

REFINITIV

# DELTA REPORT

## 10-Q

SJW - SJW GROUP

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

The following comparison report has been automatically generated

TOTAL DELTAS 996

█ CHANGES 201

█ DELETIONS 414

█ ADDITIONS 381

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

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**FORM 10-Q**

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

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

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **1-8966 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 Jose, CA**

**95110**

(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:**

**Title of each class**

**Trading Symbol(s)**

**Name of each exchange on which registered**

Common Stock, par value \$0.001 per share

SJW

New York Stock Exchange LLC

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 and post 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," "non-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 **October 24, 2023** **April 22, 2024**, there were **31,933,003** **32,234,465** shares of the registrant's Common Stock outstanding.

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## FORWARD-LOOKING STATEMENTS

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. 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 **impact** **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.

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 other risks and uncertainties that relate more broadly to our overall business, including those more fully 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 update or revise any forward-looking statements except as required by law.

## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
REVENUE	\$ 204,843	175,981	\$ 499,025	449,324
OPERATING EXPENSE:				
Operating revenue				
Operating revenue				
Operating revenue				
Operating expense:				
Operating expense:				
Operating expense:				

Production Expenses:					
Production Expenses:					
Production Expenses:	Production Expenses:				
Purchased water	Purchased water	46,044	38,744	101,054	84,313
Purchased water					
Purchased water					
Power					
Power					
Power	Power	2,785	3,913	7,363	10,387
Groundwater extraction charges	Groundwater extraction charges	21,398	19,059	46,751	51,347
Groundwater extraction charges					
Groundwater extraction charges					
Other production expenses					
Other production expenses					
Other production expenses	Other production expenses	12,415	11,888	36,379	33,607
Total production expenses	Total production expenses	82,642	73,604	191,547	179,654
Total production expenses					
Total production expenses					
Administrative and general					
Administrative and general					
Administrative and general	Administrative and general	23,888	23,909	71,759	71,374
Maintenance	Maintenance	6,457	7,065	18,813	20,651
Maintenance					
Maintenance					
Property taxes and other non-income taxes					
Property taxes and other non-income taxes					
Property taxes and other non-income taxes	Property taxes and other non-income taxes	8,795	8,354	25,092	24,242
Depreciation and amortization	Depreciation and amortization	26,455	25,529	78,872	78,342
Gain on sale of nonutility property		—	(82)	—	(5,532)
Depreciation and amortization					
Depreciation and amortization					
Total operating expense	Total operating expense	148,237	138,379	386,083	368,731
OPERATING INCOME		56,606	37,602	112,942	80,593
OTHER (EXPENSE) INCOME:					
Total operating expense					
Total operating expense					
Operating income					
Operating income					
Operating income					
Other (expense) income:					
Other (expense) income:					
Other (expense) income:					

Interest on long-term debt and other interest expense	Interest on long-term debt and other interest expense	(16,744)	(14,190)	(48,913)	(42,160)
Pension non-service (cost) credit		(740)	970	(906)	2,860
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	Other, net	1,661	875	7,042	2,694
Income before income taxes	Income before income taxes	40,783	25,257	70,165	43,987
<b>Income before income taxes</b>					
<b>Income before income taxes</b>					
Provision for income taxes	Provision for income taxes	4,561	223	4,127	3,658
NET INCOME		36,222	25,034	66,038	40,329
Other comprehensive income (loss), net		318	(173)	420	(602)
COMPREHENSIVE INCOME	\$	36,540	24,861	\$	66,458
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>					
<b>Comprehensive income</b>					
<b>EARNINGS PER SHARE</b>					
<b>Earnings per share</b>					
<b>Earnings per share</b>					
<b>Earnings per share</b>					
Basic					
Basic					
Basic	Basic	\$ 1.14	0.83	\$ 2.10	1.33
Diluted	Diluted	\$ 1.13	0.82	\$ 2.09	1.33
DIVIDENDS PER SHARE		\$ 0.38	0.36	\$ 1.14	1.08
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>					
Diluted					
Diluted					
Dividends per share					
Dividends per share					
Dividends per share					
Weighted average shares outstanding					

**Weighted average shares outstanding****Weighted average shares outstanding**

Basic	Basic	31,862,518	30,269,462	31,436,077	30,246,201
Diluted	Diluted	31,934,636	30,392,295	31,526,732	30,358,268
Diluted					
Diluted					

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

		September 30, 2023	December 31, 2022				
				March 31, 2024	December 31, 2023		
<b>ASSETS</b>							
<b>Assets</b>							
<b>Utility plant:</b>							
<b>Utility plant:</b>							
Utility plant:	Utility plant:						
Land	Land	\$ 41,427	39,982				
Land							
Land							
Depreciable plant and equipment	Depreciable plant and equipment	3,879,507	3,661,285				
Construction in progress		113,204	116,851				
Construction work in progress							
Intangible assets	Intangible assets	35,946	35,959				
Total utility plant	Total utility plant	4,070,084	3,854,077				
Less accumulated depreciation and amortization	Less accumulated depreciation and amortization	1,305,134	1,223,760				
Net utility plant	Net utility plant	2,764,950	2,630,317				
Nonutility properties and real estate investments	Nonutility properties and real estate investments	13,072	58,033				
<b>Nonutility properties and real estate investments</b>							
<b>Nonutility properties and real estate investments</b>							

Less accumulated depreciation and amortization	Less accumulated depreciation and amortization	192	17,158
Net nonutility properties and real estate investments	Net nonutility properties and real estate investments	12,880	40,875
<b>CURRENT ASSETS:</b>			
<b>Current assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	Cash and cash equivalents		
Cash and cash equivalents	Cash and cash equivalents	21,067	12,344
Accounts receivable:	Accounts receivable:		
Customers, net of allowances for uncollectible accounts of \$6,661 and \$5,753 on September 30, 2023 and December 31, 2022, respectively		70,374	59,172
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			
Income tax	Other	4,381	5,560
Accrued unbilled utility revenue	Accrued unbilled utility revenue	62,253	45,722
Assets held for sale	Assets held for sale	40,850	—
Prepaid expenses	Prepaid expenses	14,996	9,753
Current regulatory assets, net		8,573	16,068
Current regulatory assets			

Other current assets	Other current assets	6,277	6,095
		228,771	154,714
<b>OTHER ASSETS:</b>			
Net regulatory assets, less current portion		131,420	127,275
Total current assets			
<b>Other assets:</b>			
Regulatory assets, less current portion			
Regulatory assets, less current portion			
Regulatory assets, less current portion			
Investments	Investments	15,901	14,819
Postretirement benefit plans			
Other intangible asset	Other intangible asset	28,386	—
Goodwill	Goodwill	640,311	640,311
Other	Other	20,809	24,313
		836,827	806,718
		\$3,843,428	3,632,624
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
<b>Deferred income taxes</b>	<b>239,960</b>	<b>238,528</b>
<b>Advances for construction</b>	<b>141,431</b>	<b>146,582</b>
<b>Contributions in aid of construction</b>	<b>331,869</b>	<b>326,451</b>
<b>Postretirement benefit plans</b>	<b>47,323</b>	<b>46,836</b>
<b>Regulatory liabilities, less current portion</b>	<b>469,953</b>	<b>461,108</b>
<b>Other noncurrent liabilities</b>	<b>23,167</b>	<b>22,492</b>
<b>Commitments and contingencies</b>		
<b>Total capitalization and liabilities</b>	<b>\$ 4,367,512</b>	<b>4,345,067</b>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	September 30, 2023	December 31, 2022
<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 31,933,003 on September 30, 2023 and 30,801,912 on December 31, 2022	\$ 32	31
Additional paid-in capital	729,740	651,004
Retained earnings	488,585	458,356
Accumulated other comprehensive income	1,896	1,477
Total stockholders' equity	1,220,253	1,110,868
Long-term debt, less current portion	1,533,769	1,491,965
	2,754,022	2,602,833
<b>CURRENT LIABILITIES:</b>		
Lines of credit	128,433	159,578
Current portion of long-term debt	43,464	4,360
Accrued groundwater extraction charges, purchased water and power	33,170	19,707
Accounts payable	35,926	29,581
Accrued interest	19,165	13,907
Accrued payroll	11,264	11,908
Income tax payable	11,809	2,696
Other current liabilities	24,885	22,913
	308,116	264,650
<b>DEFERRED INCOME TAXES</b>		
	234,558	218,155
<b>ADVANCES FOR CONSTRUCTION</b>		
	143,810	137,696

CONTRIBUTIONS IN AID OF CONSTRUCTION	328,633	323,668
POSTRETIREMENT BENEFIT PLANS	51,150	59,738
OTHER NONCURRENT LIABILITIES	23,139	25,884
COMMITMENTS AND CONTINGENCIES		
	\$ 3,843,428	3,632,624

