanied by disaggregated information about operating revenue, net income and total assets, by subsidiary.

The following tables set forth information relating to SJW Group's reportable segments and distribution of regulated and non-tariffed business activities within the reportable segments. Certain allocated assets, such as goodwill, revenue and expenses have been included in the reportable segment amounts. Other business activity of SJW Group not included in the reportable segments is included in the "All Other" category.

	For Three Months Ended March 31, 2024						
	Water Utility Services		Real Estate Services		All Other (1)		SJW Group
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	\$ 144,915	2,692	1,775	—	144,915	4,467	149,382
Operating expense	117,781	1,610	726	1,352	117,781	3,688	121,469
Operating income (loss)	27,134	1,082	1,049	(1,352)	27,134	779	27,913
Net income (loss)	14,600	732	783	(4,416)	14,600	(2,901)	11,699
Depreciation and amortization	28,061	85	1	223	28,061	309	28,370
Interest on long-term debt and other interest expense	11,542	221	—	5,821	11,542	6,042	17,584
Provision (benefit) for income taxes	3,696	318	266	(2,049)	3,696	(1,465)	2,231

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	For Three Months Ended June 30, 2024						
	Water Utility Services		Real Estate Services		All Other (1)		SJW Group
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	\$ 172,046	3,351	777	—	172,046	4,128	176,174
Operating expense	132,249	2,379	460	516	132,249	3,355	135,604
Operating income (loss)	39,797	972	317	(516)	39,797	773	40,570
Net income (loss)	23,956	498	(200)	(3,558)	23,956	(3,260)	20,696
Depreciation and amortization	28,057	85	1	223	28,057	309	28,366
Interest on long-term debt and other interest expense	12,037	224	—	6,033	12,037	6,257	18,294
Provision (benefit) for income taxes	\$ 5,325	301	(68)	(1,834)	5,325	(1,601)	3,724

	For Three Months Ended June 30, 2023						
	Water Utility Services		Real Estate Services		All Other (1)		SJW Group
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	\$ 152,525	2,945	1,416	—	152,525	4,361	156,886
Operating expense	122,678	1,789	661	600	122,678	3,050	125,728
Operating income (loss)	29,847	1,156	755	(600)	29,847	1,311	31,158
Net income (loss)	20,510	596	544	(3,364)	20,510	(2,224)	18,286
Depreciation and amortization	25,811	85	1	224	25,811	310	26,121

Interest on long-term debt and other interest expense	10,846	—	—	5,551	10,846	5,551	16,397	
Provision (benefit) for income taxes	\$ 102	320	243	(2,177)	102	(1,614)	(1,512)	
For Six Months Ended June 30, 2024								
Real Estate								
	Water Utility Services		Services		All Other (1)		SJW Group	
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total	
Operating revenue	\$ 316,961	6,043	2,552	—	316,961	8,595	325,556	
Operating expense	250,030	3,989	1,186	1,868	250,030	7,043	257,073	
Operating income (loss)	66,931	2,054	1,366	(1,868)	66,931	1,552	68,483	
Net income (loss)	38,556	1,230	583	(7,974)	38,556	(6,161)	32,395	
Depreciation and amortization	56,118	170	2	446	56,118	618	56,736	
Interest on long-term debt and other interest expense	23,579	445	—	11,854	23,579	12,299	35,878	
Provision (benefit) for income taxes	\$ 9,021	619	198	(3,883)	9,021	(3,066)	5,955	

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**March 31, June 30, 2024**  
(in thousands, except share and per share data)

	For Three Months Ended March 31, 2023													
Real Estate														
Water Utility Services														
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total							
Operating revenue	\$ 133,272	2,577	1,447	—	133,272	4,024	137,296							
Operating expense	108,867	1,414	899	938	108,867	3,251	112,118							
Operating income (loss)	24,405	1,163	548	(938)	24,405	773	25,178							
Net income (loss)	13,222	618	425	(2,735)	13,222	(1,692)	11,530							
Depreciation and amortization	25,686	84	303	223	25,686	610	26,296							
Interest on long-term debt and other interest expense	10,547	—	—	5,225	10,547	5,225	15,772							
Provision (benefit) for income taxes	2,724	323	142	(2,111)	2,724	(1,646)	1,078							

	For Six Months Ended June 30, 2023													
Real Estate														
Water Utility Services														
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total							
Operating revenue	\$ 285,797	5,522	2,863	—	285,797	8,385	294,182							
Operating expense	231,545	3,203	1,560	1,538	231,545	6,301	237,846							
Operating income (loss)	54,252	2,319	1,303	(1,538)	54,252	2,084	56,336							
Net income (loss)	33,732	1,214	969	(6,099)	33,732	(3,916)	29,816							
Depreciation and amortization	51,497	169	304	447	51,497	920	52,417							
Interest on long-term debt and other interest expense	21,393	—	—	10,776	21,393	10,776	32,169							
Provision (benefit) for income taxes	\$ 2,826	643	385	(4,288)	2,826	(3,260)	(434)							

(1) The "All Other" category for the three and six months ended **March 31, 2024** June 30, 2024 and 2023, includes the accounts of SJW Group, SJWNE LLC, CTWS and SJWTX Holdings, Inc. on a stand-alone basis.

SJW Group's assets by segment are as follows:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Water Utility Services:		
Regulated		
Regulated		
Regulated		
Non-tariffed		
Total water utility services		
Real Estate Services		
All Other		
Total assets		
Regulated		
Regulated		
Regulated		
Non-tariffed		
Total assets		

**Note 10. Acquisitions**

In January 2023, TWC reached an agreement to acquire KT Water Development Ltd. ("KT Water Development") and SJWTX Holdings, Inc. reached an agreement to acquire KT Water Resources, L.P. ("KT Water Resources"). The agreement between SJWTX Holdings, Inc. and KT Water Resources was assigned to TWR prior to closing. KT Water Development was an investor-owned water utility providing water to approximately 1,725 people through over 570 service connections in the Rockwall Ranch subdivision in southern Comal County, Texas. KT Water Resources was a wholesale groundwater resource supplier to KT Water Development formed to develop wholesale water supplies for the fast-growing utilities of Comal County, Texas. The Public Utility Commission of Texas ("PUCT") approved the proposed KT Water Development acquisition on July 24, 2023. The acquisition of KT Water Resources did not require PUCT approval. Both transactions closed on August 14, 2023. Further information regarding each of the acquisitions is set forth below.

**KT Water Development**

The purchase price of KT Water Development was \$7,338, all of which was cash, and was determined in accordance with a fair market value process defined under the Texas Water Code. The transaction was accounted for as a business combination in accordance with Accounting Standards Codification ("ASC") Topic 805—"Business Combinations." The transaction

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**March 31, 2024**  
**(in thousands, except share and per share data)**

consideration was allocated to utility plant. The final purchase price allocation was completed during the quarter ended March 31, 2024, with no change from the preliminary purchase price allocation. Transaction costs were not material. The results of KT Water Development are included in SJW Group's consolidated statements of comprehensive income since the acquisition date

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**June 30, 2024**  
**(in thousands, except share and per share data)**

and were not material. Pro forma financial information has not been presented because the acquisition was not material to SJW Group's consolidated financial statements.

**KT Water Resources**

The total purchase price of KT Water Resources of \$39,891 and consisted of a \$24,491 up-front cash payment and an obligation for a post-closing production payment with an acquisition date fair value of \$15,400. Considering transaction costs of \$170, the total cost of the acquisition was \$40,061. The KT Water Resources acquisition was accounted for as an asset acquisition in accordance with ASC Topic 805.

The total cost was allocated as follows based on the fair values of the assets acquired: \$28,386 to other intangible asset, \$11,684 to nonutility property, and \$9 to other current liabilities. The other intangible asset represents indefinite life water rights. The nonutility property consists of wells, land, easements, and construction work in progress.

The post-closing production payment represents an obligation to pay a total amount of \$29,000 to the seller over a period up to 29 years. The repayment schedule is based on the quantity of groundwater produced from the acquired wells, subject to certain provisions in the purchase agreement. The fair value of the post-closing payment as of the acquisition date was determined by discounting forecasted repayments based on management's estimates of future groundwater production. The difference between the fair

value of \$15,400 and the gross obligation of \$29,000 was recorded as a debt discount and is being amortized as interest expense using the effective interest method over the life of the obligation. The post-closing production payment obligation is classified as long-term debt in the condensed consolidated balance sheets.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(Dollar amounts in thousands, except per share amounts and where otherwise noted)

The information in this Item 2 should be read in conjunction with the financial information and the notes thereto included in Item 1 of this Form 10-Q and the condensed consolidated financial statements and notes thereto and the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in SJW Group's Annual Report on Form 10-K for the year ended December 31, 2023.

