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

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**FORM 10-Q**

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

For the quarterly period ended March 31, 2023

OR

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

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

Commission file number 1-8966

**SJW GROUP**

(Exact name of registrant as specified in its charter)

Delaware

77-0066628

(State or other jurisdiction of incorporation or organization)

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

110 West Taylor Street, San Jose, CA

95110

(Address of principal executive offices)

(Zip Code)

(408) 279-7800

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.001 per share	SJW	New York Stock Exchange LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Non-accelerated filer

Accelerated filer  Smaller reporting company

Emerging growth company

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of April 25, 2023, there were 31,427,284 shares of the registrant's Common Stock outstanding.

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## FORWARD-LOOKING STATEMENTS

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

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

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

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

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

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

	Three months ended March 31,	
	2023	2022
REVENUE	\$ 137,296	124,302
OPERATING EXPENSE:		
Production Expenses:		
Purchased water	22,418	19,217
Power	2,199	3,080
Groundwater extraction charges	10,359	13,928
Other production expenses	12,043	10,123
Total production expenses	47,019	46,348
Administrative and general	24,344	24,205
Maintenance	6,058	6,695
Property taxes and other non-income taxes	8,401	8,309
Depreciation and amortization	26,296	27,606
Gain on sale of nonutility properties	—	(5,450)
Total operating expense	112,118	107,713
OPERATING INCOME	25,178	16,589
OTHER (EXPENSE) INCOME:		
Interest on long-term debt and other interest expense	(15,772)	(13,729)
Pension non-service cost	(64)	949
Other, net	3,266	995
Income before income taxes	12,608	4,804
Provision for income taxes	1,078	1,067
NET INCOME	11,530	3,737
Other comprehensive income (loss), net	93	(181)
COMPREHENSIVE INCOME	\$ 11,623	3,556
EARNINGS PER SHARE		
Basic	\$ 0.37	0.12
Diluted	\$ 0.37	0.12
DIVIDENDS PER SHARE	\$ 0.38	0.36
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	30,936,476	30,224,135
Diluted	31,040,897	30,335,974

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
Utility plant:		
Land	\$ 40,820	39,982
Depreciable plant and equipment	3,706,176	3,661,285
Construction in progress	121,309	116,851
Intangible assets	35,947	35,959
Total utility plant	3,904,252	3,854,077
Less accumulated depreciation and amortization	1,250,101	1,223,760
Net utility plant	2,654,151	2,630,317
Real estate investments and nonutility properties	1,388	58,033
Less accumulated depreciation and amortization	190	17,158
Net real estate investments and nonutility properties	1,198	40,875
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents:		
Cash	23,333	12,344
Accounts receivable:		
Customers, net of allowances for uncollectible accounts of \$5,851 and \$5,753 on March 31, 2023 and December 31, 2022, respectively	56,468	59,172
Other	5,145	5,560
Accrued unbilled utility revenue	40,437	45,722
Assets held for sale	40,850	—
Prepaid expenses	11,380	9,753
Current regulatory assets, net	10,019	16,068
Other current assets	6,216	6,095
	193,848	154,714
<b>OTHER ASSETS:</b>		
Net regulatory assets, less current portion	127,339	127,275
Investments	15,923	14,819
Goodwill	640,311	640,311
Other	19,728	24,313
	803,301	806,718
	<u>\$ 3,652,498</u>	<u>3,632,624</u>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	March 31, 2023	December 31, 2022
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>CAPITALIZATION:</b>		
Stockholders' equity:		
Common stock, \$0.001 par value; authorized 70,000,000 shares; issued and outstanding shares 31,427,124 on March 31, 2023 and 30,801,912 on December 31, 2022	\$ 31	31
Additional paid-in capital	692,742	651,004
Retained earnings	458,142	458,356
Accumulated other comprehensive income	1,570	1,477
Total stockholders' equity	1,152,485	1,110,868
Long-term debt, less current portion	1,520,362	1,491,965
	<u>2,672,847</u>	<u>2,602,833</u>
<b>CURRENT LIABILITIES:</b>		
Lines of credit	72,433	159,578
Current portion of long-term debt	44,274	4,360
Accrued groundwater extraction charges, purchased water and power	11,739	19,707
Accounts payable	25,974	29,581
Accrued interest	19,071	13,907
Accrued payroll	9,076	11,908
Income tax payable	4,608	2,696
Other current liabilities	25,790	22,913
	<u>212,965</u>	<u>264,650</u>
DEFERRED INCOME TAXES	220,111	218,155
ADVANCES FOR CONSTRUCTION	137,668	137,696
CONTRIBUTIONS IN AID OF CONSTRUCTION	327,016	323,668
POSTRETIREMENT BENEFIT PLANS	55,914	59,738
OTHER NONCURRENT LIABILITIES	25,977	25,884
COMMITMENTS AND CONTINGENCIES		
	<u>\$ 3,652,498</u>	<u>3,632,624</u>

