
**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, 2024

OR

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

For the transition period from _____ to _____

Commission file number 001-8966

SJW GROUP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

110 West Taylor Street, San Jose, CA

(Address of principal executive offices)

77-0066628

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

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 such files). Yes No

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

Large accelerated filer Non-accelerated filer

Accelerated filer Smaller reporting company

Emerging growth company

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of October 21, 2024, there were 33,253,536 shares of the registrant's Common Stock outstanding.

TABLE OF CONTENTS

	Page
Forward-Looking Statements	3
PART I	4
FINANCIAL INFORMATION	4
Item 1. Financial Statements	4
Condensed Consolidated Statements of Comprehensive Income (unaudited) For the Three and Nine Months Ended September 30, 2024 and 2023	4
Condensed Consolidated Balance Sheets (unaudited) as of September 30, 2024 and December 31, 2023	5
Condensed Consolidated Statements of Changes in Stockholders' Equity (unaudited) For the Three and Nine Months Ended September 30, 2024 and 2023	7
Condensed Consolidated Statements of Cash Flows (unaudited) For the Nine Months Ended September 30, 2024 and 2023	9
Notes to Unaudited Condensed Consolidated Financial Statements	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3. Quantitative and Qualitative Disclosures About Market Risk	31
Item 4. Controls and Procedures	31
PART II	32
OTHER INFORMATION	32
Item 1. Legal Proceedings	32
Item 1A. Risk Factors	32
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 3. Defaults Upon Senior Securities	32
Item 4. Mine Safety Disclosures	32
Item 5. Other Information	32
Item 6. Exhibits	33
Signatures	34

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Some of these forward-looking statements can be identified by the use of forward-looking words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” “projects,” “strategy,” or “anticipates,” or the negative of those words or other comparable terminology. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict.

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

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

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

Results for a quarter are not indicative of results for a full year due to seasonality and other factors. In addition, actual results, performance or achievements 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 future performance, and speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, 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,	
	2024	2023	2024	2023
Operating revenue	\$ 225,063	204,843	\$ 550,619	499,025
Operating expense:				
Production Expenses:				
Purchased water	54,310	46,044	118,631	101,054
Power	3,396	2,785	8,560	7,363
Groundwater extraction charges	25,081	21,398	54,759	46,751
Other production expenses	12,919	12,415	36,020	36,379
Total production expenses	95,706	82,642	217,970	191,547
Administrative and general	25,708	23,888	71,964	71,759
Maintenance	8,512	6,457	23,080	18,813
Property taxes and other non-income taxes	9,361	8,795	26,610	25,092
Depreciation and amortization	27,423	26,455	84,159	78,872
Total operating expense	166,710	148,237	423,783	386,083
Operating income	58,353	56,606	126,836	112,942
Other (expense) income:				
Interest on long-term debt and other interest expense	(17,516)	(16,744)	(53,394)	(48,913)
Pension non-service credit (cost)	940	(740)	2,829	(906)
Other, net	(1,197)	1,661	2,659	7,042
Income before income taxes	40,580	40,783	78,930	70,165
Provision for income taxes	1,928	4,561	7,883	4,127
Net income	38,652	36,222	71,047	66,038
Other comprehensive income (loss), net	—	318	(442)	420
Comprehensive income	\$ 38,652	36,540	\$ 70,605	66,458
Earnings per share				
Basic	\$ 1.17	1.14	\$ 2.19	2.10
Diluted	\$ 1.17	1.13	\$ 2.18	2.09
Dividends per share	\$ 0.40	0.38	\$ 1.20	1.14
Weighted average shares outstanding				
Basic	32,896,967	31,862,518	32,458,666	31,436,077
Diluted	32,982,580	31,934,636	32,530,954	31,526,732

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, 2024	December 31, 2023
Assets		
Utility plant:		
Land	\$ 44,646	41,415
Depreciable plant and equipment	4,141,490	3,967,911
Construction work in progress	203,040	106,980
Intangible assets	64,372	35,946
Total utility plant	4,453,548	4,152,252
Less: accumulated depreciation and amortization	1,047,631	981,598
Net utility plant	3,405,917	3,170,654
Nonutility properties and real estate investments	1,352	13,350
Less: accumulated depreciation and amortization	97	194
Net nonutility properties and real estate investments	1,255	13,156
Current assets:		
Cash and cash equivalents	3,967	9,723
Accounts receivable:		
Customers, net of allowances for uncollectible accounts of \$848 and \$6,551 on September 30, 2024 and December 31, 2023, respectively	75,849	67,870
Income tax	11,262	5,187
Other	6,286	3,684
Accrued unbilled utility revenue	68,342	49,543
Assets held for sale	—	40,850
Prepaid expenses	15,411	11,110
Current regulatory assets	828	4,276
Other current assets	5,331	6,146
Total current assets	187,276	198,389
Other assets:		
Regulatory assets, less current portion	253,162	235,910
Investments	18,213	16,411
Postretirement benefit plans	39,387	33,794
Other intangible asset	—	28,386
Goodwill	640,311	640,311
Other	6,781	8,056
Total other assets	957,854	962,868
Total assets	\$ 4,552,302	4,345,067

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, 2024	December 31, 2023
Capitalization and liabilities		
Capitalization:		
Stockholders' equity:		
Common stock, \$0.001 par value; authorized 70,000,000 shares; issued and outstanding shares 33,226,735 on September 30, 2024 and 32,023,004 on December 31, 2023	\$ 33	32
Additional paid-in capital	804,848	736,191
Retained earnings	527,575	495,383
Accumulated other comprehensive income	1,349	1,791
Total stockholders' equity	1,333,805	1,233,397
Long-term debt, less current portion	1,673,715	1,526,699
Total capitalization	3,007,520	2,760,096
Current liabilities:		
Lines of credit	93,235	171,500
Current portion of long-term debt	8,088	48,975
Accrued groundwater extraction charges, purchased water and power	38,433	24,479
Accounts payable	44,480	46,121
Accrued interest	19,549	15,816
Accrued payroll	12,180	12,229
Current regulatory liabilities	1,770	3,059
Other current liabilities	26,314	20,795
Total current liabilities	244,049	342,974
Deferred income taxes	268,370	238,528
Advances for construction	150,546	146,582
Contributions in aid of construction	336,559	326,451
Postretirement benefit plans	48,158	46,836
Regulatory liabilities, less current portion	473,899	461,108
Other noncurrent liabilities	23,201	22,492
Commitments and contingencies		
Total capitalization and liabilities	\$ 4,552,302	4,345,067

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	Total Stockholders' Equity
	Number of Shares	Amount				
Balances, December 31, 2023	32,023,004	\$ 32	736,191	495,383	1,791	1,233,397
Net income	—	—	—	11,699	—	11,699
Unrealized loss on investment, net of tax of \$163	—	—	—	—	(442)	(442)
Stock-based compensation	—	—	1,538	(9)	—	1,529
Issuance of restricted and deferred stock units	30,432	—	(1,215)	—	—	(1,215)
Employee stock purchase plan	21,755	—	1,101	—	—	1,101
Common stock issuance, net of costs	126,025	—	7,006	—	—	7,006
Dividends paid (\$0.40 per share)	—	—	—	(12,824)	—	(12,824)
Balances, March 31, 2024	32,201,216	32	744,621	494,249	1,349	1,240,251
Net income	—	—	—	20,696	—	20,696
Stock-based compensation	—	—	1,275	(8)	—	1,267
Issuance of restricted and deferred stock units	9,083	—	(2)	—	—	(2)
Common stock issuance, net of costs	458,605	1	25,295	—	—	25,296
Dividends paid (\$0.40 per share)	—	—	—	(12,900)	—	(12,900)
Balances, June 30, 2024	32,668,904	33	771,189	502,037	1,349	1,274,608
Net income	—	—	—	38,652	—	38,652
Stock-based compensation	—	—	1,566	(8)	—	1,558
Issuance of restricted and deferred stock units	1,388	—	(1)	—	—	(1)
Employee stock purchase plan	21,098	—	1,087	—	—	1,087
Common stock issuance, net of costs	535,345	—	31,007	—	—	31,007
Dividends paid (\$0.40 per share)	—	—	—	(13,106)	—	(13,106)
Balances, September 30, 2024	33,226,735	\$ 33	804,848	527,575	1,349	1,333,805

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 Loss	Total Stockholders' Equity
	Number of Shares	Amount				
Balances, December 31, 2022	30,801,912	\$ 31	651,004	458,356	1,477	1,110,868
Net income	—	—	—	11,530	—	11,530
Unrealized gain on investment, net of taxes of \$0	—	—	—	—	93	93
Stock-based compensation	—	—	1,199	(22)	—	1,177
Issuance of restricted and deferred stock units	38,776	—	(1,538)	—	—	(1,538)
Employee stock purchase plan	16,410	—	1,080	—	—	1,080
Common stock issuance, net of costs	570,026	—	40,997	—	—	40,997
Dividends paid (\$0.38 per share)	—	—	—	(11,722)	—	(11,722)
Balances, March 31, 2023	31,427,124	31	692,742	458,142	1,570	1,152,485
Net income	—	—	—	18,286	—	18,286
Unrealized gain on investment, net of taxes of \$(37)	—	—	—	—	8	8
Stock-based compensation	—	—	1,139	(17)	—	1,122
Issuance of restricted and deferred stock units	13,429	—	(20)	—	—	(20)
Common stock issuance, net of costs	290,477	1	22,781	—	—	22,782
Dividends paid (\$0.38 per share)	—	—	—	(11,947)	—	(11,947)
Balances, June 30, 2023	31,731,030	32	716,642	464,464	1,578	1,182,716
Net income	—	—	—	36,222	—	36,222
Unrealized gain on investment, net of taxes of \$193	—	—	—	—	318	318
Stock-based compensation	—	—	1,238	(8)	—	1,230
Issuance of restricted and deferred stock units	14,840	—	(706)	—	—	(706)
Employee stock purchase plan	17,712	—	1,061	—	—	1,061
Common stock issuance, net of costs	169,421	—	11,505	—	—	11,505
Dividends paid (\$0.38 per share)	—	—	—	(12,093)	—	(12,093)
Balances, September 30, 2023	31,933,003	\$ 32	729,740	488,585	1,896	1,220,253

