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

FORM 10-Q

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

For the quarterly period ended September 30, 2020

Commission file number 1-8966

SJW GROUP

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0066628
(I.R.S. Employer
Identification No.)

110 West Taylor Street, San Jose, CA
(Address of principal executive offices)

95110
(Zip Code)

(408) 279-7800
(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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 28, 2020, there were 28,556,228 shares of the registrant's Common Stock outstanding.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the federal securities laws relating to future events and future results 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 actions concerning rates, authorized return on equity, authorized capital structures, capital expenditures and other decisions;
- changes in demand for water and other services;
- the impact of the Coronavirus (“COVID-19”) pandemic on our business operation and financial results;
- unanticipated weather conditions and changes in seasonality;
- climate change and the effects thereof;
- the risk that the benefits expected from the merger of SJW Group and Connecticut Water Service, Inc. will not be realized;
- the risk that the integration of Connecticut Water Service, Inc. will be more difficult, time-consuming or expensive than anticipated;
- unexpected costs, charges or expenses;
- our ability to successfully evaluate investments in new business and growth initiatives;
- 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, 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 stock and debt market 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
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,	
	2020	2019	2020	2019
REVENUE	\$ 165,863	113,997	\$ 428,826	294,644
OPERATING EXPENSE:				
Production Expenses:				
Purchased water	35,130	35,583	76,953	75,626
Power	3,994	2,294	10,145	4,947
Groundwater extraction charges	20,471	13,182	54,082	29,145
Other production expenses	10,092	5,295	30,465	15,553
Total production expenses	69,687	56,354	171,645	125,271
Administrative and general	19,529	14,712	58,917	40,411
Maintenance	4,550	4,923	15,970	13,977
Property taxes and other non-income taxes	7,797	4,065	22,362	12,041
Depreciation and amortization	22,417	15,122	66,552	45,368
Merger related expenses	—	1,737	—	6,113
Total operating expense	123,980	96,913	335,446	243,181
OPERATING INCOME	41,883	17,084	93,380	51,463
OTHER (EXPENSE) INCOME:				
Interest on long-term debt and other interest expense	(13,174)	(6,588)	(39,638)	(19,093)
Pension non-service cost	(218)	(921)	(270)	(2,749)
Interest income on money market fund	—	2,165	—	6,339
Gain on sale of real estate investments	1,050	—	1,050	745
Other, net	1,130	303	2,935	1,210
Income before income taxes	30,671	12,043	57,457	37,915
Provision for income taxes	4,578	2,565	9,226	8,802
NET INCOME BEFORE NONCONTROLLING INTEREST	26,093	9,478	48,231	29,113
Less net income attributable to the noncontrolling interest	—	—	—	224
SJW GROUP NET INCOME	26,093	9,478	48,231	28,889
Other comprehensive income (loss), net	76	—	(49)	—
SJW GROUP COMPREHENSIVE INCOME	\$ 26,169	9,478	\$ 48,182	28,889
SJW GROUP EARNINGS PER SHARE				
Basic	\$ 0.91	0.33	\$ 1.69	1.02
Diluted	\$ 0.91	0.33	\$ 1.68	1.01
DIVIDENDS PER SHARE	\$ 0.32	0.30	\$ 0.96	0.90
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	28,533,907	28,451,811	28,510,489	28,438,521
Diluted	28,703,343	28,549,928	28,687,012	28,528,002

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)

	September 30, 2020	December 31, 2019
ASSETS		
Utility plant:		
Land	\$ 34,938	34,395
Depreciable plant and equipment	3,117,413	2,988,454
Construction in progress	117,546	112,232
Intangible assets	35,274	33,424
	3,305,171	3,168,505
Less accumulated depreciation and amortization	1,023,677	962,019
	2,281,494	2,206,486
Real estate investments	58,085	57,699
Less accumulated depreciation and amortization	14,493	13,597
	43,592	44,102
CURRENT ASSETS:		
Cash and cash equivalents:		
Cash	20,211	12,944
Restricted cash	—	5,000
Accounts receivable:		
Customers, net of allowances for uncollectible accounts	51,374	36,305
Income tax	2,222	8,837
Other	2,828	2,833
Accrued unbilled utility revenue	57,418	40,102
Current regulatory assets, net	4,758	6,472
Other current assets	16,091	9,553
	154,902	122,046
OTHER ASSETS:		
Net regulatory assets, less current portion	132,216	113,945
Investments	13,629	12,928
Goodwill	627,036	628,287
Other	6,845	4,676
	779,726	759,836
	<u>\$ 3,259,714</u>	<u>3,132,470</u>

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)

	September 30, 2020	December 31, 2019
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Stockholders' equity:		
Common stock, \$0.001 par value; authorized 70,000,000 shares; issued and outstanding shares 28,552,177 on September 30, 2020 and 28,456,508 on December 31, 2019	\$ 29	28
Additional paid-in capital	509,031	506,639
Retained earnings	403,923	383,191
Accumulated other comprehensive income	78	126
Total stockholders' equity	913,061	889,984
Long-term debt, less current portion	1,307,612	1,283,597
	2,220,673	2,173,581
CURRENT LIABILITIES:		
Line of credit	125,803	117,209
Current portion of long-term debt	71,943	22,272
Accrued groundwater extraction charges, purchased water and power	27,607	17,211
Accounts payable	33,759	34,886
Accrued interest	17,586	13,140
Accrued payroll	10,599	11,570
Other current liabilities	18,101	18,279
	305,398	234,567
DEFERRED INCOME TAXES	186,952	195,598
ADVANCES FOR CONSTRUCTION	123,043	112,339
CONTRIBUTIONS IN AID OF CONSTRUCTION	291,482	286,035
POSTRETIREMENT BENEFIT PLANS	107,129	108,044
OTHER NONCURRENT LIABILITIES	25,037	22,306
COMMITMENTS AND CONTINGENCIES	—	—
	\$ 3,259,714	3,132,470

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		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Stockholders' Equity
	Number of Shares	Amount					
BALANCES, December 31, 2019	28,456,508	\$ 28	\$ 506,639	\$ 383,191	\$ 126	\$ —	\$ 889,984
Net income	—	—	—	2,417	—	—	2,417
Unrealized loss on investment, net of tax benefit of \$50	—	—	—	—	(135)	—	(135)
Share-based compensation	—	—	251	(43)	—	—	208
Issuance of restricted and deferred stock units	25,781	—	(785)	—	—	—	(785)
Employee stock purchase plan	15,552	—	970	—	—	—	970
Dividends paid (\$0.32 per share)	—	—	—	(9,118)	—	—	(9,118)
BALANCES, March 31, 2020	28,497,841	28	507,075	376,447	(9)	—	883,541
Net income	—	—	—	19,721	—	—	19,721
Unrealized gain on investment, net of tax of \$4	—	—	—	—	10	—	10
Share-based compensation	—	—	1,009	(43)	—	—	966
Issuance of restricted and deferred stock units	18,864	1	14	—	—	—	15
Dividends paid (\$0.32 per share)	—	—	—	(9,122)	—	—	(9,122)
BALANCES, June 30, 2020	28,516,705	\$ 29	\$ 508,098	\$ 387,003	\$ 1	\$ —	\$ 895,131
Net income	—	—	—	26,093	—	—	26,093
Unrealized gain on investment, net of tax of \$28	—	—	—	—	77	—	77
Share-based compensation	—	—	1,058	(42)	—	—	1,016
Issuance of restricted and deferred stock units	19,274	—	(985)	—	—	—	(985)
Employee stock purchase plan	16,198	—	860	—	—	—	860
Dividends paid (\$0.32 per share)	—	—	—	(9,131)	—	—	(9,131)
BALANCES, September 30, 2020	28,552,177	\$ 29	\$ 509,031	\$ 403,923	\$ 78	\$ —	\$ 913,061

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		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Stockholders' Equity
	Number of Shares	Amount					
BALANCES, December 31, 2018	28,404,316	\$ 28	\$ 495,366	\$ 393,918	\$ —	\$ —	\$ 889,312
Net income	—	—	—	5,873	—	—	5,873
Cumulative effect of change in accounting principle, net of tax effect of \$33	—	—	—	97	—	—	97
Share-based compensation	—	—	886	(16)	—	—	870
Issuance of restricted and deferred stock units	14,312	—	(132)	—	—	—	(132)
Employee stock purchase plan	15,932	—	811	—	—	—	811
Common stock issuance cost	—	—	(10)	—	—	—	(10)
Dividends paid (\$0.30 per share)	—	—	—	(8,528)	—	—	(8,528)
BALANCES, March 31, 2019	28,434,560	28	496,921	391,344	—	—	888,293
Net income before noncontrolling interest	—	—	—	13,538	—	224	13,762
Distribution to noncontrolling interest	—	—	—	—	—	(224)	(224)
Share-based compensation	—	—	718	(16)	—	—	702
Issuance of restricted and deferred stock units	7,579	—	(6)	—	—	—	(6)
Dividends paid (\$0.30 per share)	—	—	—	(8,532)	—	—	(8,532)
BALANCES, June 30, 2019	28,442,139	\$ 28	\$ 497,633	\$ 396,334	\$ —	\$ —	\$ 893,995
Net income before noncontrolling interest	—	—	—	9,478	—	—	9,478
Share-based compensation	—	—	952	(16)	—	—	936
Employee stock purchase plan	14,351	—	792	—	—	—	792
Dividends paid (\$0.30 per share)	—	—	—	(8,537)	—	—	(8,537)
BALANCES, September 30, 2019	28,456,490	\$ 28	\$ 499,377	\$ 397,259	\$ —	\$ —	\$ 896,664

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW GROUP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Nine months ended September 30,	
	2020	2019
OPERATING ACTIVITIES:		
Net income	\$ 48,231	29,113
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68,683	47,363
Deferred income taxes	(6,358)	(7,214)
Stock-based compensation	2,318	2,556
Gain on sale of real estate investments	(1,050)	(745)
Loss on sale of utility property	—	20
Changes in operating assets and liabilities:		
Accounts receivable and accrued unbilled utility revenue	(34,491)	(20,553)
Accounts payable and other current liabilities	(3,877)	4,166
Accrued groundwater extraction charges, purchased water and power	10,396	9,055
Tax receivable and payable, and other accrued taxes	6,459	4,471
Postretirement benefits	408	2,514
Regulatory assets and liabilities related to balancing and memorandum accounts	(14,086)	22,789
Up-front service concession payment	(5,000)	—
Other changes, net	(1,018)	(2,258)
NET CASH PROVIDED BY OPERATING ACTIVITIES	70,615	91,277
INVESTING ACTIVITIES:		
Additions to utility plant:		
Company-funded	(130,426)	(101,120)
Contributions in aid of construction	(9,584)	(10,040)
Additions to real estate investments	(391)	(137)
Payments to retire utility plant, net of salvage	(1,877)	(4,374)
Proceeds from sale of real estate investments	1,068	745
Proceeds from sale of utility property	—	150
NET CASH USED IN INVESTING ACTIVITIES	(141,210)	(114,776)
FINANCING ACTIVITIES:		
Borrowings on line of credit	226,884	73,000
Repayments on line of credit	(218,290)	(111,000)
Long-term borrowings	85,000	80,000
Repayments of long-term borrowings	(9,589)	—
Debt issuance and broker fee costs	(646)	(1,157)
Dividends paid	(27,371)	(25,596)
Receipts of advances and contributions in aid of construction	19,059	13,373
Refunds of advances for construction	(2,121)	(2,295)
Other changes, net	(64)	1,154
NET CASH PROVIDED BY FINANCING ACTIVITIES	72,862	27,479
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,267	3,980
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	17,944	420,722
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 20,211	424,702
Cash paid during the period for:		
Interest	\$ 40,409	19,821
Income taxes	7,024	16,286
Supplemental disclosure of non-cash activities:		
Change in accrued payables for construction costs capitalized	1,997	505
Utility property installed by developers	5,051	(109)

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW GROUP AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(in thousands, except share and per share data)

Note 1. General

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

The unaudited interim financial information has been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) 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 “SEC”). The Notes to Consolidated Financial Statements in SJW Group’s 2019 Annual Report on Form 10-K should be read with the accompanying unaudited condensed consolidated financial statements.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” and subsequent amendments. Topic 326 requires measurement and recognition of expected credit losses for financial assets held. ASU 2016-13 was effective for SJW Group in the first quarter of fiscal 2020. The adoption of ASU 2016-13 did not have a material impact on the condensed consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-14, “Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans,” which aims to improve the overall usefulness of disclosure to financial statement users and reduce unnecessary costs to companies when preparing defined benefit plan disclosures. This update is effective for SJW Group’s Form 10-K for the year ending December 31, 2020. Retrospective adoption is required and early adoption is permitted. Management is currently evaluating the effect that the new standard will have on its defined benefit plan disclosures.

In December 2019, the FASB issued ASU 2019-12, “Simplifying the Accounting for Income Taxes”, which simplifies the accounting for income taxes, eliminates certain exceptions within Topic 740, “Income Taxes”, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. This update is effective for fiscal years beginning after December 15, 2021. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. Management is currently evaluating the impacts of the provisions of ASU 2019-12 on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by the expected transition away from reference rates that are expected to be discontinued, such as LIBOR. ASU 2020-04 was effective upon issuance. Companies may elect to apply the guidance prospectively through December 31, 2022. Management is evaluating the effect that the new standard will have on its consolidated financial statements.

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 and sales.

SJW GROUP AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2020
(in thousands, except share and per share data)

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue from contracts with customers	\$ 167,045	130,777	\$ 414,344	314,003
Alternative revenue programs, net	1,324	(11,912)	4,877	(14,218)
Other balancing and memorandum accounts revenue, net	(3,909)	(6,221)	5,388	(9,229)
Rental income	1,403	1,353	4,217	4,088
	\$ 165,863	113,997	\$ 428,826	294,644

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 Plan (as amended, the "Incentive Plan"), shares potentially issuable under the performance stock plans assumed through the business combination with Connecticut Water Service, Inc. ("CTWS"), and shares potentially issuable under the Employee Stock Purchase Plan ("ESPP"). For the three months ended September 30, 2020 and 2019, 1,029 and 524 anti-dilutive restricted common stock units were excluded from the dilutive earnings per share calculation, respectively. For the nine months ended September 30, 2020 and 2019, 20,220 and 10,158 anti-dilutive restricted common stock units were excluded from the dilutive earnings per share calculation, respectively.

Utility Plant Depreciation

A portion of depreciation expense is allocated to administrative and general expense. For the three months ended September 30, 2020 and 2019, the amounts allocated to administrative and general expense were \$658 and \$663, respectively. For the nine months ended September 30, 2020, and 2019, the amounts allocated to administrative and general expense were \$2,128 and \$1,995, respectively.

Note 2. Equity Plans

SJW Group accounts for stock-based compensation based on the grant date fair value of awards issued to employees in accordance with FASB ASC Topic 718 - "Compensation - Stock Compensation," which requires the measurement and recognition of compensation expense based on the estimated fair value of stock-based payment awards.