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, 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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares	Amount				
BALANCES, December 31, 2021	30,181,348	\$ 30	\$ 606,392	\$ 428,260	\$ (163)	\$ 1,034,519
Net income	—	—	—	3,737	—	3,737
Unrealized loss on investment, net of taxes of \$67	—	—	—	—	(181)	(181)
Stock-based compensation	—	—	1,552	(20)	—	1,532
Issuance of restricted and deferred stock units	37,879	—	(1,269)	—	—	(1,269)
Employee stock purchase plan	17,918	—	1,049	—	—	1,049
Common stock issuance, net of costs	—	—	(87)	—	—	(87)
Dividends paid (\$0.36 per share)	—	—	—	(10,882)	—	(10,882)
BALANCES, March 31, 2022	30,237,145	\$ 30	\$ 607,637	\$ 421,095	\$ (344)	\$ 1,028,418

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Three months ended March 31,	
	2023	2022
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 11,530	3,737
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,842	28,081
Deferred income taxes	1,052	2,264
Stock-based compensation	1,199	1,552
Allowance for equity funds used during construction	(180)	(510)
Gain on sale of nonutility property	—	(5,450)
Changes in operating assets and liabilities:		
Accounts receivable and accrued unbilled utility revenue	8,177	4,311
Accounts payable and other current liabilities	(650)	(1,635)
Accrued groundwater extraction charges, purchased water and power	(7,968)	2,140
Tax receivable and payable, and other accrued taxes	1,727	1,135
Postretirement benefits	1,667	1,230
Regulatory assets and liabilities excluding income tax temporary differences, net and postretirement benefits	8,367	5,124
Other changes, net	(1,156)	3,315
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>50,607</b>	<b>45,294</b>
<b>INVESTING ACTIVITIES:</b>		
Additions to utility plant:		
Company-funded	(52,384)	(43,727)
Contributions in aid of construction	(2,703)	(4,782)
Payments to retire utility plant, net of salvage	(167)	(1,087)
Other changes, net	225	154
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(55,029)</b>	<b>(49,442)</b>
<b>FINANCING ACTIVITIES:</b>		
Borrowings on line of credit	12,238	15,377
Repayments on line of credit	(99,383)	(2,375)
Long-term borrowings	70,000	—
Repayments of long-term borrowings	(956)	(1,172)
Issuance of common stock, net of issuance costs	40,997	—
Dividends paid	(11,722)	(10,882)
Receipts of advances and contributions in aid of construction	5,597	10,044
Refunds of advances for construction	(589)	(595)
Other changes, net	(771)	(279)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>15,411</b>	<b>10,118</b>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>10,989</b>	<b>5,970</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD</b>	<b>12,344</b>	<b>12,119</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD</b>	<b>23,333</b>	<b>18,089</b>
<b>LESS RESTRICTED CASH, END OF PERIOD</b>	<b>—</b>	<b>602</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 23,333</b>	<b>17,487</b>
<b>Cash paid during the period for:</b>		
Interest	\$ 12,062	11,127
Income taxes	198	165
<b>Supplemental disclosure of non-cash activities:</b>		
Accrued payables for additions to utility plant	\$ 19,906	20,472
Utility property installed by developers	656	546

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2023**  
(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 2022 Annual Report on Form 10-K should be read with the accompanying unaudited condensed consolidated financial statements.

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

**Revenue**

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

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

	Three months ended March 31,	
	2023	2022
Revenue from contracts with customers	\$ 135,836	121,777
Alternative revenue programs, net	(1,391)	(1,927)
Other balancing and memorandum accounts, net	1,795	2,430
Other regulatory mechanisms, net	(391)	666
Rental income	1,447	1,356
	\$ 137,296	124,302

**Real Estate Investments and Nonutility Properties**

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

	March 31, 2023	December 31, 2022
Land	\$ 918	12,615
Buildings and improvements	470	45,418
Subtotal	1,388	58,033
Less: accumulated depreciation and amortization	190	17,158
Total	\$ 1,198	40,875

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

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

depreciation on assets held for sale. The company's broker provided the estimated fair value of the Tennessee properties and we subtracted the estimated costs to sell from that calculated fair value. The resulting net fair value of the Tennessee properties exceeded their carrying value, and accordingly no impairment was recorded.