This report contains forward-looking statements within the meaning of the federal securities laws relating to future events and future results of SJW Group and its subsidiaries that are based on current expectations, estimates, forecasts, and projections about SJW Group and its subsidiaries and the industries in which SJW Group and its subsidiaries operate and the beliefs and assumptions of the management of SJW Group. Actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors. For more information about such forward-looking statements, including some of the factors that may affect our actual results, please see our disclosures under "Forward-Looking Statements," and elsewhere in this Form 10-Q, including Part II, Item 1A under "Risk Factors" as well as the disclosures under Part I, Item 1A in SJW Group's Annual Report on Form 10-K for the year ended December 31, 2023 under "Risk Factors."

**General:**

SJW Group is a holding company with four wholly owned subsidiaries: San Jose Water Company ("SJWC"), SJWNE LLC, SJWTX Holdings, Inc. whose primary business involves ownership of public utilities that provide water and SJW Land Company.

SJWC is a public utility in the business of providing water service to approximately 232,000 connections that serve a population of approximately one million people in an area comprising approximately 140 square miles in the metropolitan San Jose, California area. The principal business of SJWC consists of wastewater services, including the production, purchase, storage, purification, distribution, wholesale and retail sale of water. SJWC provides The water utility business of SJW Group is conducted through four wholly owned subsidiaries: San Jose Water Company ("SJWC"), Connecticut Water Company ("CWC"), The Maine Water Company ("MWC") and SJWTX, Inc. doing business as Texas Water Company ("TWC"). These subsidiaries provide water service to customers approximately 403,000 connections and wastewater service to approximately 4,000 connections and serve a combined population of over 1.5 million people in portions of California, Connecticut, Maine and Texas. Water utility services provided by these businesses are subject to regulation by the cities of San Jose applicable state public utility commissions. These subsidiaries also engage in non-tariffed operations that are not subject to public utility commission regulation, including contract water and Cupertino and in the cities of Campbell, Monte Sereno, and Saratoga and the Town of Los Gatos, and adjacent unincorporated territories, all in the County of Santa Clara in the State of California. SJWC distributes water to customers in accordance with accepted water utility methods which include pumping from storage and gravity feed from high elevation reservoirs. SJWC also provides non-tariffed services under agreements with municipalities and other utilities. These non-tariffed services include water system sewer operations, maintenance agreements, and antenna site leases.

SJWC has utility property including land held in fee, impounding reservoirs, diversion facilities, wells, distribution storage, and all water facilities, equipment, office buildings and other property necessary to serve its customers. Under Section 851 of the California Public Utilities Code, properties currently used and useful in providing utilities services cannot be disposed of unless California Public Utilities Commission ("CPUC") approval is obtained.

SJWC also has approximately 234 acres of nonutility property which has been identified as no longer used and useful in providing utility services. The majority of the properties are located in the hillside areas adjacent to SJWC's various watershed properties.

SJWNE LLC is the holding company for Connecticut Water Service, Inc. ("CTWS"). CTWS, headquartered in Connecticut, serves as a holding company for leases. Collectively, these water utility companies providing water service to approximately 142,000 connections that serve a population and utility-related services form our "Water Utility Services" segment.

SJW Group's second segment, "Real Estate Services," consists of approximately 462,000 people in 81 municipalities throughout Connecticut property management and Maine and more than 3,000 wastewater connections in Southbury, Connecticut. The subsidiaries held investment activity conducted by CTWS that provide utility water services are The Connecticut Water Company ("CWC") and The Maine Water Company ("MWC"). The remaining two CTWS subsidiaries are Chester Realty, Inc., a real estate company in Connecticut, and New England Water Utility Services, Inc., which provides contract water and sewer operations and other water related services.

The properties of CTWS's subsidiaries consist of land, easements, rights (including water rights), buildings, reservoirs, standpipes, dams, wells, supply lines, water treatment plants, pumping plants, transmission and distribution mains and other facilities and equipment used for the collection, purification, storage and distribution of water throughout Connecticut and Maine. In certain cases, CWC and MWC are or may be a party to limited contractual arrangements for the provision of water supply from neighboring utilities.

SJWTX Holdings, Inc. is the holding company for SJWTX, Inc., doing business as The Texas Water Company ("TWC"), Texas Water Operation Services LLC ("TWOS") and Texas Water Resources, LLC ("TWR"). TWC is a public utility in the business of providing water service to approximately 28,000 connections that serve approximately 85,000 people and approximately 1,000 wastewater connections. TWC's service area comprises more than 271 square miles in Bandera, Blanco, Comal, Hays, Kendall, Medina and Travis Counties in the growing region between San Antonio and Austin, Texas. Comal, Kendall and Hays counties are three of the top five growth counties in the United States. TWC also holds a 25% equity interest in Acequia Water Supply Corporation ("Acequia"). Acequia has been determined to be a variable interest entity within the scope of Accounting Standards Codification Topic 810 with TWC as the primary beneficiary. As a result, Acequia has been consolidated with TWC. TWOS was created for non-tariffed service operations and TWR was formed to hold wholesale water supply assets.

SJW Land Company and Chester Realty, Inc., which own undeveloped land and operate commercial buildings in Tennessee, California and Connecticut. In the second quarter of 2024, SJW Land Company and Chester Realty, Inc. owned completed the following real properties during the three months ended March 31, 2024:

% for Three months ended March 31, 2024 of Real Estate Services					
Description	Location	Acreage	Square Footage	Revenue	Expense
Warehouse building	Knoxville, Tennessee	30	361,500	61 %	52 %

Commercial building	Knoxville, Tennessee	15	135,000	38 %	47 %
Undeveloped land and parking lot	Knoxville, Tennessee	10	N/A	N/A	N/A
Undeveloped land	San Jose, California	101	N/A	N/A	N/A
Commercial building	Clinton, CT	22	9,000	1 %	1 %
Commercial building	Guilford, CT	1	1,300	— %	— %

sale of its Tennessee properties.

#### **Business Strategy for Water Utility Services:**

SJW Group focuses its business initiatives in three strategic areas:

- (1) Investing in regional regulated water utility operations to support the health, safety and quality of life of our customers;
- (2) Regional non-tariffed water utility-related services provided in accordance with the guidelines established by the CPUC in California, the Public Utilities Regulatory Authority ("PURPA") in Connecticut, the Public Utilities Commission of Texas ("PUCT") in Texas, and the Maine Public Utilities Commission ("MPUC") in Maine; and
- (3) Out-of-region water and utility-related services.

As part of our pursuit of the above three strategic areas, we consider from time to time opportunities to acquire businesses and assets. However, we cannot be certain we will be successful in identifying and consummating any strategic business combinations or acquisitions relating to such opportunities. In addition, the execution of our business strategy will expose us to different risks than those associated with the current utility operations. We expect to incur costs in connection with the execution of this strategy and any integration of an acquired business could involve significant costs, the assumption of certain known and unknown liabilities related to the acquired assets, the diversion of management's time and resources, the potential for a negative impact on our financial position and operating results, entering markets in which we have no or limited direct prior experience and the potential loss of key employees of any acquired company. Any strategic combination or acquisition we decide to undertake may also impact our ability to finance our business, affect our compliance with regulatory requirements, and impose additional burdens on our operations. Any businesses we acquire may not achieve sales, customer growth and projected profitability that would justify the investment. Any difficulties we encounter in the integration process, including the integration of controls necessary for internal control and financial reporting, could interfere with our operations, reduce our operating margins and adversely affect our internal controls. SJW Group cannot be certain that any transaction will be successful or that it will not materially harm operating results or our financial condition.

Please also see [Note 10](#) of "Notes to Condensed Consolidated Financial Statements" for SJW Group's recent acquisition activities.

#### **Real Estate Services:**

SJW Group's real estate investment activity is conducted through SJW Land Company and Chester Realty, Inc. SJW Land Company owns undeveloped land in California and California. At the end of the second quarter of 2024, all of Tennessee and owns and operates commercial buildings in Tennessee. properties have been sold. Chester Realty, Inc. owns and operates land and commercial buildings in Connecticut. SJW Land Company and Chester Realty, Inc. manage their acquired income producing income-producing and other properties until such time a determination is made to reinvest proceeds from the sale of such properties.