The Incentive Plan allows SJW Group to 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 any parent or subsidiary the opportunity to acquire an equity interest in SJW Group. The types of awards included in the Incentive Plan are restricted stock awards, restricted stock units, performance shares, or other share-based awards. As of September 30, 2020, 182,367 shares are issuable upon the exercise of outstanding restricted stock units and deferred restricted stock units and an additional 743,038 shares are available for award issuances under the Incentive Plan. In addition, shares are issued to employees under the company's ESPP.

In connection with the merger with CTWS on October 9, 2019, SJW Group assumed outstanding awards of restricted stock units and deferred share units under the following stock plans: CTWS 2014 Performance Stock Program, CTWS 2004 Performance Stock Program and CTWS 1994 Performance Stock Program (collectively, the "CTWS Plans"). As of September 30, 2020, approximately 66,430 shares are issuable upon the exercise of outstanding restricted stock units and deferred restricted stock units under the CTWS Plans.

SJW GROUP AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
September 30, 2020
(in thousands, except share and per share data)

Stock compensation costs charged to income are recognized on a straight-line basis over the requisite service period. A summary of compensation costs charged to income and proceeds from the exercise of any restricted stock and similar instruments that are recorded to additional paid-in capital and common stock, by award type, are presented below for the three and nine months ended September 30, 2020, and 2019.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Adjustments to additional paid-in capital and common stock for:				
Compensation costs charged to income:				
ESPP	\$ 152	140	\$ 323	283
Restricted stock and deferred restricted stock	906	812	1,995	2,273
Total compensation costs charged to income	<u>\$ 1,058</u>	<u>952</u>	<u>\$ 2,318</u>	<u>2,556</u>
ESPP proceeds	<u>\$ 860</u>	<u>792</u>	<u>\$ 1,830</u>	<u>1,603</u>

Stock, Restricted Stock and Deferred Restricted Stock

For the three months ended September 30, 2020, and 2019, SJW Group granted under the Incentive Plan 761 and 0, respectively, three year service-based restricted stock awards with a weighted-average grant date fair value of \$58.63 and \$0, respectively, per unit.

For the nine months ended September 30, 2020, and 2019, SJW Group granted under the Incentive Plan 43,474 and 26,565, respectively, one year and three year service-based restricted stock awards with a weighted-average grant date fair value of \$63.87 and \$51.42, respectively, per unit.

Performance-based and market-based restricted stock awards granted for the three months ended September 30, 2020, and 2019 were 58 and 0 target units, respectively, with a weighted-average grant date fair value of \$62.95 and \$0 respectively, per unit.

Performance-based and market-based restricted stock awards granted for the nine months ended September 30, 2020, and 2019 were 24,777 and 30,401 target units, respectively, with a weighted-average grant date fair value of \$65.02 and \$60.46, respectively, per unit. 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, 2020, the total unrecognized compensation costs related to restricted and deferred restricted stock plans amounted to \$4,987. This cost is expected to be recognized over a weighted-average period of 1.86 years.

Employee Stock Purchase Plan

The ESPP allows eligible employees to purchase shares of SJW Group's common stock at 85% of the fair value of shares on the purchase date. Under the ESPP, employees can designate up to a maximum of 10% of their base compensation for the purchase of shares of common stock, subject to certain restrictions. A total of 400,000 shares of common stock have been reserved for issuance under the ESPP.

SJW Group's recorded expenses were \$85 and \$244 for the three and nine months ended September 30, 2020, respectively, and \$82 and \$223 for the three and nine months ended September 30, 2019, respectively, related to the ESPP. The total unrecognized compensation costs related to the semi-annual offering period that ends January 29, 2021, for the ESPP is approximately \$116. This cost is expected to be recognized during the fourth quarter of 2020 and first quarter of 2021.

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Note 3. Real Estate Investments

The major components of real estate investments as of September 30, 2020, and December 31, 2019, are as follows:

	September 30, 2020	December 31, 2019
Land	\$ 14,168	14,168
Buildings and improvements	43,917	43,531
Subtotal	58,085	57,699
Less: accumulated depreciation and amortization	14,493	13,597
Total	\$ 43,592	44,102

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, ranging from 7 to 39 years. Substantially all of the real estate investments relate to assets that are currently subject to operating leases.

On September 28, 2020, San Jose Water Company sold six nonutility properties located in Los Gatos, California for \$1,075. SJW Group recognized a pre-tax gain on the sale of real estate investments of \$1,048, after selling expenses of \$22.

On April 6, 2017, 444 West Santa Clara Street, L.P. sold all of its interest in the commercial building and land the partnership owned and operated. In connection with this sale, the partnership was required to deposit \$750 into an escrow account for estimated repairs to the creek next to the land the partnership sold. On April 22, 2019, all creek repairs were completed and a reimbursement of \$745 was provided to the partnership. SJW Land Company holds a 70% limited partner interest in 444 West Santa Clara Street, L.P. SJW Land Company and the noncontrolling interest recognized a pre-tax gain on the creek reimbursement of \$521 and \$224, respectively, on the transaction.

Note 4. Defined Benefit Plan

SJW Group maintains noncontributory defined benefit pension plans for its eligible employees. San Jose Water Company (“SJWC”) and CTWS employees hired before March 31, 2008, and January 1, 2009, respectively, are entitled to benefits under the pension plans based on the employee’s years of service and compensation. Certain employees hired before March 1, 2012, and covered by a plan merged into the CTWS plan in 2013 are also entitled to benefits 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. 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 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 other than pension plans.

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, 2020, and 2019 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Service cost	\$ 2,390	1,479	\$ 7,170	4,437
Interest cost	2,860	2,113	8,580	6,338
Expected return on assets	(4,126)	(2,310)	(12,429)	(6,929)
Unrecognized actuarial loss	1,296	1,056	3,888	3,168
Amortization of prior service cost	39	61	115	184
	\$ 2,459	2,399	\$ 7,324	7,198

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The following tables summarize the fair values of plan assets by major categories as of September 30, 2020, and December 31, 2019:

Fair Value Measurements at September 30, 2020				
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 7,921	7,921	—	—
Equity securities (a)	159,687	155,850	3,837	—
Fixed income (b)	101,653	34,806	66,847	—
Total	\$ 269,261	198,577	70,684	—

- (a) Actively managed portfolio of equity securities with the goal to exceed the benchmark performance
(b) Actively managed portfolio of fixed income securities with the goal to exceed the benchmark performance

Fair Value Measurements at December 31, 2019				
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 11,801	11,801	—	—
Equity securities (a)	157,050	149,265	7,785	—
Fixed income (b)	91,896	31,686	60,210	—
Total	\$ 260,747	192,752	67,995	—

- (a) Actively managed portfolio of equity securities with the goal to exceed the benchmark performance
(b) Actively managed portfolio of fixed income securities with the goal to exceed the benchmark performance

In 2020, SJW Group expects to make required and discretionary cash contributions of up to \$14,594 to the pension plans and Social Welfare Plan. For the three and nine months ended September 30, 2020, SJW Group has made \$9,360 contributions to such plans.

Note 5. Segment and Non-Tariffed Business Reporting

SJW Group is a holding company with four subsidiaries: (i) SJWC, a water utility operation with both regulated and non-tariffed businesses, (ii) SJWTX, Inc. which is doing business as Canyon Lake Water Service Company (“CLWSC”), a regulated water utility located in Canyon Lake, Texas, and its consolidated non-tariffed variable interest entity, Acequia Water Supply Corporation, (iii) SJW Land Company and its consolidated variable interest entity, 444 West Santa Clara Street, L.P., which operated commercial building rentals, and (iv) as of October 9, 2019, SJWNE LLC a holding company for CTWS and its subsidiaries, The Connecticut Water Company (“Connecticut Water”), The Maine Water Company (“Maine Water”), The Heritage Village Water Company (“HVWC”), The Avon Water Company (“Avon Water”), New England Water Utility Services, Inc. (“NEWUS”) and Chester Realty, Inc. On September 30, 2020, Avon Water and HVWC merged into Connecticut Water after receiving merger approval from the Connecticut Public Utilities Regulatory Authority (“PURA”). In accordance with FASB ASC Topic 280 - “Segment Reporting,” 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 is that of providing water utility and utility-related services to its customers through SJW Group’s subsidiaries, SJWC, Connecticut Water, CLWSC, Maine Water, and NEWUS together referred to as “Water Utility Services.” The second segment is property management and investment activity conducted by SJW Land Company and Chester Realty, Inc., referred to as “Real Estate Services.”

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

	For Three Months Ended September 30, 2020						
	Water Utility Services		Real Estate Services	All Other*	SJW Group		
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	\$ 161,646	2,814	1,403	—	161,646	4,217	165,863
Operating expense	119,885	2,161	961	973	119,885	4,095	123,980
Operating income (loss)	41,761	653	442	(973)	41,761	122	41,883
Net income (loss)	25,053	827	310	(97)	25,053	1,040	26,093
Depreciation and amortization	21,782	116	296	223	21,782	635	22,417
Interest on long-term debt and other interest expense	8,112	—	—	5,062	8,112	5,062	13,174
Provision for income taxes	9,450	179	105	(5,156)	9,450	(4,872)	4,578
Assets	\$ 3,131,778	8,589	45,980	73,367	3,131,778	127,936	3,259,714

	For Three Months Ended September 30, 2019						
	Water Utility Services		Real Estate Services	All Other*	SJW Group		
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	\$ 110,218	2,426	1,353	—	110,218	3,779	113,997
Operating expense	89,924	1,636	935	4,418	89,924	6,989	96,913
Operating income (loss)	20,294	790	418	(4,418)	20,294	(3,210)	17,084
Net income (loss)	10,964	555	304	(2,345)	10,964	(1,486)	9,478
Depreciation and amortization	14,712	111	299	—	14,712	410	15,122
Interest on long-term debt and other interest expense	6,044	—	—	544	6,044	544	6,588
Provision for income taxes	2,912	216	95	(658)	2,912	(347)	2,565
Assets	\$ 1,556,049	5,899	46,160	414,274	1,556,049	466,333	2,022,382

	For Nine Months Ended September 30, 2020						
	Water Utility Services		Real Estate Services	All Other*	SJW Group		
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	\$ 416,085	8,524	4,217	—	416,085	12,741	428,826
Operating expense	323,087	5,281	2,642	4,436	323,087	12,359	335,446
Operating income (loss)	92,998	3,243	1,575	(4,436)	92,998	382	93,380
Net income (loss)	53,117	3,178	1,141	(9,205)	53,117	(4,886)	48,231
Depreciation and amortization	64,654	332	896	670	64,654	1,898	66,552
Interest on long-term debt and other interest expense	24,575	—	—	15,063	24,575	15,063	39,638
Provision for income taxes	16,101	909	361	(8,145)	16,101	(6,875)	9,226
Assets	\$ 3,131,778	8,589	45,980	73,367	3,131,778	127,936	3,259,714

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	For Nine Months Ended September 30, 2019						
	Water Utility Services		Real Estate Services	All Other*	SJW Group		
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	\$ 285,138	5,418	4,088	—	285,138	9,506	294,644
Operating expense	226,073	3,833	2,834	10,441	226,073	17,108	243,181
Operating income (loss)	59,065	1,585	1,254	(10,441)	59,065	(7,602)	51,463
Net income (loss)	30,726	1,127	1,284	(4,248)	30,726	(1,837)	28,889
Depreciation and amortization	44,159	313	896	—	44,159	1,209	45,368
Interest on long-term debt and other interest expense	17,434	—	—	1,659	17,434	1,659	19,093
Provision for income taxes	9,142	438	445	(1,223)	9,142	(340)	8,802
Assets	\$ 1,556,049	5,899	46,160	414,274	1,556,049	466,333	2,022,382

* The “All Other” category for the nine months ended September 30, 2020, includes the accounts of SJW Group, SJWNE LLC and CTWS on a stand-alone basis. For the three months ended September 30, 2019, the “All Other” category includes the accounts of SJW Group and Hydro Sub, Inc. on a stand-alone basis. For the three months ended September 30, 2019, Hydro Sub, Inc. had no recorded revenue or expenses and as of September 30, 2019 held no assets and incurred no liabilities. Hydro Sub, Inc. was a subsidiary created solely to facilitate the merger with CTWS and was dissolved following the completion of merger in October 2019.

Note 6. Long-Term Liabilities and Bank Borrowings

SJW Group’s contractual obligations and commitments include senior notes, bank term loans, revenue bonds, state revolving fund loans, mortgages, and other obligations. Water Utility Services have received advance deposit payments from its customers on certain construction projects and the refunds of the advance deposit payments constitute an obligation of the respective subsidiaries.

Lines of Credit

On April 24, 2020, SJW Group and SJW Land Company entered into a Termination and Payoff agreement with JPMorgan Chase Bank, N.A. as the lender (the “Lender”) to terminate the SJW Group and SJW Land Company \$15,000 credit agreement.

On May 11, 2020, the SJWC entered into a Second Amendment (the “Second Amendment”) to SJWC’s existing \$125,000 credit agreement, dated as of June 1, 2016, with the Lender, as amended by the First Amendment, dated January 12, 2018, (collectively, the “Existing SJWC Credit Agreement”), with the Lender. The Second Amendment amends the existing SJWC Credit Agreement to, among other things, increase the total commitment by \$15,000, from \$125,000 to \$140,000.

Also on May 11, 2020, SJWC entered into a \$50,000 credit agreement (the “New SJWC Credit Agreement”) with the Lender. Proceeds of borrowings under the New SJWC Credit Agreement may be used to refinance existing debt, for working capital, and for general corporate purposes. The New SJWC Credit Agreement has a maturity date of November 11, 2020.

Borrowings under the New SJWC Credit Agreement bear interest at either the Alternate Base Rate (“ABR”) or the LIBOR (as defined in the New SJWC Credit Agreement) rate. ABR borrowings (which are borrowings bearing interest at a rate determined by reference to the ABR) will bear interest at a rate per annum equal to (i) the greatest of (a) the prime rate in effect on such day, (b) the federal funds effective rate on such day plus 0.5%, and (c) the adjusted LIBOR rate for a one-month interest period on such day plus 1% plus (ii) the Applicable Rate (as defined in the New SJWC Credit Agreement), which is determined based on a pricing grid that is dependent upon the credit rating of SJWC as determined by either S&P or Moody’s. Eurodollar borrowings under the New SJWC Credit Agreement will bear interest at a rate per annum equal to (i) the adjusted LIBOR rate for the interest period in effect plus (ii) the Applicable Rate.

The New SJWC Credit Agreement contains 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. The New SJWC Credit Agreement also includes certain financial covenants that require SJWC to maintain a maximum funded debt to capitalization ratio and a minimum interest coverage ratio and to limit SJWC’s maximum consolidated cash balance.