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Common Stock		Accumulated				Stockholders' Equity
	Number of Shares	Amount	Additional		Other	Total	
			Paid-in Capital	Retained Earnings	Comprehensive Income	Stockholders' Equity	
<b>BALANCES, December 31,</b> <b>2022</b>	30,801,912	\$ 31	\$651,004	\$458,356	\$ 1,477	\$1,110,868	
<b>Balances, December 31, 2023</b>							
<b>Balances, December 31, 2023</b>							
Net income	Net income	—	—	—	11,530	—	11,530
Unrealized gain on investment, net of taxes of \$0	—	—	—	—	93	93	
Unrealized loss on investment, net of tax of \$163							
Stock-based compensation	Stock-based compensation	—	—	1,199	(22)	—	1,177
Issuance of restricted and deferred stock units	Issuance of restricted and deferred stock units	38,776	—	(1,538)	—	—	(1,538)
Employee stock purchase plan	Employee stock purchase plan	16,410	—	1,080	—	—	1,080
Common stock issuance, net of costs	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>	<b>31,427,124</b>	<b>31</b>	<b>692,742</b>	<b>458,142</b>	<b>1,570</b>	<b>1,152,485</b>	
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>	<b>31,731,030</b>	<b>32</b>	<b>716,642</b>	<b>464,464</b>	<b>1,578</b>	<b>1,182,716</b>
Net income	—	—	—	36,222	—	36,222
Unrealized gain on investment, net of taxes of \$193	—	—	—	—	318	318
Stock-based compensation	—	—	1,238	(8)	—	1,230
Issuance of restricted and deferred stock units	14,840	—	(706)	—	—	(706)
Employee stock purchase plan	17,712	—	1,061	—	—	1,061
Common stock issuance, net of costs	169,421	—	11,505	—	—	11,505
Dividends paid (\$0.38 per share)	—	—	—	(12,093)	—	(12,093)
<b>BALANCES, September 30, 2023</b>	<b>31,933,003</b>	<b>\$ 32</b>	<b>\$729,740</b>	<b>\$488,585</b>	<b>\$ 1,896</b>	<b>\$1,220,253</b>
Dividends paid (\$0.40 per share)						
<b>Balances, March 31, 2024</b>						

	Common Stock		Accumulated Other Total			
	Number of Shares	Amount	Paid-in Capital	Retained Earnings	Comprehensive Loss	Stockholders' Equity
<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>	<b>31,427,124</b>	<b>\$ 31</b>	<b>692,742</b>	<b>458,142</b>	<b>1,570</b>	<b>1,152,485</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	Additional Paid-in Capital		Retained Earnings	Other Comprehensive Loss		
BALANCES, December 31, 2021	30,181,348	\$ 30	\$ 606,392	\$ 428,260	\$ (163)	\$ 1,034,519		
Net income	—	—	—	3,737	—	—	3,737	
Unrealized loss on investment, net of taxes of \$67	—	—	—	—	(181)	—	(181)	
Stock-based compensation	—	—	1,552	(20)	—	—	1,532	
Issuance of restricted and deferred stock units	37,879	—	(1,269)	—	—	—	(1,269)	
Employee stock purchase plan	17,918	—	1,049	—	—	—	1,049	
Common stock issuance, net of costs	—	—	(87)	—	—	—	(87)	
Dividends paid (\$0.36 per share)	—	—	—	(10,882)	—	—	(10,882)	
BALANCES, March 31, 2022	30,237,145	30	607,637	421,095	(344)	—	1,028,418	
Net income	—	—	—	11,558	—	—	11,558	
Unrealized loss on investment, net of taxes of \$0	—	—	—	—	(248)	—	(248)	
Stock-based compensation	—	—	1,041	(23)	—	—	1,018	
Issuance of restricted and deferred stock units	10,529	—	(6)	—	—	—	(6)	
Common stock issuance, net of costs	—	—	(6)	—	—	—	(6)	
Dividends paid (\$0.36 per share)	—	—	—	(10,889)	—	—	(10,889)	
BALANCES, June 30, 2022	30,247,674	30	608,666	421,741	(592)	—	1,029,845	
Net income	—	—	—	25,034	—	—	25,034	
Unrealized loss on investment, net of taxes of \$154	—	—	—	—	(173)	—	(173)	
Stock-based compensation	—	—	1,398	(23)	—	—	1,375	
Issuance of restricted and deferred stock units	1,316	—	13	—	—	—	13	
Employee stock purchase plan	18,667	—	1,042	—	—	—	1,042	
Common stock issuance, net of costs	47,608	—	3,107	—	—	—	3,107	
Dividends paid (\$0.36 per share)	—	—	—	(10,896)	—	—	(10,896)	
BALANCES, September 30, 2022	30,315,265	\$ 30	\$ 614,226	\$ 435,856	\$ (765)	\$ 1,049,347		

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Nine months ended September 30,		Three months ended March 31,		2023	
	2023	2022	2024	2023		
<b>OPERATING ACTIVITIES:</b>						
<b>Operating activities:</b>						
Net income						
Net income						
Net income	Net income	\$ 66,038	40,329			

Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation and amortization	Depreciation and amortization
Depreciation and amortization	Depreciation and amortization 80,544 79,862
Deferred income taxes	Deferred income taxes 12,996 7,135
Stock-based compensation	Stock-based compensation 3,576 3,991
Allowance for equity funds used during construction	Allowance for equity funds used during construction (1,649) (1,324)
Gain on sale of nonutility asset	— (5,532)
Changes in operating assets and liabilities:	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 receivable and accrued unbilled utility revenue (26,782) (22,511)
Accounts payable and other current liabilities	Accounts payable and other current liabilities 557 (1,475)
Accrued groundwater extraction charges, purchased water and power	Accrued groundwater extraction charges, purchased water and power 13,463 10,494
Tax receivable and payable, and other accrued taxes	Tax receivable and payable, and other accrued taxes 690 (1,851)
Postretirement benefits	Postretirement benefits (1,851) (2,719)

Regulatory assets and liabilities excluding income tax temporary differences, net and postretirement benefits	16,092	21,776
Up-front service concession payment	—	(1,600)
Regulatory assets and liabilities excluding cost of removal, income tax temporary differences, and postretirement benefits		
Other changes, net	Other changes, net	(4,371) 2,774
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>159,303</b>	<b>129,349</b>
<b>INVESTING ACTIVITIES:</b>		
<b>Net cash provided by operating activities</b>		
<b>Investing activities:</b>		
Additions to utility plant:		
Additions to utility plant:	Additions to utility plant:	
Company- funded	Company- funded	(195,937) (160,515)
Company-funded	Company-funded	
Contributions in aid of construction	Contributions in aid of construction	(13,604) (17,773)
Additions to nonutility assets	(24,244)	(610)
Payments to retire utility plant, net of salvage	(908)	(2,432)
Proceeds from sale of nonutility properties	—	310
Payments for business acquisitions	(7,286)	(433)
Cost to retire utility plant, net of salvage		
Cost to retire utility plant, net of salvage		
Cost to retire utility plant, net of salvage		
Other changes, net	Other changes, net	238 —
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(241,741)</b>	<b>(181,453)</b>
<b>FINANCING ACTIVITIES:</b>		
Other changes, net		
Other changes, net		
<b>Net cash used in investing activities</b>		
<b>Financing activities:</b>		

Borrowings on line of credit		
Borrowings on line of credit		
Borrowings on line of credit	102,655	152,655
Repayments on line of credit	(133,800)	(16,481)
Long-term borrowings	70,000	15,000
Repayments of long-term borrowings	(3,062)	(87,757)
Issuance of common stock, net of issuance costs	75,284	3,107
Dividends paid	(35,762)	(32,667)
Dividends paid		
Dividends paid		
Receipts of advances and contributions in aid of construction	18,889	21,593
Refunds of advances for construction	(2,148)	(2,177)
Other changes, net	(895)	(98)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>91,161</b>	<b>53,175</b>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>8,723</b>	<b>1,071</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD</b>	<b>12,344</b>	<b>12,119</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD</b>	<b>21,067</b>	<b>13,190</b>
<b>LESS RESTRICTED CASH, END OF PERIOD</b>	<b>—</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 21,067</b>	<b>13,190</b>
<b>Net cash provided by financing activities</b>		
<b>Net change in cash and cash equivalents</b>		
<b>Cash and cash equivalents, beginning of period</b>		
<b>Cash and cash equivalents, end of period</b>		
<b>Cash and cash equivalents, end of period</b>		
<b>Cash and cash equivalents, end of period</b>		
Cash paid during the period for:	Cash paid during the period for:	
<b>Cash paid during the period for:</b>		

<b>Cash paid during the period for:</b>				
Interest				
Interest				
Interest	Interest	\$ 44,132	42,473	
Income taxes	Income taxes	818	572	
Supplemental disclosure of non-cash activities:	Supplemental disclosure of non-cash activities:			

  

<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	Accrued payables for additions to utility plant	\$ 26,315	22,044	
Utility property installed by developers	Utility property installed by developers	1,295	976	
Seller financing in asset acquisition, net of discount		15,400	—	

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 MARCH 31, 2024**  
(in thousands, except share and per share data)

**Note 1. General**

In the opinion of management, the accompanying unaudited condensed 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 **2022** **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.

The major streams of SJW Group's revenue for SJW Group components are as follows:

	Three months ended September 30,	Nine months ended September 30,

	2023	2022	2023	2022
Revenue from contracts with customers	\$ 211,716	169,972	\$ 507,276	440,406
Alternative revenue programs, net	957	3,172	(2,638)	(1,737)
Other balancing and memorandum accounts, net	(8,742)	1,857	(8,564)	6,719
Other regulatory mechanisms, net	(518)	(494)	(1,342)	(260)
Rental income	1,430	1,474	4,293	4,196
	<b>\$ 204,843</b>	<b>175,981</b>	<b>\$ 499,025</b>	<b>449,324</b>
Three months ended March 31,				
			2024	2023
Revenue from contracts with customers			\$ 150,008	135,836
Alternative revenue programs, net			(1,837)	(1,391)
Other balancing and memorandum accounts and regulatory mechanisms, net			(564)	1,404
Rental income			1,775	1,447
			<b>\$ 149,382</b>	<b>137,296</b>

#### Nonutility Properties and Real Estate Investments

The major components of real estate investments and nonutility properties as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, are as follows:

	September 30, 2023	December 31, 2022		
	March 31, 2024		March 31, 2024	December 31, 2023
Land	Land	\$ 4,137	12,615	
Wholesale water supply assets	Wholesale water supply assets	8,465	—	
Buildings and improvements	Buildings and improvements	470	45,418	
Subtotal	Subtotal	13,072	58,033	
Subtotal				
Subtotal				
Less: accumulated depreciation and amortization	Less: accumulated depreciation and amortization	192	17,158	
Total	Total	<b>\$12,880</b>	<b>40,875</b>	

In March 2023, SJW Land Company entered into a broker agreement to sell its warehouse, office buildings, 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 the sale of these assets within the next twelve months. The company

#### SJW GROUP AND SUBSIDIARIES

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

**September 30, 2023** **March 31, 2024**  
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2023. The company's intention is to complete the sale of these assets within a twelve month period. The company recorded 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. The company's SJW Group's broker provided the estimated fair value of the Tennessee properties. The No impairment has been recorded as the estimated costs fair value less cost to sell was

subtracted to estimate the fair value exceeds carrying value. The resulting net fair value property is classified as part of the Tennessee properties exceeded their carrying value, and accordingly no impairment was recorded. Real Estate Services reportable segment.