#### **Critical Accounting Policies:**

The discussion and analysis of our financial condition and results of operations is based on the accounting policies used and disclosed in our 2023 consolidated financial statements and accompanying notes that were prepared in accordance with accounting principles generally accepted in the United States of America and included as part of our annual report on Form 10-K for the year ended December 31, 2023, that was filed with the Securities and Exchange Commission on February 23, 2024.

Our critical accounting policies are described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2023. Our significant accounting policies are described in the notes to the 2023 consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2023. There have been no changes to our critical or significant accounting policies during the three and six months ended **March 31, 2024** June 30, 2024.

#### **New Accounting Pronouncements:**

See Note 1 of "Notes to Unaudited Condensed Consolidated Financial Statements" for a discussion of new accounting pronouncements.

#### **Results of Operations:**

Water sales are seasonal in nature and influenced by weather conditions. The timing of precipitation and climatic conditions can cause seasonal water consumption by customers to vary significantly. Due to the seasonal nature of the water business, the operating results for interim periods are not indicative of the operating results for a 12-month period. Revenue is generally higher in the warm, dry summer months when water usage and sales are greater, and lower in the winter months when cooler temperatures and increased precipitation curtail water usage and sales.

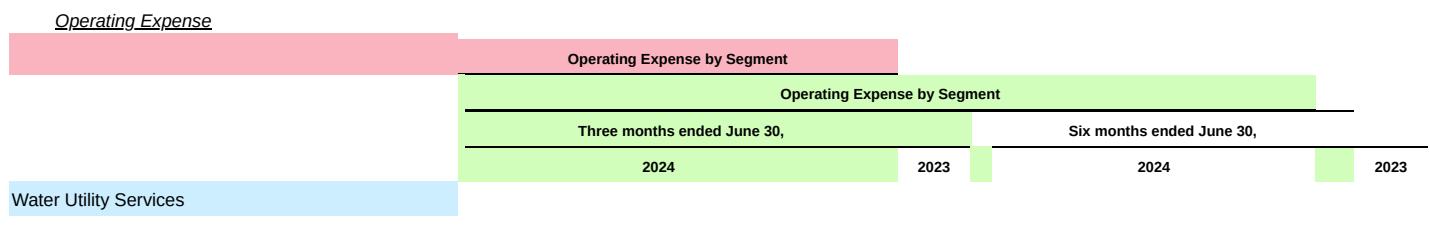
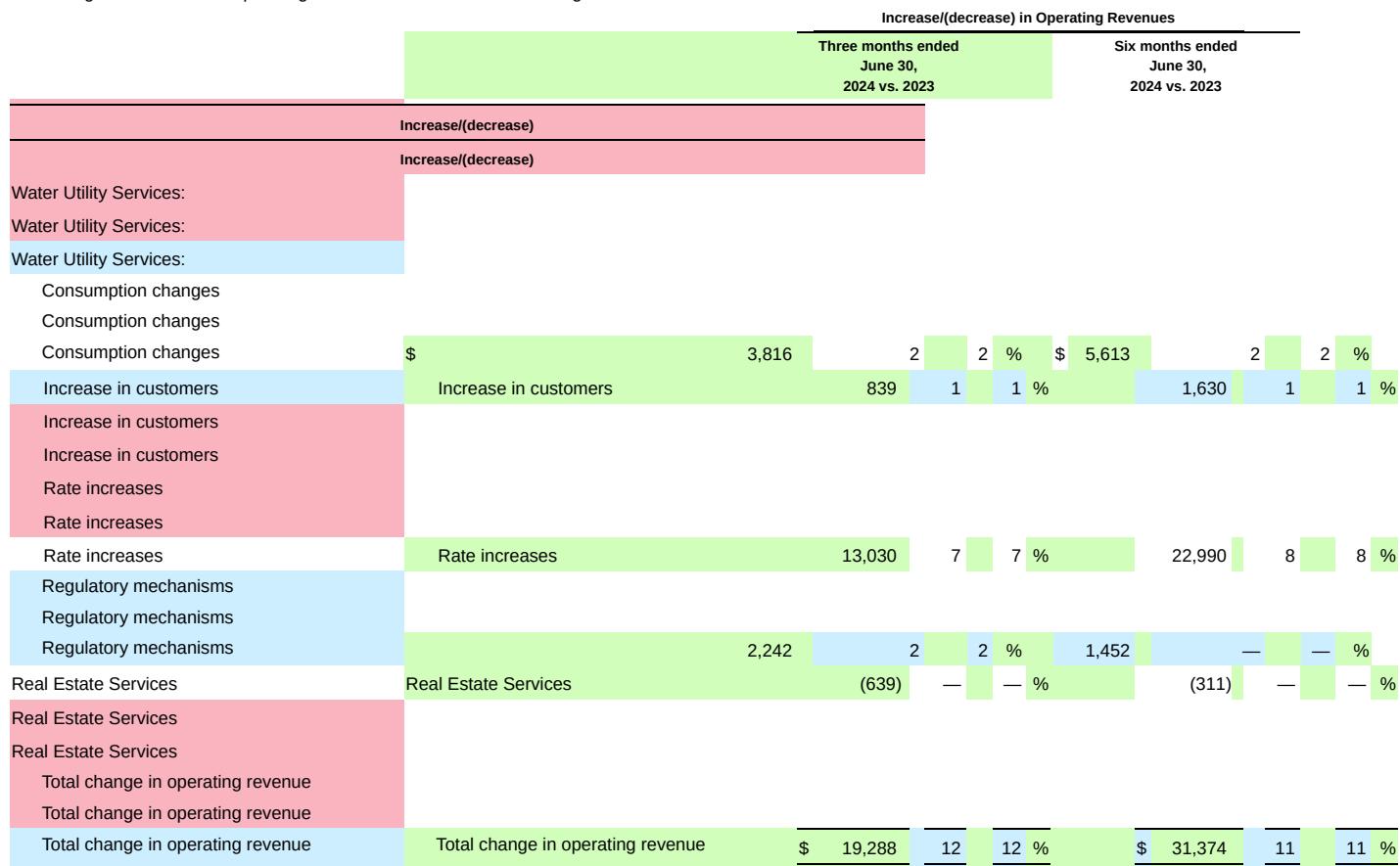
##### Overview

SJW Group's consolidated net income for the three months ended **March 31, 2024** June 30, 2024 was \$11,699, \$20,696, an increase of \$169, \$2,410, or approximately 1% 13%, from \$11,530 \$18,286 for the same period in 2023. SJW Group's consolidated net income for the six months ended June 30, 2024 was \$32,395, an increase of \$2,579, or approximately 9%, from \$29,816 for the same period in 2023. The increase in net income in both periods was primarily driven by rate increases in California, and Maine, increases in the infrastructure recovery mechanism in Connecticut, Texas from customer growth, and an increase from higher customer usage driven primarily by

weather conditions and the end of California mandatory water conservation requirements. These factors were offset by higher water production expenses, increased depreciation and amortization for new utility plant placed in service, and higher interest expense and compensation costs. income tax expense.



The change in consolidated operating revenues was due to the following factors:



Water Utility Services
Water Utility Services
Real Estate Services
Real Estate Services
Real Estate Services
All Other
All Other
All Other
Total operating expense
Total operating expense
Total operating expense

The change in consolidated operating expense was due to the following factors:

	Increase/(decrease)	Increase/(decrease)			Increase/(decrease) in Operating Expense		
		Three months ended June 30, 2024 vs. 2023	Six months ended June 30, 2024 vs. 2023				
Water production expenses:							
Water production expenses:							
Water production expenses:							
Change in surface water use							
Change in surface water use							
Change in surface water use	\$ 3,013	2	2 %	\$ 4,625	2	2 %	
Change in usage and new customers	2,244	2	2 %	4,575	2	2 %	
Change in usage and new customers							
Change in usage and new customers							
Purchased water and groundwater extraction charge, energy price change and other production expenses, net							
Purchased water and groundwater extraction charge, energy price change and other production expenses, net							
Purchased water and groundwater extraction charge, energy price change and other production expenses, net							
Purchased water and groundwater extraction charge, energy price change and other production expenses, net	6,661	5	5 %	8,262	4	4 %	
Balancing and memorandum accounts cost recovery	(3,334)	(2)	(2)%	(4,103)	(2)	(2)%	
Balancing and memorandum accounts cost recovery							
Balancing and memorandum accounts cost recovery							
Total water production expenses							
Total water production expenses							
Total water production expenses	8,584	7	7 %	13,359	6	6 %	
Administrative and general	(3,059)	(2)	(2)%	(1,615)	(1)	(1)%	
Administrative and general							
Administrative and general							
Maintenance							
Maintenance							
Maintenance	1,583	1	1 %	2,212	1	1 %	
Property taxes and other non-income taxes	523	—	— %	952	—	— %	
Property taxes and other non-income taxes							
Property taxes and other non-income taxes							
Depreciation and amortization	2,245	2	2 %	4,319	2	2 %	
Depreciation and amortization							
Depreciation and amortization							