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,	
	2024	2023
Operating activities:		
Net income	\$ 71,047	66,038
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	85,811	80,544
Deferred income taxes	27,142	12,996
Stock-based compensation	4,379	3,576
Allowance for equity funds used during construction	(1,750)	(1,649)
Changes in operating assets and liabilities:		
Accounts receivable and accrued unbilled utility revenue	(26,509)	(26,782)
Accounts payable and other current liabilities	(2,271)	557
Accrued groundwater extraction charges, purchased water and power	13,954	13,463
Tax receivable and payable, and other accrued taxes	(17,960)	690
Postretirement benefits	(2,363)	(1,851)
Regulatory assets and liabilities excluding cost of removal, income tax temporary differences, and postretirement benefits	836	16,092
Other changes, net	1,750	(4,371)
Net cash provided by operating activities	154,066	159,303
Investing activities:		
Additions to utility plant:		
Company-funded	(252,275)	(195,937)
Contributions in aid of construction	(18,757)	(13,604)
Additions to nonutility assets and real estate investments	—	(24,244)
Cost to retire utility plant, net of salvage	(2,286)	(908)
Proceeds from sale of real estate investments	40,669	—
Payments for business acquisitions	—	(7,286)
Other changes, net	(29)	238
Net cash used in investing activities	(232,678)	(241,741)
Financing activities:		
Borrowings on line of credit	156,000	102,655
Repayments on line of credit	(235,149)	(133,800)
Long-term borrowings	150,329	70,000
Repayments of long-term borrowings	(43,053)	(3,062)
Issuance of common stock, net of issuance costs	63,309	75,284
Dividends paid	(38,830)	(35,762)
Receipts of advances and contributions in aid of construction	22,304	18,889
Refunds of advances for construction	(2,113)	(2,148)
Other changes, net	59	(895)
Net cash provided by financing activities	72,856	91,161
Net change in cash and cash equivalents	(5,756)	8,723
Cash and cash equivalents, beginning of period	9,723	12,344
Cash and cash equivalents, end of period	\$ 3,967	21,067
Cash paid during the period for:		
Interest	\$ 52,299	44,132
Interest, net of amounts capitalized	\$ 49,716	42,199
Income taxes	\$ 1,292	818
Supplemental disclosure of non-cash activities:		
Accrued payables for additions to utility plant	\$ 35,970	26,315
Utility property installed by developers	\$ 699	1,295
Proceeds receivable from sale of real estate investments	\$ 2,801	—
Accrued selling expenses on sale of real estate investments	\$ 2,201	—
Seller financing in asset acquisition, net of discount	\$ —	15,400

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

Note 1. General

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

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

SJW Group is a holding company with five wholly owned subsidiaries: San Jose Water Company ("SJWC"), SJWTX Holdings, Inc., SJW Land Company, SJWNE LLC, and National Water Utility Service, LLC ("National Water Utility"). SJWTX Holdings, Inc., is a holding company for its wholly owned subsidiaries, SJWTX, Inc., doing business as The Texas Water Company ("TWC"), Texas Water Operation Services, LLC, ("TWOS") and Texas Water Resources, LLC ("TWR"). SJWNE LLC is the holding company for Connecticut Water Service, Inc. ("CTWS") whose wholly owned subsidiaries are The Connecticut Water Company ("CWC"), The Maine Water Company ("MWC"), New England Water Utility Services, Inc. ("NEWUS"), and Chester Realty, Inc. National Water Utility is the contracting entity for shared services among the SJW Group affiliates formed in October 2024. SJWC, CWC, TWC, TWOS, TWR, MWC, NEWUS and National Water Utility are referred to as "Water Utility Services." SJW Land Company and Chester Realty, Inc. are collectively referred to as "Real Estate Services."

Revenue

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

SJW Group's revenue components are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue from contracts with customers	\$ 216,677	211,716	\$ 539,790	507,276
Alternative revenue programs, net	7,369	957	6,847	(2,638)
Other balancing and memorandum accounts and regulatory mechanisms, net	(1,432)	(9,260)	(1,019)	(9,906)
Rental income	2,449	1,430	5,001	4,293
	<u>\$ 225,063</u>	<u>204,843</u>	<u>\$ 550,619</u>	<u>499,025</u>

Nonutility Properties and Real Estate Investments

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

	September 30, 2024	December 31, 2023
Land	\$ 915	4,137
Wholesale water supply assets	—	8,465
Buildings and improvements	437	748
Subtotal	<u>1,352</u>	<u>13,350</u>
Less: accumulated depreciation and amortization	97	194
Total	<u>\$ 1,255</u>	<u>13,156</u>

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

In March 2023, SJW Land Company entered into a broker agreement to sell its warehouse, office building, and land property located in Knoxville, Tennessee. The company reclassified the Tennessee properties from held-and-used to held-for-sale at March 31, 2023. The company recorded the Tennessee properties at the lower of their carrying value or estimated fair value less cost to sell, and also stopped recording depreciation on assets held for sale. SJW Group's broker provided the estimated fair value of the Tennessee properties.

In April 2024, SJW Land Company completed the sale of a warehouse building of the Tennessee properties for \$27,000. The pre-tax gain on the sale was \$6,918. In June 2024, SJW Land Company completed the sale of an office building, land, and parking lot of the Tennessee properties for \$17,000. The pre-tax loss on the sale was \$7,887. The net pre-tax loss associated with these transactions for the nine months ended September 30, 2024 was \$969 and is included in the "Other, net" line on the condensed consolidated statements of comprehensive income. A portion of the proceeds from these sales totaling \$2,801 is being held in escrow pending completion of certain post-closing obligations. As a result of these two transactions, the sale of the Tennessee properties is complete and the company does not have any other assets held for sale.

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

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

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

In August 2023, a non-regulated subsidiary, TWR, acquired eight wells and the associated water rights of KT Water Resources, LLC, as discussed in [Note 10](#), "Acquisitions". In connection with a transaction in the third quarter of 2024, TWC purchased these assets from TWR for use in utility operations. Accordingly, SJW Group reclassified \$28,386 related to indefinite life water rights from other intangible assets to utility plant intangible assets and \$11,684 from nonutility property to utility plant.

Fair Value Measurement

The following instruments are not measured at fair value on SJW Group's condensed consolidated balance sheets as of September 30, 2024, but require disclosure of their fair values: cash and cash equivalents, accounts receivable and accounts payable. The estimated fair value of such instruments as of September 30, 2024 approximates their carrying value as reported on the condensed consolidated balance sheets. There have been no changes in valuation techniques during the three and nine months ended September 30, 2024. The fair value of these instruments would be categorized as Level 2 in the fair value hierarchy, with the exception of cash and cash equivalents, which would be categorized as Level 1.

The fair value of SJW Group's long-term debt was \$1,534,801 and \$1,394,412 as of September 30, 2024 and December 31, 2023, respectively, and was determined using a discounted cash flow analysis, based on the current rates for similar financial instruments of the same duration and creditworthiness of the company. Of the total fair value of long-term debt at September 30, 2024 and December 31, 2023, \$1,518,400 and \$1,378,683, respectively, would be categorized as Level 2 in the fair value hierarchy and \$16,401 and \$15,729, respectively, would be categorized as Level 3 in the fair value hierarchy.

CTWS's additional retirement benefits under the supplemental executive retirement plans and retirement contracts are funded by investment assets held by a Rabbi Trust. The fair value of the money market funds, mutual funds and fixed income

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

investments in the Rabbi Trust was \$2,952 and \$2,833 as of September 30, 2024 and December 31, 2023, respectively, and are categorized as Level 1 in the fair value hierarchy.

Earnings per Share

Basic earnings per share is calculated using income available to common stockholders, divided by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated using income available to common stockholders divided by the weighted average number of shares of common stock including both shares outstanding and shares potentially issuable in connection with restricted common stock awards under SJW Group’s long-term incentive plans, shares potentially issuable under the performance stock plans assumed through the business combination with CTWS, and shares potentially issuable under SJW Group’s employee stock purchase plans. For the three months ended September 30, 2024 and 2023, 485 and 1,826 anti-dilutive restricted common stock units were excluded from the diluted earnings per share calculation, respectively. For the nine months ended September 30, 2024 and 2023, 5,289 and 12,524 anti-dilutive restricted common stock units were excluded from the diluted earnings per share calculation, respectively.

Accounts Receivable

During the second quarter of 2024, SJW Group recorded a reduction to its allowance for credit losses of \$7,822, of which \$3,960 resulted in a reduction to regulatory assets and \$3,862 was recorded through administrative and general expense (\$2,782 net of tax or \$0.09 per diluted share for the nine months ended September 30, 2024).