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 Tennessee warehouse buildings and land property estimated pre-tax gain on the sale is included in SJW Group's "Real Estate Services" reportable segment in [Note 9](#), "Segment and Non-Tariffed Business Reporting". \$7,000.

The following represents the major components of the Tennessee warehouse buildings and land property recorded in assets held-for-sale on the condensed consolidated balance sheets as of [September 30, 2023](#) [March 31, 2024](#):

	September 30, March 31, 2023 2024
Land	\$ 13,170
Buildings and improvements	44,950
Subtotal	58,120
Less: accumulated depreciation and amortization	17,270
Total	<u><u>\$ 40,850</u></u>

On February 15, 2022, the California Public Utilities Commission ("CPUC") review on a SJWC nonutility property sold in October 2021 was completed and the deferred gain of \$5,442 was recognized as gain on sale in the first quarter of 2022.

#### Fair Value Measurement

The following instruments are not measured at fair value on SJW Group's condensed consolidated balance sheets as of [September 30, 2023](#) [March 31, 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 [September 30, 2023](#) [March 31, 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 nine months ended [September 30, 2023](#) [March 31, 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 \$1,299,114 \$1,355,609 and \$1,294,354 \$1,394,412 as of [September 30, 2023](#) [March 31, 2024](#) and [December 31, 2022](#) [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. The book value of long-term debt was \$1,577,233 and \$1,496,325 as of [September 30, 2023](#) and [December 31, 2022](#), respectively. Of the total fair value of long-term debt \$1,283,602 at March 31, 2024 and December 31, 2023, \$1,339,659 and \$1,378,683, respectively, would be categorized as Level 2 in the fair value hierarchy and \$15,512 \$15,950 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 \$2,808 \$2,890 and \$2,809 \$2,833 as of [September 30, 2023](#) [March 31, 2024](#) and [December 31, 2022](#) [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 [September 30, 2023](#) [March 31, 2024](#) and 2022, 1,826 2023, 12,221 and 2,416 8,855 anti-dilutive restricted common stock units were excluded from the diluted earnings per share calculation, respectively. For

#### New Accounting Standards

In November 2023, the nine months ended September 30, 2023 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 2022, 12,524 and 18,240 anti-dilutive restricted common stock units were excluded from the diluted earnings per share calculation, respectively, extends certain annual disclosures to interim periods. The ASU is effective for SJW Group beginning with its annual financial

**SJW GROUP AND SUBSIDIARIES**  
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statements for the year ending December 31, 2024. Early adoption is permitted. SJW Group is currently evaluating the requirements of ASU 2023-07.

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. SJW Group is currently evaluating the requirements of ASU 2023-09.

**Note 2. Regulatory Matters**

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Regulatory assets:</b>		
Income tax temporary differences, net	\$ 62,745	43,434
Postretirement pensions and other postretirement benefits	30,076	31,493
Business combinations debt premium, net	15,490	17,396
Monterey Water Revenue Adjustment Mechanism ("MWRAM")	12,162	10,864
Water Conservation Memorandum Account ("WCMA")	(7,683)	(5,039)
2022 General Rate Case Interim Memorandum Account	9,513	20,650
Cost recovery balancing and memorandum accounts	8,267	16,545
All other balancing and memorandum accounts	4,344	2,749
Water Revenue Adjustment ("WRA")	(5,428)	(4,488)
Other, net	10,507	9,739
<b>Total regulatory assets, net in Condensed Consolidated Balance Sheets</b>	<b>139,993</b>	<b>143,343</b>
<b>Less: current regulatory assets, net</b>	<b>8,573</b>	<b>16,068</b>
<b>Total regulatory assets, net, less current portion</b>	<b>\$ 131,420</b>	<b>127,275</b>

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>Regulatory assets:</b>		
Income tax temporary differences (a)	\$ 158,793	157,669
Unrecognized pensions and other postretirement benefits (b)	24,593	24,593
Business combinations debt premium (c)	14,219	14,855
Employee benefit costs (d)	9,158	9,815
Monterey Water Revenue Adjustment Mechanism ("MWRAM") (e)	10,121	9,361
Customer Assistance Program ("CAP") balancing account (f)	5,850	5,457
Catastrophic event memorandum accounts ("CEMA") (g)	4,883	4,819
2022 general rate case interim memorandum account (h)	3,266	4,571
Water supply costs (i)	—	583
Other (j)	9,809	8,463
<b>Total regulatory assets</b>	<b>240,692</b>	<b>240,186</b>
<b>Less: current regulatory assets (k)</b>	<b>1,850</b>	<b>4,276</b>
<b>Total regulatory assets, less current portion</b>	<b>\$ 238,842</b>	<b>235,910</b>
<b>Regulatory liabilities:</b>		
Cost of removal (l)	\$ 350,369	346,418
Future income tax benefits due to customers (m)	87,908	88,610
Unrecognized pensions and other postretirement benefits (b)	20,303	20,196
Revenue adjustment mechanisms (n)	6,165	5,536
Water supply costs (i)	4,392	—
Other (o)	3,296	3,407
<b>Total regulatory liabilities</b>	<b>472,433</b>	<b>464,167</b>
<b>Less: current regulatory liabilities (p)</b>	<b>2,480</b>	<b>3,059</b>

Total regulatory liabilities, less current portion	\$ 469,953	461,108
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- (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.

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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.
- (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 and rate case expenses.
- (k) As of March 31, 2024 and December 31, 2023, primarily relates to the current portion of MWRAM.
- (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 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, 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 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 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 revenue 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. SJWC records the lost revenue captured in the WCMA balancing accounts. Drought 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 WRA, Water Revenue Adjustment mechanism ("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 surcredit 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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, SJW Group's regulatory assets net, not earning a return primarily included postretirement unrecognized pensions and the unfunded amount of other medical postretirement benefits and business combination debt premiums, net, premiums. The total amount of regulatory assets net not earning a return at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, either by interest on the regulatory asset/liability asset or as a component of rate base at the allowed rate of return, was \$48,954 \$42,598 and \$52,066, \$43,141, respectively.

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**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, (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 nine months ended September 30, 2023 March 31, 2024, SJW Group issued and sold a total of 169,421 126,025 shares of

**SJW GROUP AND SUBSIDIARIES**  
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common stock respectively, at with a weighted average price of \$69.57 and \$74.57 \$57.13 per share respectively, and received \$11,505 and \$75,284 \$7,006 in net proceeds respectively, under the Equity Distribution Agreement. Since the inception of the Equity Distribution Agreement, SJW Group has issued and sold 1,914,775 2,130,682 shares of common stock at a weighted average price of \$74.05 \$72.60 for a total net proceeds of \$138,716 \$151,004 and has \$98,209 \$85,309 remaining under the Equity Distribution Agreement to issue into shares.

**Note 4. Bank Borrowings 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. Water Utility Services has received advance deposit payments from its customers and developers on certain construction projects. The refunds

Lines of the advance deposit payments constitute an obligation of the respective entities.

**Short-term Financing Agreements**

In August 2023, SJW Group, SJWC, TWC, and CTWS entered into the First Amendment to Credit Agreement with JPMorgan Chase Bank which provided for, among other matters, an extension of the maturity date from August 2, 2027 to August 2, 2028.

The weighted-average interest rate on short-term borrowings outstanding at September 30, 2023 March 31, 2024, was 6.48% 6.42% compared to 5.40% 6.48% at December 31, 2022 December 31, 2023.

**Long-term Financing Agreements**

In July 2022, SJWC On November 15, 2023, CWC entered into a note purchase agreement with certain affiliates of New York American United Life Insurance, Metropolitan The State Life Insurance, Northwestern Mutual of Omaha Insurance, and United of Omaha Life Insurance, and John Hancock Life Insurance (collectively the "Purchasers"), pursuant to which SJWC will sell the company sold an aggregate principal amount of \$70,000 \$25,000 of its 4.85% 6.46% Senior Notes, Series P 2023 ("Series P 2023 Notes") to the Purchasers. The Series P 2023 Notes are unsecured obligations of SJWC CWC and are due on February 1, 2053 January 1, 2054. Interest is payable semi-annually in arrears on February 1st January 15th and August 1st July 15th of each year. The note purchase agreement contains customary affirmative and negative covenants for as long as the Series P Notes are outstanding. The Series P Notes are also subject to customary events of default. The closing of the note notes purchase agreement occurred on January 25, 2023.

In August 2023, TWR closed on an asset acquisition from KT Water Resources L.P. which included of an obligation for a post-closing production payment of \$29,000 to the seller over a period of up to 29 years. This obligation was recorded at its fair value of \$15,400 as of the date of the acquisition. Please see Note 10 of "Notes to Condensed Consolidated Financial Statements" for additional information about this obligation in January 2024.