On May 29, 2020, CTWS entered into a Second Amendment to the CTWS’s existing \$15,000 credit agreement, dated as of August 6, 2014, with CoBank, ACB (“CoBank”), as amended by the First Amendment, dated October 28, 2015. The Second

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Amendment amends the prior agreement to, among other things, increase the total commitment by \$25,000, from \$15,000 to \$40,000 and extend the maturity date to May 15, 2025.

Long-Term Debt

On March 12, 2020, Connecticut Water entered into a note purchase agreement with the purchasers listed in the agreement, pursuant to which Connecticut Water sold on the same date an aggregate principal amount of \$35,000 of its 3.51% Senior Notes, due March 12, 2050. The notes are unsecured obligations of Connecticut Water. Interest is payable semi-annually in arrears on March 12th and September 12th of each year. The note purchase agreement contains customary representations and warranties. Under the note purchase agreement, Connecticut Water is required to comply with certain customary affirmative and negative covenants for as long as the notes are outstanding. The notes are also subject to customary events of default, the occurrence of which may result in all of the notes then outstanding becoming immediately due and payable. The notes have terms and conditions that restrict Connecticut Water from issuing additional debt or paying a dividend to CTWS if such debt or distribution would trigger an event of default. The note purchase agreement also requires Connecticut Water to maintain a debt to capitalization ratio of not more than 60% and an interest coverage ratio at each fiscal quarter end of no less than three-to-one. As of September 30, 2020, Connecticut Water was in compliance with all financial ratio and operational covenants under this note purchase agreement.

On December 19, 2019, Maine Water issued \$5,000 of Series S First Mortgage Bonds to the Maine Municipal Bond Bank through the State Safe Drinking Water Revolving Loan Fund. The Series S bonds mature on October 1, 2039, and carry 1% interest. The Series S First Mortgage Bond covenants are the same as all other First Mortgage Bonds. The proceeds were held as restricted cash by a trustee to be used for pre-approved projects primarily related to preliminary engineering and design work of a new water treatment plant in Maine Water's Biddeford and Saco division. Proceeds were held by a trustee for the bond until conditions were met. On February 3, 2020, and March 11, 2020, the trustee released proceeds of \$4,114 and \$886, respectively, from the bond. The associated bond indentures and loan agreements contain customary affirmative and negative covenants, including a prohibition on the issuance of indebtedness secured by assets or revenue of Maine Water where the lien is senior to the lien of the bond trustee under the above bonds except as permitted by the bond indentures and related loan and security agreements, a requirement to maintain a debt to capitalization ratio of not more than 65%, required compliance with various financial and operational covenants, and a provision for maturity acceleration upon the occurrence of stated events of default.

On August 11, 2020, SJW Group entered into a note purchase agreement with the purchasers listed in the agreement, pursuant to which SJW Group sold an aggregate principal amount of \$50,000 of its 2.47% Senior Notes, Series 2020, due August 1, 2030. The notes are unsecured obligations of the Company. Interest is payable semi-annually in arrears on February 1st and August 1st of each year. The note purchase agreement contains customary representations and warranties. Under the note purchase agreement, SJW Group is required to comply with certain customary affirmative and negative covenants for as long as the notes are outstanding. The notes are also subject to customary events of default, the occurrence of which may result in all of the notes then outstanding becoming immediately due and payable.

Note 7. Income Taxes

For the three and nine months ended September 30, 2020, income tax expense was \$4,578 and \$9,226, respectively. Income tax expense for the three and nine months ended September 30, 2019, was \$2,565 and \$8,802, respectively. The effective consolidated income tax rates were 15% and 21% for the three months ended September 30, 2020 and 2019, respectively, and 16% and 23% for the nine months ended September 30, 2020, and 2019, respectively. The lower effective rates for the three and nine months ended September 30, 2020, were primarily due to flow-through tax benefits.

SJW Group had unrecognized tax benefits of approximately \$6,594 and \$3,834 as of September 30, 2020 and December 31, 2019, respectively. SJW Group does not expect its unrecognized tax benefits to change significantly within the next 12 months.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act includes, among other items, measures concerning income taxes. SJW Group has considered the income tax implications of the CARES Act in its estimated tax provision and does not believe it will materially impact the company's year-end tax rate.

The Internal Revenue Service has issued guidance that will determine the final disposition of the excess deferred taxes and other impacts of the Tax Cuts and Jobs Act (H.R. 1). At this time, the company has applied a reasonable interpretation of the Tax Act and continues to work with the state utility regulators to determine the final methodology for disposition of excess deferred taxes.

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Note 8. Fair Value Measurement

The following instruments are not measured at fair value on SJW Group’s condensed consolidated balance sheets as of September 30, 2020, 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, 2020, approximates their carrying value as reported on the condensed consolidated balance sheets. The fair value of such financial instruments are determined using the income approach based on the present value of estimated future cash flows. There have been no changes in valuation techniques during the three and nine months ended September 30, 2020. 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 pension plan assets is discussed in Note 4.

SJW Group has investments in company owned life insurance which are valued at cash surrender value of the policies as reported by the insurer. These contracts are based principally on a referenced pool of investment funds that actively redeem shares, are observable and measurable, and are presented in “Investments” on SJW Group’s consolidated balance sheets. As of September 30, 2020, the value of the company owned life insurance was \$7,497 of which \$3,913 was related to assets to fund CTWS’s supplemental retirement plan agreements. As of December 31, 2019, the value of the company owned life insurance was \$7,086 of which \$3,829 was related to assets to fund CTWS’s supplemental retirement plan agreements. In addition to life insurance contracts, CTWS’s supplemental retirement plan agreements are also funded with a Rabbi Trust.

The following tables summarize the fair values of the Rabbi Trust investment assets to fund CTWS’s additional retirement benefits under the supplemental executive retirement plans and retirement contracts by major categories as of September 30, 2020, and December 31, 2019:

Fair Value Measurements at September 30, 2020				
<u>Asset Category</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market funds	\$ 38	38	—	—
Mutual funds	2,021	2,021	—	—
Fixed income	815	815	—	—
Total	\$ 2,874	2,874	—	—

Fair Value Measurements at December 31, 2019				
<u>Asset Category</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market funds	\$ 20	20	—	—
Mutual funds	834	834	—	—
Fixed income	2,329	2,329	—	—
Total	\$ 3,183	3,183	—	—

The fair value of SJW Group’s long-term debt was approximately \$1,575,067 and \$1,396,205 as of September 30, 2020, and December 31, 2019, 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 the long-term debt was \$1,379,555 and \$1,305,869 as of September 30, 2020, and December 31, 2019, respectively. The fair value of long-term debt would be categorized as Level 2 in the fair value hierarchy.

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Note 9. **Regulatory Rate Filings**

California Regulatory Affairs

On July 20, 2018, the California Public Utilities Commission (“CPUC”) issued an Order Instituting Investigation (“OII”) No. 18-07-007 concerning SJW Group’s then proposed merger with CTWS. A Scoping Memorandum was issued on September 7, 2018, which identified the issues to be considered in the proceeding as to whether the proposed merger is subject to CPUC approval and to evaluate the merger’s likely impacts within California. On September 14, 2018, SJW Group and SJWC submitted joint comments in response to the issues identified in accordance with the Scoping Memorandum’s adopted schedule, and reply comments were submitted on October 19, 2018. A Public Participation Hearing was held on January 31, 2019. On March 4, 2019, the CPUC suspended this proceeding due to SJW Group’s announcement of its intention to file a new merger approval application with the PURA. On April 3, 2019, SJW Group and CTWS jointly filed a new merger application with PURA. After securing the required approvals from both PURA and the Maine Public Utilities Commission (“MPUC”), SJW Group announced the close of the merger on October 9, 2019, and notified the CPUC accordingly. On August 31, 2020, the CPUC issued Decision 20-08-036 dismissing the OII and closing the proceeding. The OII is officially concluded as no application for rehearing was filed within 30 days of decision issuance.

On September 14, 2018, the CPUC issued OII No. 18-09-003 to which SJWC was named as Respondent. The OII was to determine whether the company unlawfully overcharged customers over a 30-year period by failing to pro-rate service charges when increases occurred during a billing period, and whether the company double-billed service charges during one billing period when allegedly switching from billing such charges in advance to billing in arrears. The OII resulted from a report by the CPUC’s Consumer Protection and Enforcement Division (“CPED”), dated August 16, 2018, recommending an investigation into SJWC’s billing practice. CPED calculated a refund obligation of approximately \$2,061 for the years 2014 to 2016 that had been the subject of SJWC’s Advice Letter No. 510. CPED calculated a further refund obligation of approximately \$1,990 for the years 1987 to 2013. CPED also asserted that the company double-billed its customers during a billing period when it allegedly converted from billing in advance to billing in arrears, assumed that such double-billing occurred in January 2011, and calculated a refund obligation of approximately \$4,935. The OII notes these estimates and identifies the proper refund amount as an issue in the proceeding. The OII also identifies the CPUC’s authority to consider imposing penalties on SJWC in amounts ranging from \$0.5 to \$50 per offense, per day. On July 24, 2019, SJWC and CPED jointly filed a motion for CPUC approval of a Settlement Agreement (“Agreement”) over SJWC’s past customer billing practices. The Agreement requires the company to pay approximately \$2,100 in customer credits, consisting of \$1,757 for refunds during the period from 1987 to 2011 and an additional \$350 in customer credits to low-income water customers, and invest \$5,000 in utility plant that is not allowed an investment return or rate recovery. The Agreement was subject to final approval by the CPUC. A CPUC Presiding Officer’s Decision approved the Agreement in December 2019, but an appeal was filed in January 2020 by a group of SJWC customers. A final CPUC decision approving the Agreement and dismissing the appeal was approved on February 27, 2020, and concluded this proceeding. Advice Letter No. 545 was filed on March 13, 2020, requesting authorization to provide refunds to customers. For a typical residential customer with a 3/4-inch meter, the one-time refund was \$5.52 dollars. This advice letter was approved effective April 12, 2020, and SJWC completed issuing refunds in mid-June 2020.

On June 19, 2019, the CPUC issued its final decision resolving the remaining issues in SJWC’s general rate case for 2019. Decision 19-06-010 denied the establishment of a WRAM/SRM and authorized the recovery of the Hydro Generation Research, Development and Demonstration Memorandum Account balance as of September 30, 2016. SJWC filed Advice Letter No. 534 on August 1, 2019, to recover the \$1,243 Hydro Generation Memorandum Account balance as of September 30, 2017, via a surcharge over a three-year period. The CPUC rejected the advice letter on October 10, 2019, citing an error in the name of the memorandum account and recommended a correction and a new filing for recovery. SJWC filed to correct the record and received the CPUC’s decision on April 10, 2020. Advice Letter 548 was filed on April 24, 2020, requesting recovery of \$1,224 via a 36-month surcharge. The adjustment in the memorandum account balance reflected project costs incurred after September 30, 2016, which are not allowable per Decision 19-06-010. Per Resolution W-5228 approved on August 27, 2020 by the CPUC, further adjustments were made to the memorandum account balance resulting in an approved recovery of \$1,219 which was recognized in the company’s regulatory assets as of September 30, 2020. The recovery was approved in Advice Letter 548A effective August 31, 2020.

SJWC filed Advice Letter No. 537 with the CPUC requesting authorization to refund the balance in its 2018 Tax Accounting Memorandum Account as required by the general rate case decision on October 18, 2019. On December 3, 2019, Advice Letter 537-A was filed to refund the balance via a one-time surcredit. For a typical residential customer with a 3/4-inch meter, the

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one-time refund will be \$20.84 dollars per customer. This advice letter was approved effective January 21, 2020, and refunds to customers began and completed in January 2020.

SJWC filed Advice Letter No. 541 on November 20, 2019, with the CPUC requesting authorization to increase its revenue requirement by \$8,600 or 2.28% in 2020 for the first escalation year authorized in our 2018 General Rate Case Decision 18-011-025 which established rates for 2019, 2020, and 2021. This advice letter was approved on December 26, 2019, and new rates became effective January 1, 2020.

On December 6, 2019, SJWC filed Application No. 19-12-002 with the CPUC requesting approval for cost recovery to deploy Advanced Metering Infrastructure throughout its service area. The application seeks revenue increases of \$2,315 or 0.61% in 2021, \$3,960 or 1.04% in 2022, \$2,510 or 0.65% in 2023, and \$341 or 0.09% in 2024 based on current rates in effect. A decision from the CPUC is anticipated in the fourth quarter of 2020.

On January 22, 2020, SJWC, along with three other California water utilities, filed a joint request for a one-year deferment on the Cost of Capital filings which would otherwise be due on May 1, 2020. Postponing the filing one year would alleviate 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 was conditioned on no changes to the current Water Cost of Capital Mechanism in place during the one-year deferment. On March 11, 2020, the CPUC approved the request.

On March 16, 2020, the CPUC ordered its regulated water utilities to halt customer disconnection activities in connection with the COVID-19 pandemic. On April 16, 2020, the CPUC issued Executive Order N-42-20 suspending customer disconnection activities. The CPUC's and Governor's orders will remain in effect until further notice. On April 16, 2020, the CPUC issued Resolution M-4842 directing utilities to implement emergency customer protections to assist customers such as waiving reconnection deposits, offering payment arrangements, and suspending disconnections for nonpayment, to assist customers. This resolution is effective for up to one year, or April 16, 2021, with the option to extend.

On March 19, 2020, SJWC filed Advice Letter 546 to extend customer protections listed in the company's Disaster Relief Customer Protections and Outreach Plan as required by the CPUC in response to the COVID-19 pandemic. The filing also activated SJWC's Catastrophic Event Memorandum Account ("CEMA") to track costs related to SJWC's response which includes labor and materials, anticipated increase in bad debt from the suspension of shutoffs for non-payment, waived deposits and reconnection fees, and divergence from actual versus authorized usage. The customer protections and CEMA were approved effective March 4, 2020. SJWC anticipates requesting recovery of the COVID-19 pandemic response costs in a future general rate case or other filings.

SJWC filed Advice Letter No. 552 with the CPUC requesting authorization to establish a Polyfluoroalkyl Substances Memorandum Account ("PFAS MA") on August 18, 2020. The advice letter was approved retroactive to March 1, 2019. SJWC will track in this account incremental expenses related to PFAS monitoring, sampling, and customer outreach activities for potential future recovery.

Connecticut Regulatory Affairs

As of September 30, 2020, Water Infrastructure Conservation Adjustment ("WICA") surcharges for Connecticut Water and Avon Water were 5.75% and 9.31%, respectively. HVWC did not have an approved WICA surcharge. On January 28, 2020, Connecticut Water filed a WICA application representing an additional 2.6% surcharge, for a cumulative WICA surcharge of 5.84%. Additionally, on February 7, 2020, Connecticut Water filed its annual WICA reconciliation which called for a 0.09% reduction of the WICA surcharge. On March 25, 2020, PURA approved a net cumulative 5.75% surcharge for Connecticut Water which became effective on customers' bills on April 1, 2020. On October 28, 2020, Connecticut Water filed a WICA application representing an additional 1.11% surcharge or approximately \$956 increase in revenues, for a cumulative WICA surcharge of 6.85% which is scheduled to become effective January 1, 2021.