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

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

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

**Fair Value Measurement**

The following instruments are not measured at fair value on SJW Group's condensed consolidated balance sheets as of March 31, 2023, but require disclosure of their fair values: cash and cash equivalents, accounts receivable and accounts payable. The estimated fair value of such instruments as of March 31, 2023, approximates their carrying value as reported on the condensed consolidated balance sheets. There have been no changes in valuation techniques during the three months ended March 31, 2023. 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 approximately \$1,383,468 and \$1,294,354 as of March 31, 2023, and December 31, 2022, respectively, and was determined using a discounted cash flow analysis, based on the current rates for similar financial instruments of the same duration and creditworthiness of the company. The book value of long-term debt was \$1,564,636 and \$1,496,325 as of March 31, 2023, and December 31, 2022, respectively. The fair value of long-term debt would be categorized as Level 2 in the fair value hierarchy.

CTWS's additional retirement benefits under the supplemental executive retirement plans and retirement contracts are funded by investment assets held by a Rabbi Trust. The fair value of the money market funds, mutual funds and fixed income investments in the Rabbi Trust was \$2,848 and \$2,809 as of March 31, 2023, and December 31, 2022, 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 Plan (as amended, the "Incentive Plan"), shares potentially issuable under the performance stock plans assumed through the business combination with CTWS, and shares potentially issuable under the Employee Stock Purchase Plan ("ESPP"). For the three months ended March 31, 2023 and 2022, 8,855 and 10,860 anti-dilutive restricted common stock units were excluded from the dilutive earnings per share calculation, respectively.

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

**Note 2. Regulatory Matters**

Regulatory assets, net are comprised of the following as of March 31, 2023, and December 31, 2022:

	March 31, 2023	December 31, 2022
Regulatory assets:		
Income tax temporary differences, net	\$ 46,601	43,434
Postretirement pensions and other postretirement benefits	31,021	31,493
Business combinations debt premium, net	16,761	17,396
Monterey Water Revenue Adjustment Mechanism (“MWRAM”)	14,171	10,864
Water Conservation Memorandum Account (“WCMA”)	(7,150)	(5,039)
2022 General Rate Case Interim Memorandum Account	18,716	20,650
Cost recovery accounts	11,308	16,545
All other balancing and memorandum accounts	3,267	2,749
Water Revenue Adjustment (“WRA”)	(7,283)	(4,488)
Other, net	9,946	9,739
Total regulatory assets, net in Condensed Consolidated Balance Sheets	137,358	143,343
Less: current regulatory assets, net	10,019	16,068
Total regulatory assets, net, less current portion	\$ 127,339	127,275

SJWC has established balancing accounts for the purpose of tracking the under-collection or over-collection associated with expense changes and revenue authorized by the CPUC to offset those expense changes. In 2022, SJWC’s general rate case decision approved the use of the Full Cost Balancing Account to track the water supply costs and energy consumption. The MWRAM balancing account tracks the difference between the revenue received for actual metered sales through the tiered volumetric rate and the revenue that would have been received with the same actual metered sales if a uniform rate would have been in effect.

SJWC also maintains memorandum accounts to track revenue impacts due to catastrophic events, certain unforeseen water quality expenses related to new federal and state water quality standards, energy efficiency, water conservation, water tariffs, and other approved activities or as directed by the CPUC. The WCMA allows SJWC to track lost revenue, net of related water costs, associated with reduced sales due to water conservation and associated calls for water use reductions. SJWC records the lost revenue captured in the WCMA balancing accounts. Drought 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.

Connecticut Water has established WRA, a decoupling mechanism, to mitigate risk associated with changes in demand. The WRA is used to reconcile actual water demands with the demands projected in the most recent general rate case and allows the company to implement a surcharge or surcredit as necessary to recover or refund the revenues approved in the general rate case. The WRA allows the company to defer, as a regulatory asset or liability, the amount by which actual revenues deviate from the revenues allowed in the most recent general rate proceedings.

As of March 31, 2023, and December 31, 2022, SJW Group’s regulatory assets, net, not earning a return primarily included postretirement pensions and the unfunded amount of other medical benefits, and business combination debt premiums, net. The total amount of regulatory assets, net not earning a return at March 31, 2023, and December 31, 2022, either by interest on the regulatory asset/liability or as a component of rate base at the allowed rate of return was \$51,002 and \$52,066, respectively.

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

**Note 3. Capitalization**

In March 2023, SJW Group entered into an Amendment No. 1 to the equity distribution agreement (the “Equity Distribution Agreement”), dated November 17, 2021, between the Company and J.P. Morgan Securities LLC, Janney Montgomery Scott LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC (each a “Sales Agent” and, collectively, the “Sales Agents”), pursuant to which the Company increased the aggregate gross sales price of shares of the Company’s common stock, \$0.001 par value per share, that may be sold under the Equity Distribution Agreement from \$100,000 to \$240,000. For the three months ended March 31, 2023, SJW Group issued and sold a total of 547,820 shares of common stock with a weighted average price of \$76.10 per share and received approximately \$40,997 in net proceeds under the Equity Distribution Agreement. Since the inception of the Equity Distribution Agreement, SJW Group has issued and sold 1,432,671 shares of common stock with a weighted average price of \$74.46 for a total net proceeds of \$104,429 and has \$133,323 remaining under the Equity Distribution Agreement to issue into shares.