**Note 5. Income Taxes**

For the three and nine months ended September 30, 2023, income tax expense was \$4,561 and \$4,127, respectively. Income tax expense for the three and nine months ended September 30, 2022 March 31, 2024 and 2023 was \$223 \$2,231 and \$3,658, \$1,078, respectively. The effective consolidated income tax rates were 11% 16% and 1% 9% for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and 6% and 8% for the nine months ended September 30, 2023 and 2022, 2023, respectively. The higher effective tax rate for the three months ended September 30, 2023 March 31, 2024 was primarily due to the tax benefit relating to a tax accounting method change deficiencies recorded in the third quarter 2022. There was no such benefit recorded in the third first quarter of 2023. The lower effective 2024 for share-based payments and other discrete tax rate for the nine months ended September 30, 2023 was primarily due to higher flow-through tax benefits.

In April 2023, the Internal Revenue Service issued additional tax guidance that has allowed the company to revisit certain historical income tax reserves. Pursuant to the issuance of this guidance, which provided additional clarification regarding some of the uncertain tax areas, the company re-evaluated the risk relating to repair

deductions. The result of the analysis led to a partial release of an uncertain tax position reserve of \$3,087 which was recorded in the second quarter of 2023. The release relates to repairs expenditures that are more likely than not to be sustained on audit.

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items. SJW Group had unrecognized tax benefits, before the impact of deductions of state taxes, excluding interest and penalties, of approximately \$5,981 \$4,488 and \$9,004 \$4,511 as of September 30, 2023 March 31, 2024 and December 31, 2022 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 and CTWS employees hired before March 31, 2008, and CWC and MWC employees hired before January 1, 2009, respectively, 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 CTWS employees hired before March 1, 2012, and covered by a plan merged into the CTWS 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 CTWS, 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.

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

The components of net periodic benefit costs for the defined benefit plans and other postretirement benefits for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 are as follows:

	Pension Benefits		Other Benefits	
	Three months ended September 30,			
	2023	2022	2023	2022
Service cost	\$ 1,892	2,397	\$ 160	255
Interest cost	3,557	2,642	317	218
Expected return on assets	(3,442)	(4,823)	(217)	(221)
Unrecognized actuarial loss	554	1,257	(87)	(75)
Amortization of prior service cost	4	4	—	—
<b>Total</b>	<b>\$ 2,565</b>	<b>1,477</b>	<b>\$ 173</b>	<b>177</b>

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**September 30, 2023**  
(in thousands, except share and per share data)

	Other		Pension Benefits		Other Benefits				
	Pension Benefits	Benefits	Pension Benefits		Other Benefits				
	Nine months ended September 30,								
	Three months ended March 31,				Three months ended March 31,				
	2023	2022	2023	2022	2024	2023	2024		
Service cost	Service cost	\$ 5,676	7,191	\$480	765				
Interest cost	Interest cost	10,672	7,925	951	656				
Expected return on assets	Expected return on assets	(11,580)	(14,469)	(651)	(663)				
Unrecognized actuarial loss		1,662	3,772	(263)	(226)				
Amortization of actuarial loss (gain)									
Amortization of prior service cost	Amortization of prior service cost	11	12	—	—				
Total	Total	\$ 6,441	4,431	\$517	532				

In 2023, SJW Group expects to make required and discretionary cash contributions of up to \$8,653 to the pension plans and other postretirement benefits. For the three and nine months ended September 30, 2023 March 31, 2024, SJW Group has made \$3,567 and \$7,627, respectively, of no 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 September 30, 2023 March 31, 2024, 150,882 181,280 shares are issuable upon the vesting of outstanding restricted stock units and deferred restricted stock units and an additional 1,136,979 1,055,383 shares are available for award issuances under the long-term incentive plans.

On April 26, 2023, SJW Group adopted the successor plans, the 2023 Long-Term Incentive Plan and the 2023 Employee Stock Purchase Plan, to replace the Amended and Restated Long-Term Incentive Plan (the, "Predecessor Incentive Plan") and the 2014 Employee Stock Purchase Plan (the, "Predecessor ESPP"), respectively. The Predecessor Incentive Plan terminated on April 23, 2023 and the Predecessor ESPP terminated on July 31, 2023. Each outstanding award under the Predecessor Incentive Plan will remain outstanding under the Predecessor Incentive Plan and shall be governed solely by the terms of the documents evidencing such awards. The 2023 Long-Term Incentive Plan reserves a total of 1,142,000 shares of SJW Group's common stock for issuance to 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 SJW Group and its subsidiaries. The 2023 Employee Stock Purchase Plan reserves for a total of 500,000 shares of SJW Group's common stock for issuance for eligible employees to purchase common stock at a discount through accumulated payroll deductions. Remaining reserves for both of the predecessor plans were terminated with the adoption of the successor plans.

A summary of compensation costs charged to income, by award type, and proceeds from the ESPP, are presented below for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Three months ended September 30,		Nine months ended September 30,			
			2023	2022		
	Compensation costs charged to income:	Compensation costs charged to income:				
Compensation costs charged to income:						
ESPP	ESPP	\$	187	184	\$	378
ESPP	ESPP					369

Restricted stock and deferred restricted stock	Restricted stock and deferred restricted stock	1,051	1,214	3,198	3,622
Restricted stock and deferred restricted stock					
Total compensation costs charged to income					
Total compensation costs charged to income					
Total compensation costs charged to income	Total compensation costs charged to income	\$ 1,238	1,398	\$ 3,576	3,991
ESPP proceeds	ESPP proceeds	\$ 1,061	1,042	\$ 2,141	2,091
ESPP proceeds					
ESPP proceeds					

#### Restricted Stock and Deferred Restricted Stock

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, SJW Group granted 968 37,520 and 1,723 27,732, respectively, one year and three year service-based restricted stock awards with a weighted-average grant date fair value per unit of \$63.96 \$61.10 and \$62.56, \$77.88, respectively. For the nine months ended September 30, 2023 and 2022, SJW Group granted 38,310 and 45,726, respectively, one year and three year service-based restricted stock awards with a weighted-average grant date fair value per unit of \$76.88 and \$65.31, respectively.

#### SJW GROUP AND SUBSIDIARIES

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

September 30, 2023

(in thousands, except share and per share data)

For the three months ended September 30, 2023, no performance-based or market-based restricted stock awards were granted. For the three months ended September 30, 2022, March 31, 2024 and 2023, SJW Group granted 2,193 44,433 and 31,345 target units, respectively, of performance-based and market-based restricted stock awards with a weighted-average grant date fair value per unit of \$69.70. For the nine months ended September 30, 2023 \$53.69 and 2022, SJW Group granted 31,345 and 35,846 target units, respectively, performance-based and market-based restricted stock awards granted with a weighted-average grant date fair value per unit of \$80.05, and \$70.31, 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 September 30, 2023 March 31, 2024, the total unrecognized compensation costs related to restricted and deferred restricted stock plans was \$5,734. \$8,149. This cost is expected to be recognized over a weighted-average period of 1.81 2.17 years.

#### SJW GROUP AND SUBSIDIARIES

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

March 31, 2024

(in thousands, except share and per share data)

#### Employee Stock Purchase Plan

SJW Group's recorded expenses for its ESPP were \$81.97 and \$277.90 for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$94 and \$276 for the three and nine months ended September 30, 2022, 2023, respectively. The total unrecognized compensation costs related to the semi-annual offering period that ends January 31, 2024 July 31, 2024, for the employee stock purchase plan is approximately \$130. \$141. This cost is expected to be recognized during the fourth quarter second and third quarters of 2023, 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 its consolidated variable interest entity, 444 West Santa Clara Street, L.P., which operated commercial building rentals, 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, SJWTX Holdings, Inc, CWC, TWC, MWC, and SJWNE LLC 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 first segment provides water utility executive staff reviews financial information presented on a consolidated basis that is accompanied by disaggregated information about operating revenue, net income 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". The second segment consists of property management and investment activity conducted total assets, by SJW Land Company and Chester Realty, Inc., referred to as "Real Estate Services." 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.

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**September 30, 2023**  
**(in thousands, except share and per share data)**

	For Three Months Ended September 30, 2023						
	Real Estate			SJW Group			
	Water Utility Services		Services	All Other (1)		SJW Group	
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	\$ 199,537	3,876	1,430	—	199,537	5,306	204,843
Operating expense	144,102	2,337	691	1,107	144,102	4,135	148,237
Operating income (loss)	55,435	1,539	739	(1,107)	55,435	1,171	56,606
Net income (loss)	37,545	2,198	563	(4,084)	37,545	(1,323)	36,222
Depreciation and amortization	26,147	84	1	223	26,147	308	26,455
Interest on long-term debt and other interest expense	10,839	112	—	5,793	10,839	5,905	16,744
Provision (benefit) for income taxes	5,933	428	196	(1,996)	5,933	(1,372)	4,561
Assets	3,706,359	43,872	44,560	48,637	3,706,359	137,069	3,843,428
For Three Months Ended September 30, 2022							
	Real Estate			SJW Group			
	Water Utility Services		Services	All Other (1)		SJW Group	
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
	171,044	3,463	1,474	—	171,044	4,937	175,981
Operating revenue	134,739	2,092	975	573	134,739	3,640	138,379
Operating expense	36,305	1,371	499	(573)	36,305	1,297	37,602
Operating income (loss)	29,176	(10)	367	(4,499)	29,176	(4,142)	25,034
Net income (loss)	24,919	84	302	224	24,919	610	25,529
Depreciation and amortization	9,111	—	—	5,079	9,111	5,079	14,190
Interest on long-term debt and other interest expense	103	392	128	(400)	103	120	223
Assets	3,498,396	5,302	43,017	57,989	3,498,396	106,308	3,604,704
For Nine Months Ended September 30, 2023					For Three Months Ended March 31, 2024		
	Real			Water Utility		Real Estate	All Other
	Estate		All Other	Services		Services	(1)
	Water Utility Services		(1)	SJW Group		SJW Group	
	Regulated	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Regulated	Non-tariffed
Operating revenue	485,334	9,398	4,293	—	485,334	13,691	499,025
Operating expense	375,647	5,540	2,251	2,645	375,647	10,436	386,083