Total change in operating expense						
Total change in operating expense						
Total change in operating expense		Total change in operating expense		\$9,876	8	8 %

Sources of Water Supply

SJWC's water supply consists of groundwater from wells, surface water from watershed run-off and diversion, reclaimed water, and imported water purchased from Santa Clara Valley Water District ("Valley Water") under the terms of a master contract with Valley Water expiring in 2051. During normal rainfall years, purchased water provides approximately 40% to 50% of SJWC's annual production. An additional 40% to 50% of its water supply is pumped from the underground basin which is subject to a groundwater extraction charge paid to Valley Water. Surface supply, which during a normal rainfall year satisfies about 6% to 8% of SJWC's annual water supply needs, provides approximately 1% of its water supply in a dry year and approximately 14% in a wet year. In dry years, the decrease in availability of water from surface run-off and diversion and the corresponding increase in purchased and pumped water increases production expenses substantially. The opposite is also true where water production expenses decrease in wet years. In both instances, the impacts of surface water, purchased water, groundwater charges and purchased power are tracked in SJWC's Full Cost Balancing Account authorized in by the Decision No. 22-10-005 ("2022 GRC Decision"). CPUC.

**Throughout**

For the three six months ended March 31, 2024 June 30, 2024, water conditions improved remained positive across the State of California. As a result, the California Department of Water Resources ("DWR") announced an increase in the State Water Project allocation from 15% to 30% of contract amount for during the first quarter of 2024 and the U.S Bureau of Reclamation announced an increase in the Central Valley Project allocation from 65% to 75% during the same period. The DWR further announced an increase in the State Water Project allocation from 30% to 40% of contract amount during the second quarter of 2024 while the U.S Bureau of Reclamation's Central Valley Project allocation remained at 75% during the same period. On April 1, 2024 July 1, 2024, Valley Water's 10 reservoirs were 37% 34% of capacity, or 99% 91% of restricted capacity, with 20.2 billion 18.6 billion gallons of water in storage. Valley Water's largest reservoir, Anderson, remained drained for a dam seismic retrofit project. Valley Water also reported that the managed groundwater recharge from January to March June in the Santa Clara Plain was 146% 142% of the five-year average. The groundwater level in the Santa Clara Plain is approximately three four feet higher lower than March June 2023. According to Valley Water, the projected total groundwater storage at the end of 2024 is expected to be in the Normal Stage of the Water Shortage Contingency Plan.

As of March 31, 2024 June 30, 2024, SJWC's Lake Elsmere was 100.8% 98.1% of capacity with 2.0 billion gallons of water, approximately 160.4% 173.8% of the five-year seasonal average. In addition, the rainfall at SJWC's Lake Elsmere was measured at 46.31 49.98 inches for the period from July 1, 2023 through March 31, 2024 June 30, 2024, which is 106.7% 106.3% of the five-year average. SJWC's Montevina Water Treatment Plant treated 1.3 billion 2.2 billion gallons of water through for the first quarter, six months ended June 30, 2024, which is 154.6% 140% of the five-year average. SJWC's Saratoga Water Treatment Plant remains offline until the updated operations plan is granted approval by the California Division of

Drinking Water, next rain season (November to March). SJWC believes that its various sources of water supply will be sufficient to meet customer demand through the remainder of 2024.

CWC's water sources vary among the individual systems, but overall, approximately 80% of the total dependable yield comes from surface water supplies and 20% from wells. In addition, CWC has water supply agreements to supplement its water supply with the South Central Connecticut Regional Water Authority and The Metropolitan District that expire in 2058 and 2053, respectively.

TWC's water supply consists of groundwater from wells and purchased treated and untreated raw water from local water agencies. TWC has long-term agreements with the Guadalupe-Blanco River Authority ("GBRA"), which expire in 2037, 2040, 2044 and 2050. The agreements, which are take-or-pay contracts, provide TWC with an aggregate of 7,650 acre-feet of water per year from Canyon Lake at prices that may be adjusted periodically by GBRA. TWC also has raw water supply agreements with the Lower Colorado River Authority and West Travis Public Utility Agency expiring in 2059 and 2046, respectively, to provide for 350 acre-feet of water per year from Lake Austin and the Colorado River, respectively, at prices that may be adjusted periodically by the agencies. Forty active production wells located in a Comal Trinity Groundwater Conservation District, a regulated portion of the Trinity aquifer, are charged a groundwater pump tax based upon usage.

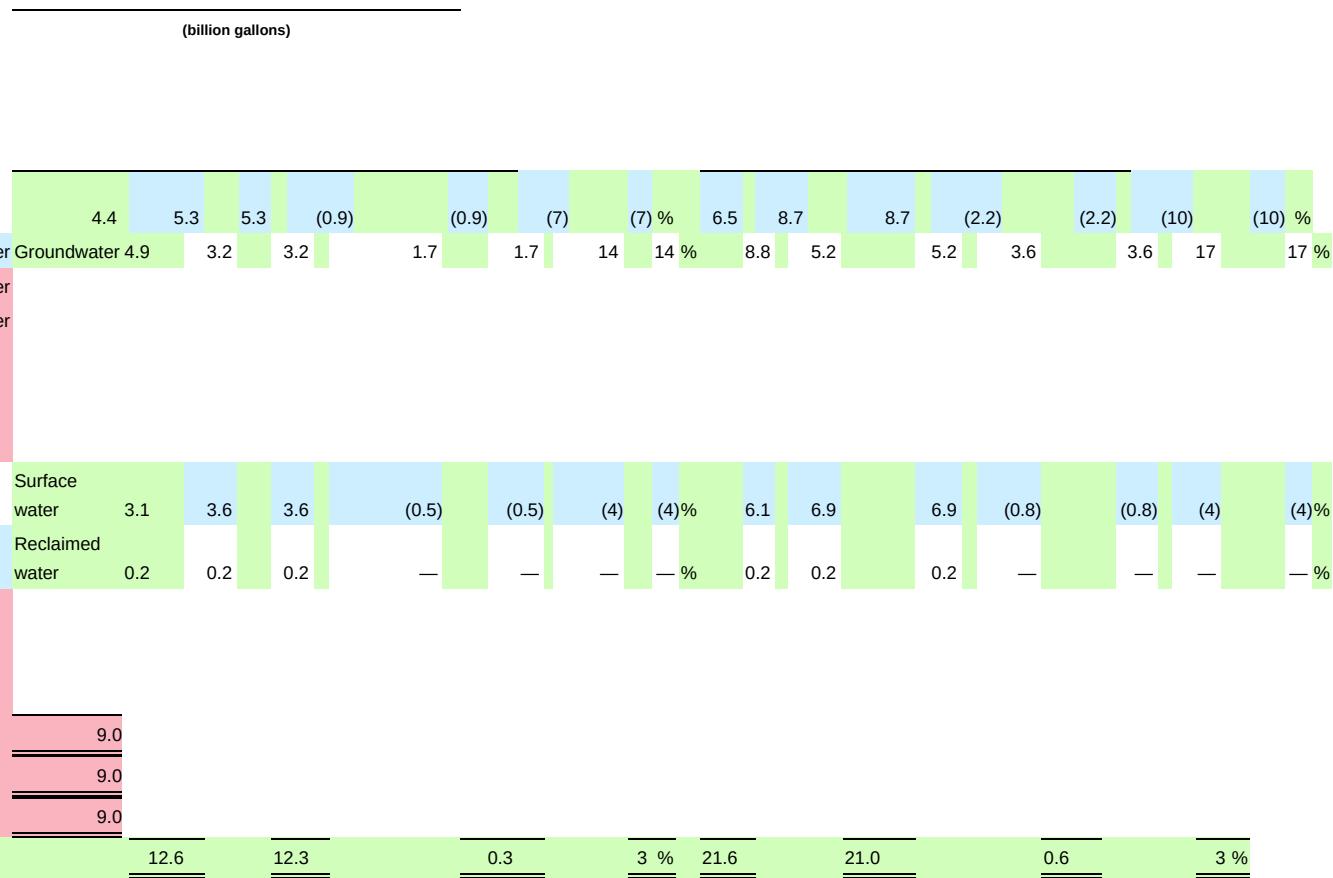
In August 2023, SJWTX Holdings Inc.'s unregulated subsidiary, TWR acquired Development of the KT Water System continues with eight wells and the associated water rights of KT Water Resources LLC. rights. These wells have been projected to yield an additional 6,000 acre-feet per year or more. TWC Our staff is currently working on acquiring easements and routing of the waterline and infrastructure needed to get move this water into our Triple Peak water system to serve existing customers and planned new developments.

