

# Third Quarter 2024 Earnings Presentation

October 31, 2024



# Today's Speakers



## Marty Kropelnicki

Chairman & CEO



## James Lynch

Sr. Vice President, CFO & Treasurer



## Greg Milleman

Vice President, Rates &  
Regulatory Affairs



# Forward-Looking Statements and Other Important Information

This presentation contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 (PSLRA). The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the PSLRA. Forward-looking statements in this presentation are based on currently available information, expectations, estimates, assumptions and projections, and our management's beliefs, assumptions, judgments and expectations about us, the water utility industry and general economic conditions. These statements are not statements of historical fact. When used in our documents, statements that are not historical in nature, including words like will, would, expects, intends, plans, believes, may, could, estimates, assumes, anticipates, projects, progress, predicts, hopes, targets, forecasts, should, seeks, commits or variations of these words or similar expressions are intended to identify forward-looking statements. Examples of forward-looking statements in this presentation include, but are not limited to, statements describing expectations regarding potential increases in revenue, capital investments or expenditures, depreciation or regulated rate base, Group's plans and proposals pursuant to Cal Water's General Rate Case (GRC) filed on July 8, 2024, anticipated recovery from unrecorded regulatory mechanisms, impacts of the decision of the California Public Utilities Commission on Cal Water's 2021 GRC, compliance with new PFAS regulations, and sufficiency of cash to support capital investment and growth. Forward-looking statements are not guarantees of future performance. They are based on numerous assumptions that we believe are reasonable but are subject to uncertainty and risks. Actual results may vary materially from what is contained in a forward-looking statement. Factors that may cause actual results to be different than those expected or anticipated include, but are not limited to: our ability to integrate business acquisitions and operate them in an effective and accretive manner; governmental and regulatory commissions' decisions; consequences of eminent domain actions relating to our water systems; changes in regulatory commissions' policies and procedures; the outcome and timeliness of regulatory commissions' actions concerning rate relief and other actions; changes in water quality standards; changes in environmental compliance and water quality requirements; electric power interruptions; the impact of opposition to rate increases; our ability to recover costs; availability of water supplies; issues with the implementation, maintenance or security of our information technology systems; civil disturbances or terrorist threats or acts; the adequacy of our efforts to mitigate physical and cyber security risks and threats; the ability of our enterprise risk management processes to identify or address risks adequately; changes in customer water use patterns and the effects of conservation; the impact of weather, climate change, natural disasters, and actual or threatened public health emergencies; restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends; the impact of market conditions and volatility on unrealized gains or losses on our operating results; risks associated with expanding our business and operations geographically; and other risks and unforeseen events described in our Annual Report on Form 10-K and other reports filed from time to time with the SEC. In light of these risks, uncertainties and assumptions, investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this presentation. We are not under any obligation, and we expressly disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this presentation constitutes an offer to sell, or a solicitation of an offer to buy, any securities or should be treated or relied upon as a recommendation or advice. A credit or environmental, social and governance (ESG) rating is not a recommendation to buy, sell or hold any securities, may be changed at any time by the applicable ratings agency and should be evaluated independently of any other information.



## Highlights from the Period

1

Results reflect continued benefit from resolution of 2021 CA GRC

2

Filed 2024 CA GRC / Infrastructure Improvement Plans for 2025-2027

Initial pre-hearing conference has been conducted, and a judge and commissioner have been assigned.