Operating income (loss)	Operating income (loss)	109,687	3,858	2,042	(2,645)	109,687	3,255	112,942
Net income (loss)	Net income (loss)	71,277	3,412	1,532	(10,183)	71,277	(5,239)	66,038
Depreciation and amortization	Depreciation and amortization	77,644	253	305	670	77,644	1,228	78,872
Interest on long-term debt and other interest expense	Interest on long-term debt and other interest expense	32,232	112	—	16,569	32,232	16,681	48,913
Provision (benefit) for income taxes	Provision (benefit) for income taxes	8,759	1,071	581	(6,284)	8,759	(4,632)	4,127
Assets		3,706,359	43,872	44,560	48,637	3,706,359	137,069	3,843,428

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**September 30, 2023 March 31, 2024**  
(in thousands, except share and per share data)

		For Nine Months Ended September 30, 2022							For Three Months Ended March 31, 2023									
		Real			SJW Group				Water Utility Services			Real Estate Services		All Other			SJW Group	
		Water Utility Services		Estate Services	All Other (1)	Non-Regulated		Non-tariffed	Regulated	Non-Regulated	Non-tariffed	Regulated	Non-tariffed	Regulated	Non-tariffed	Regulated	Non-tariffed	
		Regulated	Non-tariffed	Regulated	Non-tariffed	Regulated	Non-tariffed	Regulated	Non-tariffed	Regulated	Non-tariffed	Regulated	Non-tariffed	Total	Regulated	Non-tariffed	Regulated	Non-tariffed
Operating revenue	Operating revenue	435,823	9,305	4,196	—	435,823	13,501	449,324										
Operating expense	Operating expense	355,620	7,868	2,799	2,444	355,620	13,111	368,731										
Operating income (loss)	Operating income (loss)	80,203	1,437	1,397	(2,444)	80,203	390	80,593										
Net income (loss)	Net income (loss)	51,656	441	998	(12,766)	51,656	(11,327)	40,329										
Depreciation and amortization	Depreciation and amortization	73,888	2,821	903	730	73,888	4,454	78,342										
Interest on long-term debt and other interest expense	Interest on long-term debt and other interest expense	27,676	—	—	14,484	27,676	14,484	42,160										
Provision (benefit) for income taxes	Provision (benefit) for income taxes	4,844	398	341	(1,925)	4,844	(1,186)	3,658										

Assets	3,498,396	5,302	43,017	57,989	3,498,396	106,308	3,604,704
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(1) The "All Other" category for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 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
Water Utility Services:		
Regulated	\$ 4,228,675	4,199,172
Non-tariffed	42,437	43,532
Total water utility services	4,271,112	4,242,704
Real Estate Services	43,506	44,222
All Other	52,894	58,141
Total assets	\$ 4,367,512	4,345,067
Regulated	\$ 4,228,675	4,199,172
Non-tariffed	138,837	145,895
Total assets	\$ 4,367,512	4,345,067

**Note 10. Acquisitions**

On January 13, 2023, 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" Resources). The agreement between SJWTX Holdings, Inc. and KT Water Resources LP was assigned to TWR prior to closing. KT Water Development is 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 L.P. is 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 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." Based on the preliminary purchase price allocation, the 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 will be was completed within one year during the quarter ended March 31, 2024, with no change from the acquisition date, 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 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 that will not be amortized, but instead will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. 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

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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between the fair value of \$15,400 and the gross obligation of \$29,000 **is** **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, 2022** **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, 2022** **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. and SJW Land Company.

SJWC is a public utility in the business of providing water service to approximately **233,000** **232,000** connections that serve a population of approximately one million people in an area comprising approximately **139** **140** square miles in the metropolitan San Jose, California area. The principal business of SJWC consists of the production, purchase, storage, purification, distribution, wholesale, and retail sale of water. SJWC provides water service to customers in portions of the cities of San Jose 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 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 water utility companies providing water service to approximately 142,000 connections that serve a population of approximately 462,000 people in 81 municipalities throughout Connecticut and Maine and more than 3,000 wastewater connections in Southbury, Connecticut. The subsidiaries held 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.

**In the third quarter of 2023, the corporate reorganization of our water services organization in Texas was completed.** 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 **900** **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 **Texas Water Resources, LLC ("TWR")** was formed to hold wholesale water supply assets.

SJW Land Company and Chester Realty, Inc. own undeveloped land and operate commercial buildings in Tennessee, California and Connecticut. SJW Land Company and Chester Realty, Inc. owned the following real properties during the **nine three months ended September 30, 2023** **March 31, 2024**:

Description	Location	Acreage	Square Footage	% for Nine months ended September 30, 2023 of		% for Three months ended March 31, 2024 of	
				Real Estate Services		Revenue	Expense
Warehouse building	Knoxville, Tennessee	30	361,500	53.61 %	46.52 %		
Commercial building	Knoxville, Tennessee	15	135,000	46.38 %	54.47 %		
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	— %	— %		

#### Business Strategy for Water Utility Services:

SJW Group focuses its business initiatives in three strategic areas:

- (1) Regional **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 **utility-related** services provided in accordance with the guidelines established by the CPUC in California, the Public Utilities Regulatory Authority ("PURA") 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 **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 combination **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. As noted above, SJW Land Company owns undeveloped land **in California and Tennessee** and **owns and operates commercial buildings in Tennessee**. Chester Realty, Inc. **owns and operates land and commercial buildings in Connecticut**. SJW Land Company and Chester Realty, Inc. **manage their acquired**

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 ~~2022~~ 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, 2022~~ December 31, 2023, that was filed with the Securities and Exchange Commission on ~~February 24, 2023~~ 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, 2022~~ December 31, 2023. Our significant accounting policies are described in the notes to the ~~2022~~ 2023 consolidated financial statements included in our annual report on Form 10-K for the year ended ~~December 31, 2022~~ December 31, 2023. There have been no changes to our critical or significant accounting policies during the three and nine months ended ~~September 30, 2023~~ March 31, 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 rainfall precipitation curtail water usage and sales.

#### **Overview**

SJW Group's consolidated net income for the three months ended ~~September 30, 2023~~ March 31, 2024 was \$36,222, ~~\$11,699~~, an increase of \$11,188, ~~\$169~~, or approximately ~~45%~~ 1%, from ~~\$25,034~~ \$11,530 for the same period in ~~2022~~ 2023. The increase in net income was primarily driven by rate increases in California and Maine, and increases in the delay in infrastructure recovery mechanism in SJWC's 2022 General Rate Case Connecticut, 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, increase in income tax expense, less earnings from regulatory mechanisms and higher debt interest expenses. SJW Group's consolidated net income for the nine months ended September 30, 2023 was \$66,038, an increase of \$25,709, or approximately 64%, from \$40,329 for the same period in 2022. The increase in net income was primarily driven by rate increases in California and Maine, and the delay in SJWC's 2022 General Rate Case, a decrease in income taxes due to the partial release of an uncertain tax position reserve, and a decrease in increased depreciation and amortization primarily due to a one-time impact related to amortization on certain Cupertino concession assets in 2022 net of increases in depreciation related to new utility plant additions, offset by placed in service, and higher water production expenses, higher debt interest expenses, expense and a one-time gain on sale of nonutility properties of \$5,532 in 2022. compensation costs.

#### **Operating Revenue**

				Operating Revenue by Segment	
				Three months ended	Nine months ended
				September 30,	September 30,
				2023	2022
Water Utility Services	Water Utility Services			\$ 203,413	174,507
Water Utility Services	Water Utility Services			\$ 494,732	445,128
Real Estate Services	Real Estate Services				

Real Estate Services					
Real Estate Services	Real Estate Services	1,430	1,474	4,293	4,196
Total operating revenue	Total operating revenue	\$ 204,843	175,981	\$ 499,025	449,324
<b>Total operating revenue</b>					
<b>Total operating revenue</b>					

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

	Three months ended		Nine months ended		
	September 30,		September 30,		
	2023 vs. 2022	2023 vs. 2022	2023 vs. 2022	2023 vs. 2022	
Increase/(decrease)		Increase/(decrease)		Increase/(decrease)	
Water Utility Services:					
Consumption changes (including unbilled utility revenue)	\$ 8,307	5 %	\$ (7,338)	(2) %	
Increase in customers	1,075	1 %	2,978	1 %	
Rate increases	22,624	12 %	54,728	12 %	
Balancing and memorandum accounts:					
Monterey Water Revenue Adjustment Mechanism	(1,138)	(1) %	448	— %	
Water Conservation Memorandum Account ("WCMA")	(3,970)	(2) %	(2,569)	— %	
Other	210	— %	754	— %	
Other regulatory mechanisms	1,731	1 %	586	— %	
Other	67	— %	17	— %	
Real Estate Services	(44)	— %	97	— %	
Total change in operating revenue	\$ 28,862	16 %	\$ 49,701	11 %	

	Three months ended March 31, 2024 vs. 2023	
	Increase/(decrease)	
Water Utility Services:		
Consumption changes	\$ 1,797	1 %
Increase in customers	791	1 %
Rate increases	9,960	5 %
Regulatory mechanisms	(790)	— %
Real Estate Services	328	— %
Total change in operating revenue	\$ 12,086	7 %