The Texas service area is currently experiencing drought conditions; current day activities include a stoppage of bulk hauling and enacting Stage 4 drought restrictions halting all outdoor watering in July. These water usage restrictions will likely impact revenue in 2024. TWC began a water supply study to update its Drought Management Plan submitted previously to the Texas Commission of Environmental Quality. Based on draft results, future capital investment of transmission main and storage is planned with TWC working to further develop supply sources to meet customer demands.

Water sources at MWC vary among the individual systems, but overall, approximately 90% of the total dependable yield comes from surface water supplies and 10% from wells. MWC has a water supply agreement with the Kennebec Water District expiring in 2040.

The following table presents the change in sources of water supply, in billion gallons, for Water Utility Services:

	Three months ended June 30,	Increase/ (decrease)	% of Total Change	Six months ended June 30,	Increase/ (decrease)	% of Total Change
2024						
2023						
(billion gallons)						
(billion gallons)						



The changes in the source of supply mix were consistent with the changes in the water production expenses.

SJWC's unaccounted-for water on a 12-month-to-date basis for **March 31, 2024** **June 30, 2024** and 2023 approximated **7.9%** **7.4%** and **7.5%** **10.1%**, respectively, as a percentage of total production. The unaccounted-for water estimate is based on the results of past experience and the impact of flows through the system, partially offset by SJWC's main replacements and lost water reduction programs.

CTWS's Connecticut Water Service, Inc. ("CTWS")'s unaccounted-for water on a 12-month-to-date basis for **March 31, 2024** **June 30, 2024** and 2023 approximated **13.4%** **13.6%** and **13.9%** **13.8%**, respectively, as a percentage of total production. The unaccounted-for water estimate is based on the results of past experience and the impact of flows through CTWS's systems, unadjusted for any required system flushing, partially offset by Water Infrastructure Conservation Adjustment and Water Infrastructure Surcharge main replacement programs and lost water reduction initiatives.

#### Water Production Expenses

The change in water production expenses of **\$4,775** **\$8,584** for the three months ended **March 31, 2024** **June 30, 2024**, compared to the same period in 2023, was primarily attributable to increases in **customer usage**, average per unit costs for purchased water, groundwater extraction, and other production expenses, and increases in **customer usage**, offset by decreases resulting from other production costs and regulatory adjustments for SJWC's Full Cost Balancing Account.

The change in water production expenses of **\$13,359** for the six months ended June 30, 2024, compared to the **surface** same period in 2023, was primarily attributable to increases in average per unit costs for purchased water, **mix net of groundwater extraction**, and other production expenses, customer usage, and increases resulting from other production costs and regulatory adjustments.

Effective July 1, 2023, Valley Water increased the unit price of purchased water by approximately 14% and the groundwater extraction charge by approximately 15%. SJWC was notified by Valley Water that the unit price of purchased water and the groundwater extraction charge was increased 12% and 13%, respectively, effective July 1, 2024.

#### Other Operating Expenses

Operating expenses, excluding water production expenses, increased **\$4,576** **\$1,292** for the three months ended **March 31, 2024** **June 30, 2024**, compared to the same period in 2023. The increase was primarily attributable to **an increase in depreciation related to new utility plant additions**, **adjustments to certain regulatory assets as a result of the final decision in the CWC rate case**, and **security expenses**, offset by decreases in administrative and general expenses primarily from decreases in the allowance for credit losses of \$5,009 and higher allocations to construction activities, offset by inflationary increases.

Operating expenses, excluding water production expenses, increased **\$5,868** for the six months ended June 30, 2024, compared to the same period in 2023. The increase was primarily attributable to increases in depreciation and amortization for new utility plant placed in service, **adjustments to certain regulatory assets as a result of the final decision in the CWC rate case**, **security expenses**, and **increased compensation costs**.

costs offset by decreases in administrative and general expenses primarily from decreases in the allowance for credit losses of \$6,261 and higher

allocations to construction activities, offset by inflationary increases. The higher allocations and inflationary increases are expected to impact the remainder of 2024.

#### Other (Expense) Income

For the three months ended March 31, 2024 June 30, 2024, compared to the same period in 2023, the change in other (expense) income was primarily due to an increase in interest expense due to an increase in higher average balances and interest rates on lines of credit borrowings and a \$909 loss on sale of real estate investments.

For the six months ended June 30, 2024, compared to the same period in 2023, the change in other (expense) income was primarily due to an increase in interest expense due to higher interest rates and higher average balances on lines of credit borrowings, and an increase in long-term debt balances, offset by interest rates, decreases in pension non-service cost, cost, decreases in gains from real estate sale transactions of \$1,473, and increases from changes in the Rabbi Trust and life insurance policy values.

#### Provision for Income Taxes

For the three and six months ended March 31, 2024 June 30, 2024, compared to the same period in 2023, income tax expense increased by \$1,153, \$5,236 and \$6,389, respectively. The increase in income tax expense for the three and six months ended June 30, 2024 was primarily due to the higher pre-tax income in 2024 and partial release of an uncertain tax position reserve in the second quarter of 2023. The effective consolidated income tax rates were 16% 15% and 9% (9%) for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and 16% and (1)% for the six months ended June 30, 2024 and 2023, respectively. The higher income tax expense and effective tax rate for the three and six months ended March 31, 2024 were June 30, 2024, was primarily due to the partial release of an uncertain tax deficiencies recorded position reserve in the first second quarter of 2024 for share-based payments 2023 and other discrete tax items.

#### Regulation and Rates

Almost all of the operating revenue of SJW Group results from the sale of water at rates authorized by the subsidiaries' respective state utilities commissions. The state utilities commissions set rates that are intended to provide revenue sufficient to recover operating expenses and the opportunity to achieve a specified return on common equity. The timing of rate decisions could have an impact on the results of operations.

Please also see [Note 2](#) of "Notes to Condensed Consolidated Financial Statements."

#### California Regulatory Affairs

The CPUC approved the settlement in SJWC's 2021 General Rate Case application on October 6, 2022 and issued 2022 GRC Decision on October 11, 2022. SJWC received authority for an increase of revenue requirement by \$25,074 or 6.03% in 2022, \$12,955 or 2.94% in 2023, and \$16,102 or 3.56% in 2024. The application included requests to recover \$18,174 from balancing and memorandum accounts and authorization for a \$350,000 capital budget. Additionally, it further aligned authorized and actual consumption, particularly for business customers, addressed the water supply mix variability, and provided greater revenue recovery in the fixed charge.

SJWC filed Advice Letter No. 601 on October 13, 2023, to inform the CPUC that the Water Cost of Capital Mechanism ("WCCM") authorized in Decision No. 23-06-025 required an update to SJWC's authorized rate of return effective January 1, 2024. The filing requested an adjusted return on equity of 10.01%, a cost of debt of 5.28%, and a resulting authorized rate of return of 7.86%. Advice Letter No. 601 was approved with an effective date of January 1, 2024. Separate from the filing, the return on equity was further adjusted by a 20 bps reduction for the reimplementation of the Water Conservation Memorandum Account resulting in an overall rate of return of 7.75%.

SJWC filed Advice Letter No. 603 on November 14, 2023, to establish a Group Insurance Balancing Account to track the difference between the company's authorized versus actual costs for medical, dental, and opt-out insurance expenses. Advice Letter No. 603 was approved with an effective date of January 1, 2024.

SJWC filed Advice Letter No. 605 on November 21, 2023, to increase the authorized revenue requirement by \$21,270, or 4.16%, for the attrition year increase in accordance with the 2022 GRC Decision and the adjusted Rate of Return approved in Advice Letter No. 601. Advice Letter No. 605 was approved with an effective date of January 1, 2024.