On March 3, 2020, Connecticut Water filed an application, Docket No. 20-03-04, with PURA to merge Avon Water and HVWC with and into Connecticut Water. The application was made to streamline borrowings, regulatory filings and internal administrative tasks associated with maintaining separate corporate entities and was approved by PURA on September 16, 2020. The merger became effective on September 30, 2020. After the approval and prior to the completion of the merger, the outstanding debt balances held at Avon Water and HVWC were repaid in full.

On March 12, 2020, PURA issued Docket No. 20-03-15 to establish a State of Emergency Utility Shut-off Moratorium for the COVID-19 pandemic. The moratorium ordered regulated utility companies to refrain from terminating utility service to

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residential customers, except for safety reasons until August 1, 2020, or until such other time as determined by the PURA. The moratorium was extended through October 1, 2020 at which time the company may resume standard collection practices until or unless there is further action by PURA. In the same docket, PURA further directed the public service companies to maintain a detailed record of costs incurred and revenues lost as a result of implementing its orders in the docket and may establish a regulatory asset to track incurred costs. Approval for recovery of additional costs incurred and/or revenues lost relating to the COVID-19 pandemic would be considered for recovery in the Connecticut Water's next general rate case proceeding.

Legislation was recently passed in Connecticut that made changes to the PURA statutes for utility regulation. The most notable changes that affect water companies were adjustments to extend the timelines for adjudication of various regulatory proceedings. In particular, the following proceeding timelines were increased: general rate case from 150 days with 30 day extension (180 days maximum) to 200 days, change in control from 120 days with 30 day extension (150 days maximum) to 200 days with an opportunity for a 30 day extension (230 days maximum), and financing from 30 days to 60 days. In addition, there is a new requirement that any future change in control or merger approvals would require the composition of the board of directors of the holding company to include a proportional percentage of Connecticut-based directors. The law also authorizes, but does not require, the PURA to consider adoption of a framework for performance-based regulation of private water companies.

Texas Regulatory Affairs

As required, CLWSC submitted on January 27, 2020, its Water Pass-Through Charge ("WPC") true-up report for the Canyon Lake area systems 2019 purchased water costs. The WPC is the annual filing to change the component of CLWSC's water rates for changes in purchased water costs since the last annual true-up report. The changes in the purchased water costs for the Deer Creek Ranch water system resulted in a decrease in the usage charge from \$2.19 dollars to \$2.02 dollars per thousand gallons, and an increase in the monthly base charge of \$3.04 dollars per residential account. The Deer Creek Ranch rate changes became effective October 1, 2019. The 2019 WPC true-up report for the water systems located in the Canyon Lake area resulted in a reduction of the WPC usage rate from \$1.05 dollars to \$0.95 dollars per thousand gallons which became effective on February 1, 2020. The WPC filings for Deer Creek Ranch and the Canyon Lake area were approved by the Public Utilities Commission of Texas ("PUCT") and a new tariff with the WPC rates was issued in May 2020.

In connection with the disaster declaration in Texas, the PUCT issued Order No. 50664-106 to mitigate the impact of the COVID-19 pandemic on residential water utility customers. CLWSC responded to these orders by stopping disconnections for nonpayment of utility bills, and not charging fees for late payment. The PUCT allowed this order to expire on June 13, 2020. The PUCT also issued Accounting Orders under No. 50664-108, which instructs utilities to record the incremental costs and lost revenues from the COVID-19 pandemic in a regulatory tracking account for recovery in future rates. These amounts will be considered by the PUCT for recovery in each utility's next rate application.

Maine Regulatory Affairs

On December 20, 2019, Maine Water filed for a general rate increase for their Skowhegan Division seeking approximately \$221, or 14.7%, in additional revenue with the MPUC. On June 17, 2020, the MPUC approved a general rate increase for Skowhegan Division customers allowing \$198 in additional revenue. Per the MPUC decision, the increase will be implemented in two steps: an initial 9.80% rate increase effective June 15, 2020, and a 3.51% rate increase effective July 1, 2021. The combined rate increase is 13.31%.

On January 20, 2020, Maine Water filed Water Infrastructure Surcharge ("WISC") applications with the MPUC in four divisions requesting an increase between 1.76% and 3.00%, representing approximately \$371 in additional revenues. The WISC applications were approved on February 26, 2020, and the surcharges became effective March 1, 2020.

On March 16, 2020, MPUC issued an emergency moratorium on utility disconnection activities in connection to the COVID-19 pandemic. The moratorium directed public utility companies not to engage in any disconnection activities including disconnection notices for all classes of customers until further notice from MPUC. Maine Water is tracking COVID-19 related costs for potential future recovery in rates charged to customers. On September 17, 2020, the MPUC issued an order lifting the moratorium on utility disconnections in Maine effective November 1, 2020. The Order requires specific notifications by utilities to their customers prior to resuming disconnection activities and requires a waiver of late payment fees for customers who enter into payment arrangements on or before December 31, 2020. MWC is processing customer notices as required with the intention of resuming utility disconnections in November, 2020.

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On October 9, 2020, Maine Water filed a request for approval of a special rate contract between Maine Water and the Kennebec Water District (“KWD”). Maine Water has purchased water from KWD under a special rate contract approved by the MPUC since November 2000. The filing seeks to continue the existing relationship between the two water utilities and requests extension of the expiring 20 year agreement for an additional 20 years.

Note 10. Balancing and Memorandum Accounts

SJWC has established balancing accounts for the purpose of tracking the under-collection or over-collection associated with expense changes and the revenue authorized by the CPUC to offset those expense changes. 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 Monterey Water Revenue Adjustment Mechanism (“WRAM”) 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.

Balancing and memorandum accounts are recognized by SJWC when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process. In addition, in the case of special revenue programs such as the Water Conservation Memorandum Account (“WCMA”) and Water Revenue Adjustment (“WRA”), SJWC and CTWS follow the requirements of ASC Topic 980-605-25—“Alternative Revenue Programs” in determining revenue recognition, including the requirement that such revenues will be collected within 24 months of the year-end in which the revenue is recorded. A reserve is recorded for amounts SJW Group estimates will not be collected within the 24-month period. This reserve is based on an estimate of actual usage over the recovery period.

In assessing the probability criteria for balancing and memorandum accounts between general rate cases, SJWC considers evidence that may exist prior to CPUC authorization that would satisfy ASC Topic 980-340-25—“Other Assets and Deferred Costs” recognition criteria. Such evidence may include regulatory rules and decisions, past practices, and other facts and circumstances that would indicate that recovery or refund is probable. When such evidence provides sufficient support, the balances are recorded in SJW Group’s condensed consolidated financial statements.

CPUC approved Advice Letter No. 548A for the recovery of the Hydro Generation Research, Development and Demonstration Memorandum Account (“PRVMA”) on August 27, 2020. In 2016, the Company determined recovery at the time was not probable and recorded a reserve for the costs related to the project. Advice Letter No. 548A allowed recovery of \$1,219 which was recognized as a regulatory asset for the three and nine months ended September 30, 2020, and the reserve previously recognized was reversed. The amounts have been reflected in the PRVMA balances shown in the table below.

On December 19, 2019, the CPUC denied the recovery of SJWC’s 2018 WCMA in Advice Letter No. 532 and no longer approved the tracking of WCMA balances. As a result of conflicting CPUC proposed decisions issued in October 2019 on recovery of the 2018 WCMA balance, SJWC determined that it no longer met the probability criteria for recognition under ASC Topic 980-605-25 and fully reserved the 2019 and 2018 WCMA balances as of September 30, 2019.

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	Three months ended September 30, 2020				Three months ended September 30, 2019			
	Beginning Balance	Regulatory Asset Increase (Decrease)	Refunds (Collections) Adjustments	Ending Balance	Beginning Balance	Regulatory Asset Increase (Decrease)	Refunds (Collections) Adjustments	Ending Balance
Revenue accounts:								
Monterey WRAM	\$ 10,549	(1,124)	2,625	12,050	\$ 8,986	328	(1,502)	7,812
2014-2017 WCMA	665	—	1	666	5,315	—	(2,397)	2,918
2018 WCMA	—	—	—	—	8,958	(8,958)	—	—
2019 WCMA	—	—	—	—	557	(557)	—	—
2012 General Rate Case true-up	752	—	—	752	7,731	(1)	(3,631)	4,099
Cost of capital memorandum account	(1,560)	(1)	—	(1,561)	(1,540)	(7)	—	(1,547)
Tax memorandum account	332	1	—	333	(6,585)	(33)	—	(6,618)
All others	(2,451)	37	—	(2,414)	(1,794)	(47)	(128)	(1,969)
Total revenue accounts	\$ 8,287	(1,087)	2,626	9,826	\$ 21,628	(9,275)	(7,658)	4,695
Cost-recovery accounts:								
Water supply costs	5,899	1,222	1	7,122	5,912	1,049	(1,871)	5,090
Pension	2,985	(253)	—	2,732	(233)	199	1,208	1,174
PRVMA	—	1,219	(8)	1,211	—	—	—	—
All others	444	—	—	444	870	2	(223)	649
Total cost-recovery accounts	\$ 9,328	2,188	(7)	11,509	\$ 6,549	1,250	(886)	6,913
Total	\$ 17,615	1,101	2,619	21,335	\$ 28,177	(8,025)	(8,544)	11,608

	Nine months ended September 30, 2020				Nine months ended September 30, 2019			
	Beginning Balance	Regulatory Asset Increase (Decrease)	Refunds (Collections) Adjustments	Ending Balance	Beginning Balance	Regulatory Asset Increase (Decrease)	Refunds (Collections) Adjustments	Ending Balance
Revenue accounts:								
Monterey WRAM	\$ 7,015	2,437	2,598	12,050	\$ 6,847	3,994	(3,029)	7,812
2014-2017 WCMA	708	—	(42)	666	7,750	—	(4,832)	2,918
2018 WCMA	—	—	—	—	9,386	(9,386)	—	—
2019 WCMA	—	—	—	—	—	—	—	—
2012 General Rate Case true-up	752	—	—	752	11,328	95	(7,324)	4,099
Cost of capital memorandum account	(1,553)	(8)	—	(1,561)	(1,523)	(24)	—	(1,547)
Tax memorandum account	(6,643)	(2)	6,978	333	(6,504)	(114)	—	(6,618)
All others	(2,219)	(128)	(67)	(2,414)	(1,735)	25	(259)	(1,969)
Total revenue accounts	\$ (1,940)	2,299	9,467	9,826	\$ 25,549	(5,410)	(15,444)	4,695
Cost-recovery accounts:								
Water supply costs	4,328	2,827	(33)	7,122	9,617	(754)	(3,773)	5,090
Pension	2,449	261	22	2,732	(1,843)	582	2,435	1,174
PRVMA	—	1,219	(8)	1,211	—	—	—	—
All others	446	2	(4)	444	1,090	8	(449)	649
Total cost-recovery accounts	\$ 7,223	4,309	(23)	11,509	\$ 8,864	(164)	(1,787)	6,913
Total	\$ 5,283	6,608	9,444	21,335	\$ 34,413	(5,574)	(17,231)	11,608

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As of September 30, 2020, the total balance in SJWC’s balancing and memorandum accounts combined, including interest, that have not been recorded into the financial statements was a net under-collection of \$2,245. All balancing accounts and memorandum-type 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.

Note 11. Regulatory Assets

Regulatory assets are comprised of the following as of September 30, 2020, and December 31, 2019:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Regulatory assets:		
Income tax temporary differences, net	\$ 3,363	2,433
Postretirement pensions and other medical benefits	77,906	73,525
Business combinations debt premium, net	23,114	25,020
Balancing and memorandum accounts, net	21,335	5,283
WRA	4,805	9,108
Other, net	6,451	5,048
Total regulatory assets, net in Consolidated Balance Sheets	136,974	120,417
Less: current regulatory asset, net	4,758	6,472
Total regulatory assets, net, less current portion	<u>\$ 132,216</u>	<u>113,945</u>

Note 12. Business Combination

On October 9, 2019, SJW Group completed the merger with CTWS, a company that provides water service throughout Connecticut and Maine. In addition, CTWS has a real estate company in Connecticut which provides property management services.

SJW Group acquired all of the outstanding stock of CTWS for \$70.00 per share in cash (without interest and less any applicable withholding taxes). The total cash purchase price was approximately \$838,476, less cash received of \$3,011, and approximately \$6,384 related to outstanding awards of restricted stock units and deferred share units assumed in connection with the merger.

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The following table summarizes the purchase price and recording of fair values of assets acquired and liabilities assumed as of the acquisition date and subsequent adjustments as of September 30, 2020.

	Amounts Previously Recognized as of Acquisition Date (a)	Measurement Period Adjustments	Amounts Recognized as of Acquisition Date (as Adjusted)
Assets acquired:			
Utility plant, net	\$ 750,703	\$ —	\$ 750,703
Nonutility plant	848	—	848
Current assets	42,673	(1,167)	41,506
Investments	12,489	—	12,489
Regulatory assets and deferred charges, less current portion	83,132	(4,307)	78,825
Other intangible assets	17,181	—	17,181
Other assets	2,592	—	2,592
Goodwill	626,523	(1,222)	625,301
Total assets acquired	1,536,141	(6,696)	1,529,445
Liabilities assumed:			
Long-term debt	281,009	—	281,009
Current liabilities, including maturities of long-term debt	125,772	25	125,797
Deferred income taxes	107,789	(7,145)	100,644
Postretirement benefit plans	31,789	—	31,789
Contributions in aid of construction and construction advances	137,327	—	137,327
Other long-term liabilities	10,607	424	11,031
Total liabilities assumed	694,293	(6,696)	687,597
Assumed equity	\$ 841,848	\$ —	\$ 841,848

(a) As previously reported in the SJW Group's 10-K for the period ended December 31, 2019.

Other intangible assets primarily consists of customer relationships.

The goodwill balance is primarily attributable to assembled workforce and diversification of markets both from a geographic and regulatory perspective. We do not expect the goodwill recognized in connection with the transaction will be deductible for income tax purposes.

The company analyzed and revalued the acquired opening deferred tax asset and liability balances within the measurement period which resulted in a decrease to goodwill of \$1,222 during the third quarter of 2020. There was no impact associated with the measurement period adjustments to the condensed consolidated statement of comprehensive income for the nine months ended September 30, 2020.

Goodwill is not amortized but is tested for impairment annually, as of the first day of the fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying amount. SJW Group first performs a qualitative assessment to determine whether it is necessary to perform the quantitative impairment test. In assessing the qualitative factors, SJW Group considers the impact of these key factors: change in industry and competitive environment, financial performance, macroeconomic conditions, and other relevant Company-specific events. If SJW Group determines that as a result of the qualitative assessment it is more likely than not (> 50% likelihood) that the fair value is less than carrying amount, then a quantitative test is performed.