### *Operating Expense*

				Operating Expense by Segment
				Operating Expense by Segment
Three months ended		Nine months ended		
		September 30,		
2023	2022	2023	2022	

Water Utility Services	Water Utility Services	\$ 146,439	136,831	\$ 381,187	363,488
Water Utility Services					
Water Utility Services					
Real Estate Services					
Real Estate Services					
Real Estate Services	Real Estate Services	691	975	2,251	2,799
All Other	All Other	1,107	573	2,645	2,444
All Other					
Total operating expense	Total operating expense	\$ 148,237	138,379	\$ 386,083	368,731
Total operating expense					
Total operating expense					

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

		Three months ended		Nine months ended	
		September 30,		September 30,	
		2023 vs. 2022		2023 vs. 2022	
Increase/(decrease)					
Increase/(decrease)					
Water production expenses:					
Water production expenses:					
Water production expenses:	Water production expenses:				
Change in surface water use	Change in surface water use	\$ (1,143)	(1)	\$ (11,187)	(3)
Change in surface water use					
Change in surface water use					
Change in usage and new customers					
Change in usage and new customers					
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	1,386	1	(9,899)	(3)
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						
Balancing and memorandum accounts cost recovery						
Balancing and memorandum accounts cost recovery						
Balancing and memorandum accounts cost recovery	Balancing and memorandum accounts cost recovery	(1,249)	(1)	%	10,113	3 %
Total water production expenses	Total water production expenses	9,038	6	%	11,893	3 %
Total water production expenses						
Administrative and general	Administrative and general	530	—	%	2,250	— %
Balancing and memorandum account cost recovery		(551)	—	%	(1,865)	— %
Administrative and general						
Maintenance						
Maintenance						
Maintenance	Maintenance	(608)	—	%	(1,838)	— %
Property taxes and other non-income taxes	Property taxes and other non-income taxes	441	—	%	850	— %
Property taxes and other non-income taxes						
Property taxes and other non-income taxes						
Depreciation and amortization	Depreciation and amortization	926	1	%	530	— %
Gain on sale of nonutility properties		82	—	%	5,532	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	\$ 9,858	7	%	\$ 17,352	5 %

#### 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 now tracked in SJWC's Full Cost Balancing Account authorized in the [Decision No. 22-10-005 \("2022 GRC Decision. Decision"\)](#).

As [Throughout the three months ended March 31, 2024, water conditions improved across the State of September 30, 2023, Santa Clara County's drought classification remained at "None."](#) The classification has remained the same since the first quarter of 2023, when it changed from "Abnormally Dry" due to winter storms. [California.](#) As a result, this year Valley the California Department of Water received 100% allocations of water from Resources announced an increase in the State Water Project ("SWP") allocation from 15% to 30% of contract amount for 2024 and the U.S Bureau of Reclamation's Reclamation announced an increase in the Central Valley Project ("CVP") allocation from 65% to 75%. In prior year period, SWP allocation was 5% of contracted amounts and the CVP allocation was reduced to the Public Health and Safety limit due to an exceptionally dry period beginning in 2022. On [October 1, 2023 April 1, 2024, Valley Water's 10 reservoirs were 29% 37% of capacity, or 76% 99% of restricted capacity, with 15.4 billion 20.2 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 June [March](#) in the Santa Clara Plain was 170% 146% of the five-year average. The groundwater level in the Santa Clara Plain is approximately [23 three feet higher than September 2022. March 2023.](#) According to Valley Water, the projected total groundwater storage at the end of [2023 2024](#) is expected to be in the Normal Stage of the Water Shortage Contingency Plan.

As of [September 30, 2023 March 31, 2024, SJWC's Lake Elsman was 77.4% 100.8% of capacity with 1.55 billion 2.0 billion gallons of water, approximately 272.0% 160.4% of the five-year seasonal average.](#) In addition, the rainfall at SJWC's Lake Elsman was measured at [0.15 46.31 inches for the period from July 1, 2023 through September 30, 2023 March 31, 2024, which is 40.5% 106.7% of the five-year average.](#) SJWC's Montevina Water Treatment Plant treated [3.4 billion 1.3 billion gallons of water through the third first quarter, which is 190.2% 154.6% of the five-year average.](#) SJWC's Saratoga Water Treatment Plant treated 0.1 billion gallons of water through the third quarter, which is 78% of the five-year average. The Saratoga Water Treatment Plant was taken out of service and will remain remains offline until the next rain season. [updated operations plan is granted approval by the California Division of](#)

[Drinking Water.](#) SJWC believes that its various sources of water supply will be sufficient to meet customer demand through the remainder of 2023.

On April 11, 2023, Valley Water rescinded its water shortage emergency and 15% mandatory conservation target. Valley Water also established a 15% voluntary call for conservation and retained certain watering and water waste rules in recognition of precipitation volatility and reduced local storage. On the same day, SJWC ended its Mandatory Conservation Plan, which included drought allocations and surcharges, and lowered its drought response from Stage 3 to Stage 1. On October 2, 2023, SJWC's request to continue its WCMA and Water Conservation Expense Memorandum Account ("WCEMA") under the voluntary call for conservation was approved effective April 20, 2023. SJWC continues to work with Valley Water to promote conservation, educate customers on responsible water use practices, and collaborate on long-range water supply planning. [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, [TWOS SJWTX Holdings Inc.'s unregulated subsidiary, TWR](#) acquired eight wells and the water rights of KT Water Resources LLC. These wells have been projected to yield an additional 6,000 acre-feet per year or more.

In July 2023, TWC implemented its Drought Management Plan as approved by staff is currently working on acquiring easements and routing of the PUCT as a result of persistent drought conditions, decreasing waterline and infrastructure needed to get this water levels in Canyon Lake into our Triple Peak

water system to serve existing customers and groundwater wells, and water production levels operating at near-capacity level, planned new developments.

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 September 30,				% of Total		Nine months ended September 30,				% of Total																	
	2023		2022		Increase/ (decrease)	Change	2023		2022		Increase/ (decrease)	Change																
	2024																											
(billion gallons)																												
(billion gallons)																												
(billion gallons)																												
Purchased water																												
Purchased water																												
Purchased water	Purchased water	6.7	7.1	7.1	(0.4)	(3) %	15.4	16.1	(0.7)	(2) %																		
Groundwater	Groundwater	4.8	2.9	4.9	(0.1)	(1) %	10.0	13.8	(3.8)	(10) %																		
Groundwater																												
Groundwater																												
Surface water																												
Surface water																												
Surface water	Surface water	3.1	4.9	2.9	0.2	1 %	10.0	8.2	1.8	5 %																		
Reclaimed water	Reclaimed water	0.4	0.3	0.3	0.1	1 %	0.6	0.7	(0.1)	— %																		
		15.0	15.2	15.2	(0.2)	(2) %	36.0	38.8	(2.8)	(7) %																		
Reclaimed water																												
Reclaimed water																												
		9.0			9.0		9.0		9.0																			

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 September 30, 2023 March 31, 2024 and 2022 2023 approximated 7.9% and 8.6% 7.5%, 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 unaccounted-for water on a 12-month-to-date basis for September 30, 2023 March 31, 2024 and 2022 2023 approximated 13.0% 13.4% and 14.2% for each of the respective periods, 13.9%, 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 \$9,038 \$4,775 for the three months ended September 30, 2023 March 31, 2024, compared to the same period in 2022, 2023, was primarily attributable to increases in

average per unit costs for purchased water, groundwater extraction, and other production expenses and increase in customer usage, offset by decreases in SJWC's regulatory Full Cost Balancing Account and an increase in available surface water for SJWC. Effective July 1, 2022, Valley Water increased the unit price of purchased water by approximately 14% and the groundwater extraction charge by approximately 15%.

The change in water production expenses of \$11,893 for the nine months ended September 30, 2023, compared to the same period in 2022, was primarily attributable to increases in average per unit costs for purchased water, groundwater extraction, and other production expenses and increases in SJWC's regulatory Full Cost Balancing Account, offset by an increase in available surface water for SJWC and a decrease in customer usage. mix net of regulatory adjustments. Effective July 1, 2022 July 1, 2023, Valley Water increased the unit price of purchased water by approximately 14% and the groundwater extraction charge by approximately 15%.

#### Other Operating Expenses

Operating expenses, excluding water production expenses, increased \$820 \$4,576 for the three months ended September 30, 2023 March 31, 2024, compared to the same period in 2022. The increase was primarily attributable to increases in depreciation related to new utility plant additions and an increase in taxes other than income taxes, offset by a decrease in maintenance expenses due to the timing of contract work and materials expenses.

Operating expenses, excluding water production expenses, increased \$5,459 for the nine months ended September 30, 2023, compared to the same period in 2022. The increase was primarily attributable to the \$5,450 gain on sale of nonutility properties recorded in the prior year, partially offset by decreases in depreciation and amortization due to a \$2,400 one-time impact related to amortization on certain Cupertino concession assets net of increases in depreciation related to new utility plant additions. In addition, there were decreases placed in maintenance expenses due to the timing of contract work service and materials expenses. increased compensation costs.

#### Other (Expense) Income

For the three months ended September 30, 2023 March 31, 2024, compared to the same period in 2022, the change in other (expense) income was primarily due to an increase in interest expense due to an increase in long-term debt balances, higher interest rates and higher average balances on lines of credit borrowings, and an increase in pension non-service cost, offset by the changes in the Rabbi Trust and life insurance policy values.