On December 15, 2023, SJWC, along with three other California water utilities, filed a joint request for one-year deferment on the cost of capital filings which would otherwise be due on May 1, 2024. Postponing the filing a year alleviates administrative processing costs on the utilities as well as the CPUC staff, and provides relief for both CPUC and utility resources already strained by numerous other proceedings. The request is conditioned on leaving the current WCCM in place such that any adjustments will be made to the respective utilities' cost of capital during the one-year deferment based on the mechanism. The request was approved on February 2, 2024.

On January 2, 2024, SJWC filed General Rate Case Application No. 24-01-001 with the CPUC to increase rates charged for water service by \$55,196 or 11.11% in 2025, by \$22,041 or 3.99% in 2026, and by \$25,809 or 4.49% in 2027. The application proposed a \$540,000 three-year capital budget and includes requests to recover \$23,462 from balancing and memorandum accounts, further alignment between actual and authorized usage, and a shift to greater revenue collection in the service charge. The application will undergo a year-long review process and new rates, if approved, are expected to be effective January 1, 2025. On June 14, 2024, SJWC notified the CPUC that it had reached an all-party settlement agreement in principle with the Public Advocates Office and Water Rate Advocates for Transparency, Equity and Sustainability, also known as WRATES, in its 2025 through 2027 general rate case application on all but two policy issues that will be litigated. Per the procedural ruling, the formal settlement motion and agreement will be submitted by August 19, 2024. Briefs on the two policy issues will also be submitted by August 19, 2024. A decision on the GRC and/or the settlement agreement is expected by the CPUC in the fourth quarter of 2024.

SJWC filed Advice Letter No. 609 on May 16, 2024, to increase the authorized revenue requirement by \$28,275, or 5.3%, to offset the increases to purchased potable water charges, the groundwater extraction fee, and purchased recycled water charges from its water wholesalers effective July 1, 2024. Advice Letter No. 609 was approved with an effective date of July 1, 2024.

SJWC filed Advice Letter No. 610/610A on May 23, 2024, to increase the authorized revenue requirement by \$768, or 0.14%, to recover revenue related the plant additions for the Advanced Metering Infrastructure project. Advice Letter No. 610/610A was approved with an effective date of July 1, 2024.

#### Connecticut Regulatory Affairs

On October 3, 2023, CWC filed an application with PURA to adjust customer rates. If PURA approves the request as proposed, The proposal requested an increase in annual revenues of CWC will increase by approximately \$21,400, or 18.1%, over current authorized revenues. On June 28, 2024, PURA issued a final decision authorizing an increase in annual revenues of \$6,455, or 5.5%, with the ability to earn additional revenue of \$1,116 through the annual Water Revenue Adjustment ("WRA") filing for achievement of certain performance metrics. In addition, the decision authorized a return on equity of 9.3% on a capital structure comprised of 53% equity and would be 47% long term debt. New rates became effective on or about July 1, 2024. A final decision is scheduled for June 28, 2024.

On November 14, 2023, CWC submitted an application to PURA for the approval to issue unsecured notes in the amount of

**\$25,000.** **\$25,000.** A decision from PURA approving the application was received on January 10, 2024.

On February 26, 2024, CWC filed its 2023 Water Infrastructure Conservation Adjustment ("WICA") reconciliation with PURA. The reconciliation, approved by PURA on March 27, 2024 and effective for 12 months beginning April 1, 2024, replaced the expiring 2022 reconciliation credit of 0.16% with a credit of 0.13%. The cumulative WICA surcharge as of April 1, 2024 is 7.41%, collecting \$7,835 on an annual basis. **Based on the general rate case decision, as of July 1, 2024, the base**

**WICA surcharge will be reset to zero; however, the credit of 0.13% for 2023 reconciliation will continue to apply into 2025.**

On February 28, 2024, CWC filed its 2023 Water Revenue Adjustment ("WRA"). **WRA.** The mechanism reconciles 2023 revenues as authorized in the CWC's most recent rate case. The 2023 WRA, as approved by PURA on March 11, 2024 and effective for 12 months beginning on April 1, 2024, imposed a 2.11% sur-credit on customer bills to refund the 2022 revenues over-collection.

On June 21, 2024, CWC submitted an application to PURA for the approval to issue unsecured notes in an amount of up to \$150,000. PURA has 60 days to issue an order in the docket.

#### Texas Regulatory Affairs

TWC has no current general rate case pending. However, it filed its application to establish a System Improvement Charge ("SIC") with the PUCT under Docket No. 54430 on December 30, 2022. SIC filings are used to include certain utility plant additions made since 2020 to its rate base, thereby increasing revenue and avoiding the immediate need for a general rate case. On March 21, 2024, the PUCT filed the final order approving TWC's request to implement its SIC. As a result of the final order, the SIC is projected to increase TWC's water revenue by \$1,574 and sewer revenue by \$28 within one year of the approval. Additionally, TWC is required to file a general rate case within four years. **TWC will plans to incrementally increase its SIC annually until its next rate case.** Notwithstanding the SIC filing, TWC will continue to file its annual adjustments for the Water Pass-through Charges ("WPC") for Canyon Lake, Deer Creek and Kendall West customers. All water supply cost increases are recoverable when the next annual WPC adjustment for each system is filed.

On April 10, 2023, TWC filed an application with the PUCT to acquire the Elm Ridge water system that serves 21 residential customers. TWC has asked for filed rate doctrine treatment, which allows the acquiring utility's current rates to be applied at the time of acquisition. On December 12, 2023, the Administrative Law Judge filed Order No. 11, which allowed TWC to proceed and the acquisition closed on January 26, 2024. The final order, which transfers the Certificate of Convenience and Necessity ("CCN") and allows filed rate doctrine, is expected to be approved during the **second** **third** quarter of 2024.

On July 24, 2023, the PUCT approved TWC's application to acquire KT Water Development Ltd. ("KT Water Development"). KT Water Development provides service to approximately 570 residential water connections. On August 14, 2023, TWC closed on the acquisition. On March 7, 2024, the PUCT filed the final order which transferred the CCN to TWC, approved the fair market value, and allowed TWC to charge its existing rates to the customers of KT Water Development.

On January 5, 2024, TWC filed an application with the PUCT to acquire the 3009 Water Company LLC water system that serves approximately 270 residential connections. TWC requested fair market value and to apply TWC's existing rates to the customers being acquired. TWC **received the PUCT's approval to proceed with the transaction** and expects to **receive approval to close on the acquisition** during the **third quarter** **second half** of 2024.

#### Maine Regulatory Affairs

The rates approved in the Biddeford Saco division by the April 5, 2022 stipulated agreement, which authorized a rate increase of \$6,313, or 72.5% went into effect on July 1, 2022. The Saco River Drinking Water Resource Center began supplying the water distribution system on June 16, 2022. As part of the stipulated agreement, MWC agreed to file a final phase of the rate case by April 1, 2023. The third filing was submitted on March 31, 2023. Step 3 of the planned multi-year rate filings for the Saco River Drinking Water Resource Center was filed in accordance with the MPUC order on March 31, 2023. The filing requested an increase in revenue requirement of \$2,949, or 19.9% and requested that the increase be implemented over two years with a 12% increase effective July 1, 2023 followed by a 9% increase effective July 1, 2024 with a slight decrease in year three to reach the overall 19.9% requested. On August 25, 2023, the MPUC issued an order granting a temporary rate increase of \$1,495 or 10% while the case and the **Company's company's** full request were litigated. The company reached a settlement agreement with staff and the Office of the Public Advocate and filed a stipulated settlement agreement with the MPUC on December 22, 2023. The MPUC approved the stipulation in deliberations on January 5, 2024, with an increase in authorized annual revenue of \$2,603, or 17.6%, effective January 1, 2024. The Biddeford **and** Saco division's increase in rates is based on an authorized return on equity of 9.5% along with a capital structure of 49% debt and 51% equity. This return on equity and capital structure will be used for any future Water Infrastructure Surcharge ("WISC") calculations for all divisions until the MPUC has authorized or approved a different return on equity structure in a different proceeding.

On June 30, 2023, MWC filed a WISC for the Camden-Rockland division. The requested surcharge is 2.34% or \$158. The MPUC issued an order approving the surcharge on March 22, 2024.

On June 24, 2024, MWC filed a WISC in both the Freeport and Oakland divisions. The combined requested surcharge is 3.00% or \$52. The MPUC is expected to issue a decision in the third quarter of 2024.