New Accounting Standards

The recently issued accounting standards that have not yet been adopted by the company as of September 30, 2024 are as follows:

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

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

Note 2. Regulatory Matters

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

	September 30, 2024	December 31, 2023
Regulatory assets:		
Income tax temporary differences (a)	\$ 173,671	157,669
Unrecognized pensions and other postretirement benefits (b)	24,593	24,593
Business combinations debt premium (c)	12,948	14,855
Employee benefit costs (d)	5,433	9,815
Monterey Water Revenue Adjustment Mechanism (“MWRAM”) (e)	10,327	9,361
Customer Assistance Program (“CAP”) balancing account (f)	6,683	5,457
Catastrophic event memorandum accounts (“CEMA”) (g)	975	4,819
2022 general rate case interim memorandum account (h)	3,354	4,571
Revenue adjustment mechanisms (n)	2,528	—
Water supply costs (i)	—	583
Other (j)	13,478	8,463
Total regulatory assets	253,990	240,186
Less: current regulatory assets (k)	828	4,276
Total regulatory assets, less current portion	\$ 253,162	235,910
Regulatory liabilities:		
Cost of removal (l)	360,176	346,418
Future income tax benefits due to customers (m)	85,966	88,610
Unrecognized pensions and other postretirement benefits (b)	20,515	20,196
Revenue adjustment mechanisms (n)	1,770	5,536
Water supply costs (i)	3,648	—
Other (o)	3,594	3,407
Total regulatory liabilities	475,669	464,167
Less: current regulatory liabilities (p)	1,770	3,059
Total regulatory liabilities, less current portion	\$ 473,899	461,108

- (a) Consists primarily of temporary income tax differences that are flowed through to customers, which will be recovered in future rates as these temporary differences reverse. The company expects to recover regulatory assets related to plant depreciation income tax temporary differences over the lives of the plant assets, which are between 4 to 100 years.
- (b) Represents actuarial losses and gains and prior service cost that have not yet been recognized as components of net periodic benefit cost for certain pension and other postretirement benefit plans.
- (c) Consists of debt fair value adjustments recognized through purchase accounting for the completed merger with CTWS in 2019.
- (d) Includes deferrals of pension and other postretirement benefit expense and cost of accrued benefits for vacation.
- (e) MWRAM is described in the following section.
- (f) Represents costs associated with SJWC’s CAP.
- (g) The California Public Utilities Commission (“CPUC”) has authorized water utilities to activate CEMA accounts in order to track savings and costs related to SJWC’s response to catastrophic events, which includes external labor and materials, increases in bad debt from suspension of shutoffs for non-payment, waived deposits and reconnection fees, and divergence from actual versus authorized usage. At December 31, 2023, the balance primarily relates to increased bad debt expenses associated with SJWC’s response to COVID-19.
- (h) Represents the difference between revenues collected in interim rates in effect as of January 1, 2022 and revenues that would result from rates authorized in SJWC’s 2022 general rate case retroactive to January 1, 2022.
- (i) Reflects primarily SJWC’s Full Cost Balancing Account which tracks differences in actual water supply costs compared to amounts assumed in base rates, including applicable changes and variations in costs and quantities that affect the overall mix of the water supply.
- (j) Other includes other balancing and memorandum accounts and regulatory mechanisms, deferred costs for certain information technology activities, asset retirement obligations, tank painting, well reconditioning and rate case expenses.
- (k) As of September 30, 2024, primarily relates to the current portion of CWC’s deferred well redevelopment and rate case costs. As of December 31, 2023, primarily relates to the current portion of MWRAM.

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

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

SJWC has established balancing accounts for the purpose of tracking the under-collection or over-collection associated with expense changes and the revenue authorized by the CPUC to offset those expense changes. SJWC has been authorized for the use of the Full Cost Balancing Account to track water supply costs and energy consumption. The MWRAM balancing account tracks the difference between the revenue received for actual metered sales through the tiered volumetric rate and the revenue that would have been received with the same actual metered sales if a uniform rate would have been in effect.

SJWC also maintains memorandum accounts to track impacts due to catastrophic events, certain unforeseen water quality expenses related to new federal and state water quality standards, energy efficiency, water conservation, water tariffs, and other approved activities or as directed by the CPUC. The WCMA allows SJWC to track lost revenue, net of related water costs, associated with reduced sales due to water conservation and associated calls for water use reductions, both mandatory and voluntary. SJWC records the lost revenue captured in the WCMA balancing accounts. Applicable drought surcharges collected are used to offset the revenue losses tracked in the WCMA. All balancing accounts and memorandum accounts not included for recovery or refund in the current general rate case will be reviewed by the CPUC in SJWC's next general rate case or at the time an individual account balance reaches a threshold of 2% of authorized revenue, whichever occurs first.

CWC has been authorized by the Connecticut Public Utilities Regulatory Authority ("PURA") to utilize a WRA, a decoupling mechanism, to mitigate risk associated with changes in demand. The WRA is used to reconcile actual water demands with the demands projected in the most recent general rate case and allows the company to implement a surcharge or sur-credit as necessary to recover or refund the revenues approved in the general rate case. The WRA allows the company to defer, as a regulatory asset or liability, the amount by which actual revenues deviate from the revenues allowed in the most recent general rate proceedings.

As of September 30, 2024 and December 31, 2023, SJW Group's regulatory assets not earning a return primarily included unrecognized pensions and other postretirement benefits and business combination debt premiums. The total amount of regulatory assets not earning a return at September 30, 2024 and December 31, 2023, either by interest on the regulatory asset or as a component of rate base at the allowed rate of return, was \$41,962 and \$43,141, respectively.

Note 3. Capitalization

In March 2023, SJW Group entered into Amendment No. 1 to the equity distribution agreement (the "Equity Distribution Agreement"), dated November 17, 2021, between SJW Group and J.P. Morgan Securities LLC, Janney Montgomery Scott LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC, pursuant to which the company may offer and sell shares of its common stock, \$0.001 par value per share, from time to time in "at-the-market" offerings, having an aggregate gross sales price of up to \$240,000. For the three and nine months ended September 30, 2024, SJW Group issued and sold a total of 535,345 and 1,119,975 shares of common stock, respectively, at a weighted average price of \$59.17 and \$57.70 per share, respectively, and received \$31,007 and \$63,309 in net proceeds, respectively, under the Equity Distribution Agreement. Since the inception of the Equity Distribution Agreement, SJW Group has issued and sold 3,124,632 shares of common stock at a weighted average price of \$67.88 for a total net proceeds of \$207,307 and has \$27,889 of aggregate gross sales price of shares remaining to issue under the Equity Distribution Agreement as of September 30, 2024.

Note 4. Lines of Credit and Long-Term Liabilities

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

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

Lines of Credit

In August 2024, SJW Group, SJWC, TWC, and CTWS entered into an amendment to its credit agreement with JPMorgan Chase Bank and a syndicate of banks, which provided, among other matters, for an extension of the maturity date from August 2, 2028 to August 2, 2029.

The weighted average interest rate on short-term borrowings outstanding at September 30, 2024, was 6.61%, compared to 6.48% at December 31, 2023.

As of September 30, 2024, the unused portion of the lines of credit was \$256,765.

Long-term Financing Agreements

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

On July 31, 2024, SJWC entered into and closed a note purchase agreement with certain institutional investors, pursuant to which the company sold an aggregate principal amount of \$75,000 of its 5.63% Senior Notes, Series Q (“Series Q Notes”). The Series Q Notes are unsecured obligations of SJWC and are due on July 31, 2054. Interest is payable semi-annually in arrears on January 31st and July 31st of each year. The Series Q Notes are also subject to customary events of default.

On July 31, 2024, CWC entered into a note purchase agreement with certain institutional investors, pursuant to which the company sold \$50,000 of its 5.78% Senior Notes, Series 2024 (“Series 2024 Notes”). The Series 2024 Notes are unsecured obligations of CWC and are due on July 31, 2054. Interest is payable semi-annually in arrears on January 31st and July 31st of each year. The closing of the notes purchase agreement occurred in August 2024.

Note 5. Income Taxes

For the three and nine months ended September 30, 2024, income tax expense was \$1,928 and \$7,883, respectively. Income tax expense for the three and nine months ended September 30, 2023 was \$4,561 and \$4,127, respectively. The effective consolidated income tax rates were 5% and 11% for the three months ended September 30, 2024 and 2023, respectively, and 10% and 6% for the nine months ended September 30, 2024 and 2023, respectively. The lower effective tax rate for the three months ended September 30, 2024 was primarily due to a tax accounting method change related to the repairs deduction. The higher effective tax rate for the nine months ended September 30, 2024 was primarily due to lower discrete tax benefits in 2024.

SJW Group had unrecognized tax benefits, before the impact of deductions of state taxes, excluding interest and penalties, of approximately \$4,920 and \$4,511 as of September 30, 2024 and December 31, 2023, respectively. SJW Group currently does not expect uncertain tax positions to change significantly over the next 12 months, except in the case of a lapse of the statute of limitations.

Note 6. Commitments and Contingencies

SJW Group is subject to ordinary routine litigation incidental to its business. In October 2023, CWC, a subsidiary of SJW Group, was named as a defendant in a class action lawsuit alleging that the water provided by CWC contained contaminants. CWC intends to vigorously defend itself in this lawsuit. At this time, SJW Group is unable to provide a reasonable estimate of any loss.

In September 2024, SJWC entered into a 12-year agreement with the City of Cupertino effective on October 1, 2024 pursuant to which SJWC will operate the City of Cupertino municipal water system, replacing the previous agreement with the City of Cupertino. The agreement can be extended for an additional term of eight years. In accordance with the new agreement, SJWC will pay an upfront concession fee of \$22,100 in the fourth quarter of 2024. Additionally, SJWC agreed to pay an annual investment rent of \$1,800, subject to increases each year based on a specified construction cost index.

Note 7. Benefit Plans

SJW Group maintains noncontributory defined benefit pension plans for its eligible employees. SJWC employees hired before March 31, 2008 and CWC and MWC employees hired before January 1, 2009 are entitled to benefits under the pension plans

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

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

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

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, 2024 and 2023 are as follows:

	Pension Benefits		Other Benefits	
	Three months ended September 30,			
	2024	2023	2024	2023
Service cost	\$ 1,666	1,892	\$ 166	160
Interest cost	3,613	3,557	295	317
Expected return on assets	(4,463)	(3,442)	(267)	(217)
Amortization of actuarial (gain) loss	(18)	554	(161)	(87)
Amortization of prior service cost	4	4	—	—
Total	<u>\$ 802</u>	<u>2,565</u>	<u>\$ 33</u>	<u>173</u>

	Pension Benefits		Other Benefits	
	Nine months ended September 30,			
	2024	2023	2024	2023
Service cost	\$ 4,997	5,676	\$ 498	480
Interest cost	10,839	10,672	886	951
Expected return on assets	(13,389)	(11,580)	(801)	(651)
Amortization of actuarial (gain) loss	(53)	1,662	(483)	(263)
Amortization of prior service cost	11	11	—	—
Total	<u>\$ 2,405</u>	<u>6,441</u>	<u>\$ 100</u>	<u>517</u>

For the three and nine months ended September 30, 2024, SJW Group has made \$2,258 and \$4,516, respectively, of contributions to such plans. SJW Group does not expect to make any additional required and discretionary cash contributions to the pension plans and other postretirement benefit plans for the remainder of 2024.