**Note 4. Bank Borrowings and Long-Term Liabilities**

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

**Long-term Financing Agreements**

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

**Note 5. Income Taxes**

For the three months ended March 31, 2023, and 2022, income tax expense was \$1,078 and \$1,067, respectively. The effective consolidated income tax rates were 9% and 22% for the three months ended March 31, 2023 and 2022, respectively. The lower effective tax rate for the three months ended March 31, 2023, was primarily due to discrete tax items.

SJW Group unrecognized tax benefits, before the impact of deductions of state taxes, excluding interest and penalties, of approximately \$9,203 and \$9,004 as of March 31, 2023, and December 31, 2022, respectively.

SJW Group currently does not expect uncertain tax positions to change significantly over the next 12 months, except in the case of a lapse of the statute of limitations.

**Note 6. Commitments and Contingencies**

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

**Note 7. Benefit Plans**

SJW Group maintains noncontributory defined benefit pension plans for its eligible employees. SJWC and CTWS employees hired before March 31, 2008, and January 1, 2009, respectively, are entitled to benefits under the pension plans based on the employee’s years of service and compensation. For SJWC employees hired on or after March 31, 2008, benefits are determined using a cash balance formula based upon compensation credits and interest credits for each employee. Starting in 2023, Texas Water employees are also eligible to participate under SJWC’s cash balance plan. Certain CTWS employees hired before March 1, 2012, and covered by a plan merged into the CTWS 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.

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

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

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

	Three months ended March 31,	
	2023	2022
Service cost	\$ 2,052	2,652
Interest cost	3,874	2,860
Expected return on assets	(4,286)	(5,043)
Unrecognized actuarial loss	466	1,164
Amortization of prior service cost	4	4
Total	\$ 2,110	1,637

In 2023, SJW Group expects to make required and discretionary cash contributions of up to \$8,120 to the pension plans and other postretirement benefits. For the three months ended March 31, 2023, SJW Group has made no contributions to such plans.

**Note 8. Equity Plans**

The Incentive Plan allows SJW Group to provide employees, non-employee board members or the board of directors of any parent or subsidiary, consultants, and other independent advisors who provide services to the company or any parent or subsidiary the opportunity to acquire an equity interest in SJW Group. 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 the ESPP that was approved by SJW Group stockholders. As of March 31, 2023, 160,381 shares are issuable upon the vesting of outstanding restricted stock units and deferred restricted stock units and an additional 573,558 shares are available for award issuances under the Incentive Plan.

On April 26, 2023, SJW Group adopted the successor plans for the Incentive Plan and ESPP (collectively, the “Predecessor Plans”) to replace the Predecessor Plans. The Incentive Plan terminated on April 23, 2023 and ESPP will terminate on July 31, 2023. The 2023 Long-Term Incentive Plan reserves for a total of 1,142,000 shares of SJW Group’s common stock for issuance to employees, non-employee board members or the board of directors of any parent or subsidiary, consultants, and other independent advisors who provide services to the SJW Group and its subsidiaries. The 2023 Employee Stock Purchase Plan reserves for a total of 500,000 shares of SJW Group’s common stock for issuance for eligible employees to purchase common stock at a discount through accumulated payroll deductions. Remaining reserves for both of the Predecessor Plans will be terminated with the adoption of the successor plans.

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

A summary of compensation costs charged to income and proceeds from the exercise of restricted stock and similar instruments that are recorded to additional paid-in capital and common stock, by award type, are presented below for the three months ended March 31, 2023, and 2022:

	Three months ended March 31,	
	2023	2022
Compensation costs charged to income:		
ESPP	\$ 191	185
Restricted stock and deferred restricted stock	1,008	1,367
Total compensation costs charged to income	\$ 1,199	1,552
ESPP proceeds	\$ 1,080	1,049

**Restricted Stock and Deferred Restricted Stock**

For the three months ended March 31, 2023, and 2022, SJW Group granted under the Incentive Plan 27,732 and 31,399, respectively, one year and three year service-based restricted stock awards with a weighted-average grant date fair value per unit of \$77.88 and \$68.37, respectively.

For the three months ended March 31, 2023, and 2022, SJW Group granted under the Incentive Plan 31,345 and 33,621 target units, respectively, performance-based and market-based restricted stock awards granted with a weighted-average grant date fair value per unit of \$80.05 and \$70.35, respectively. Based upon actual attainment relative to the target performance metric, the number of shares issuable can range between 0% to 150% of the target number of shares for performance-based restricted stock awards, or between 0% and 200% of the target number of shares for market-based restricted stock awards.