#### Other Regulatory Matters

In April 2024, the U.S. Environmental Protection Agency issued final new national primary drinking water regulations for six PFAS. The regulations impose maximum contaminant levels and monitoring requirements for the nation's water systems for six

PFAS chemicals under the Safe Drinking Water Act. The final regulation requires water systems to comply with PFAS monitoring and reporting requirements by 2027, and to comply with the maximum contaminant levels by 2029. SJW Group

estimates capital expenditures of approximately \$230,000 for PFAS treatment based on the **finalized** maximum contaminant **levels in the previously proposed regulation.** levels. See discussion below under "Liquidity" for additional information on capital expenditures.

#### **Liquidity:**

#### Cash Flow from Operating Activities

During the **three** six months ended **March 31, 2024** **June 30, 2024**, SJW Group generated cash flows from operations of approximately **\$51,200**, **\$100,500**, compared to approximately **\$50,600**, **\$97,400** for the same period in 2023. Cash flow from operations is primarily generated by net income from revenue producing activities, adjusted for non-cash expenses for depreciation and amortization, deferred income taxes, stock-based compensation, allowance for equity funds used during construction, gains or losses on the sale of assets, and changes in working capital items. Cash flow from operations increased by approximately **\$600**, **\$3,100**. This increase was the result of a combination of the following factors: (1) an increase in collections from accounts receivable and accrued unbilled utility revenue of **\$3,700**, and (2) increased tax accruals of **\$2,400**, **\$7,000** compared to the prior period, offset by (3) a decrease and (2) an increase of **\$2,800**, **\$3,000** attributable to changes in payments of amounts previously invoiced and accrued including accrued production costs, (3) general working capital and net income, adjusted for non-cash items, increased by **\$2,800**, and offset by (4) a decrease of **\$2,600**, **\$3,600** attributable to changes in regulatory assets and liabilities, including the effect of lower surcharge collections on balancing and memorandum accounts, and (5) general working capital a decrease attributable to accounts receivable and net income, adjusted accrued unbilled utility revenue of **\$6,100**, primarily related to the decrease in the allowance for non-cash items, decreased by **\$100**, credit losses.

As of **March 31, 2024** **June 30, 2024**, Water Utility Services' write-offs for uncollectible accounts represented less than 1% of its total revenue, which decreased from **2%** **1%** as of **March 31, 2023** **June 30, 2023**. Management believes that the collection rate will continue to improve for its accounts receivables as service disconnections return to normal operations. On December 28, 2023, SJWC submitted the application to receive **\$10,237** through the State of California Water and Wastewater Arrearages Payment Program to relieve outstanding payment delinquencies for customer accounts greater than 60-days past due as of December 31, 2022. We anticipate the funds to be received **\$9,130** in the second quarter of 2024 after under the State of California Water and Wastewater Arrearages Payment Program completes the review of this application. Program.

#### Cash Flow from Investing Activities

During the **three** six months ended **March 31, 2024** **June 30, 2024**, SJW Group used cash flows from investing activities of approximately **\$74,300**, **\$131,000**, compared to approximately **\$55,000**, **\$125,400** for the same period in 2023. This increase was primarily driven by additions to utility plant, plant, offset by proceeds of **\$40,600** for the completed sales of the Tennessee properties. SJW Group used approximately: (1) **\$68,900**, **\$158,400** of cash for company-funded utility capital expenditures and (2) **\$4,600**, **\$11,800** for developer-funded utility capital expenditures during the **three** six months ended **March 31, 2024** **June 30, 2024**. For the same period in 2023, SJW Group used approximately: (1) **\$52,384**, **\$115,700** of cash for company-funded utility capital expenditures and (2) **2,703**, **\$9,300** for developer-funded utility capital expenditures, expenditures, and (3) **\$500** for utility plant retirements.

Water Utility Services' estimated utility capital expenditures for 2024, exclusive of capital expenditures financed by customer contributions and advances, are anticipated to be approximately **\$332,000**. As of **March 31, 2024** **June 30, 2024**, approximately **\$68,900**, **\$158,400**, or **21%**, **48%**, of the **\$332,000** has been invested.

Water Utility Services' capital expenditures are incurred in connection with normal upgrading and expansion of existing facilities and to comply with environmental regulations. Over the next five years, Water Utility Services expects to incur approximately **\$1,621,000** in capital expenditures, which includes replacement of pipes and mains, maintaining water systems, and installing PFAS treatment. A significant portion of this amount is subject to future respective state regulatory utility commissions' approval. Capital expenditures have the effect of increasing utility plant rate base on which Water Utility Services earns a return. Water Utility Services actual capital expenditures may vary from their projections due to changes in the expected demand for services, weather patterns, actions by governmental agencies, and general economic conditions. Total additions to utility plant normally exceed company-financed additions as a result of new facilities construction funded with advances from developers and contributions in aid of construction.

The Water Utility Services' distribution systems were constructed during the period from the early 1900's through today. Expenditure levels for renewal and modernization will occur as the components reach the end of their useful lives. In most cases, replacement costs will significantly exceed the original installation costs of the retired assets due to increases in the costs of goods and services and increased regulation.

#### Cash Flow from Financing Activities

Net cash provided by financing activities for the **three** six months ended **March 31, 2024** **June 30, 2024** increased by approximately **\$2,500**, **\$2,400** from the same period in the prior year, primarily as a result of (1) an increase in net borrowings and repayments on our lines of credit of **\$125,500**, **\$121,400**, offset by (2) a decrease in net borrowings and repayments on long-term debt of **\$85,000**, **\$84,900**, and (3) a decrease in net proceeds from our common stock equity offerings of **\$34,000**, **\$31,500**.

#### **Sources of Capital:**

SJW Group's ability to finance future construction programs and sustain dividend payments depends on its ability to maintain or increase internally generated funds and attract external financing. The level of future earnings and the related cash flow from operations is dependent, in large part, upon the timing and outcome of regulatory proceedings.

#### Short-term Financing Agreements

SJW Group and its subsidiaries have unsecured line of credit agreements where borrowings are used to refinance existing debt, for working capital, and for general corporate purposes.

A summary of the line of credit agreements as of **March 31, 2024** **June 30, 2024** are as follows:

	Maturity Date	Maturity Date	Line Limit	Amounts Outstanding	Unused Portion	Maturity Date	Line Limit	Amounts Outstanding	Unused Portion
Syndicated credit agreement:									
Syndicated credit agreement:									
Syndicated credit agreement:									
SJW Group									
SJW Group									
SJW Group									
SJWC									
CTWS									
TWC									

Total syndicated credit agreement

CTWS credit agreement

CTWS credit agreement

—  
\$  
=

For the ~~three~~ six months ended ~~March 31, 2024~~ June 30, 2024, cost of borrowing on the lines of credit averaged ~~6.54%~~ 6.53% compared to ~~5.74%~~ 5.96% in the same period in 2023.

All of SJW Group's and subsidiaries' lines of credit contain customary representations, warranties and events of default, as well as certain restrictive covenants customary for facilities of this type, including restrictions on indebtedness, liens, acquisitions and investments, restricted payments, asset sales, and fundamental changes. All of the lines of credit also include certain customary financial covenants such as a funded debt to capitalization ratio and a minimum interest coverage ratio. As of ~~March 31, 2024~~ June 30, 2024, SJW Group and its subsidiaries were in compliance with all covenants on their lines of credit.

#### Long-term Financing Agreements

On November 15, 2023, CWC entered into a note purchase agreement with certain affiliates of American United Life Insurance, The State Life Insurance, Mutual of Omaha Insurance, and United of Omaha Life Insurance, pursuant to which the company sold an aggregate principal amount of \$25,000 of its 6.46% Senior Notes, Series 2023 ("Series 2023 Notes"). The Series 2023 Notes are unsecured obligations of CWC and are due on January 1, 2054. Interest is payable semi-annually in arrears on January 15th and July 15th of each year. The closing of the notes purchase agreement occurred on January 22, 2024.

The debt and credit agreements of SJW Group and its subsidiaries contain various financial and other covenants. Non-compliance with these covenants could result in accelerated due dates and termination of the agreements. In addition, the credit agreements contain customary representations and warranties and are subject to customary events of default, which may result in the outstanding debt becoming immediately due and payable. As of ~~March 31, 2024~~ June 30, 2024, SJW Group and its subsidiaries were in compliance with all covenants in their long-term debt agreements.