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

Note 8. Equity Plans

SJW Group’s long-term incentive plans provide employees, non-employee board members or the board of directors of any parent or subsidiary, consultants, and other independent advisors who provide services to the company or subsidiary the opportunity to acquire an equity interest in SJW Group. SJW Group also maintains stock plans in connection with its acquisition of CTWS which are no longer granting new stock awards. In addition, shares are issued to employees under SJW Group’s employee stock purchase plan (“ESPP”). As of September 30, 2024, 187,810 shares are issuable upon the vesting of outstanding restricted stock units and deferred restricted stock units and an additional 1,038,040 shares are available for award issuances under the long-term incentive plans.

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Compensation costs charged to income:				
ESPP	\$ 259	187	\$ 454	378
Restricted stock and deferred restricted stock	1,307	1,051	3,925	3,198
Total compensation costs charged to income	<u>\$ 1,566</u>	<u>1,238</u>	<u>\$ 4,379</u>	<u>3,576</u>
ESPP proceeds	<u>\$ 1,087</u>	<u>1,061</u>	<u>\$ 2,188</u>	<u>2,141</u>

Restricted Stock and Deferred Restricted Stock

For the three months ended September 30, 2024, there was no grant activity of service-based restricted stock awards. For the three months ended September 30, 2023, SJW Group granted 968 one-year and three-year service-based restricted stock awards with a weighted average grant date fair value per unit of \$63.96. For the nine months ended September 30, 2024 and 2023, SJW Group granted 64,482 and 38,310, respectively, one-year and three-year service-based restricted stock awards with a weighted average grant date fair value per unit of \$56.70 and \$76.88, respectively.

For the three months ended September 30, 2024 and 2023, there was no grant activity of performance-based or market-based restricted stock awards. For the nine months ended September 30, 2024 and 2023, SJW Group granted 45,763 and 31,345 target units, respectively, of performance-based and market-based restricted stock awards with a weighted average grant date fair value per unit of \$55.60 and \$80.05, respectively. Based upon actual attainment relative to the target performance metric, the number of shares issuable can range between 0% to 150% of the target number of shares for performance-based restricted stock awards, or between 0% and 200% of the target number of shares for market-based restricted stock awards.

As of September 30, 2024, the total unrecognized compensation costs related to restricted and deferred restricted stock plans was \$6,739. This cost is expected to be recognized over a weighted average period of 1.77 years.

Employee Stock Purchase Plan

The total unrecognized compensation costs related to the semi-annual offering period that ends January 31, 2025, for the ESPP is approximately \$135. This cost is expected to be recognized during the fourth quarter of 2024.

Note 9. Segment and Non-Tariffed Business Reporting

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

SJW Group’s reportable segments have been determined based on information used by the chief operating decision maker. SJW Group’s chief operating decision maker includes the Chairman, President and Chief Executive Officer, and his executive staff.

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

The executive staff reviews financial information presented on a consolidated basis that is accompanied by disaggregated information about operating revenue, net income and total assets, by subsidiary.

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

	For Three Months Ended September 30, 2024							
	Water Utility Services (1)		Real Estate Services	All Other (2)		SJW Group		Total
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed		
Operating revenue	\$ 220,938	4,103	22	—	220,938	4,125	225,063	
Operating expense	161,929	2,799	205	1,777	161,929	4,781	166,710	
Operating income (loss)	59,009	1,304	(183)	(1,777)	59,009	(656)	58,353	
Net income (loss)	43,751	915	34	(6,048)	43,751	(5,099)	38,652	
Depreciation and amortization	27,113	85	1	224	27,113	310	27,423	
Interest on long-term debt and other interest expense	11,516	75	—	5,925	11,516	6,000	17,516	
Provision (benefit) for income taxes	1,182	389	15	342	1,182	746	1,928	

	For Three Months Ended September 30, 2023							
	Water Utility Services (1)		Real Estate Services	All Other (2)		SJW Group		Total
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed		
Operating revenue	\$ 199,537	3,876	1,430	—	199,537	5,306	204,843	
Operating expense	144,102	2,337	691	1,107	144,102	4,135	148,237	
Operating income (loss)	55,435	1,539	739	(1,107)	55,435	1,171	56,606	
Net income (loss)	37,545	2,198	563	(4,084)	37,545	(1,323)	36,222	
Depreciation and amortization	26,147	84	1	223	26,147	308	26,455	
Interest on long-term debt and other interest expense	10,839	112	—	5,793	10,839	5,905	16,744	
Provision (benefit) for income taxes	5,933	428	196	(1,996)	5,933	(1,372)	4,561	

	For Nine Months Ended September 30, 2024							
	Water Utility Services (1)		Real Estate Services	All Other (2)		SJW Group		Total
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed		
Operating revenue	\$ 537,899	10,146	2,574	—	537,899	12,720	550,619	
Operating expense	411,959	6,788	1,391	3,645	411,959	11,824	423,783	
Operating income (loss)	125,940	3,358	1,183	(3,645)	125,940	896	126,836	
Net income (loss)	82,307	2,145	617	(14,022)	82,307	(11,260)	71,047	
Depreciation and amortization	83,231	255	3	670	83,231	928	84,159	
Interest on long-term debt and other interest expense	35,095	520	—	17,779	35,095	18,299	53,394	
Provision (benefit) for income taxes	10,203	1,008	213	(3,541)	10,203	(2,320)	7,883	

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

	For Nine Months Ended September 30, 2023							
	Water Utility Services (1)		Real Estate Services	All Other (2)		SJW Group		Total
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed		
Operating revenue	\$ 485,334	9,398	4,293	—	485,334	13,691	499,025	
Operating expense	375,647	5,540	2,251	2,645	375,647	10,436	386,083	
Operating income (loss)	109,687	3,858	2,042	(2,645)	109,687	3,255	112,942	
Net income (loss)	71,277	3,412	1,532	(10,183)	71,277	(5,239)	66,038	
Depreciation and amortization	77,644	253	305	670	77,644	1,228	78,872	
Interest on long-term debt and other interest expense	32,232	112	—	16,569	32,232	16,681	48,913	
Provision (benefit) for income taxes	8,759	1,071	581	(6,284)	8,759	(4,632)	4,127	

- (1) The “Water Utility Services” category for the three and nine months ended September 30, 2024 and 2023, includes the accounts of SJWC, CWC, TWC, MWC, and NEWUS on a stand-alone basis.
- (2) The “All Other” category for the three and nine months ended September 30, 2024 and 2023, includes the accounts of SJW Group, SJWNE LLC, CTWS and SJWTX Holdings, Inc. on a stand-alone basis.

SJW Group’s assets by segment are as follows:

	September 30, 2024	December 31, 2023
Water Utility Services:		
Regulated	\$ 4,496,972	4,199,172
Non-tariffed	1,424	43,532
Total water utility services	4,498,396	4,242,704
Real Estate Services	849	44,222
All Other	53,057	58,141
Total assets	<u>\$ 4,552,302</u>	<u>4,345,067</u>
Regulated	\$ 4,496,972	4,199,172
Non-tariffed	55,330	145,895
Total assets	<u>\$ 4,552,302</u>	<u>4,345,067</u>

Note 10. Acquisitions

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

KT Water Development

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

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

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

KT Water Resources

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

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

The post-closing production payment represents an obligation to pay a total amount of \$29,000 to the seller over a period up to 29 years. The repayment schedule is based on the quantity of groundwater produced from the acquired wells, subject to certain provisions in the purchase agreement. The fair value of the post-closing payment as of the acquisition date was determined by discounting forecasted repayments based on management's estimates of future groundwater production. The difference between the fair value of \$15,400 and the gross obligation of \$29,000 was recorded as a debt discount and is being amortized as interest expense using the effective interest method over the life of the obligation. The post-closing production payment obligation is classified as long-term debt in the condensed consolidated balance sheets.

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

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

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

General:

SJW Group is a holding company whose primary business involves ownership of public utilities that provide water and wastewater services, including the production, purchase, storage, purification, distribution, wholesale and retail sale of water. The water utility business of SJW Group is conducted through five wholly owned subsidiaries: San Jose Water Company (“SJWC”), Connecticut Water Company (“CWC”), The Maine Water Company (“MWC”), SJWTX, Inc. doing business as Texas Water Company (“TWC”) and National Water Utility Service, LLC (“National Water Utility”). National Water Utility is the contracting entity for shared services among the SJW Group affiliates formed in October 2024. The remaining subsidiaries provide water service to approximately 403,000 connections and wastewater service to approximately 4,000 connections and serve a combined population of over 1.6 million people in California, Connecticut, Maine and Texas. Water utility services provided by these businesses are subject to regulation by the applicable state public utility commissions. These subsidiaries also engage in non-tariffed operations that are not subject to public utility commission regulation, including contract water and sewer operations, maintenance agreements, and antenna site leases. Collectively, these water utility and utility-related services form our “Water Utility Services” segment.

In September 2024, SJWC entered into a 12-year agreement with the City of Cupertino effective on October 1, 2024 pursuant to which SJWC will operate the City of Cupertino municipal water system, replacing the previous agreement with the City of Cupertino. The agreement can be extended for an additional term of eight years. In accordance with the new agreement, SJWC will pay an upfront concession fee of \$22,100 in the fourth quarter of 2024. Additionally, SJWC agreed to pay an annual investment rent of \$1,800, subject to increases each year based on a specified construction cost index.

SJW Group’s second segment, “Real Estate Services,” consists of property management and investment activity conducted by SJW Land Company and Chester Realty, Inc., which own undeveloped land and operate commercial buildings in California and Connecticut. In the second quarter of 2024, SJW Land Company completed the sale of its Tennessee properties.

Business Strategy for Water Utility Services:

SJW Group focuses its business initiatives in three strategic areas:

- (1) Investing in regional regulated water utility operations to support the health, safety and quality of life of our customers;
- (2) Regional non-tariffed water utility-related services provided in accordance with the guidelines established by applicable state public utility commissions; and
- (3) Out-of-region water and utility-related services.