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Note 13. **Legal Proceedings**

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.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollar amounts in thousands, except per share amounts and 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, 2019.

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 Item 1A under “Risk Factors.”

General:

SJW Group is a holding company with four wholly-owned subsidiaries: San Jose Water Company (“SJWC”), SJWNE LLC, SJWTX, Inc. and SJW Land Company.

SJWC is a public utility in the business of providing water service to approximately 231,000 connections that serve a population of approximately one million people in an area comprising approximately 139 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, 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 supply 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 became a wholly-owned subsidiary of SJWNE LLC as part of the merger transaction between SJW Group and CTWS that was completed on October 9, 2019. CTWS, headquartered in Connecticut, serves as a holding company for water utility companies providing water service to approximately 136,000 connections that serve a population of approximately 477,000 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 (“Connecticut Water”) and The Maine Water Company (“Maine Water”). During third quarter, Connecticut Water completed the merger of The Heritage Village Water Company (“HVWC”) and The Avon Water Company (“Avon Water”) with and into Connecticut Water, with Connecticut Water as the surviving entity. HVWC and Avon Water were wholly owned subsidiaries of CTWS prior to the merger into Connecticut Water. The purpose of the merger was to streamline borrowings, regulatory filings and internal administrative tasks associated with maintaining and operating separate corporate entities. The remaining two CTWS subsidiaries are Chester Realty, Inc., a real estate company in Connecticut, and New England Water Utility Services, Inc. (“NEWUS”), which provides contract water and sewer operations and other water related services.

CTWS also offers *Linebacker*, an optional service line protection program to eligible residential customers through NEWUS in Connecticut and Maine Water in Maine covering the cost of repairs for leaking or broken water service lines which provide drinking water to a customer’s home. For customers who enroll in this program, CTWS will repair or replace a leaking or broken water service line and related equipment. Additionally, NEWUS offers expanded coverage to Connecticut Water

customers for failure of in-home plumbing, sewer and septic drainage lines and implemented modified terms and conditions with limitations on certain coverages.

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, Connecticut Water and Maine Water are or may be a party to limited contractual arrangements for the provision of water supply from neighboring utilities.

SJWTX, Inc., doing business as Canyon Lake Water Service Company ("CLWSC"), is a public utility in the business of providing water service to approximately 19,000 connections that serve approximately 57,000 people. CLWSC's service area comprises more than 247 square miles in the southern region of the Texas Hill Country in Blanco, Comal, Hays and Travis counties, the growing region between San Antonio and Austin, Texas. SJWTX, Inc. has a 25% interest in Acequia Water Supply Corporation ("Acequia"). The water supply corporation has been determined to be a variable interest entity within the scope of ASC Topic 810 with SJWTX, Inc. as the primary beneficiary. As a result, Acequia has been consolidated with SJWTX, Inc.

SJW Land Company owns undeveloped land and operates commercial buildings in Tennessee. SJW Land Company also owns a 70% limited partnership interest in 444 West Santa Clara Street, L.P. which operated a California commercial property that was sold in the second quarter of 2017. The limited partnership has been determined to be a variable interest entity within the scope of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810 - "Consolidation" with SJW Land Company as the primary beneficiary, and as a result, has been consolidated with SJW Land Company.

SJW Land Company owned the following real properties during the nine months ended September 30, 2020:

Description	Location	Acreage	Square Footage	% for Nine months ended September 30, 2020 of SJW Land Company	
				Revenue	Expense
Warehouse building	Knoxville, Tennessee	30	361,500	47%	41%
Commercial building	Knoxville, Tennessee	15	135,000	53%	59%
Undeveloped land and parking lot	Knoxville, Tennessee	10	N/A	N/A	N/A
Undeveloped land	San Jose, California	103	N/A	N/A	N/A

As of September 30, 2020, Chester Realty, Inc. owns less than 100 acres of undeveloped land in the State of Connecticut.

Business Strategy for Water Utility Services:

SJW Group focuses its business initiatives in three strategic areas:

- (1) Regional regulated water utility operations;
- (2) Regional non-tariffed water utility related services provided in accordance with the guidelines established by the CPUC in California, the Public Utilities Regulatory Authority in Connecticut ("PURA"), the Public Utilities Commission of Texas ("PUCT") in Texas, and the Maine Public Utilities Commission ("MPUC") in Maine; and
- (3) Out-of-region water and utility related services.

As part of our pursuit of the above three strategic areas, we consider from time to time opportunities to acquire businesses and assets, including the CTWS merger which closed on October 9, 2019. However, we cannot be certain we will be successful in identifying and consummating any strategic business combination 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 SJW Group's financial position and operating results, entering markets in which SJW Group has 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.

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 and operates commercial buildings in Tennessee. SJW Land Company also owns a limited partnership interest in 444 West Santa Clara Street, L.P. The partnership had a commercial building in San Jose, California that was sold in the second quarter of 2017. SJW Land Company manages its income producing and other properties until such time a determination is made to reinvest proceeds from the sale of such properties. Chester Realty, Inc. owns and operates land and commercial buildings in the State of Connecticut. Chester Realty, Inc. manages its income producing and other properties until such time a determination is made to reinvest proceeds from the sale of such properties. SJW Land Company and Chester Realty, Inc.'s real estate investments diversify SJW Group's asset base.

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 2019 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, 2019, that was filed with the SEC on March 2, 2020.

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, 2019. There have been no changes in our critical accounting policies. Our significant accounting policies are described in our notes to the 2019 consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2019.

Recently Adopted Accounting Policies and New Accounting Pronouncements:

See Note 1 of the Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of recently adopted accounting policies and new accounting pronouncements for the nine months ended September 30, 2020.

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 curtail water usage and sales.

Coronavirus ("COVID-19") Update

In 2020, the outbreak of COVID-19 has had significant impact on the global economy. SJW Group has taken precautions to protect the health and safety of employees, customers and the community while continuing to deliver safe and reliable water service as we are deemed to be an essential service provider.

SJW Group's response to the COVID-19 outbreak continues to evolve and has included: (i) suspending service disconnections for non-payments pursuant to orders from certain state regulators, which will remain for specified durations with the longest extending to April 2021; (ii) waiving reconnection or facilities fees for affected customers and suspending deposit requirements for affected customers who must reconnect to the systems; (iii) the temporary closure of our walk-in customer payment centers where they were provided; (iv) increasing the number of employees telecommuting; and (v) delaying some capital improvement projects at our water utilities. Although, we do not believe the COVID-19 pandemic has materially adversely affected SJW Group's financial results and business operations for the nine months ended September 30, 2020, the full impact of the pandemic is uncertain. SJW Group continues to monitor developments affecting our business, employees and suppliers and will take additional precautions as management believes is necessary. Please see other risks related to COVID-19 under Item 1A, "Risk Factors."

Overview

SJW Group's consolidated net income for the three months ended September 30, 2020, was \$26,093, an increase of \$16,615, or approximately 175%, from \$9,478 for the same period in 2019. SJW Group's consolidated net income for the nine months ended September 30, 2020, was \$48,231, an increase of \$19,342, or approximately 67%, from \$28,889 for the same period in 2019. The increase in net income for the three and nine months ended September 30, 2020, was primarily due to addition of

net income from CTWS as a result of the merger and an increase in revenue at SJWC due to increased customer usage, and cumulative water rate increases, partially offset by the net recognition of certain balancing and memorandum accounts. In addition, a reserve for the 2018 and 2019 Water Conservation Memorandum Account balances was recorded in prior year as we determined we no longer met the requirements for revenue recognition. The net increases in revenue was partially offset by an increase in production expenses at SJWC due to a decrease in the use of available surface water supplies, an increase in customer usage, an increase in per unit costs for purchased water, groundwater extraction and energy charges, an increase in interest on long-term debt due to the debt issued to acquire SJWNE LLC, issuance of SJWC's Series M Note and Connecticut Water's Senior Note, and an increase in depreciation expense due to assets placed in service in 2019.

Operating Revenue

	Operating Revenue by Segment			
	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Water Utility Services	\$ 164,460	112,644	\$ 424,609	290,556
Real Estate Services	1,403	1,353	4,217	4,088
	<u>\$ 165,863</u>	<u>113,997</u>	<u>\$ 428,826</u>	<u>294,644</u>

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

	Three months ended September 30, 2020 vs. 2019		Nine months ended September 30, 2020 vs. 2019	
	Increase/(decrease)		Increase/(decrease)	
Water Utility Services:				
Consumption changes	\$ 2,439	2%	\$ 16,854	6%
Increase in customers	386	—%	1,322	1%
Rate increases	2,324	2%	7,398	2%
OII customer rate credits	—	—%	2,200	1%
Balancing and memorandum accounts:				
Water Conservation Memorandum Account ("WCMA")	9,515	8%	9,386	3%
All others	48	—%	(457)	—%
SJWNE LLC	37,104	33%	97,350	33%
Real Estate Services	50	—%	129	—%
	<u>\$ 51,866</u>	<u>45%</u>	<u>\$ 134,182</u>	<u>46%</u>

Operating Expense

	Operating Expense by Segment			
	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Water Utility Services	\$ 122,046	91,560	\$ 328,368	229,906
Real Estate Services	961	935	2,642	2,834
All Other	973	4,418	4,436	10,441
	<u>\$ 123,980</u>	<u>96,913</u>	<u>\$ 335,446</u>	<u>243,181</u>

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

	Three months ended September 30, 2020 vs. 2019		Nine months ended September 30, 2020 vs. 2019	
	Increase/(decrease)		Increase/(decrease)	
Water production expenses:				
Change in surface water use	\$ 5,425	6 %	\$ 17,535	7 %
Change in usage and new customers	2,156	2 %	10,360	4 %
Purchased water and groundwater extraction charge and energy price increase	(546)	(1)%	2,436	1 %
Balancing and memorandum accounts cost recovery	(173)	— %	(3,576)	(1)%
SJWNE LLC	6,471	7 %	19,619	8 %
Total water production expenses	13,333	14 %	46,374	19 %
Administrative and general	4,364	4 %	18,184	8 %
Balance and memorandum account cost recovery	453	— %	322	— %
Maintenance	(373)	— %	1,993	1 %
Property taxes and other non-income taxes	3,732	4 %	10,321	4 %
Depreciation and amortization	7,295	8 %	21,184	9 %
Merger related expenses	(1,737)	(2)%	(6,113)	(3)%
	\$ 27,067	28 %	\$ 92,265	38 %

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 the Santa Clara Valley Water District ("Valley Water") under the terms of a master contract with Valley Water expiring in 2051. Surface water is the least expensive source of water. Changes and variations in quantities from each of these sources affect the overall mix of the water supply, thereby affecting the cost of the water supply. In addition, the water rate for purchased water and the groundwater extraction charge may be increased by Valley Water at any time. If an increase occurs, then SJWC would file an advice letter with the CPUC seeking authorization to increase revenues to offset the cost increase.

On October 1, 2020, Valley Water's 10 reservoirs were approximately 25% of total capacity with 13,679 million gallons of water in storage, which is 55% of the twenty-year average for this date. Valley Water continues to drain their largest reservoir, Anderson, in preparation for the 8-10 year Anderson Dam Seismic Retrofit Project. As reported by the Valley Water, there has been no rainfall in San Jose during the current annual rainfall season that commenced on July 1, 2020. Rainfall at SJWC's Lake Elsman was measured at zero inches during the current rainfall season. Under normal hydrologic conditions, state and federal water allocations represent approximately 40% of the Valley Water's total annual water supply. As of October 1, 2020, Valley Water reported that allocations from the state and federal water project are approximately 20% and 70%, respectively, of amounts requested in 2020. Valley Water also reported that the managed groundwater recharge from January to September in the Santa Clara Plain was 81% of the five-year average. The groundwater level in the Santa Clara Plain is approximately 21 feet lower than a year ago in September and 14 feet lower than the five-year average. According to Valley Water, the projected total groundwater storage at the end of 2020 is expected to fall within the normal stage of the Valley Water's Water Shortage Contingency Plan.

On October 1, 2020, SJWC's Lake Elsman contained 438 million gallons of water, of which approximately 288 million gallons can be utilized for treatment in water production. This Lake Elsman volume represents 44% of the five-year average which reflects the low winter rainfall we experienced in our Santa Cruz mountains watershed. Local surface water is a less costly source of water than groundwater or purchased water and its availability significantly impacts SJWC's results of operations. SJWC will utilize surface water and additional water from its portfolio of groundwater supplies to supplement imported water from the Valley Water. Production from the Montevina Surface Water Treatment Plant through the third quarter was 968 million gallons, which is 48% of the five-year average. Production at SJWC's smaller Saratoga Water Treatment Plant through the third quarter was 111 million gallons, which is 41% of the five-year average. Saratoga Water Treatment Plant was taken out of service during the second quarter due to lack of run-off from Saratoga Creek and remains offline. SJWC believes that its various water supply sources will be sufficient to meet customer demand through the remainder of 2020.

The Connecticut water utility services' infrastructure consists of 65 noncontiguous water systems in the State of Connecticut. These systems, in total, consist of approximately 1,800 miles of water main and reservoir storage capacity of 2.4 billion gallons. The dependable yield from our 235 active wells and 18 surface water supplies is approximately 65 million gallons per day. 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.

CLWSC’s water supply consists of groundwater from wells and purchased treated and untreated raw water from local water agencies. CLWSC 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 CLWSC with an aggregate of 6,900 acre-feet of water per year from Canyon Lake at prices that may be adjusted periodically by GBRA. CLWSC also has raw water supply agreements with the Lower Colorado River Authority (“LCRA”) and West Travis Public Utility Agency (“WTPUA”) expiring in 2053 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. 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. CLWSC implemented Stage 1 of its Drought Management Plan on July 13, 2020 as service area conditions shifted to an Abnormally Dry state, precipitation was sparse and demand surged. This was done in coordination with neighboring municipalities with which it shares water supply sources. On October 9, 2020, CLWSC exited Stage 1 as temperatures cooled and September saw some significant rain events. CLWSC has recently updated its Drought Management Plan to better account for both climatic conditions within its service area and increased demand due to new development. These updates have received preliminary approval by the Texas Commission for Environmental Quality. CLWSC believes that, with the judicious implementation of its Drought Management Plan, its water supply sources will be sufficient to meet customer demand through the remainder of 2020.

Maine Water’s infrastructure consists of 12 noncontiguous water systems in the State of Maine. These systems, in total, consists of approximately 500 miles of water main and reservoir storage capacity of 7.0 billion gallons. The dependable yield from our 14 active wells and 7 surface water supplies is approximately 120 million gallons per day. 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.