During the balance of 2024, SJW Group subsidiaries plan to raise approximately \$160,000 in long-term debt to pay down the line of credit agreements.

#### Equity Financing Arrangements

On March 1, 2023, ~~In March, 2023~~, SJW Group entered into Amendment No. 1 to the equity distribution agreement (the "Equity Distribution Agreement"), dated November 17, 2021, between SJW Group and J.P. Morgan Securities LLC, Janney Montgomery Scott LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC, ~~(each a "Sales Agent" and, collectively, the "Sales Agents")~~, pursuant to which ~~SJW Group increased the aggregate gross sales price of company may offer and sell shares of SJW Group's its~~ common stock, \$0.001 par value per share, ~~that may be sold under the Equity Distribution Agreement from \$100,000 time to time in "at-the-market" offerings, having an aggregate gross sales price of up to \$240,000.~~ For the three and six months ended ~~March 31, 2024~~ June 30, 2024, SJW Group issued and sold a total of ~~126,025~~ 458,605 and ~~584,630~~ shares of common stock, ~~respectively~~, with a weighted average price of ~~\$57.13~~ \$56.13 and ~~\$56.35~~ per share, ~~respectively~~, and received ~~\$7,006~~ \$25,296 and ~~\$32,302~~ in net proceeds, ~~respectively~~, under the Equity Distribution Agreement. Since the inception of the Equity Distribution Agreement, SJW Group has issued and sold ~~2,130,682~~ 2,589,287 shares of common stock ~~with at~~ a weighted average price of ~~\$72.60~~ \$69.68 for a total net proceeds of ~~\$151,004~~ \$176,299 and has ~~\$85,309~~ \$59,567 of aggregate gross sales price of shares remaining to issue from the sale of shares as of March 31, 2024 under the Equity Distribution Agreement.

#### Credit Rating

The condition of the capital and credit markets or the strength of financial institutions could impact SJW Group's ability to draw on its lines of credit, issue long-term debt, sell its equity or earn interest income. In addition, government policies, the state of the credit markets and other factors could result in increased interest rates, which would increase SJW Group's cost of capital. While our ability to obtain financing will continue to be a risk, we believe that based on our 2024 and 2023 activities, we will have access to the external funding sources necessary to implement our ongoing capital investment programs in the future. SJW Group, CTWS and CWC were put on negative watch on September 19, 2023. Standard & Poor's noted the change in outlook is due to recent regulatory and legislative developments in Connecticut that are not consistent with Standard & Poor's view of the regulatory framework for investor owned utilities.

The following table are the current Standard & Poor's Rating Service assigned company ratings:

Entity	Rating	Outlook
SJW Group	A-	Negative
SJWC	A	Stable
CTWS	A-	Negative
CWC	A-	Negative

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

SJW Group is subject to market risks in the normal course of business, including changes in interest rates, pension plan asset values, and equity prices. The exposure to changes in interest rates can result from the issuance of debt and short-term funds obtained through the company's variable rate lines of credit. SJW Group's subsidiaries sponsor noncontributory pension and other post-retirement plans for its employees. Pension and other post-retirement costs and the funded status of the plans may be affected by a number of factors including the discount rate, mortality rates of plan participants, investment returns on plan assets, and pension reform legislation.

SJW Group has no derivative financial instruments, financial instruments with significant off-balance sheet risks, or financial instruments with concentrations of credit risk.

### **ITEM 4. CONTROLS AND PROCEDURES**

SJW Group's management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of SJW Group's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the "Exchange Act"), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that SJW Group's disclosure controls and procedures as of the end of

the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by SJW Group in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. SJW Group believes that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

There has been no change in internal control over financial reporting during the **first** **second** fiscal quarter of 2024 that has materially affected, or is reasonably likely to materially affect, the internal controls over financial reporting of SJW Group.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

SJW Group is subject to ordinary routine litigation incidental to its business. In October 2023, The Connecticut Water Company, a subsidiary of SJW Group, was named as a defendant in a class action lawsuit alleging that the water provided by Connecticut Water contained contaminants. Connecticut Water intends to vigorously defend itself in this lawsuit. There are no pending legal proceedings to which SJW Group or any of its subsidiaries is a party, or to which any of its properties is the subject, that are expected to have a material effect on SJW Group's business, financial position, results of operations or cash flows.

### ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the "Risk Factors" in SJW Group's annual report on Form 10-K for the year ended December 31, 2023 and our other public filings, which could materially affect our business, financial condition or future results. There have been no material changes from risk factors previously disclosed in "Risk Factors" in SJW Group's annual report on Form 10-K for the year ended December 31, 2023.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

#### Quarterly Dividend

On **April 24, 2024** **July 24, 2024**, the Board of Directors of SJW Group declared the regular quarterly dividend of \$0.40 per share of common stock. The dividend will be paid on **June 3, 2024** **September 3, 2024**, to stockholders of record as of the close of business on **May 6, 2024** **August 5, 2024**.

#### Insider Trading Arrangements:

In the quarter ended **March 31, 2024** **June 30, 2024**, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a plan for the purchase or sale of our securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or a non-Rule 10b5-1 trading arrangement for the purchase or sale of our securities, within the meaning of Item 408 of Regulation S-K.

#### Information Web Sites

SJW Group posts information about the operating and financial performance of SJW Group and its subsidiaries on its web sites at [www.sjwgroup.com](http://www.sjwgroup.com), [www.sjwater.com](http://www.sjwater.com), [www.ctwater.com](http://www.ctwater.com), [www.txwaterco.com](http://www.txwaterco.com), and [www.mainewater.com](http://www.mainewater.com) from time to time. The information on our web sites is not a part of and should not be considered incorporated by reference into this Form 10-Q.

### ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	<a href="#">Certificate of Amendment of the Certificate of Incorporation of SJW Group, dated June 20, 2024. Incorporated by reference to Exhibit 3.1 to Form 8-K filed on June 21, 2024.</a>
3.2	<a href="#">Restated Certificate of Incorporation of SJW Group, dated June 20, 2024. Incorporated by reference to Exhibit 3.2 to Form 8-K filed on June 21, 2024.</a>
31.1	<a href="#">Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chairman, President and Chief Executive Officer. (1)</a>
31.2	<a href="#">Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chief Financial Officer, Treasurer and Interim Principal Accounting Officer. (1)</a>
32.1	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350 by Chairman, President and Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)</a>
32.2	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer, Treasurer and Interim Principal Accounting Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)</a>
101.INS	XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document

(1) Filed currently herewith.

#### SIGNATURES

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

#### SJW GROUP

Date: **April 26, July 25, 2024**

By: **/s/ ANDREW F. WALTERS**

Andrew F. Walters

Chief Financial Officer, Treasurer and Interim Principal Accounting Officer  
(Principal financial officer)

**2931**

Exhibit 31.1

#### CERTIFICATIONS

I, Eric W. Thornburg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SJW Group (the "Registrant");
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: April 26, July 25, 2024

/s/ ERIC W. THORNBURG

Eric W. Thornburg

President, Chief Executive Officer and Chairman of the Board  
(Principal executive officer)

Exhibit 31.2

#### CERTIFICATIONS

I, Andrew F. Walters, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SJW Group (the "registrant");
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: **April 26, July 25, 2024**

*/s/ ANDREWS F. WALTERS*

Andrew F. Walters

Chief Financial Officer, **Treasurer** and **Treasurer** **Interim Principal Accounting Officer**

(Principal financial officer)

Exhibit 32.1

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

In connection with the Quarterly Report of SJW Group (the "Company") on Form 10-Q for the quarter ended **March 31, 2024** **June 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric W. Thornburg, President, Chief Executive Officer and Chairman of the Board of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge on the date hereof:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ ERIC W. THORNBURG*

Eric W. Thornburg

President, Chief Executive Officer and Chairman of the Board

(Principal executive officer)

**April 26, July 25, 2024**

Exhibit 32.2

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

In connection with the Quarterly Report of SJW Group (the "Company") on Form 10-Q for the quarter ended **March 31, 2024** **June 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew F. Walters, Chief Financial Officer, **Treasurer** and **Treasurer** **Interim Principal Accounting Officer** of the

Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge on the date hereof:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANDREW F. WALTERS

Andrew F. Walters

Chief Financial Officer, **Treasurer** and **Treasurer** **Interim Principal Accounting Officer**

(Principal financial officer)

**April 26, July 25, 2024**

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