As of March 31, 2023, the total unrecognized compensation costs related to restricted and deferred restricted stock plans was \$7,537. This cost is expected to be recognized over a weighted-average period of 2.26 years.

**Employee Stock Purchase Plan**

SJW Group's recorded expenses for its ESPP were \$90 and \$93 for the three months ended March 31, 2023 and 2022, respectively. The total unrecognized compensation costs related to the semi-annual offering period that ends July 31, 2023, for the ESPP is approximately \$133. This cost is expected to be recognized during the second and third quarters of 2023.

**Note 9. Segment and Non-Tariffed Business Reporting**

SJW Group is a holding company with five subsidiaries: (i) SJWC, a water utility operation with both regulated and non-tariffed businesses, (ii) Texas Water, a regulated water and non-tariffed wastewater utility located in Canyon Lake, Texas, and its consolidated non-tariffed variable interest entity, Acequia Water Supply Corporation, (iii) SJW Land Company and its consolidated variable interest entity, 444 West Santa Clara Street, L.P., which operated commercial building rentals, (iv) SJWNE LLC, a holding company for CTWS and its subsidiaries, Connecticut Water, Maine Water, NEWUS and Chester Realty, Inc., and (v) SJWTX Holdings, Inc. which was formed for the purpose of effecting a corporate reorganization of the water utility operations in Texas. SJW Group's reportable segments have been determined based on information used by the chief operating decision maker. SJW Group's chief operating decision maker includes the Chairman, President and Chief Executive Officer, and his executive staff. The first segment provides water utility and utility-related services to its customers through SJW Group's subsidiaries, SJWC, Connecticut Water, Texas Water, Maine Water, and NEWUS together referred to as "Water Utility Services". 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 AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**March 31, 2023**  
(in thousands, except share and per share data)

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

	For Three Months Ended March 31, 2023							
	Water Utility Services		Real Estate Services	All Other (1)		SJW Group		Total
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed		Regulated	Non-tariffed	
Operating revenue	\$ 133,272	2,577	1,447	—		133,272	4,024	137,296
Operating expense	108,867	1,414	899	938		108,867	3,251	112,118
Operating income (loss)	24,405	1,163	548	(938)		24,405	773	25,178
Net income (loss)	13,222	618	425	(2,735)		13,222	(1,692)	11,530
Depreciation and amortization	25,686	84	303	223		25,686	610	26,296
Interest on long-term debt and other interest expense	10,547	—	—	5,225		10,547	5,225	15,772
Provision (benefit) for income taxes	2,724	323	142	(2,111)		2,724	(1,646)	1,078
Assets	\$ 3,552,767	3,967	43,660	52,104		3,552,767	99,731	3,652,498

	For Three Months Ended March 31, 2022							
	Water Utility Services		Real Estate Services	All Other (1)		SJW Group		Total
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed		Regulated	Non-tariffed	
Operating revenue	\$ 120,518	2,428	1,356	—		120,518	3,784	124,302
Operating expense	101,451	3,979	909	1,374		101,451	6,262	107,713
Operating income (loss)	19,067	(1,551)	447	(1,374)		19,067	(2,478)	16,589
Net income (loss)	9,715	(1,317)	308	(4,969)		9,715	(5,978)	3,737
Depreciation and amortization	24,511	2,572	300	223		24,511	3,095	27,606
Interest on long-term debt and other interest expense	8,763	—	—	4,966		8,763	4,966	13,729
Provision (benefit) for income taxes	2,020	(437)	103	(619)		2,020	(953)	1,067
Assets	\$ 3,403,006	4,139	44,361	60,370		3,403,006	108,870	3,511,876

(1) The “All Other” category for the three months ended March 31, 2023, includes the accounts of SJW Group, SJWNE LLC, CTWS and SJWTX Holdings, Inc. on a stand-alone basis. SJWTX Holdings, Inc. had no activity for the three months ended March 31, 2023. For the three months ended March 31, 2022, “All Other” category includes the accounts of SJW Group, SJWNE LLC and CTWS on a stand-alone basis.

**Note 10. Acquisitions**

On January 13, 2023, Texas Water reached agreements to acquire KT Water Development Ltd. and KT Water Resource L.P. for the purchase price of \$7,338 and \$53,500, respectively. KT Water Development Ltd. is an investor-owned water utility providing water to approximately 1,725 people through over 570 service connections in the Rockwall Ranch subdivision in southern Comal County, Texas. KT Water Resources L.P. is a privately-held company formed to develop wholesale water supplies for the fast-growing utilities of Comal County, Texas. The transaction is expected to close in the third quarter of 2023, pending the Public Utility Commission of Texas approval of the KT Water Development Ltd. acquisition.