As part of our pursuit of the above three strategic areas, we consider from time to time opportunities to acquire businesses and assets. However, we cannot be certain we will be successful in identifying and consummating any strategic business combinations or acquisitions relating to such opportunities. In addition, the execution of our business strategy will expose us to different risks than those associated with the current utility operations. We expect to incur costs in connection with the execution of this strategy and any integration of an acquired business could involve significant costs, the assumption of certain known and unknown liabilities related to the acquired assets, the diversion of management’s time and resources, the potential for a negative impact on our financial position and operating results, entering markets in which we have no or limited direct

prior experience and the potential loss of key employees of any acquired company. Any strategic combination or acquisition we decide to undertake may also impact our ability to finance our business, affect our compliance with regulatory requirements, and impose additional burdens on our operations. Any businesses we acquire may not achieve sales, customer growth and projected profitability that would justify the investment. Any difficulties we encounter in the integration process, including the integration of controls necessary for internal control and financial reporting, could interfere with our operations, reduce our operating margins and adversely affect our internal controls. SJW Group cannot be certain that any transaction will be successful or that it will not materially harm operating results or our financial condition.

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

Real Estate Services:

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

Critical Accounting Policies:

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

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

New Accounting Pronouncements:

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

Results of Operations:

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

Overview

SJW Group’s consolidated net income for the three months ended September 30, 2024 was \$38,652, an increase of \$2,430, or approximately 7%, from \$36,222 for the same period in 2023. SJW Group’s consolidated net income for the nine months ended September 30, 2024 was \$71,047, an increase of \$5,009, or approximately 8%, from \$66,038 for the same period in 2023. The increase in net income for the three months ended September 30, 2024 was primarily driven by rate increases in California and Connecticut and lower income tax expense attributable to a tax accounting method change. These factors were offset by higher water production expenses and increased other operating expenses as discussed below, lower customer usage in our Texas service areas driven primarily by weather conditions, and decreased real estate revenue due to the Tennessee properties that were sold in the second quarter of 2024. The increase in net income for the nine months ended September 30, 2024 was also primarily driven by rate increases in California and Connecticut, as well as growth in customers, primarily in Texas. These factors were offset by decreased real estate revenue due to the Tennessee properties that were sold in the second quarter of 2024, higher water production expenses, higher interest expense and an increase in other operating expenses as discussed below.

Operating Revenue

	Operating Revenue by Segment			
	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Water Utility Services	\$ 225,041	203,413	\$ 548,045	494,732
Real Estate Services	22	1,430	2,574	4,293
Total operating revenue	\$ 225,063	204,843	\$ 550,619	499,025

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

	Increase/(decrease) in Operating Revenue			
	Three months ended September 30, 2024 vs. 2023		Nine months ended September 30, 2024 vs. 2023	
Water Utility Services:				
Consumption changes	\$ (863)	— %	\$ 4,751	1 %
Increase in customers	812	— %	2,442	— %
Rate increases for:				
Pass-through water costs ¹	8,463	4 %	19,169	4 %
All other increases ²	8,514	4 %	20,798	4 %
Regulatory mechanisms	(845)	— %	456	— %
Service and other revenue	5,547	3 %	5,697	1 %
Real Estate Services	(1,408)	(1)%	(1,719)	— %
Total change in operating revenue	\$ 20,220	10 %	\$ 51,594	10 %

(1) Consists of rate increases specifically associated with changes in the water supply costs that are passed through to customers.

(2) Primarily associated with general rate cases and related annual escalation adjustments, infrastructure surcharges, and cost of capital adjustments.

Operating Expense

	Operating Expense by Segment			
	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Water Utility Services	\$ 164,728	146,439	\$ 418,747	381,187
Real Estate Services	205	691	1,391	2,251
All Other	1,777	1,107	3,645	2,645
Total operating expense	\$ 166,710	148,237	\$ 423,783	386,083

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

	Increase/(decrease) in Operating Expense					
	Three months ended September 30, 2024 vs. 2023		Nine months ended September 30, 2024 vs. 2023			
Water production expenses:						
Change in surface water use	\$	117	— %	\$	4,742	1 %
Change in usage and new customers		5,244	4 %		9,819	3 %
Purchased water and groundwater extraction charge, energy price change and other production expenses, net		8,610	6 %		16,872	4 %
Balancing and memorandum accounts cost recovery		(907)	(1)%		(5,010)	(2)%
Total water production expenses		13,064	9 %		26,423	6 %
Administrative and general		1,820	1 %		205	— %
Maintenance		2,055	1 %		4,267	1 %
Property taxes and other non-income taxes		566	— %		1,518	— %
Depreciation and amortization		968	1 %		5,287	1 %
Total change in operating expense	\$	18,473	12 %	\$	37,700	8 %

Sources of Water Supply

SJWC's water supply consists of groundwater from wells, surface water from watershed run-off and diversion, reclaimed water, and imported water purchased from Santa Clara Valley Water District ("Valley Water") under the terms of a master contract with Valley Water expiring in 2051. During normal rainfall years, purchased water provides approximately 40% to 50% of SJWC's annual production. An additional 40% to 50% of its water supply is pumped from the underground basin which is subject to a groundwater extraction charge paid to Valley Water. Surface supply, which during a normal rainfall year satisfies about 6% to 8% of SJWC's annual water supply needs, provides approximately 1% of its water supply in a dry year and approximately 14% in a wet year. In dry years, the decrease in availability of water from surface run-off and diversion and the corresponding increase in purchased and pumped water increases production expenses substantially. The opposite is also true where water production expenses decrease in wet years. In both instances, the impacts of surface water, purchased water, groundwater charges and purchased power are tracked in SJWC's Full Cost Balancing Account authorized by the California Public Utilities Commission ("CPUC").

For the nine months ended September 30, 2024, water conditions remained positive across the State of California. As a result, the California Department of Water Resources ("DWR") announced an increase in the State Water Project allocation from 15% to 30% of contract amount during the first quarter of 2024 and the U.S. Bureau of Reclamation announced an increase in the Central Valley Project allocation from 65% to 75% during the same period. The DWR further announced an increase in the State Water Project allocation from 30% to 40% of contract amount during the second quarter of 2024 while the U.S. Bureau of Reclamation's Central Valley Project allocation remained at 75% during the same period. Water allocations for the State Water Project and the Central Valley Project remained at 40% and 75%, respectively, during the third quarter of 2024. On October 1, 2024, Valley Water's 10 reservoirs were 27% of capacity, or 71% of restricted capacity, with 14.5 billion gallons of water in storage. Valley Water's largest reservoir, Anderson, remained drained for a dam seismic retrofit project. Valley Water also reported that the managed groundwater recharge from January to September in the Santa Clara Plain was 122% of the five-year average. The groundwater level in the Santa Clara Plain is approximately three feet lower than September 2023. According to Valley Water, the projected total groundwater storage at the end of 2024 is expected to be in the Normal Stage of the Water Shortage Contingency Plan.

As of September 30, 2024, SJWC's Lake Elsman was 74.2% of capacity with 1.5 billion gallons of water, approximately 220.3% of the five-year seasonal average. However, the rainfall at SJWC's Lake Elsman was measured at zero inches for the period from July 1, 2024 through September 30, 2024. SJWC's Montevina Water Treatment Plant treated 2.7 billion gallons of water for the nine months ended September 30, 2024, which is 131.7% of the five-year average. SJWC's Saratoga Water Treatment Plant remains offline until the next rain season (November to March). SJWC believes that its various sources of water supply will be sufficient to meet customer demand through the remainder of 2024.

CWC's water sources vary among the individual systems, but overall, approximately 80% of the total dependable yield comes from surface water supplies and 20% from wells. In addition, CWC has water supply agreements to supplement its water supply

with the South Central Connecticut Regional Water Authority and The Metropolitan District that expire in 2058 and 2053, respectively.

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

In August 2023, a non-regulated subsidiary, Texas Water Resources, LLC ("TWR"), acquired eight wells and the associated water rights of KT Water Resources, LLC. In connection with a transaction in the third quarter of 2024, TWC purchased these assets from TWR for use in utility operations. Accordingly, SJW Group reclassified \$28,386 related to indefinite life water rights from other intangible assets to utility plant intangible assets and \$11,684 from nonutility property to utility plant. These wells have been projected to yield at least 6,000 acre-feet per year or more. Development of the KT Water System continues.

The Texas service area is currently experiencing drought conditions that result in water usage restrictions for customers. These water usage restrictions will likely impact revenue for the remainder of 2024. Significant future capital investment of transmission main and storage facilities in addition to developing additional supply sources is planned for 2025 and beyond.

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

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

	Three months ended September 30,			% of Total Change	Nine months ended September 30,			% of Total Change
	2024	2023	Increase/(decrease)		2024	2023	Increase/(decrease)	
	(billion gallons)				(billion gallons)			
Purchased water	6.9	6.7	0.2	1 %	13.4	15.4	(2.0)	(6)%
Groundwater	5.4	4.8	0.6	4 %	14.1	10.0	4.1	11 %
Surface water	3.1	3.1	—	— %	9.2	10.0	(0.8)	(2)%
Reclaimed water	0.4	0.4	—	— %	0.6	0.6	—	— %
	15.8	15.0	0.8	5 %	37.3	36.0	1.3	3 %

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, 2024 and 2023 approximated 8.9% and 7.9%, respectively, as a percentage of total production. The unaccounted-for water estimate is based on the results of past experience and the impact of flows through the system, partially offset by SJWC's main replacements and lost water reduction programs.

Connecticut Water Service, Inc. ("CTWS")'s unaccounted-for water on a 12-month-to-date basis for September 30, 2024 and 2023 approximated 14.4% and 13.0%, respectively, as a percentage of total production. The unaccounted-for water estimate is based on the results of past experience and the impact of flows through CTWS's systems, unadjusted for any required system flushing, partially offset by Water Infrastructure Conservation Adjustment and Water Infrastructure Surcharge main replacement programs and lost water reduction initiatives.