3

Approved advice letters relating to regulatory mechanisms to provide \$94.2M in cash authorized for collection over next three years

4

Made critical infrastructure investments totaling \$332.2M to support our ability to provide safe, reliable water supply

5

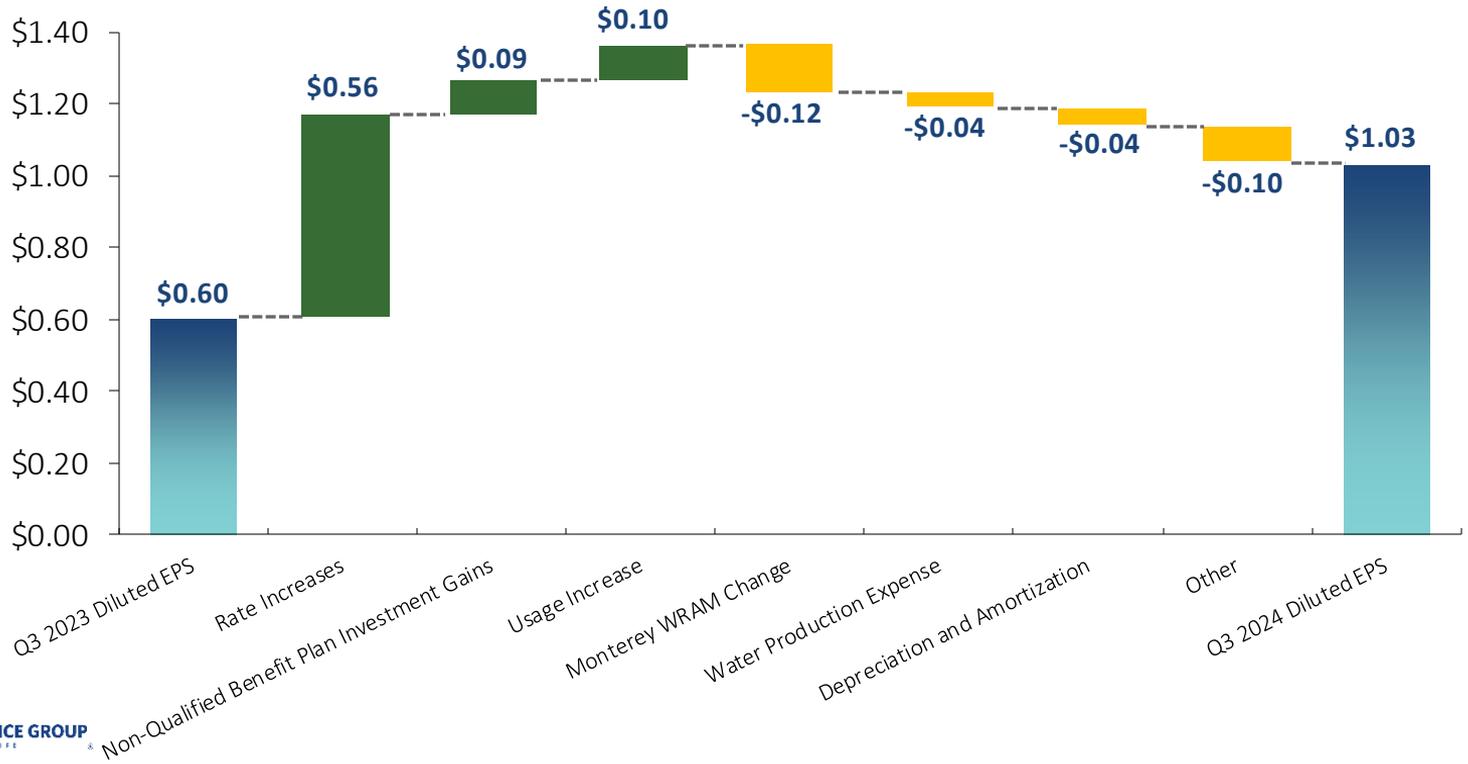
Received awards for conservation, workplace, and sustainability

## Third Quarter 2024 Financials

<i>(in millions except EPS amounts and %s)</i>	Q3 2024	Q3 2023	\$ Variance	% Change
Operating Revenue	\$299.6	\$255.0	↑ \$44.6	↑ 17.5%
Operating Expenses	\$232.8	\$211.5	↑ \$21.3	↑ 10.1%
Net Interest Expense	\$13.6	\$12.8	↑ \$0.8	↑ 6.2%
Net Income Attributable to CWT	\$60.7	\$34.4	↑ \$26.3	↑ 76.5%
Diluted Earnings per Share	\$1.03	\$0.60	↑ \$0.43	↑ 71.7%

Note: Due to adoption of the 2021 CA GRC, Q1 2024 net income included interim rate relief totaling \$64.0M attributable to 2023, of which \$15.2M was attributable to Q3 2023.