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

	Three months ended September 30,		Increase/ (decrease)	% of Total Change	Nine months ended September 30,		Increase/ (decrease)	% of Total Change
	2020	2019			2020	2019		
Purchased water	7,960	7,977	(17)	—%	17,486	17,080	406	1%
Groundwater	6,265	3,472	2,793	21%	16,110	7,706	8,404	28%
Surface water	2,432	1,369	1,063	8%	6,869	4,831	2,038	7%
Reclaimed water	326	313	13	—%	605	537	68	—%
	<u>16,983</u>	<u>13,131</u>	<u>3,852</u>	<u>29%</u>	<u>41,070</u>	<u>30,154</u>	<u>10,916</u>	<u>36%</u>

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, 2020, and 2019 approximated 6.6% and 7.7%, 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 an acquisition-to-date basis for the period ending September 30, 2020 was approximately 16.9% 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 (“WICA”) and Water Infrastructure Surcharge (“WISC”) main replacement programs and lost water reduction initiatives.

Water Production Expenses

The change in water production expenses for the three and nine months ended September 30, 2020, compared to the same period in 2019, was primarily attributable to the new SJWNE LLC subsidiary operations, a decrease in available surface water for SJWC, an increase in customer usage and changes in per unit costs for purchased water, groundwater extraction and energy charges, offset by a decrease in cost-recovery balancing and memorandum accounts. Valley Water did not increase the unit price of purchased water and groundwater extraction fees for their fiscal year beginning July 1, 2020.

Other Operating Expenses

Operating expenses, excluding water production expenses, increased \$13,734 for the three months ended September 30, 2020, compared to the same period in 2019. The increase was primarily attributable to an increase of \$17,437 due to the new SJWNE LLC subsidiary operations, and an increase in depreciation and amortization expense due to increases in utility plant, partially offset by a decrease in merger related expenses due to the completion of our merger with CTWS and a decrease in integration costs that were recognized as administrative and general expenses.

Operating expenses, excluding water production expenses, increased \$45,891 for the nine months ended September 30, 2020, compared to the same period in 2019. The increase was primarily attributable to an increase of \$47,596 due to the new SJWNE LLC subsidiary operations, and an increase in depreciation and amortization expense due to increases in utility plant, partially offset by a decrease in merger related expenses due to the completion of our merger with CTWS.

Other (Expense) Income

For the three and nine months ended September 30, 2020, compared to the same periods in 2019, the change in other (expense) income was primarily due to an increase in interest expense on long-term debt as a result of the issuance of SJW Group's Series 2019A, B and C notes and SJWC's Series M note. In addition, interest income decreased due to use of previously invested money market funds for the merger with CTWS.

Provision for Income Taxes

For the three and nine months ended September 30, 2020, compared to the same period in 2019, income tax expense increased \$2,013 and \$424, respectively. The increase in income tax expense was primarily due to a higher pre-tax income which was offset by the increase in flow-through tax benefits. The effective consolidated income tax rates were 15% and 21% for the three months ended September 30, 2020, and 2019, respectively, and 16% and 23% for the nine months ended September 30, 2020, and 2019, respectively. The lower effective rates for the three and nine months ended September 30, 2020, were primarily due to flow-through tax benefits.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act includes, among other items, measures concerning income taxes. SJW Group has considered the income tax implications of the CARES Act in its estimated tax provision and does not believe it will materially impact the company's year-end tax rate.

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.

See Note 8 of Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of regulatory activities that have occurred during the quarter.

Liquidity:

Cash Flow from Operating Activities

During the nine months ended September 30, 2020, SJW Group generated cash flows from operations of approximately \$70,600, compared to \$91,300 for the same period in 2019. 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, gains or losses on the sale of assets, and changes in working capital items. Cash flow from operations decreased by approximately \$20,700. This decrease was the result of a combination of the following factors: (1) decrease in collection in balancing and memorandum accounts of \$36,900, (2) a decrease in collections from accounts receivable and accrued unbilled utility revenue of \$13,900 due to higher unbilled revenue balances and higher accounts receivable balances from the merger with SJWNE and slower collections from customers during the COVID-19 pandemic, (3) payments of amounts previously invoiced and accrued, which increased by \$6,700, and (4) an up-front payment of \$5,000 for renewal of the Cupertino service concession agreement, offset by (5) general working capital and net income, adjusted for non-cash items which increased by \$39,500, and (6) an increase of payments for accrued interest by \$2,300 as result of new debt acquired in 2019 and 2020.

As of September 30, 2020, Water Utility Services' write-offs for uncollectible accounts represented less than 1% of its total revenue, unchanged from September 30, 2019. In March 2020, the regulated utilities commissions of the respective states we operate initiated executive orders suspending water service disconnections due to non-payment from customers in light of the current stay-at-home orders, quarantines and similar governmental restrictions in response to the global COVID-19 pandemic. Management believes that the historical collection rate for its accounts receivables will decrease during the COVID-19 pandemic and although any financial impact is currently tracked to be filed through the rate-making process, there is no guarantee that such recovery will be approved by the respective state regulatory utility commissions.

Cash Flow from Investing Activities

During the nine months ended September 30, 2020, SJW Group used cash flows in investing activities of approximately \$141,200, compared to \$114,800 for the same period in 2019. SJW Group used approximately: (1) \$130,400 of cash for

company-funded capital expenditures, (2) \$9,600 for developer-funded capital expenditures, and (3) \$1,900 for utility plant retirements.

Water Utility Services' budgeted capital expenditures for 2020, exclusive of capital expenditures financed by customer contributions and advances, are approximately \$221,800. As of September 30, 2020, approximately \$130,400 or 59% of the \$221,800 has been spent. Certain capital improvement projects for Water Utility Services have been delayed due to COVID-19 pandemic in 2020 compared to normal activities prior to the pandemic. As a result, we currently expect to add between \$195,000 and \$200,000 in capital expenditures in 2020.

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 expect to incur approximately \$1,200,000 in capital expenditures, which includes replacement of pipes and mains, and maintaining water systems. A significant portion of this amount is subject to future CPUC, PURA, PUCT or MPUC 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 cost will significantly exceed the original installation cost 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 months ended September 30, 2020, increased by approximately \$45,400 from the same period in the prior year, primarily as a result of (1) an increase in net borrowings on our lines of credit of \$46,600, and (2) \$5,900 increase in net cash receipts from advances and contributions in aid of construction, offset by (3) a decrease in net proceeds from new long-term debt of \$4,600, and (4) \$1,800 in dividends to shareholders.

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.

SJW Group's 2011 unsecured senior note agreement has terms and conditions that restrict SJW Group from issuing additional funded debt if: (1) the funded consolidated debt would exceed 66-2/3% of total capitalization, and (2) the minimum net worth of SJW Group becomes less than \$175,000 plus 30% of Water Utility Services cumulative net income, since June 30, 2011. SJW Group's 2019 and 2020 unsecured senior note agreements have terms and conditions that restrict SJW Group from issuing additional funded debt if the funded consolidated debt would exceed 70% of total capitalization. SJW Group was not restricted from issuing future indebtedness as a result of these terms and conditions at September 30, 2020.

On August 11, 2020, SJW Group entered into a note purchase agreement with the purchasers listed in the agreement, pursuant to which SJW Group sold an aggregate principal amount of \$50,000 of its 2.47% Senior Notes, Series 2020, due August 1, 2030. The notes are unsecured obligations of the Company. Interest is payable semi-annually in arrears on February 1st and August 1st of each year. The note purchase agreement contains customary representations and warranties. Under the note purchase agreement, SJW Group is required to comply with certain customary affirmative and negative covenants for as long as the notes are outstanding. The notes are also subject to customary events of default, the occurrence of which may result in all of the notes then outstanding becoming immediately due and payable.

SJWC's financing activity is designed to achieve a capital structure consistent with our CPUC authorized structure of approximately 47% debt and 53% equity. As of September 30, 2020, SJWC's funded debt and equity were approximately 47% and 53%, respectively.

Funding for SJWC's future capital expenditure program is expected to be provided primarily through internally-generated funds, the issuance of new long-term debt, and the issuance of equity, all of which will be consistent with regulator guidelines.

SJWC's unsecured senior note agreements generally have terms and conditions that restrict SJWC from issuing additional funded debt if: (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-month-calendar period would be less than 175% of interest charges. SJWC was not restricted from issuing future indebtedness as a result of these terms and conditions at September 30, 2020.

SJWC's loan agreements with the California Pollution Control Financing Authority contain affirmative and negative covenants customary for loan agreements relating to revenue bonds, including, among other things, complying with certain disclosure obligations and covenants relating to the tax exempt status of the interest on the bonds and limitations and prohibitions relating to the transfer of the projects funded by the loan proceeds and the assignment of the loan agreement. As of September 30, 2020, SJWC was in compliance with all such covenants.

CTWS has outstanding term loans with a commercial bank and under the master loan agreement, CTWS is required to comply with certain financial ratio and customary affirmative and negative covenants. The most restrictive of these covenants is to maintain a consolidated (CTWS and its subsidiaries) debt to capitalization ratio of not more than 60%. As of September 30, 2020, CTWS was in compliance with all covenants under the master loan agreement.

Connecticut Water has outstanding term loans with a commercial bank and under its master loan agreement, Connecticut Water is required to comply with financial and customary affirmative and negative covenants substantially identical to those found in CTWS's master loan agreement. Connecticut Water is required to maintain a debt to capitalization ratio of not more than 60% and an interest coverage ratio of no less than 3 to 1. As of September 30, 2020, Connecticut Water was in compliance with all covenants under its master loan agreement.

Connecticut Water has tax-exempt and taxable Water Facilities Revenue Bonds issued through Connecticut Innovations (formerly the Connecticut Development Authority). The bond indentures and loan agreements contain customary affirmative and negative covenants and also provide for the acceleration of the Revenue Bonds upon the occurrence of stated events of default. As of September 30, 2020, Connecticut Water was in compliance with all covenants of the bond indentures and loan agreements.

Connecticut Water's unsecured senior notes have terms and conditions that restrict Connecticut Water from issuing additional debt or paying a dividend to CTWS if such debt or distribution would trigger an event of default. The senior note agreements also require Connecticut Water to maintain a debt to capitalization ratio of not more than 60% and an interest coverage ratio of no less than 3 to 1. As of September 30, 2020, Connecticut Water was in compliance with all financial ratio and customary affirmative and negative covenants under this agreement.

On March 12, 2020, Connecticut Water entered into a note purchase agreement with the purchasers listed in the agreement, pursuant to which Connecticut Water sold on the same date an aggregate principal amount of \$35,000 of its 3.51% Senior Notes, due March 12, 2050. The notes are unsecured obligations of Connecticut Water. Interest is payable semi-annually in arrears on March 12th and September 12th of each year. The note purchase agreement contains customary representations and warranties. Under the note purchase agreement, Connecticut Water is required to comply with certain customary affirmative and negative covenants for as long as the notes are outstanding. The notes are also subject to customary events of default, the occurrence of which may result in all of the notes then outstanding becoming immediately due and payable.

SJWTX, Inc.'s unsecured senior note agreement has terms and conditions that restrict SJWTX, Inc. from issuing additional funded debt if: (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-month-calendar period would be less than 175% of interest charges. In addition, SJW Group is a guarantor of SJWTX, Inc.'s senior note which has terms and conditions that restrict SJW Group from issuing additional funded debt if: (1) the funded consolidated debt would exceed 66-2/3% of total capitalization, and (2) the minimum net worth of SJW Group becomes less than \$125,000 plus 30% of Water Utility Services cumulative net income, since December 31, 2005. As of September 30, 2020, SJWTX, Inc. and SJW Group were not restricted from issuing future indebtedness as a result of these terms and conditions.

Maine Water has First Mortgage Bonds issued to the Maine Municipal Bond Bank through the State Safe Drinking Water Revolving Loan Fund and First Mortgage Bonds issued to One America. The associated bond indentures and loan agreements contain customary affirmative and negative covenants, including a prohibition on the issuance of indebtedness secured by assets or revenue of Maine Water where the lien is senior to the lien of the bond trustee under the above bonds except as permitted by the bond indentures and related loan and security agreements, a requirement to maintain a debt to capitalization ratio of not more than 65% and an interest coverage ratio of no less than 3 to 1, required compliance with other various financial covenants, and a provision for maturity acceleration upon the occurrence of stated events of default. As of September 30, 2020, Maine Water was in compliance with all covenants in its bond indentures and related loan agreements.

Maine Water has outstanding term loans with a commercial bank and under its master loan agreement, Maine Water is required to comply with financial and customary affirmative and negative covenants substantially identical to those found in CTWS and Connecticut Water's master loan agreements. Maine Water is required to maintain a debt to capitalization ratio of not more than 60% and an interest coverage ratio of no less than 3 to 1. As of September 30, 2020, Maine Water was in compliance with all covenants under its master loan agreement.

HVWC had a term loan with a commercial bank, due in 2034. The loan was secured by real property owned by HVWC. The note was paid in full on September 24, 2020.

Avon Water had a mortgage loan that was due in 2033. The note was paid in full on September 24, 2020.

As of September 30, 2020, SJW Group and its subsidiaries had unsecured bank lines of credit, allowing aggregate short-term borrowings of up to \$310,000, of which \$5,000 was available to SJWTX, Inc. under a single line of credit, \$190,000 was available to SJWC under two additional lines of credit line of credit, and \$40,000 and \$75,000 under a fourth and fifth, respectively, lines of credit was available to CTWS. At September 30, 2020, SJW Group and its subsidiaries had available unused short-term bank lines of credit totaling \$184,197. The lines of credit bear interest at variable rates. On April 24, 2020, SJW Group terminated a \$15,000 joint unsecured bank line of credit held by SJW Group and SJW Land Company effective April 29, 2020. On May 11, 2020, SJWC amended its \$125,000 unsecured line of credit to increase the lending commitment by \$15,000 to \$140,000. In addition, on May 11, 2020, SJWC entered into an additional unsecured line of credit allowing borrowings of up to \$50,000 for a six month period which has a zero balance as of September 30, 2020. The \$140,000 and \$50,000 lines of credit of SJWC expire on June 1, 2021 and November 11, 2020, respectively. SJWC does not intend to renew the \$50,000 line of credit at maturity. The line of credit for SJWTX, Inc. expires on June 1, 2021. On May 29, 2020, CTWS entered into a Second Amendment to the CTWS's existing \$15,000 credit agreement, dated as of August 6, 2014, with CoBank, ACB ("CoBank"), as amended by the First Amendment, dated October 28, 2015. The Second Amendment amends the prior agreement to, among other things, increase the total commitment by \$25,000, from \$15,000 to \$40,000. The \$40,000 and \$75,000 lines of credit for CTWS expire May 15, 2025 and December 14, 2023, respectively. During 2020, the cost of borrowing on SJW Group's short-term credit facilities has averaged 1.89%. 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 financial covenants that require the borrower to maintain a maximum funded debt to capitalization ratio and a minimum interest coverage ratio. As of September 30, 2020, SJW Group and its subsidiaries were in compliance with all covenants on their lines of credit.