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

*The information in this Item 2 should be read in conjunction with the financial information and the notes thereto included in Item 1 of this Form 10-Q and the condensed consolidated financial statements and notes thereto and the related “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in SJW Group’s Annual Report on Form 10-K for the year ended December 31, 2022.*

*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.”*

**General:**

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

SJWC is a public utility in the business of providing water service to approximately 232,000 connections that serve a population of approximately one million people in an area comprising approximately 139 square miles in the metropolitan San Jose, California area. The principal business of SJWC consists of the production, purchase, storage, purification, distribution, wholesale, and retail sale of water. SJWC provides water service to customers in portions of the cities of San Jose and Cupertino and in the cities of Campbell, Monte Sereno, and Saratoga and the Town of Los Gatos, and adjacent unincorporated territories, all in the County of Santa Clara in the State of California. SJWC distributes water to customers in accordance with accepted water utility methods which include pumping from storage and gravity feed from high elevation reservoirs. SJWC also provides non-tariffed services under agreements with municipalities and other utilities. These non-tariffed services include water system operations, maintenance agreements, and antenna site leases.

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

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

SJWNE LLC is the holding company for Connecticut Water Service, Inc. (“CTWS”). CTWS, headquartered in Connecticut, serves as a holding company for water utility companies providing water service to approximately 140,000 connections that serve a population of approximately 458,000 people in 81 municipalities throughout Connecticut and Maine and more than 3,000 wastewater connections in Southbury, Connecticut. The subsidiaries held by CTWS that provide utility water services are The Connecticut Water Company (“Connecticut Water”) and The Maine Water Company (“Maine Water”). The remaining two CTWS subsidiaries are Chester Realty, Inc., a real estate company in Connecticut, and New England Water Utility Services, Inc., which provides contract water and sewer operations and other water related services.

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

SJWTX, Inc., doing business as The Texas Water Company (“Texas Water”), is a public utility in the business of providing water service to approximately 26,000 connections that serve approximately 78,000 people and approximately 900 wastewater connections. In 2022, SJWTX, Inc. filed and was approved with the State of Texas an assumed named certificate to operate under the name The Texas Water Company. Texas Water was previously doing business as Canyon Lake Water Service Company. Texas Water’s service area comprises more than 268 square miles in Bandera, Blanco, Comal, Hays, Kendall, Medina and Travis Counties in the growing region between San Antonio and Austin, Texas. Texas Water holds a 25% equity interest in Acequia Water Supply Corporation (“Acequia”). Acequia has been determined to be a variable interest entity within

the scope of Accounting Standards Codification Topic 810 with Texas Water as the primary beneficiary. As a result, Acequia has been consolidated with Texas Water. Texas Water is undergoing a corporate reorganization to separate regulated operations from non-tariffed activities. In November 2021, SJWTX Holdings, Inc. and Texas Water Operation Services LLC (“TWOS”) were formed for the purpose of effecting a corporate reorganization of our water services organization in Texas. TWOS was created for non-tariffed operations and is wholly-owned by SJWTX Holdings, Inc.. SJWTX Holdings, Inc. is a wholly-owned subsidiary of SJW Group, incorporated to hold the investments in Texas Water and TWOS.

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

Description	Location	Acreage	Square Footage	% for Three months ended March 31, 2023 of Real Estate Services	
				Revenue	Expense
Warehouse building	Knoxville, Tennessee	30	361,500	52 %	42 %
Commercial building	Knoxville, Tennessee	15	135,000	47 %	57 %
Undeveloped land and parking lot	Knoxville, Tennessee	10	N/A	N/A	N/A
Undeveloped land	San Jose, California	101	N/A	N/A	N/A
Commercial building	Clinton, CT	22	9,000	1 %	1 %
Commercial building	Guilford, CT	1	1,300	— %	— %

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

SJW Group focuses its business initiatives in three strategic areas:

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

As part of our pursuit of the above three strategic areas, we consider from time to time opportunities to acquire businesses and assets. However, we cannot be certain we will be successful in identifying and consummating any strategic business combination 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 current acquisition activities.

### **Real Estate Services:**

SJW Group’s real estate investment activity is conducted through SJW Land Company and Chester Realty, Inc. As noted above, SJW Land Company owns undeveloped land and operates commercial buildings in Tennessee. Chester Realty, Inc. owns and operates land and commercial buildings in Connecticut. SJW Land Company and Chester Realty, Inc. manage income producing and other properties until such time a determination is made to reinvest proceeds from the sale of such properties.

### Critical Accounting Policies:

The discussion and analysis of our financial condition and results of operations is based on the accounting policies used and disclosed in our 2022 consolidated financial statements and accompanying notes that were prepared in accordance with accounting principles generally accepted in the United States of America and included as part of our annual report on Form 10-K for the year ended December 31, 2022, that was filed with the Securities and Exchange Commission on February 24, 2023.