Water Production Expenses

The change in water production expenses of \$13,064 for the three months ended September 30, 2024, compared to the same period in 2023, was primarily attributable to increases in average per unit costs for purchased water and groundwater extraction, and increases in production volume, offset by decreases resulting from regulatory adjustments through SJWC's Full Cost Balancing Account.

The change in water production expenses of \$26,423 for the nine months ended September 30, 2024, compared to the same period in 2023, was primarily attributable to increases in average per unit costs for purchased water and groundwater extraction, and production volume, offset by decreases resulting from regulatory adjustments.

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

Other Operating Expenses

Operating expenses, excluding water production expenses, increased \$5,409 for the three months ended September 30, 2024, compared to the same period in 2023. The increase was primarily attributable to increases in expenses related to contracted work for others, increases in general and administrative expenses for contracted work and inflationary increases offset by higher allocations to construction activities, and increases in depreciation and amortization for new utility plant placed in service.

Operating expenses, excluding water production expenses, increased \$11,277 for the nine months ended September 30, 2024, compared to the same period in 2023. The increase was primarily attributable to increases in depreciation and amortization for new utility plant placed in service and higher maintenance expenses related to contracted work for others, security expenses, and adjustments to certain regulatory assets as a result of the final decision in the Connecticut general rate case (“GRC”), and a slight increase in administrative and general expenses. The general and administrative expenses change is primarily from inflationary increases offset by decreases in the allowance for credit losses of \$6,847 and higher allocations to construction activities. The higher allocations and inflationary increases are expected to impact the remainder of 2024.

Other (Expense) Income

For the three months ended September 30, 2024, compared to the same period in 2023, the change in other (expense) income was primarily due to lower income from certain service and other activities and higher interest expense on long-term debt, offset by an increase in return on pension plan assets.

For the nine months ended September 30, 2024, compared to the same period in 2023, the change in other (expense) income was primarily due to an increase in interest expense due to higher average balances and interest rates, decreases in gains from real estate sale transactions of \$2,054 and lower income from certain service and other activities, offset by an increase in return on pension plan assets.

Provision for Income Taxes

For the three and nine months ended September 30, 2024, compared to the same period in 2023, income tax expense decreased \$2,633 and increased \$3,756, respectively. The decrease in income tax expense for the three months ended September 30, 2024 was primarily due to a tax accounting method change. The increase in income tax expense for the nine months ended September 30, 2024 was primarily due to a higher pre-tax income in 2024.

The effective consolidated income tax rates were 5% and 11% for the three months ended September 30, 2024 and 2023, respectively, and 10% and 6% for the nine months ended September 30, 2024 and 2023, respectively. The lower effective tax rate for the three months ended September 30, 2024 was primarily due to a tax accounting method change related to the repairs deduction. The higher effective tax rate for the nine months ended September 30, 2024 was primarily due to lower discrete tax benefits in 2024.

Regulation and Rates

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

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

California Regulatory Affairs

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

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

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

On December 15, 2023, SJWC, along with three other California water utilities, filed a joint request for one-year deferment on the cost of capital filings which would otherwise be due on May 1, 2024. Postponing the filing a year alleviates administrative

processing costs on the utilities as well as the CPUC staff, and provides relief for both CPUC and utility resources already strained by numerous other proceedings. The request is conditioned on leaving the current WCCM in place such that any adjustments will be made to the respective utilities' cost of capital during the one-year deferment based on the mechanism. The request was approved on February 2, 2024. Based on the change in the average Moody's Aa utility bond index rate between the 12 months ended September 30, 2023 and September 30, 2024, there will be no adjustment to SJWC's cost of capital for 2025.

On January 2, 2024, SJWC filed General Rate Case Application No. 24-01-001 with the CPUC to increase rates charged for water service by \$55,196 or 11.11% in 2025, by \$22,041 or 3.99% in 2026, and by \$25,809 or 4.49% in 2027. The application proposed a \$540,000 three-year capital budget and includes requests to recover \$23,462 from balancing and memorandum accounts, further alignment between actual and authorized usage, and a shift to greater revenue collection in the service charge. The application will undergo a year-long review process and new rates, if approved, are expected to be effective January 1, 2025. On June 14, 2024, SJWC notified the CPUC that it had reached an all-party settlement agreement in principle with the Public Advocates Office and Water Rate Advocates for Transparency, Equity and Sustainability, also known as WRATES, in its 2025 through 2027 general rate case application on all but two policy issues that will be litigated. On August 13, 2024, WRATES notified the CPUC that it would not join in the settlement agreement. Per the procedural ruling, the formal settlement motion and agreement between SJWC and the Public Advocates Office was submitted on August 19, 2024 and updated on September 27, 2024. The settlement agreement provides for rate increases of \$21,305 or 3.91% in 2025, \$14,427 or 2.55% in 2026, and \$17,347 or 2.98% in 2027. The settlement agreement also provides a three-year capital budget of \$450,000 and recovery of \$15,792 in memorandum and balancing accounts. Briefs on the two policy issues were also submitted on August 19, 2024. A decision on the GRC is expected by the CPUC in the fourth quarter of 2024.

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

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

Connecticut Regulatory Affairs

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

On November 14, 2023, CWC submitted an application to PURA for the approval to issue unsecured notes in the amount of \$25,000. A decision from PURA approving the application was received on January 10, 2024.

On February 26, 2024, CWC filed its 2023 Water Infrastructure Conservation Adjustment ("WICA") reconciliation with PURA. The reconciliation, approved by PURA on March 27, 2024 and effective for 12 months beginning April 1, 2024, replaced the expiring 2022 reconciliation credit of 0.16% with a credit of 0.13%. The cumulative WICA surcharge as of April 1, 2024 is 7.41%, collecting \$7,835 on an annual basis. Based on the general rate case decision, as of July 1, 2024, the base WICA surcharge will be reset to zero; however, the credit of 0.13% for 2023 reconciliation will continue to apply into 2025.

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

On June 21, 2024, CWC submitted an application to PURA for the approval to issue unsecured notes in an amount of up to \$150,000. PURA approved the application on August 14, 2024.

On July 26, 2024, CWC filed for a WICA increase of \$4,300 in annualized revenue for \$41,900 in completed infrastructure projects. PURA approved the application, and effective October 1, 2024, the cumulative WICA surcharge is 3.43%.

Texas Regulatory Affairs

TWC has no current general rate case pending. However, it filed its application to establish a System Improvement Charge ("SIC") with the Public Utilities Commission of Texas ("PUCT") under Docket No. 54430 on December 30, 2022. SIC filings are used to include certain utility plant additions made since 2020 to its rate base, thereby increasing revenue and avoiding the immediate need for a general rate case. On March 21, 2024, the PUCT filed the final order approving TWC's request to implement its SIC. As a result of the final order, the SIC is projected to increase TWC's water revenue by \$1,574 and sewer revenue by \$28 within one year of the approval. On September 12, 2024, TWC filed its application to amend its SIC with the

PUCT under Docket No. 56974. Its amended SIC will apply to all customers and seeks to increase its annual water revenue by \$4,115 and its annual sewer revenue by \$202, in addition to the original SIC filed with the PUCT under Docket No. 54430 on December 30, 2022. On October 14, 2024, the PUCT notified TWC that the filing was administratively complete in order to establish a procedural schedule. TWC expects to receive the final approval from the PUCT in the first half of 2025. Additionally, TWC is required to file a general rate case on or before March 21, 2028. Notwithstanding any SIC filing, TWC will continue to file its annual adjustments for the Water Pass-through Charges (“WPC”) for Canyon Lake, Deer Creek, Kendall West, Clear Water Estates, and Saddleridge customers. All water supply cost increases are recoverable when the next annual WPC adjustment for each system is filed.

On April 10, 2023, TWC filed an application with the PUCT to acquire the Elm Ridge water system that serves 21 residential customers. TWC has asked to acquire the Elm Ridge customers using TWC’s existing rates. On December 12, 2023, the Administrative Law Judge filed Order No. 11, which allowed TWC to proceed and the acquisition closed on January 26, 2024. On July 23, 2024, the PUCT filed the final approval which allowed TWC to charge its existing rates to customers of Elm Ridge.

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

On January 5, 2024, TWC filed an application with the PUCT to acquire the 3009 Water Company LLC water system that serves approximately 270 residential connections. TWC requested fair market value and to apply TWC’s existing rates to the customers being acquired. TWC received the PUCT’s approval to proceed with the transaction. The closing date has not been scheduled.

Maine Regulatory Affairs

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

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

On June 24, 2024, MWC filed a WISC in both the Freeport and Oakland divisions. The combined requested surcharge is 3.00% or \$52. The MPUC issued an order approving the surcharges on August 1, 2024.

On September 30, 2024, MWC filed a WISC for the Millinocket division. The requested surcharge is 3.00% or \$46. The MPUC is expected to issue a decision in the fourth quarter of 2024.

On October 25, 2024, MWC filed an application with MPUC to adjust customer rates in the Camden Rockland division. The proposal requested an increase in annual revenues of approximately \$1,057, or 15.9%, over current authorized revenues. A decision is expected in the second quarter of 2025.

Other Regulatory Matters

In April 2024, the U.S. Environmental Protection Agency issued final new national primary drinking water regulations for six polyfluoralkyl substances (“PFAS”). The regulations impose maximum contaminant levels and monitoring requirements for the nation’s water systems for six PFAS chemicals under the Safe Drinking Water Act. The final regulation requires water systems to comply with PFAS monitoring and reporting requirements by 2027, and to comply with the maximum contaminant levels by 2029. SJW Group estimates capital expenditures of approximately \$230,000 for PFAS treatment based on finalized maximum contaminant levels. See discussion below under “Liquidity” for additional information on capital expenditures.