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 key risk, we believe that based on our 2020 activities, we will have access to the external funding sources necessary to implement our on-going capital investment programs in the future. On October 16, 2019, Standard & Poor's Ratings Service initiated coverage on SJW Group assigning a company rating of A-, with a stable outlook and affirming its company rating of SJWC of A, with a stable outlook. In addition, on October 14, 2019, S&P affirmed its ratings of CTWS and Connecticut Water of A- with a stable outlook.

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. SJWC and Connecticut Water sponsor noncontributory pension plans for its employees. Pension costs and the funded status of the plans are 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 fiscal quarter of 2020 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. 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 Form 10-K for the year ended December 31, 2019 and our other public filings, which could materially affect our business, financial condition or future results. Other than the risk factors listed and referenced below, there have been no material changes from risk factors previously disclosed in "Risk Factors" in SJW Group's Form 10-K for the year ended December 31, 2019.

Our business, financial condition, and results of operations have been and will continue to be negatively impacted by the COVID-19 pandemic.

We are subject to risks related to the global pandemic associated with COVID-19. Numerous governmental jurisdictions, including the States of California, Connecticut, Maine and Texas where we maintain our water utility operations, have imposed "shelter-in-place" orders, quarantines, executive orders and similar governmental orders and restrictions for their residents to control the spread of COVID-19. Such orders or restrictions have resulted in business closures, work stoppages, slowdowns and delays in commercial activities, unprecedented and widespread unemployment, travel restrictions and cancellation of events, among other effects, thereby negatively impacting our suppliers, employees and customers, among others. While state governments recently have permitted some reopening of businesses and approved gradual easing of various restrictions, the pandemic continues to have a significant and negative impact on all aspects of economic activities in the U.S.

In California, Governor Gavin Newsom signed an executive order suspending water service disconnections due to non-payment by customers retroactive to March 4, 2020 and until further notice. In Connecticut, the March 12, 2020, PURA moratorium ruling to halt shutoff for nonpayment expired on October 1, 2020, but a pending PURA motion could further adjust the date and extend the suspensions of shutoffs. In Maine, the MPUC moratorium rulings on March 16, 2020 for utility disconnections will be lifted on November 1, 2020. PUCT in Texas had ordered on March 13, 2020 public utilities to suspend water service disconnections and late fees charged to customers which expired on June 13, 2020, but there is no guarantee that PUCT will not reinstate or impose similar orders in the future. These and other events associated with the COVID-19 pandemic have reduced the incentive and ability of our residential and commercial customers to pay their water services bills on time, if at all, which could negatively impact our result of operations. Furthermore, a significant portion of our revenue is derived from water usage by commercial customers. As many of these customers have suspended, altered or terminated their business operations to comply with government orders, their water usage may decline significantly or cease, which could adversely affect our revenue. While some states and counties, including Santa Clara county where our headquarters is located, have announced a schedule to allow more businesses to reopen, some of our commercial customers may decide not to open fully or at all due to their ongoing concerns with safety at the workplace. Connecticut Water has an approved regulatory mechanism for a water revenue adjustment that provides for recovery of the companies' authorized annual revenues through a customer surcharge or credit that mitigates the impact of reduced usage but will not cover losses for non-payment or bad debt. While we expect to recover some of the revenue loss and costs through the rate-making processes, there is no guarantee that such recovery will be approved by the regulated utility authorities in a timely manner, or at all.

In addition to loss of revenue, we are subject to the following risks resulting from the COVID-19 pandemic and related events:

- the financial impact of the COVID-19 pandemic may require us to reassess the goodwill recorded by SJW Group following the completion of our merger with CTWS in October 2019, and such reassessment may result in a future significant or material impairment of our goodwill asset;
- we may encounter difficulties and disruptions in communication and coordination among our employees, partners, customers and others, which may reduce our productivity and interfere with our normal operations;
- our planned infrastructure improvement projects were temporarily interrupted by COVID-19 government orders, restrictions and supply shortages. This may negatively impact our ability to maintain our infrastructure and provide reliable services to customers. In addition, our expenditures on capital improvements has been reduced, which may in turn impact rate decisions by CPUC, PURA, PUCT and MPUC.
- widespread COVID-19 disease could impact the health of our employees and management team, which may disrupt our business operations; and

- a recession, stock market correction, or debt market disruptions resulting from the spread of COVID-19 could materially affect our business, our results of operations, our cash flow, and the value of our common stock, which may make it more difficult for us to access capital in equity and debt markets.

The ultimate impact of the COVID-19 pandemic continues to be uncertain and subject to change. We cannot predict when this pandemic will end and when and to what extent various government orders and restrictions will be imposed, modified, eased or lifted, and any extension or prolonged implementation of these measures will further adversely affect our business and financial results. Even after such orders and restrictions are eased or lifted, the severe economic impact on the jurisdictions and areas in which we operate may last for an extended period of time and continue to adversely affect our business and financial conditions, and there is no guarantee that we will be able to quickly return to our normal operations.

The phaseout of the London Interbank Offered Rate (“LIBOR”), or the replacement of LIBOR with a different reference rate, may adversely affect interest rates.

On July 27, 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced that it would phaseout LIBOR by the end of 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021, or if alternative rates or benchmarks will be adopted. Changes in the method of calculating LIBOR, or the replacement of LIBOR with an alternative rate or benchmark, may adversely affect interest rates and result in higher borrowing costs for both our existing debt agreements that include LIBOR interest rates and future loan agreements that we may enter into. In addition, we have not engaged in discussions with our existing lenders regarding the LIBOR transition and we cannot predict how such transition will impact the interest rates and other terms of our existing debt agreements. This could materially and adversely affect the SJW Group’s results of operations, cash flows and liquidity. We cannot predict the effect of the potential changes to LIBOR or the establishment and use of alternative rates or benchmarks.

ITEM 5. OTHER INFORMATION

Quarterly Dividend

On October 28, 2020, the Board of Directors of SJW Group declared the regular quarterly dividend of \$0.32 per share of common stock. The dividend will be paid on December 1, 2020, to stockholders of record as of the close of business on November 9, 2020.

Information Web Sites

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

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	Second Amendment to the SJW Group Long-Term Incentive Plan dated October 28, 2020. (1)
10.2	SJW Group Amended and Restated Executive Officer Short-Term Incentive Plan dated October 28, 2020. (1)
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chairman, President and Chief Executive Officer. (1)
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chief Financial Officer and Treasurer. (1)
32.1	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)
32.2	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)
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: November 6, 2020

By: /s/ JAMES P. LYNCH

James P. Lynch

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

**SECOND AMENDMENT
TO THE
SJW GROUP
LONG-TERM INCENTIVE PLAN**
(As Amended and Restated July 29, 2015)

WHEREAS, SJW Group (the “Corporation”) maintains the SJW Group Long-Term Incentive Plan, as amended and restated on July 29, 2015 and as subsequently amended on November 15, 2016 (the “Plan”); and

WHEREAS, the Corporation wishes to amend the Plan to include new performance goals.

NOW, THEREFORE, the Plan is hereby amended as follows to be effective as of October 28, 2020:

1. The definition for “Performance Goals” in Section Y of the Appendix to the Plan is hereby deleted in its entirety and replaced with the following in lieu thereof:

Y. **Performance Goals** shall mean any of the following performance criteria upon which the vesting of one or more Awards under the Plan may be based: (i) pre-tax or after-tax earnings, profit or net income; (ii) revenue or revenue growth; (iii) earnings per share; (iv) return on assets, capital, shareholder equity or rate base; (v) total shareholder return; (vi) gross or net profit margin; (vii) cash flow, operating cash flow or free cash flow; (viii) approved rate increases; (ix) earnings or operating income before interest, taxes, depreciation, amortization and/or charges for stock-based compensation; (x) increases in customer base; (xi) operating income, net operating income or net operating income after recorded tax expense; (xii) operating profit, net operating profit or net operating profit after recorded tax expense; (xiii) operating margin; (xiv) cost reductions or other expense control objectives; (xv) market price of the Common Stock, whether measured in absolute terms or in relationship to earnings or operating income; (xvi) compliance with applicable environmental requirements or applicable regulatory requirements; (xvii) budget objectives; (xviii) working capital; (xix) mergers, acquisitions or divestitures; (xx) attainment of water industry objectives measured in terms of water quality, service, reliability and efficiency; (xxi) measures of customer satisfaction; (xxii) property purchases or sales; (xxiii) construction goals; (xxiv) plant utilization or capacity; (xxv) litigation or regulatory resolution goals; (xxvi) rate base objectives; (xxvii) credit rating; (xxviii) application approvals; (xxix) economic value added; (xxx) productivity goals; (xxxi) capital budget or capital expenditures; (xxxii) objectives tied to capital growth; (xxxiii) human capital measures or metrics; (xxxiv) strategic plan development and implementation and/or achievement of synergy targets; (xxxv) environmental, social and governance efforts and improvements; and (xxxvi) operational and organization goals. Each performance criteria may be based upon the attainment of specified levels of the Corporation’s performance under one or more of the measures described above either in terms of the Corporation’s performance or in relation to the performance of other entities and may also be based on the performance of any of the Corporation’s business units or divisions or any Parent or Subsidiary. In addition, one or more of

such performance criteria may be measured in terms of percentage achievement of the budgeted amounts established for those criteria. Each applicable Performance Goal may include a minimum threshold level of performance below which no Award will be earned, levels of performance at which specified portions of an Award will be earned and a maximum level of performance at which an Award will be fully earned. Each applicable performance goal may provide for appropriate adjustments or exclusions for one or more of the following items: (a) asset impairments or write-downs; (b) litigation and governmental investigation expenses, and amounts paid with respect to judgments, verdicts and settlements in connection therewith; (c) the effect of changes in tax law, accounting principles, any public utility commission rules and regulations or any other such laws, regulations or provisions affecting reported results; (d) accruals for reorganization and restructuring programs; (e) costs and expenses incurred in connection with mergers and acquisitions; (f) any extraordinary or nonrecurring items; (g) bonus or incentive compensation costs and expenses associated with cash-based awards made under the Plan, the Corporation's Executive Officer Short-Term Incentive Plan, or other cash-paid bonus or incentive compensation plans or arrangements of the Corporation or any Parent or Subsidiary; (h) items of income, gain, loss or expense attributable, in the year of acquisition, to the operations of any business acquired by the Corporation or any Parent or Subsidiary; (i) items of income, gain, loss or expense attributable to any joint venture in which the Corporation or any Parent or Subsidiary participates; (j) items of income, gain, loss or expense attributable to one or more business operations divested by the Corporation or any Parent or Subsidiary or the gain or loss realized upon the sale of any such business or the assets thereof; and (k) the effects of any corporate transaction, such as a merger, consolidation, separation or reorganization.

2. Except as expressly modified by this Second Amendment, all the terms and provisions of the Plan shall continue to remain in full force and effect.

[Signature Page Follows]

IN WITNESS WHEREOF, the Corporation has caused this Second Amendment to be executed on October 28, 2020.

SJW Group

By: /s/ Eric W. Thornburg

Name: Eric W. Thornburg

Title: Chief Executive Officer, President and Chairman

[Signature Page to the Second Amendment to the Long-Term Incentive Plan]

SJW GROUP
EXECUTIVE OFFICER SHORT-TERM INCENTIVE PLAN
AS AMENDED AND RESTATED OCTOBER 28, 2020

I. PURPOSE OF THE PLAN

This SJW Group Executive Officer Short-Term Incentive Plan, as amended and restated (the “**Plan**”) is intended to promote the interests of SJW Group (the “**Company**”) and its shareholders by maintaining a compensation program to provide the Company’s executive officers with the opportunity to earn incentive compensation awards that are tied to the achievement of specific performance objectives.

The Plan was initially adopted by the Company’s Board of Directors (the “**Board**”) on January 30, 2008 and approved by the Company’s shareholders at the 2008 Annual Shareholders Meeting. The Plan was amended and restated by the Board on January 30, 2013 and approved by the Company’s shareholders at the 2013 Annual Meeting. The Plan was further amended and restated by the Board on October 28, 2020.

II. PLAN STRUCTURE

A. Incentive compensation awards shall be earned under the Plan on the basis of the Company’s performance measured in terms of one or more pre-established performance objectives to be attained over a designated performance period (the “**Performance Period**”). Each applicable Performance Period under the Plan shall be established by the Plan Administrator and may range in duration from a minimum period of twelve (12) months to a maximum period of sixty (60) months.

B. No incentive compensation award shall be earned with respect to a particular performance objective unless that performance objective is attained at the minimum threshold level. The Participant may earn an incentive compensation award at a dollar amount in excess of the target incentive compensation award amount set for the Participant for a particular Performance Period if the applicable performance objectives for that Performance Period are attained at an above-target level.

C. The Plan Administrator shall have the discretionary authority to reduce the actual incentive compensation award amount payable to any Participant below the amount that would otherwise be payable to that individual based solely on the attained level of the performance objectives for the applicable Performance Period. In no event, however, may the Plan Administrator increase the incentive compensation award amount payable to a Participant beyond the maximum incentive compensation award amount set for the attained level of performance.

III. PLAN ADMINISTRATION

A. The Plan shall be administered by a committee of two or more non-employee members of the Board. Such committee in its capacity as administrator of the Plan (the “**Plan Administrator**”) shall have full power and authority (subject to the express provisions of the Plan) to:

- (i) establish the duration of each Performance Period;
- (ii) select the eligible individuals who are to participate in the Plan for such Performance Period;
- (iii) determine the specific performance objectives for each Performance Period at one or more designated levels of attainment and set the incentive compensation award potential for each participant at each corresponding level of attainment;
- (iv) determine the attained level of the applicable performance objectives for the Performance Period and determine, on the basis of such level of attainment, the actual incentive compensation award amount for each participant in an amount not to exceed his or her maximum incentive compensation award potential for the level of attainment; and
- (v) exercise discretionary authority, when appropriate, to reduce the actual incentive compensation award amount payable to any participant below his or her incentive compensation award potential for the level at which the applicable performance objectives for the Performance Period are attained.

B. The Plan Administrator shall also have full power and authority to interpret and construe the provisions of the Plan and adopt rules and regulations for the administration of the Plan.

C. Decisions of the Plan Administrator shall be final and binding upon all parties who may have an interest in the Plan or any incentive compensation award amount payable under the Plan.

IV. ELIGIBILITY AND PARTICIPATION

A. The individuals eligible to participate in the Plan shall be limited to: (i) the executive officers of the Company subject to the short-swing trading provisions of Section 16 of the Securities Exchange Act of 1934, as amended, and (ii) other key employees of the Company or its subsidiaries. The Plan Administrator shall have complete discretion in selecting the eligible individuals who are to participate in the Plan for one or more Performance Periods.