Our critical accounting policies are described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2022. Our significant accounting policies are described in our notes to the 2022 Consolidated Financial Statements included in our annual report on Form 10-K for the year ended December 31, 2022. There have been no changes to our critical or significant accounting policies during the three months ended March 31, 2023.

### Results of Operations:

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

#### Overview

SJW Group's consolidated net income for the three months ended March 31, 2023, was \$11,530, an increase of \$7,793, or approximately 209%, from \$3,737 for the same period in 2022. The increase in net income was primarily driven by rate increases in California and Maine, and the delay in SJWC's 2022 General Rate Case, a decrease in depreciation and amortization primarily due to a one-time impact related to amortization on certain Cupertino concession assets in the first quarter 2022 net of increases in depreciation related to new utility plant additions, offset by a one-time gain on sale of nonutility properties of \$5,450 in the first quarter 2022.

#### Operating Revenue

	Operating Revenue by Segment	
	Three months ended March 31,	
	2023	2022
Water Utility Services	\$ 135,849	122,946
Real Estate Services	1,447	1,356
	<u>\$ 137,296</u>	<u>124,302</u>

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

	Three months ended March 31, 2023 vs. 2022	
	Increase/(decrease)	
Water Utility Services:		
Consumption changes (including unbilled utility revenue)	\$ (6,619)	(5)%
Increase in customers	1,006	1 %
Rate increases	17,404	14 %
Balancing and memorandum accounts:		
Monterey Water Revenue Adjustment Mechanism	1,114	1 %
Water Conservation Memorandum Account ("WCMA")	498	— %
Other	410	— %
Other regulatory mechanisms	(1,019)	(1)%
Other	109	— %
Real Estate Services	91	— %
	<u>\$ 12,994</u>	<u>10 %</u>

Operating Expense

	Operating Expense by Segment	
	Three months ended March 31,	
	2023	2022
Water Utility Services	\$ 110,281	105,430
Real Estate Services	899	909
All Other	938	1,374
	\$ 112,118	107,713

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

	Three months ended March 31, 2023 vs. 2022	
	Increase/(decrease)	
Water production expenses:		
Change in surface water use	\$ (4,646)	(4)%
Change in usage and new customers	(7,031)	(7)%
Purchased water and groundwater extraction charge, energy price change and other production expenses, net	6,192	6 %
Balancing and memorandum accounts cost recovery	6,156	6 %
Total water production expenses	671	1 %
Administrative and general	1,521	1 %
Balance and memorandum account cost recovery	(1,382)	(1)%
Maintenance	(637)	(1)%
Property taxes and other non-income taxes	92	— %
Depreciation and amortization	(1,310)	(1)%
Gain on sale of nonutility properties	5,450	5 %
	\$ 4,405	4 %

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 water from surface run-off and diversion and the corresponding increase in purchased and pumped water increases production expenses substantially.

Due to many winter storms, Santa Clara County's drought classification was changed in March 2023 from "Abnormally Dry" to "None." In addition, the improved water conditions across the entire State of California have resulted in increased water allocations from the State Water Project ("SWP") and the U.S Bureau of Reclamation's Central Valley Project ("CVP"). The SWP and CVP allocations are currently 75% of contracted amounts or 24,439 million gallons, and 100% of contracted amounts or 38,906 million gallons, respectively. In April 2022, SWP allocation was 5% of contracted amounts or 1,629 million gallons, and CVP allocation was reduced to the Public Health and Safety limit due to an exceptionally dry beginning in 2022. On April 1, 2023, Valley Water's 10 reservoirs were 68% of capacity with 36,785 million gallons of water in storage. Valley Water's largest reservoir, Anderson, remains drained for a dam seismic retrofit project. Valley Water also reported that the managed groundwater recharge from January to March in the Santa Clara Plain was 148% of the five-year average. The groundwater level in the Santa Clara Plain is approximately 24 feet higher than March 2022. According to Valley Water, the projected total groundwater storage at the end of 2023 is expected to be in the Normal Stage of the Water Shortage Contingency Plan.

As of March 31, 2023, SJWC's Lake Elsman was 100.9% of capacity with 2,024 million gallons of water, approximately 160.7% of the five-year seasonal average. In addition, the rainfall at SJWC's Lake Elsman was measured at 79.59 inches for the period from July 1, 2022 through March 31, 2023, which is 239.2% of the five-year average. SJWC's Montevina Water Treatment Plant treated 1,469 million gallons of water through the first quarter, which is 238.8% of the five-year average.

SJWC's Saratoga Water Treatment Plant treated 39 million gallons of water through the first quarter, which is 75% of the five-year average. SJWC believes that its various sources of water supply will be sufficient to meet customer demand in 2023.