# Diluted EPS Bridge Q3 2023 to Q3 2024



# Year-to-Date 2024 Financials

<i>(in millions except EPS amounts and %s)</i>	YTD 2024	YTD 2023	\$ Variance	% Change
Operating Revenue	\$814.6	\$580.1	↑ \$234.5	↑ 40.4%
Operating Expenses	\$621.8	\$538.2	↑ \$83.6	↑ 15.5%
Net Interest Expense	\$42.7	\$37.5	↑ \$5.2	↑ 13.9%
Net Income Attributable to CWT	\$171.1	\$21.8	↑ \$149.3	↑ 684.9%
Diluted Earnings per Share	\$2.93	\$0.38	↑ \$2.55	↑ 671.1%

Note: Due to adoption of the 2021 CA GRC, Q1 2024 net income included interim rate relief totaling \$64.0M attributable to 2023, of which \$50.4M was attributable to the year-to-date period ended 9/30/23.

# Diluted EPS Bridge YTD 2023 to YTD 2024

Reflects regulatory approval of Cal Water's 2021 GRC in Q1 24

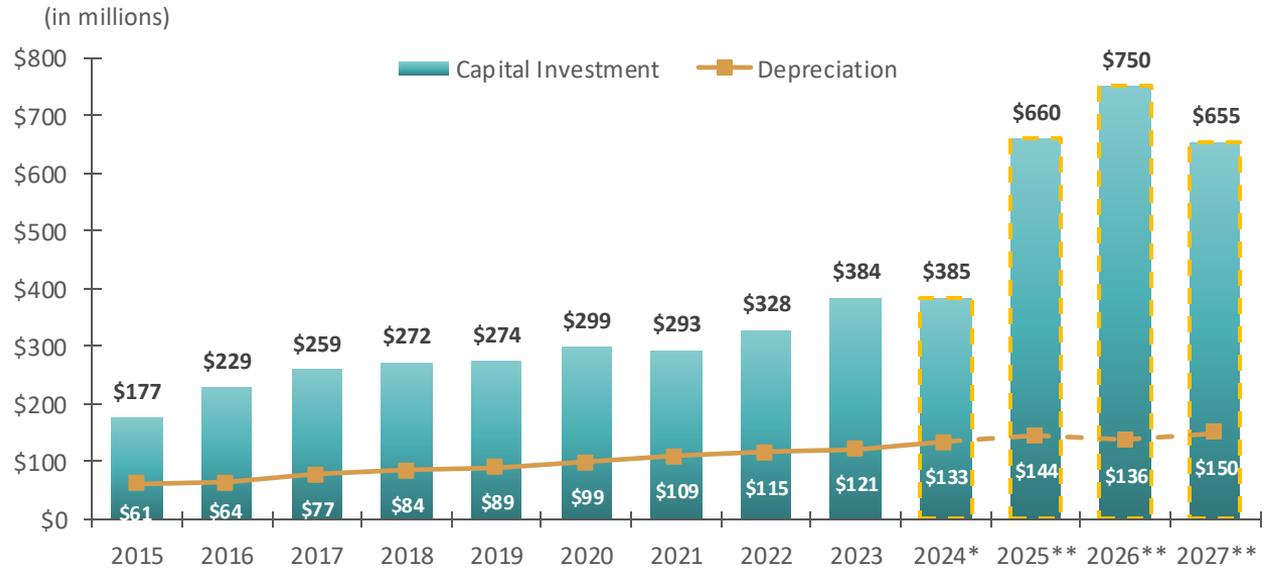


# Capital Investment & Depreciation

Growth in capital investment outpaces depreciation

2015-2024\* TOTAL  
**CapEx**  
**3x**  
**DEPRECIATION**

CapEx 2025-2027\*\*  