B. An individual selected for participation in the Plan for a Performance Period shall cease to be a participant and shall not be entitled to any incentive compensation award payment for that Performance Period if such individual ceases Employee status for any reason prior to the date that Performance Period ends (the “**Completion Date**”); **provided, however**, that the following participants shall receive a portion of the actual incentive compensation award to which they would otherwise have been entitled pursuant to Articles V and VI, on the basis of the level at which the applicable performance objectives are in fact attained for that Performance Period, had they continued in Employee status through the Completion Date:

- (i) any participant who ceases Employee status prior to the Completion Date by reason of death or Disability;
- (ii) any participant whose Employee status terminates under circumstances entitling that individual to a full or pro-rata incentive compensation award pursuant to the express terms of any agreement or arrangement to which that individual and the Company are parties; and
- (iii) any participant whose Employee status terminates under special circumstances that warrant, in the Plan Administrator’s sole discretion, a pro-rated incentive compensation award for that Performance Period.

C. In no event shall the incentive compensation award paid to any participant pursuant to Paragraph IV.B exceed the dollar amount determined by dividing: (i) the actual incentive compensation award to which that participant would have become entitled pursuant to Articles V and VI, on the basis of the level at which the applicable performance objectives for the Performance Period are in fact attained, had he or she continued in Employee status through the Completion Date by (ii) a fraction the numerator of which is the number of days such individual remained in active Employee status during that Performance Period and the denominator of which is the total number of days in such Performance Period; **provided, however**, that a participant covered under subparagraph (ii) of Paragraph IV.B may become entitled, pursuant to the terms of his or her agreement or arrangement with the Company, to the full amount of the incentive compensation award earned for the Performance Period on the basis of the level at which the applicable performance objectives are in fact attained.

D. For purposes of this Article IV, the following definitions shall be in effect:

- (i) A participant shall be deemed to continue in “**Employee**” status for so long as that individual remains in the employ of the Company or any parent or subsidiary of the Company.
- (ii) A participant shall be deemed to have ceased Employee status by reason of a “**Disability**” if such cessation of Employee status occurs by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.
- (iii) Each corporation (other than the Company) in an unbroken chain of corporations ending with the Company shall be considered to be a “**parent**” of the Company, provided that each such corporation (other than the Company) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- (iv) Each corporation (other than the Company) in an unbroken chain of corporations beginning with the Company shall be considered to be a “**subsidiary**” of the Company, provided that each such corporation (other than the last corporation in the unbroken chain) owns, at the time of determination, stock possessing more than fifty percent (50%) of the total combined voting power of all classes of stock in one of the other corporations in such chain.

E. A participant who is absent from active Employee status for a portion of a Performance Period by reason of an authorized leave of absence shall not be deemed to have ceased Employee status during the period of that leave. However, any incentive compensation award to which such participant may otherwise become entitled under the Plan for that Performance Period based on the level at which the applicable performance objectives for such Performance Period are in fact attained shall be pro-rated based on the portion of that Performance Period during which that individual is in active working status and not on such leave of absence, unless the Plan Administrator otherwise deems it appropriate under the circumstances to provide that individual with the full incentive compensation award that he or she would have earned for that Performance Period, on the basis of the level at which the applicable performance objectives are in fact attained, had there been no leave of absence.

V. DETERMINATION OF PERFORMANCE GOALS AND POTENTIAL INCENTIVE COMPENSATION AWARD AMOUNTS

A. Participants shall be eligible to earn a cash incentive compensation award under the Plan for each Performance Period for which one or more performance objectives established by the Plan Administrator for that Performance Period are attained. The Plan Administrator shall establish the specific performance objectives for each Performance Period. In no event may a performance objective be established at a time when there exists no substantial uncertainty as to its attainment.

B. For each Performance Period, the performance objectives may be based on one or more of the following criteria: (i) pre-tax or after-tax earnings, profit or net income; (ii) revenue or revenue growth; (iii) earnings per share; (iv) return on assets, capital, shareholder equity or rate base; (v) total shareholder return; (vi) gross or net profit margin; (vii) cash flow, operating cash flow or free cash flow; (viii) approved rate increases; (ix) earnings or operating income before interest, taxes, depreciation, amortization and/or charges for stock-based compensation; (x) increases in customer base; (xi) operating income, net operating income or net operating income after recorded tax expense; (xii) operating profit, net operating profit or net operating profit after recorded tax expense; (xiii) operating margin; (xiv) cost reductions or other expense control objectives; (xv) market price of the Common Stock, whether measured in absolute terms or in relationship to earnings or operating income; (xvi) compliance with applicable environmental requirements or applicable regulatory requirements; (xvii) budget objectives; (xviii) working capital; (xix) mergers, acquisitions or divestitures; (xx) attainment of water industry objectives measured in terms of water quality, service, reliability and efficiency; (xxi) measures of customer satisfaction; (xxii) property purchases or sales; (xxiii) construction goals; (xxiv) plant utilization or capacity; (xxv) litigation or regulatory resolution goals; (xxvi) rate base objectives; (xxvii) credit rating; (xxviii) application approvals; (xxix) economic value added; (xxx) productivity goals; (xxxii) capital budget or capital expenditures; (xxxiii) objectives tied to capital growth; (xxxiv) human capital measures or metrics; (xxxv) strategic plan development and implementation and/or achievement of synergy targets; (xxxvi) environmental, social and governance efforts and improvements; and (xxxvii) operational and organization goals. Each performance criteria may be based upon the attainment of specified levels of the Company's performance under one or more of the measures described above either in terms of the Company's performance or in relation to the performance of other entities and may also be based on the performance of any of the Company's business units or divisions or any Parent or Subsidiary. In addition, one or more of such performance criteria may be measured in terms of percentage achievement of the budgeted amounts established for those criteria. Each applicable Performance Goal may include a minimum threshold level of performance below which no Award will be earned, levels of performance at which specified portions of an Award will be earned and a maximum level of performance at which an Award will be fully earned. Each applicable performance goal may provide for appropriate adjustments or exclusions for one or more of the following items: (a) asset impairments or write-downs; (b) litigation and governmental investigation expenses, and amounts paid with respect to judgments, verdicts and settlements in connection therewith; (c) the effect of changes in tax law, accounting principles, any public utility commission rules and regulations or any other such laws, regulations or provisions affecting reported results; (d) accruals for reorganization and restructuring programs; (e) costs and expenses incurred in connection with mergers and acquisitions; (f) any extraordinary or nonrecurring items; (g) bonus or incentive compensation costs and expenses associated with cash-based awards made under the Plan, the Company's Long-Term Incentive Plan, or other cash-paid bonus or incentive compensation plans or arrangements of the Company or any Parent or Subsidiary; (h) items of income, gain, loss or expense attributable, in the year of acquisition, to the operations of any business acquired by the Company or any Parent or Subsidiary; (i) items of income, gain, loss or expense attributable to any joint venture in which the Company or any Parent or Subsidiary participates; (j) items of income, gain, loss or expense attributable to one or more business operations divested by the Company or any Parent or Subsidiary or the gain or loss realized upon the sale of any such business or the assets thereof; and (k) the effects of any corporate transaction, such as a merger, consolidation, separation or reorganization.

C. For each performance objective, the Plan Administrator may establish up to three (3) designated levels of attainment: threshold, target and above-target levels of attainment. At the time the performance objectives for a particular Performance Period are established, the Plan Administrator shall also set the incentive compensation award potential for each participant at each of the designated performance levels. Alternatively, the Plan Administrator may establish a linear formula for determining the incentive compensation award potential at various points of performance goal attainment. Under no circumstance, however, shall the aggregate incentive compensation award potential for any participant for any Performance Period exceed the applicable Maximum Incentive Compensation Award Amount set forth in Paragraph VI.B.

D. The actual incentive compensation award to be paid for each Performance Period shall be determined by the Plan Administrator on the basis of the level at which each of the performance objectives applicable to that Performance Period is in fact attained. Accordingly, each performance objective shall be measured separately in terms of actual level of attainment and shall be weighted, equally or in such other proportion as the Plan Administrator shall determine at the time such performance objectives are established, in determining the actual incentive compensation award payable to each participant for the Performance Period. For example, if four (4) performance objectives are established for the Performance Period and weighted equally, then each of those objectives attained at target level will contribute an amount equal to twenty-five percent (25%) of the total incentive compensation award payable to the participant at target level performance, and each objective attained at above-target level will contribute an amount equal to twenty-five percent (25%) of the total incentive compensation award payable to the participant at above-target level performance. However, no incentive compensation award amount shall be payable with respect any performance objective, unless the specified threshold level for that objective is attained.

E. The Plan Administrator shall determine the actual level of attainment of each performance objective for the Performance Period before any incentive compensation award is paid for that Performance Period.

VI. INDIVIDUAL INCENTIVE COMPENSATION AWARDS

A. The actual incentive compensation award to be paid to each participant for a particular Performance Period will be determined on the basis of the incentive compensation award potential established for that individual at the various levels of attainment designated for each of the performance objectives applicable to that Performance Period. Should the actual level of attainment of any such performance objective be between two of the designated levels, then the participant's incentive compensation award potential will be interpolated on a straight-line basis. In no event shall any participant be awarded total incentive compensation in excess of the amount determined on the basis of the incentive compensation award potential (as so interpolated) established for the particular level at which each of the applicable performance objectives for the Performance Period is in fact attained. However, the Plan Administrator shall have the discretion to reduce or eliminate the incentive compensation award that would otherwise be payable with respect to one or more performance objectives based on their level of attainment as determined by the Plan Administrator.

B. The maximum incentive compensation award payment under the Plan (the "**Maximum Incentive Compensation Award Amount**") that any one participant may receive shall be limited to One Million Dollars (\$1,000,000) for each full or partial calendar year included within the applicable Performance Period, up to a maximum award of Five Million Dollars (\$5,000,000) for any Performance Period with a maximum duration of sixty (60) months.

C. Except as otherwise provided in Paragraphs IV.B and C above, no participant shall accrue any right to receive an incentive compensation award under the Plan unless that participant remains in Employee status through the Completion Date of the Performance Period. Accordingly, no incentive compensation award payment shall be made to any participant who ceases Employee status prior to the Completion Date, **provided, however**, that the provisions of Paragraphs IV.B and C shall govern the incentive compensation award entitlement of participants whose Employee status terminates under the various circumstances set forth in those provisions.

D. The actual incentive compensation award which a participant earns for a particular Performance Period shall be paid pursuant to the following procedures:

- (i) Within sixty (60) days following the completion of the Performance Period, the Plan Administrator shall meet to determine the actual levels at which the performance objectives for such period have been attained and determine, on the basis of such levels of attainment, the actual incentive compensation award amount to be paid to each participant for that Performance Period.
- (ii) Within fifteen (15) business days following the completion of such determination process, the actual incentive compensation award amount determined for each participant shall be paid, subject to the Company's collection of all applicable federal, state and local income and employment withholding taxes.
- (iii) The incentive compensation award earned for each Performance Period shall be paid no later than the first business day of March of the calendar year (the "**Post-Performance Year**") immediately following the calendar year in which the Completion Date for that Performance Period occurs. In no event will an incentive compensation award be paid earlier than the first day of the Post-Performance Year, unless an earlier payment date for such incentive compensation award would not otherwise result in adverse tax consequences under Section 409A of the Code. A participant may, however, defer the receipt of his or her incentive compensation award payment until separation from service or other designated date through a timely election made under the Company's Special Deferral Election Plan.

E. All incentive compensation award payments shall be made in cash.

VII. GENERAL PROVISIONS

A. The Plan and all rights hereunder shall be construed, administered and governed in all respects in accordance with the laws of the State of California without resort to its conflict-of-laws provisions. If any provision of the Plan shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the Plan shall continue in full force and effect.

B. The Plan is intended to comply with the applicable requirements of Code Section 409A and the Treasury Regulations thereunder. However, payments to participants for one or more Performance Periods may be structured so as to comply with the "short term deferral exception" to Code Section 409A. Accordingly, for those particular Performance Periods, the provisions of the Plan shall be applied, construed and administered so that payments made for those Performance Periods qualify for such exception, to the maximum extent allowable. However, to the extent the incentive compensation award program in effect for any Performance Period is deemed to constitute a deferred compensation arrangement subject to the requirements of Code Section 409A, the provisions of the Plan applicable to that Performance Period shall be applied, construed and administered so that the incentive compensation award payments for that Performance Period are made in compliance with the applicable requirements and limitations of Code Section 409A. In addition, should there arise any ambiguity as to whether any other provisions of the Plan would contravene one or more applicable requirements or limitations of Code Section 409A and the

Treasury Regulations thereunder, such provisions shall be interpreted, administered and applied in a manner that complies with the applicable requirements of Code Section 409A and the Treasury Regulations thereunder.

C. The Plan Administrator may at any time amend, suspend or terminate the Plan, provided such action does not adversely affect the rights and interests of participants accrued to date under the Plan or otherwise impair their ability to earn an incentive compensation award based upon the performance objectives established by the Plan Administrator for the then-current Performance Period.

D. Neither the action of the Company in establishing or maintaining the Plan, nor any action taken under the Plan by the Plan Administrator, nor any provision of the Plan itself shall be construed so as to grant any person the right to remain in Employee status for any period of specific duration, and each participant shall at all times remain an Employee at-will and may accordingly be discharged at any time, with or without cause and with or without advance notice of such discharge.

E. The terms and conditions of the Plan, together with the obligations and liabilities of the Company that accrue hereunder, shall be binding upon any successor to the Company, whether by way of merger, consolidation, reorganization or other change in ownership or control of the Company.

F. No participant shall have the right to transfer, alienate, pledge or encumber his or her interest in the Plan, and such interest shall not (to the maximum permitted by law) be subject to the claims of the participant's creditors or to attachment, execution or other process of law. However, should a participant die before payment is made of the actual incentive compensation award to which he or she has become entitled under the Plan, then that incentive compensation award shall be paid to the executor or other legal representative of his or her estate.

G. No amounts accrued or earned under the Plan shall actually be funded, set aside or otherwise segregated prior to actual payment. The obligation to pay the incentive compensation award that actually becomes due and payable under the Plan shall at all times be an unfunded and unsecured obligation of the Company. Participants shall have the status of general creditors and shall look solely and exclusively to the general assets of the Company for payment.

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 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 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 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: November 6, 2020

/s/ ERIC W. THORNBURG

Eric W. Thornburg

Chairman, President and Chief Executive Officer

(Principal executive officer)

CERTIFICATIONS

I, James P. Lynch, 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 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 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 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: November 6, 2020

/s/ JAMES P. LYNCH

James P. Lynch
Chief Financial Officer and Treasurer
(Principal financial officer)

**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, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric W. Thornburg, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge on the date hereof:

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

/s/ ERIC W. THORNBURG

Eric W. Thornburg

Chairman, President and Chief Executive Officer

(Principal executive officer)

November 6, 2020

**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, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James P. Lynch, 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/ JAMES P. LYNCH

James P. Lynch

Chief Financial Officer and Treasurer

(Principal financial officer)

November 6, 2020