Liquidity:*Cash Flow from Operating Activities*

During the nine months ended September 30, 2024, SJW Group generated cash flows from operations of approximately \$154,100, compared to approximately \$159,300 for the same period in 2023. Cash flow from operations is primarily generated by net income from revenue producing activities, adjusted for non-cash expenses for depreciation and amortization, deferred income taxes, stock-based compensation, allowance for equity funds used during construction, gains or losses on the sale of assets, and changes in working capital items. Cash flow from operations decreased by approximately \$5,200. This decrease was the result of a combination of the following factors: (1) a decrease of \$15,300 attributable to changes in regulatory assets and liabilities, including the effect of lower surcharge collections on balancing and memorandum accounts, (2) a decrease of \$2,300 attributable to changes in payments for accounts payable and other current liabilities, offset by (3) general working capital and net income, adjusted for non-cash items and tax accruals, increased by \$12,100, and (4) an increase attributable to accounts receivable and accrued unbilled utility revenue of \$300.

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

Cash Flow from Investing Activities

During the nine months ended September 30, 2024, SJW Group used cash flows from investing activities of approximately \$232,700, compared to approximately \$241,700 for the same period in 2023. This decrease was primarily driven by additions to utility plant, offset by proceeds of \$40,700 for the completed sales of the Tennessee properties. SJW Group used approximately: (1) \$252,300 of cash for company-funded utility capital expenditures and (2) \$18,800 for developer-funded utility capital expenditures during the nine months ended September 30, 2024. For the same period in 2023, SJW Group used approximately: (1) \$195,900 of cash for company-funded utility capital expenditures and (2) \$24,200 for nonutility properties, real estate investments and other intangible asset, and (3) \$13,600 for developer-funded utility capital expenditures.

Water Utility Services' estimated utility capital expenditures for 2024, exclusive of capital expenditures financed by customer contributions and advances, are anticipated to be approximately \$332,000. As of September 30, 2024, approximately \$252,300, or 76%, of the \$332,000 has been invested.

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

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

Cash Flow from Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2024 decreased by approximately \$18,300 from the same period in the prior year, primarily as a result of (1) a decrease in net borrowings on our lines of credit of \$48,000, (2) a decrease in net proceeds from our common stock equity offerings of \$12,000, offset by (3) an increase in net borrowings and repayments on long-term debt of \$40,300.

Sources of Capital:

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

Short-term Financing Agreements

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

A summary of the line of credit agreements as of September 30, 2024 are as follows:

	<u>Maturity Date</u>	<u>Line Limit</u>	<u>Amounts Outstanding</u>	<u>Unused Portion</u>
Syndicated credit agreement:	August 2, 2029			
SJW Group		\$ 50,000	—	50,000
SJWC		140,000	—	140,000
CTWS		90,000	45,000	45,000
TWC		20,000	2,000	18,000
Total syndicated credit agreement		300,000	47,000	253,000
CTWS credit agreement	August 2, 2028	10,000	6,235	3,765
CTWS credit agreement	May 15, 2025	40,000	40,000	—
		<u>\$ 350,000</u>	<u>93,235</u>	<u>256,765</u>

In August 2024, SJW Group, SJWC, TWC, and CTWS entered into an amendment to its credit agreement with JPMorgan Chase Bank and a syndicate of banks, which provided, among other matters, for an extension of the maturity date from August 2, 2028 to August 2, 2029.

For the nine months ended September 30, 2024, cost of borrowing on the lines of credit averaged 6.53% compared to 6.16% in the same period in 2023.

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

Long-term Financing Agreements

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

On July 31, 2024, SJWC entered into and closed a note purchase agreement with certain institutional investors, pursuant to which the company sold an aggregate principal amount of \$75,000 of its 5.63% Senior Notes, Series Q ("Series Q Notes"). The Series Q Notes are unsecured obligations of SJWC and are due on July 31, 2054. Interest is payable semi-annually in arrears on January 31st and July 31st of each year. The Series Q Notes are also subject to customary events of default.

On July 31, 2024, CWC entered into a note purchase agreement with certain institutional investors, pursuant to which the company sold \$50,000 of its 5.78% Senior Notes, Series 2024 ("Series 2024 Notes"). The Series 2024 Notes are unsecured obligations of CWC and are due on July 31, 2054. Interest is payable semi-annually in arrears on January 31st and July 31st of each year. The closing of the notes purchase agreement occurred in August 2024.

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

During the balance of 2024, SJW Group subsidiaries plan to raise approximately \$35,000 in long-term debt to pay down the line of credit agreements, subject to market conditions.

Equity Financing Arrangements

In March, 2023, SJW Group entered into Amendment No. 1 to the equity distribution agreement (the "Equity Distribution Agreement"), dated November 17, 2021, between SJW Group and J.P. Morgan Securities LLC, Janney Montgomery Scott LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC, pursuant to which the company may offer and sell shares of

its common stock, \$0.001 par value per share, from time to time in “at-the-market” offerings, having an aggregate gross sales price of up to \$240,000. For the three and nine months ended September 30, 2024, SJW Group issued and sold a total of 535,345 and 1,119,975 shares of common stock, respectively, with a weighted average price of \$59.17 and \$57.70 per share, respectively, and received \$31,007 and \$63,309 in net proceeds, respectively, under the Equity Distribution Agreement. Since the inception of the Equity Distribution Agreement, SJW Group has issued and sold 3,124,632 shares of common stock at a weighted average price of \$67.88 for a total net proceeds of \$207,307 and has \$27,889 of aggregate gross sales price of shares remaining to issue under the Equity Distribution Agreement as of September 30, 2024. The Equity Distribution Agreement is set to expire on November 17, 2024. Prior to this date, SJW Group intends to enter into a new equity distribution agreement to establish a new “at-the-market” offering program.

Credit Rating

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

ITEM 4. CONTROLS AND PROCEDURES

SJW Group’s management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of SJW Group’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the “Exchange Act”), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that SJW Group’s disclosure controls and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by SJW Group in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. SJW Group believes that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

SJW Group is subject to ordinary routine litigation incidental to its business. In October 2023, CWC, a subsidiary of SJW Group, was named as a defendant in a class action lawsuit alleging that the water provided by CWC contained contaminants. CWC intends to vigorously defend itself in this lawsuit. At this time, SJW Group is unable to provide a reasonable estimate of any loss.

ITEM 1A. RISK FACTORS

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Quarterly Dividend

On October 25, 2024, the Board of Directors of SJW Group declared the regular quarterly dividend of \$0.40 per share of common stock. The dividend will be paid on December 2, 2024, to stockholders of record as of the close of business on November 4, 2024.

Insider Trading Arrangements:

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

Information Web Sites

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

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	<u>Second Amendment to Credit Agreement, dated August 2, 2024, between SJW Group, San Jose Water Company, SJWTX, Inc., Connecticut Water Service, Inc., JPMorgan Chase Bank, N.A., as administrative agent and a lender, and the other lenders party thereto. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 2, 2024.</u>
10.2	<u>Amended and Restated Director Compensation and Expense Reimbursement Policies.</u> (1)
10.3	<u>Amended and Restated Formulaic Equity Award Program For Non-Employee Board Members.</u> (1)
31.1	<u>Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chairman, President and Chief Executive Officer.</u> (1)
31.2	<u>Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chief Financial Officer, Treasurer and Interim Principal Accounting Officer.</u> (1)
32.1	<u>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.</u> (1)
32.2	<u>Certification Pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer, Treasurer and Interim Principal Accounting Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> (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: October 28, 2024

By: /s/ ANDREW F. WALTERS
Andrew F. Walters
Chief Financial Officer, Treasurer and Interim Principal
Accounting Officer
(Principal financial officer)

SJW GROUP**AMENDED AND RESTATED DIRECTOR COMPENSATION AND
EXPENSE REIMBURSEMENT POLICIES****Effective as of January 1, 2025****I. DIRECTOR COMPENSATION****A. ROLE OF THE EXECUTIVE COMPENSATION COMMITTEE**

The SJW Group (the “Corporation”) Board of Directors (the “Board”), through its Executive Compensation Committee, will review, or request management or outside consultants to review, appropriate compensation policies for the directors serving on the Board and its committees. This review may consider board compensation practices of other similar public companies, contributions to Board functions, service as committee chairs, and other appropriate factors.

B. COMPENSATION POLICIES1. Annual Retainer

The Corporation shall pay the members of its Board who are not employed by the Corporation or any of its subsidiaries (each a “Non-Employee Director”) the following annual retainers:

Board/Committee	Role	Annual Retainer
Board	Chair	\$115,000
	Lead Director	\$115,000
	Member	\$90,000
Audit	Chair	\$25,000
	Member	\$10,000
Compensation	Chair	\$20,000
	Member	\$7,500
Finance	Chair	\$15,000
	Member	\$5,000
Nominating & Governance	Chair	\$15,000
	Member	\$5,000
Sustainability	Chair	\$15,000
	Member	\$5,000

No additional retainer shall be paid to a Non-Employee Director for serving on the board of directors of a subsidiary (“Subsidiary Board”) of the Corporation, except that the special independent director who will serve on the board of SJWNE LLC (and will not be serving on the Corporation’s Board) will receive an aggregate annual retainer of \$57,500 for serving on such board and any other Subsidiary Boards.

2. Long-Term Incentive Plan

Non-Employee Directors may be eligible to participate in the Corporation’s 2023 Long-Term Incentive Plan (“LTIP”), and as hereafter amended, and may also be eligible to participate in programs now or hereafter established thereunder, as more fully set forth in the LTIP and the programs established thereunder.

II. EXPENSE REIMBURSEMENT

All reasonable expenses incurred by a Non-Employee Director in connection with his or her attendance at the Corporation’s Board meetings, Subsidiary Board meetings, Committee Meetings, or other meetings of the Corporation, which may include the expense of traveling first class for any travel within the United States, shall be reimbursed.

SJW GROUP**AMENDED AND RESTATED FORMULAIC EQUITY AWARD PROGRAM FOR NON-EMPLOYEE BOARD MEMBERS****I. IMPLEMENTATION**

This Amended and Restated Formulaic Equity Award Program for Non-Employee Board Members (the “Automatic Grant Program”) is implemented under the SJW Group (the “Corporation”) 2023 Long-Term Incentive Plan (the “Plan”) and shall become effective as of October 25, 2024.