**>4x**  
**Depreciation**



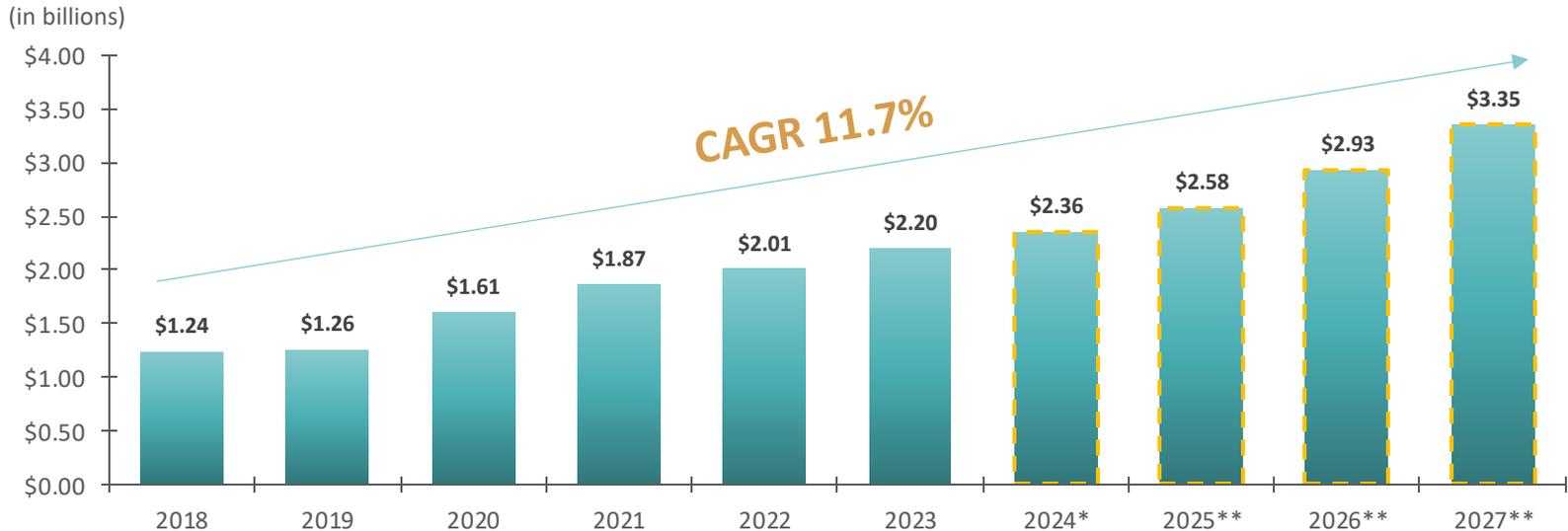
\*Estimates for 2024: Capital Investment through Q3 2024 was \$332.2M; depreciation through Q3 2024 was \$98.9M.

\*\*Estimates for 2025-2027 are based on amounts requested in the 2024 California GRC application plus estimated capital expenditures in other states; these capital expenditures are subject to review and approval by the CPUC and other regulators.

Note: Estimates for 2024-2027 exclude anticipated \$226.0M (before recovery offsets) of estimated PFAS-related capital investments that will be incurred over multiple years.

# Regulated Rate Base Growth

Estimated to achieve over \$3.3 billion by 2027



\*2024 rate base estimates include amounts authorized in 2021 California GRC plus estimated rate base in other states; these values are not yet adopted and are subject to review and approval by the commissions regulating our non-California operations.