For the nine months ended September 30, 2023, compared to the same period in 2022, the change in other (expense) income was primarily due to an increase in interest expense due to an increase in long-term debt balances, higher interest rates on lines of credit borrowings and an increase offset by decreases in pension non-service cost, offset by the changes in the Rabbi Trust and life insurance policy values and a true-up on prior real estate sale transactions.

cost.

#### Provision for Income Taxes

For the three and nine months ended September 30, 2023 March 31, 2024, compared to the same period in 2022, income tax expense increased \$4,338 and \$469, respectively. The increase in income tax expense for the three months ended September 30, 2023 was primarily due to a higher pre-tax income.

by \$1,153. The effective consolidated income tax rates were 11% 16% and 1% 9% for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and 6% and 8% for the nine months ended September 30, 2023 and 2022, 2023, respectively. The higher income tax expense and effective tax rate for the three months ended September 30, 2023 was March 31, 2024 were primarily due to the tax benefit relating to a tax accounting method change deficiencies recorded in the third first quarter of 2022. There was no such benefit recorded in the third quarter of 2023. The lower effective 2024 for share-based payments and other discrete tax rate for the nine months ended September 30, 2023 was primarily due to higher flow-through tax benefits. 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

On May 3, 2021, 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 Application Advice Letter No. 21-05-004 requesting authority 601 on October 13, 2023, to adjust its cost of capital for the period from January 1, 2022 through December 31, 2024. The request seeks a revenue increase of \$6,418 or 1.61% in 2022. The application also proposes a rate of return of 8.11%, an increase from the current rate of 7.64%, a decrease in the average cost of debt rate from 6.20% to 5.48%, and a return of equity of 10.30% which is an increase from the current rate of 8.90%. In addition, the request seeks to adjust SJWC's currently authorized capital structure of approximately 47% debt and 53% equity to approximately 45% debt and 55% equity. Intervenors in this proceeding, namely the Public Advocates Office and Water Rate Advocates for Transparency, Equity, and Sustainability, have suggested a lower return on equity while the latter has also suggested a higher cost of debt and different capital structure as part of their testimonies. On June 29, 2023, inform the CPUC approved Decision No. 23-06-025 in this proceeding. The decision authorizes a rate of return of 7.28% based on a return on equity of 8.80%, a cost of debt of 5.46%, and a capital structure of approximately 45% debt and 55% equity. The CPUC also authorized continuation of that the Water Cost of Capital Mechanism ("WCCM") authorized in the same decision. Decision No. 23-06-025 required an update to SJWC's authorized rate of return effective January 1, 2024. The WCCM provides for filing requested an adjustment in SJWC's return on equity and cost of debt if the average Moody's Aa utility bond index rate between October 1, 2021 and September 30, 2022 varies by more than 100 basis points when compared to the same period from the prior year. The index rate difference between those periods increased 103 basis points, thereby triggering the WCCM. Accordingly, SJWC filed a Tier 2 Advice Letter No. 598 on June 30, 2023, which was subsequently approved with an effective date of July 31, 2023. On July 31, 2023, SJWC filed a Tier 1 Advice Letter No. 599 to implement new rates. The new rates became effective prospectively on the date of the filing and reflect the WCCM-adjusted adjusted return on equity of 9.31% 10.01%, a cost of debt of 5.26% 5.28%, and an overall a resulting authorized rate of return of 7.47% 7.86%. Advice Letter No. 599 601 was approved with an effective date of July 31, 2023 January 1, 2024. Between October 1, 2022 and September 30, 2023, Separate from the index 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 increased approximately 140 basis points, surpassing the required WCCM trigger. On October 13, 2023, of return of 7.75%.

SJWC filed Advice Letter No. 601 603 on November 14, 2023, to trigger establish a Group Insurance Balancing Account to track the WCCM difference between the company's authorized versus actual costs for 2024. SJWC expects a WCCM-adjusted return on equity medical, dental, and opt-out insurance expenses. Advice Letter No. 603 was approved with an effective date of approximately 10.01%, less a 20 basis point reduction due to the reimplementation of the WCMA and WCEMA, to become effective on January 1, 2024.

SJWC filed Advice Letter No. 585 605 on November 10, 2022, to recover \$20,554 in the Interim Rates Memorandum Account in accordance with the 2022 GRC Decision. Advice Letter No. 585 was approved with an effective date of January 1, 2023.

SJWC filed Advice Letter No. 586 on November 18, 2022 November 21, 2023, to increase the authorized revenue requirement by \$18,418 \$21,270 or 4% 4.16% for the escalation attrition year increase in accordance with the 2022 GRC Decision. Decision and the adjusted Rate of Return approved in Advice Letter No. 586 601. Advice Letter No. 605 was approved with an effective date of January 1, 2023 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 provide 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 Advice Letter General Rate Case Application No. 590 on April 6, 2023, 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 \$14,196 under-collection shift to greater

revenue collection in its Monterey Water Revenue Adjustment Mechanism Balancing Account as of March 31, 2023. SJWC proposed that this amount the service charge. The application will undergo a year-long review process and new rates, if approved, are expected to be recovered via a 12-month volume surcharge. Advice Letter No. 590 was approved with an effective date of May 8, 2023.

SJWC filed Advice Letter No. 591 on April 11, 2023, to discontinue its drought allocation surcharges and move from Stage 3 to Stage 1 of its Schedule 14.1. Advice Letter No. 591 was approved with an effective date of April 11, 2023.

SJWC filed Advice Letter No. 592 on April 20, 2023, to continue its WCMA and WCEMA under Valley Water's voluntary call for 15% conservation. On October 2, 2023, Advice Letter No. 592 was approved with an effective date of April 20, 2023.

SJWC filed Advice Letter No. 596 on May 31, 2023, to increase the authorized revenue requirement by \$27,607 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, 2023. Advice Letter No. 596 was approved with an effective date of July 1, 2023 January 1, 2025.

#### Connecticut Regulatory Affairs

On January 26, 2023, CWC filed for a Water Infrastructure Conservation Adjustment ("WICA") increase of \$3,253 in annualized revenues for \$27,775 in completed projects. PURA approved CWC's application on March 22, 2023. On January 25, 2023, CWC filed its 2022 WICA reconciliation with PURA. The reconciliation, approved by PURA on March 29, 2023 and effective for 12 months beginning April 1, 2023, replaced the expiring 2021 reconciliation credit of 0.02% with a credit of 0.16%. The cumulative WICA surcharge as of April 1, 2023 is 6.19%, collecting \$6,544 on an annual basis.

On February 27, 2023, CWC filed its 2022 Water Revenue Adjustment mechanism ("WRA"). The mechanism reconciles 2022 revenues as authorized in the CWC's most recent rate case. The 2022 WRA, as approved by PURA on March 24, 2023 and effective for 12 months beginning on April 1, 2023, imposes a 4.97% surcredit on customer bills to refund the 2022 revenue over-collection.

On July 27, 2023, CWC filed for a WICA increase of \$1,259 in annualized revenues for \$11,464 in completed projects. PURA approved the application, and effective October 1, 2023, the cumulative WICA surcharge is 7.38%.

On October 3, 2023, CWC filed an application with PURA to adjust customer rates. If PURA approves the request as proposed, annual revenues of CWC will increase by approximately \$21,400, or 18.1%, over current authorized revenues and would be 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. 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.

On February 28, 2024, CWC filed its 2023 Water Revenue Adjustment ("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.

#### 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. This filing will allow TWC SIC filings to add 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. The 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 \$1,596 \$1,574 and sewer revenue by \$29 \$28 within one year of the approval from the PUCT. On October 17, 2023, the PUCT found the application administratively complete. Once the PUCT files the final order approving the SIC, approval. Additionally, TWC will be required to file a general rate case within four years. TWC will incrementally increase its SIC annually until its next rate case. TWC expects to receive the final order during the first quarter of 2024. 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 expects to receive the PUC's approval to close on 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 fourth second quarter of 2023, 2024.

On May 17, 2023, TWC filed its application with the PUCT for an internal stock transfer. As part of an internal restructure, SJW Group would transfer 100% of the stock held in TWC to SJWTX Holdings, Inc. On September 18, 2023, the PUCT gave its approval for the transaction to proceed. SJW Group completed the transfer on September 18, 2023.

On July 24, 2023, the PUCT approved TWC's application to acquire KT Water Development Ltd. ("KT Water Development"). KT Water Development Ltd. provides service to approximately 570 residential water connections. On August 14, 2023, TWC closed on the acquisition. The PUCT's On March 7, 2024, the PUCT filed the final decision that transfers order which transferred the CCN to TWC, is expected in approved the fourth quarter of 2023, which is when we anticipate approval of our request for fair market value, and allowed TWC to charge its existing rates to the customers of KT Water Development.

On January 5, 2024, TWC filed rate doctrine treatment. 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 expects to receive approval to close on the acquisition during the third quarter 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 Commission 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 Commission MPUC issued an order granting a temporary rate increase of \$1,495 or 10% while the case and the Company's full request are were litigated. A final decision is expected in The company reached a settlement agreement with staff and the fourth quarter Office of 2023.

On February 2, 2023, MWC received final decisions from the Public Advocate and filed a stipulated settlement agreement with the MPUC on four general rate cases filed December 22, 2023. The MPUC approved the stipulation in 2022. The rate increases are retroactively effective for January 1, 2023 and authorize a \$692 deliberations on January 5, 2024, with an increase in authorized annual revenues. On February 28, 2022 revenue of \$2,603, or 17.6%, MWC filed requests 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 general rate increases any future Water Infrastructure Surcharge ("WISC") calculations for all divisions until the MPUC has authorized or approved a different return on equity structure in the Camden-Rockland, Freeport, Millinocket and Oakland Divisions. a different proceeding.