Unless indicated to the contrary, all capitalized terms in this Automatic Grant Program shall have the meanings assigned to them in the Appendix to the Plan.

II. AWARD TERMS

A. Automatic Grants. The Awards to be made pursuant to the Automatic Grant Program shall be as follows:

1. At the close of business on the date of each annual meeting of the Corporation’s shareholders, beginning with the 2023 Annual Meeting, each individual who is elected or re-elected to serve as a non-employee member of the Board of Directors of the Corporation (the “Board”) shall automatically be granted an Award in the form of restricted stock units covering that number of shares of Common Stock (rounded up to the next whole share) determined by dividing the Applicable Annual Amount (as defined below) by the Fair Market Value per share on such date. There shall be no limit on the number of such annual grants any one continuing non-employee Board member may receive over his or her period of Board service, and non-employee Board members who have previously been in the employ of the Corporation (or any Parent or Subsidiary) shall be eligible to receive one or more such annual grants over their period of continued Board service.

2. Each individual who commences service as a non-employee Board member following the date of an annual meeting of the Corporation’s shareholders, but before the date that is two months prior to the next annual meeting of the Corporation’s shareholders (the “New Non-Employee Director”), shall automatically be granted an Award (the “New Non-Employee Director Award”) on the date of commencement of such service in the form of restricted stock units covering that number of shares of Common Stock (rounded up to the next whole share) determined by (i) dividing the Applicable Annual Amount by the Fair Market Value per share on the date of grant of the New Non-Employee Director Award, and (ii) multiplying the number obtained from clause (i) by a fraction, with the numerator being the number of months (with each partial month rounded up to a whole number) elapsed from the date the New Non-Employee Director commenced service to the estimated date of the next annual meeting of the Corporation’s shareholders, and the denominator being twelve (12). Each New Non-Employee Director shall be eligible for an Award pursuant to the terms of paragraph A.1 of this Section as of the next annual meeting following the date the New Non-Employee Director commences service as a non-employee Board member.

3. The Applicable Annual Amount shall be One Hundred and Ten Thousand Dollars (\$110,000.00) per non-employee Board member for the Awards to be made at each annual meeting of the Corporation's shareholders, commencing with the 2025 Annual Meeting.

4. Each restricted unit awarded under the Automatic Grant Program shall entitle the non-employee Board member to one share of Common Stock on the applicable vesting date of that unit.

B. Vesting of Awards and Issuance of Shares.

1. Each restricted stock unit award granted under paragraph A.1. of this Section shall vest in full upon the non-employee Board member's continuation in Board service through the day immediately preceding the date of the first annual shareholders meeting following the annual shareholders meeting at which that restricted stock unit award was made.

2. Each restricted stock unit award granted under paragraph A.2. of this Section shall vest on the one-year anniversary of the date such award was granted, subject to the non-employee Board member's continuation in Board service through such date.

3. In the event that the non-employee Board member (including any New Non-Employee Director) ceases Board service by reason of death or Permanent Disability prior to the vesting date set forth herein, then his or her restricted stock unit award outstanding under the Automatic Grant Program at the time of such cessation of Board service shall immediately vest in full at that time.

4. Subject to Section IV hereof, the shares of Common Stock underlying each restricted stock unit award which vests in accordance with the foregoing vesting provisions shall be issued as soon as administratively practicable following the vesting date, but in no event more than fifteen (15) business days after such vesting date.

C. Dividend Equivalent Rights. None of the restricted stock unit awards granted under the Automatic Grant Program shall include any dividend equivalent rights, and the holder of each restricted stock unit award under the Automatic Grant Program shall not have any shareholder rights with respect to the shares of Common Stock subject to that award until the award vests and the shares of Common Stock are issued to such holder.

D. Retention of Issued Shares. Each non-employee Board member who participates in the Automatic Grant Program shall, with respect to each restricted stock unit award he or she receives under such program, retain beneficial ownership of at least fifty percent (50%) of the shares of Common Stock issued in connection with the vesting of that award until such time as such individual is in compliance with the equity ownership guidelines that the Corporation from time to time establishes for its non-employee Board members. In no event may the non-employee Board member sell or otherwise transfer beneficial ownership of more than fifty percent (50%) of the shares issued to him or her under the Automatic Grant Program unless he or she is at the time of such sale or transfer in full compliance with the equity ownership guidelines in effect at that time for the non-employee Board members.

III. CHANGE IN CONTROL

Should the non-employee Board member continue in Board service until the effective date of an actual Change in Control transaction, then the shares of Common Stock subject to any outstanding restricted stock unit award made to such Board member under the Automatic Grant Program shall, immediately prior to the effective date of that Change in Control transaction, vest in full and shall be issued to him or her as soon as administratively practicable thereafter, but in no event more than fifteen (15) business days after such effective date, or shall otherwise be converted into the right to receive the same consideration per share of Common Stock payable to the other stockholders in the Change in Control and distributed at the same time as such stockholder payments, but in no event later than the later of (i) the close of the calendar year in which such Change in Control is effected or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the effective date of such Change in Control.

IV. ELECTION TO DEFER ISSUANCES

A. General. The Board may, in its discretion and in accordance with the Plan, provide each non-employee Board member with the opportunity to defer the issuance of the Common Stock underlying restricted stock unit awards granted under this Automatic Grant Program, including any New Non-Employee Director Awards, that would otherwise be issued to the non-employee Board member in connection with the vesting of the restricted stock unit award pursuant to paragraph II.B.2 hereof until the earliest of: (i) the date on which the non-employee Board member incurs a separation from service within the meaning of Section 409A of the Code; (ii) the date specified by the non-employee Board member, in writing, in his or her Deferral Election (defined below); and (iii) the date of the closing of a transaction that results in a Change in Control. Any such deferral election (“Deferral Election”) shall be subject to such rules, conditions and procedures as shall be determined by the Board, in its sole discretion, which rules, conditions and procedures shall at all times comply with the requirements of Section 409A of the Code, unless otherwise specifically determined by the Board. If an individual elects to defer the delivery of the shares underlying restricted stock unit awards granted under this Program, settlement of the deferred restricted stock unit award shall be made in accordance with the terms of the Deferral Election.

B. Election Method. Each Deferral Election must be submitted to the Corporation in the form and manner specified by the Board. Deferral Elections must comply with the following timing requirements:

1. Initial Deferral Election. Each New Non-Employee Director may make a Deferral Election with respect to the New Non-Employee Director Award (the “Initial Deferral Election”). The Initial Deferral Election must be submitted to the Corporation on or before the date that the individual first becomes a New Non-Employee Director and the Initial Deferral Election shall become final and irrevocable as of such date.

2. Annual Deferral Election. No later than December 31 of each calendar year, or such earlier deadline as may be established by the Board, in its discretion (the “Annual Election Deadline”), each individual who is a non-employee Board member as of immediately before the Annual Election Deadline may make a Deferral Election with respect to the restricted

stock unit award to be granted in the following calendar year (the “Annual Deferral Election”). The Annual Deferral Election must be submitted to the Corporation on or before the applicable Annual Election Deadline and shall become final and irrevocable for the subsequent calendar year as of the applicable Annual Election Deadline.

C. Award is Unfunded. Each non-employee Board member who submits a Deferral Election shall be considered a general unsecured creditor of the Corporation with respect to any rights under a restricted stock unit award granted hereunder and understands that the Corporation has not formally funded such award.

D. Taxes. The Corporation assumes no responsibility for individual income taxes, penalties or interest related to grant, vesting or settlement of any restricted stock unit award. Neither the Corporation nor any of its affiliate makes any representation or undertaking regarding the treatment of any tax withholding in connection with the grant, vesting or settlement of any restricted stock unit award. By accepting a restricted stock unit award and submitting a Deferral Election, non-employee Board members understand that (1) amounts deferred pursuant to a Deferral Election will be taxable as ordinary income in the year paid and (2) the Corporation may be required to withhold federal, state and/or local taxes in connection with the vesting and/or settlement of restricted stock unit awards. Further, by accepting a restricted stock unit award and submitting a Deferral Election, non-employee Board members understand that, upon receipt of deferred payouts, taxes may be owed both (1) to the state where such individual resided at the time of making the Deferral Election and, if different, (2) to the state where such individual resided when he or she received a deferred payout. The Corporation does not guarantee in any way whatsoever the tax treatment of any deferrals or payments made under this Program or the Deferral Election form.

E. Code Section 409A. Although the Corporation makes no guarantee with respect to the tax treatment of payments and benefits hereunder, it is the intent of this Program and the Deferral Election form to comply with the applicable requirements of Code Section 409A and shall be limited, construed, administered, and interpreted in accordance with such intent. Accordingly, the Corporation reserves the rights to amend the provisions of the Program and the Deferral Election form at any time to avoid the imposition of an excise tax under Code Section 409A on any payments to be made hereunder. In no event whatsoever shall the Corporation or any of its affiliates be liable for any additional tax, interest or penalties that may be imposed on a non-employee Board member by Code Section 409A or any damages for failing to comply with Code Section 409A, other than for withholding or other obligations applicable to employers, if any, under Code Section 409A.

CERTIFICATIONS

I, Eric W. Thornburg, certify that:

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

Date: October 28, 2024

/s/ ERIC W. THORNBURG

Eric W. Thornburg

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

CERTIFICATIONS

I, Andrew F. Walters, certify that:

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

Date: October 28, 2024

/s/ ANDREW F. WALTERS

Andrew F. Walters

Chief Financial Officer, Treasurer and Interim Principal Accounting Officer

(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, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric W. Thornburg, President, Chief Executive Officer and Chairman of the Board of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge on the date hereof:

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

/s/ ERIC W. THORNBURG

Eric W. Thornburg
President, Chief Executive Officer and Chairman of the Board
(Principal executive officer)
October 28, 2024

**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, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew F. Walters, Chief Financial Officer, Treasurer and Interim Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge on the date hereof:

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

/s/ ANDREW F. WALTERS

Andrew F. Walters
Chief Financial Officer, Treasurer and Interim Principal Accounting Officer
(Principal financial officer)
October 28, 2024