\*\*2025-2027 rate base estimates include amounts requested in the 2024 California GRC plus estimated rate base in other states; these values are not yet adopted and are subject to review and approval by the CPUC and other regulators.

Note: Amounts presented for 2024-2027 exclude anticipated \$226.0M (before recovery offsets) in PFAS treatment capital investments that will be incurred over multiple years.

# Capital Allocation | Balance Sheet

Continue to maintain financial discipline with strong balance sheet, while allocating capital in efficient manner



Declared 319<sup>th</sup> consecutive quarterly dividend of **\$0.28** per share



Authorized CA capital structure of **60.8%** equity and **39.2%** debt supportive of future growth; CA-authorized ROE affirmed at **10.27%** through 2025



Maintain Board-authorized at-the-market program used opportunistically to raise **\$34.5M** during Q3 in support of capital growth and business investments



Cal Water issued **\$125M** of its **5.22%** First Mortgage Bonds due 10/22/54 to support capital growth and business investments

# Liquidity Profile

Group maintains strong liquidity profile to execute capital plan and strategic M&A investments

(in millions)



- Expect to have adequate cash to support capital investment and growth
- Credit facilities of **\$600M** that can be expanded up to **\$800M**; facilities mature in March 2028
- Global credit rating **A+/stable** affirmed at S&P Global
- Cal Water First Mortgage Bonds rated **AA-**



# 2024 California General Rate Case

# \$1.6B

Investment proposed in/for Cal Water districts from 2025-27

## LUWEP

Application proposes Low-Use Water Equity Program that would decouple revenue from water sales to enhance affordability

# 18 (anticipated)

Month-long process begun for triennial filing with CPUC

### Key updates since filing:

- Pre-hearing conference has been completed
- A judge and commissioner have been assigned to the rate case
- Responding to data requests

### Requests rate adjustments necessary to generate total revenue increases of:

- **\$140.6M**, or 17.1%, for 2026
- **\$74.2M**, or 7.7%, for 2027
- **\$83.6M**, or 8.1%, for 2028



# Water Cost of Capital Mechanism

## No change triggered for California Return on Equity (ROE) in 2025

- Cal Water's current Cost of Capital decision, as extended through 12/31/25, includes Water Cost of Capital Mechanism (WCCM)

### WCCM features:

Provides automatic adjustment (up or down) of adopted ROE

Is triggered by positive or negative difference of more than 100 basis points in average Moody's Aa utility bond index, year over year

Is measured during period from 10/1 – 9/30 for changes to go into effect on 1/1 of succeeding year

- Mechanism not triggered during 2024 measurement period, leaving in place current **ROE of 10.27%** for 2025



## Other Regulatory Mechanisms & Filings

Received approval for advice letters seeking recovery of \$94.2 million to be recognized as cash over next three years

- Received approval for advice letters relating to Interim Rates Memorandum Account (IRMA), 2023 Monterey Water Rate Adjustment Mechanism (MWRAM), Incremental Cost Balancing Account (ICBA), and other balancing and memorandum accounts

### Key impacts:

Effective 10/1/24

Approximately \$94.2M will be collected over three-year period as cash

Relates primarily to IRMA and 2023 MWRAM and ICBA regulatory mechanisms

Group expects up to \$11.6M to be recovered in 2024



## Recognized Leader

EPA names Cal  
Water 2024  
WaterSense®  
Excellence Award  
winner for second  
consecutive year

San Francisco  
Chronicle names  
Company a Top Bay  
Area Workplace for  
12<sup>th</sup> consecutive  
year

*Newsweek* names  
Group one of  
World's Most  
Trustworthy  
Companies & one  
of America's  
Greenest  
Companies

Great Place to  
Work® Institute  
names Company a  
Great Place to Work  
for 9th consecutive  
year

National Association  
of Water Companies  
awards Maui  
Operations Manager  
Living Water Award  
for leadership during  
Lahaina fires



# Conclusion