On June 30, 2023, MWC filed a Water Infrastructure Surcharge WISC for the Camden-Rockland division. The requested surcharge is 2.34% or \$158. The Commission is expected to issue a decision regarding MPUC issued an order approving the surcharge on March 22, 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 treatment based on the maximum contaminant levels in November 2023. the previously proposed regulation. See discussion below under "Liquidity" for additional information on capital expenditures.

**Liquidity:**

**Cash Flow from Operating Activities**

During the **nine** three months ended **September 30, 2023** **March 31, 2024**, SJW Group generated cash flows from operations of approximately \$159,300, \$51,200, compared to approximately **\$129,300** \$50,600 for the same period in **2022** **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 \$30,000, \$600. This increase was the result of a combination of the following factors: (1) general working capital an increase in collections from accounts receivable and net income, adjusted for non-cash items, accrued unbilled utility revenue of \$3,700, and (2) increased tax accruals of \$2,400 compared to the prior period, offset by \$37,100, (2) (3) a decrease of \$2,800 attributable to changes in payments of amounts previously invoiced and accrued including accrued production costs, of \$5,000, and (3) increased tax accruals of \$2,500 compared to the prior period, offset by (4) a decrease of \$5,700 \$2,600 attributable to changes in regulatory assets primarily due to and liabilities, including the effect of lower surcharge collections on balancing and memorandum accounts, and (5) a decrease in collections general working capital and net income, adjusted for non-cash items, decreased by \$100.

As of March 31, 2024, Water Utility Services' write-offs for uncollectible accounts represented less than 1% of its total revenue, which decreased from 2% as of March 31, 2023. Management believes that the collection rate will continue for its accounts receivable and accrued unbilled utility revenue of \$4,300, and (6) a decrease of \$4,600 in other changes primarily due receivables as service disconnections return to prior funds received from 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 and the partial release of uncertain tax position reserve.

As of September 30, 2023, Water Utility Services' write-offs to relieve outstanding payment delinquencies for uncollectible customer accounts represented 1% of its total revenue, increased from less greater than 1% 60-days past due as of **September 30, 2022** **December 31, 2022**. Management believes that We anticipate the collection rate for its accounts receivables will increase as service disconnections gradually return funds to normal operations. be received in the second quarter of 2024 after the State of California Water and Wastewater Arrearages Payment Program completes the review of this application.

**Cash Flow from Investing Activities**

During the **nine** three months ended **September 30, 2023** **March 31, 2024**, SJW Group used cash flows from investing activities of approximately \$241,700, \$74,300, compared to approximately **\$181,500** \$55,000 for the same period in 2022. 2023. This increase was primarily driven by additions to utility plant. SJW Group used approximately: (1) **\$195,900** \$68,900 of cash for company-funded utility capital expenditures and (2) \$24,200 for nonutility properties, real estate investments and other intangible asset, (3) \$13,600 \$4,600 for developer-funded utility capital expenditures and (4) \$7,300 for business acquisitions during the **nine** three months ended **September 30, 2023** **March 31, 2024**. For the same period in 2023, SJW Group used approximately: (1) 52,384 of cash for company-funded utility capital expenditures and (2) 2,703 for developer-funded utility capital expenditures.

Water Utility Services' estimated utility capital expenditures for **2023**, 2024, exclusive of capital expenditures financed by customer contributions and advances, are anticipated to be approximately \$255,000. \$332,000. As of **September 30, 2023** **March 31, 2024**, approximately **\$195,900** \$68,900 or **77%** 21% of the \$255,000 \$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 **\$1,630,000** \$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 **nine** **three** months ended **September 30, 2023** **March 31, 2024** increased by approximately **\$38,000** **\$2,500** 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**, offset by (2) a decrease in net borrowings and repayments on long-term debt of **\$139,700**, **\$85,000**, and (2) an increase (3) a decrease in net proceeds from our common stock equity offerings of **\$72,200**, offset by (3) a decrease in net borrowings and repayments on our lines of credit of **\$167,300**, (4) **\$3,100** increase in dividends paid to stockholders, and (5) **\$2,700** decrease in net cash receipts from advances and contributions in aid of construction. **\$34,000**.

**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 long-term capital expenditure financing, working capital, and for general corporate purposes.

A summary of the line of credit agreements as of **September 30, 2023** **March 31, 2024** are as follows:

	Maturity Date	Amounts	Unused	
			Date	Line Limit
<b>Maturity Date</b>				
Syndicated credit agreement:	Syndicated credit agreement:			
Syndicated credit agreement:	Syndicated credit agreement:			
SJW Group	SJW Group	\$ 50,000	—	50,000
SJWC	SJWC	140,000	42,000	98,000
CTWS	CTWS	90,000	40,000	50,000
TWC	TWC	20,000	—	20,000
Total syndicated credit agreement:	Total syndicated credit agreement:	300,000	82,000	218,000
CTWS credit agreement	CTWS credit agreement	August 2, 2028	10,000	6,433 3,567
CTWS credit agreement	CTWS credit agreement	May 25, 2025	40,000	40,000 —
			\$350,000	128,433 221,567
			\$	=

For the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, cost of borrowing on the lines of credit averaged **6.16%** **6.54%** compared to **2.79%** **5.74%** in the same period in **2022**, **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 **September 30, 2023** **March 31, 2024**, SJW Group and its subsidiaries were in compliance with all covenants on their lines of credit.

#### Long-term Financing Agreements

On **July 14, 2022** **November 15, 2023**, SJWC CWC entered into a note purchase agreement with certain affiliates of New York American United Life Insurance, Metropolitan The State Life Insurance, Northwestern Mutual of Omaha Insurance, and United of Omaha Life Insurance, and John Hancock Life Insurance (collectively the "Purchasers"), pursuant to which the company will sell/sold an aggregate principal amount of **\$70,000** **\$25,000** of its **4.85%** **6.46%** Senior Notes, Series P 2023 ("Series P 2023 Notes") to the Purchasers. The Series P 2023 Notes are unsecured obligations of SJWC CWC and are due on **February 1, 2053** **January 1, 2054**. Interest is payable semi-annually in arrears on February 1st **January 15th** and August 1st **July 15th** of each year. The note purchase agreement contains customary affirmative and negative covenants for as long as the Series P Notes are outstanding. The Series P Notes are also subject to customary events of default. The closing of the note notes purchase agreement occurred on **January 25, 2023** **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 **September 30, 2023** **March 31, 2024**, SJW Group and its subsidiaries were in compliance with all covenants in their long-term debt agreements.

#### Equity Financing Arrangements

On March 1, 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 shares of SJW Group's common stock, \$0.001 par value per share, that may be sold under the Equity Distribution Agreement from \$100,000 to \$240,000. For the three and nine months ended **September 30, 2023** **March 31, 2024**, SJW Group issued and sold a total of 169,421 and 1,029,924 **126,025** shares of common stock respectively, with a weighted average price of \$69.57 and \$74.57 **\$57.13** per share respectively, and received \$11,505 and \$75,284 **\$7,006** in net proceeds respectively, under the Equity Distribution Agreement. Since the inception of the Equity

Distribution Agreement, SJW Group has issued and sold **1,914,775** **2,130,682** shares of common stock with a weighted average price of **\$74.05** **\$72.60** for a total net proceeds of **\$138,716** **\$151,004** and has **\$98,209** **\$85,309** remaining to issue from the sale of shares as of **September 30, 2023** **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 **2023** **2024** and **2022** **2023** activities, we will have access to the external funding sources necessary to implement our on-going 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 **third** **first** fiscal quarter of **2023** **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, 2022** **December 31, 2023** and our other public filings, which could materially affect our business, financial condition or future results. There has **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, 2022** **December 31, 2023**.

#### **ITEM 5. OTHER INFORMATION**

Quarterly Dividend

On **October 25, 2023** **April 24, 2024**, the Board of Directors of SJW Group declared the regular quarterly dividend of **\$0.38** **\$0.40** per share of common stock. The dividend will be paid on **December 1, 2023** **June 3, 2024**, to stockholders of record as of the close of business on **November 6, 2023** **May 6, 2024**.

Insider Trading Arrangements:

In the quarter ended March 31, 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**

<b>Exhibit Number</b>	<b>Description</b>
10.1	<a href="#">Transition and Separation Agreement and Release, dated July 6, 2023, by Andrew R. Gere and San Jose Water Company, Incorporated by reference to Exhibit 10.1 to Form 8-K filed on July 7, 2023.</a>
10.2	<a href="#">First Amendment to Credit Agreement, dated August 2, 2023, between SJW Group, San Jose Water Company, SJWTX, Inc., Connecticut Water Service, Inc., JPMorgan Chase Bank, N.A., as administrative agent and a lender, and the other lenders party thereto. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 2, 2023.</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 and Treasurer. (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 and Treasurer, 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: Date: **October 30, 2023** **April 26, 2024**

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

**Andrew F. Walters**

**Chief Financial Officer and Treasurer  
(Principal financial officer)**

**32 29**

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: **October 30, 2023** April 26, 2024

**/s/ ERIC W. THORNBURG**

Eric W. Thornburg

Chairman, President, and 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 **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):

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

Date: **October 30, 2023** **April 26, 2024**

**/s/ ANDREWS F. WALTERS**

Andrew F. Walters

Chief Financial Officer and Treasurer  
(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 September 30, 2023 **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric W. Thornburg, Chairman, President, and 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:

- the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 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

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

**October 30, 2023** **April 26, 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 September 30, 2023 **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew F. Walters, Chief Financial Officer and Treasurer 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

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Andrew F. Walters  
Chief Financial Officer and Treasurer  
(Principal financial officer)  
**October 30, 2023** **April 26, 2024**

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