On April 11, 2023, Valley Water rescinded its water shortage emergency and 15% mandatory conservation target. Valley Water also established a 15% voluntary call for conservation and retained certain watering and water waste rules. On the same day, SJWC ended its Mandatory Conservation Plan, which included drought allocations and surcharges, and lowered its drought response from Stage 3 to Stage 1. SJWC's request to continue its WCMA and Water Conservation Expense Memorandum Account ("WCEMA") under the voluntary call for conservation is pending before the CPUC.

California also faces long-term water supply challenges. SJWC actively works with Valley Water to meet the challenges by continuing to educate customers on responsible water use practices and conducting long-range water supply planning.

Connecticut Water'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, Connecticut Water has water supply agreements to supplement its water supply with the South Central Connecticut Regional Water Authority and The Metropolitan District that expire 2058 and 2053, respectively.

Texas Water's water supply consists of groundwater from wells and purchased treated and untreated raw water from local water agencies. Texas Water 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 Texas Water with an aggregate of 7,650 acre-feet of water per year from Canyon Lake at prices that may be adjusted periodically by GBRA. Texas Water 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. 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.

Water sources at Maine Water vary among the individual systems, but overall approximately 90% of the total dependable yield comes from surface water supplies and 10% from wells. Maine Water 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 million gallons, for Water Utility Services:

	Three months ended March 31,		Increase/ (decrease)	% of Total Change
	2023	2022		
Purchased water	3,388	3,764	(376)	(4)%
Groundwater	2,068	3,858	(1,790)	(17)%
Surface water	3,303	2,567	736	7%
Reclaimed water	65	125	(60)	(1)%
	8,824	10,314	(1,490)	(15)%

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

SJWC's unaccounted-for water on a 12-month-to-date basis for March 31, 2023, and 2022 approximated 7.5% and 7.2%, respectively, as a percentage of total production. The unaccounted-for water estimate is based on the results of past experience and the impact of flows through the system, partially offset by SJWC's main replacements and lost water reduction programs.

CTWS's unaccounted-for water on a 12-month-to-date basis for March 31, 2023, and 2022 approximated 13.9% for each of the respective periods, 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 \$671 for the three months ended March 31, 2023, compared to the same period in 2022, was primarily attributable to increases in average per unit costs for purchased water, groundwater extraction, and other production expenses, offset by a decrease in customer usage and an increase in available surface water for SJWC. Effective July 1, 2022, Valley Water increased the unit price of purchased water by approximately 14% and the groundwater extraction charge by approximately 15%.

#### Other Operating Expenses

Operating expenses, excluding water production expenses, increased \$3,734 for the three months ended March 31, 2023, compared to the same period in 2022. The increase was primarily attributable to the \$5,450 gain on sale of nonutility properties

recorded in the prior year, partially offset by decreases in depreciation and amortization due to a \$2,400 one-time impact related to amortization on certain Cupertino concession assets in the first quarter 2022 net of increases in depreciation related to new utility plant additions, and a decrease in maintenance expenses due to the timing of contract work and materials expenses.

#### Other (Expense) Income

For the three months ended March 31, 2023, compared to the same period in 2022, the change in other (expense) income was primarily due to a true-up on prior real estate sale transactions, an increase in the return from retirement plan assets, and an increase in pension non-service cost.

#### Provision for Income Taxes

For the three months ended March 31, 2023, compared to the same period in 2022, income tax expense increased by \$11.

The effective consolidated income tax rates were 9% and 22% for the three months ended March 31, 2023 and 2022, respectively. The lower effective tax rate for the three months ended March 31, 2023, was primarily due to discrete tax items.

#### Regulation and Rates

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

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

#### California Regulatory Affairs

On May 3, 2021, SJWC filed Application No. 21-05-004 requesting authority to adjust its cost of capital for the period from January 1, 2022 through December 31, 2024. The request seeks a revenue increase of \$6,418 or 1.61% in 2022. The application also proposes a rate of return of 8.11%, an increase from the current rate of 7.64%, a decrease in the average cost of debt rate from 6.20% to 5.48%, and a return of equity of 10.30% which is an increase from the current rate of 8.90%. In addition, the request seeks to adjust SJWC's currently authorized capital structure of approximately 47% debt and 53% equity to approximately 45% debt and 55% equity. Intervenors in this proceeding, namely the Public Advocates Office and Water Rate Advocates for Transparency, Equity, and Sustainability, have suggested a lower return on equity while the latter has also suggested a higher cost of debt and different capital structure as part of their testimonies. If approved, new rates are expected to become effective in the third quarter of 2023.

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

SJWC filed Advice Letter No. 586 on November 18, 2022 to increase revenue requirement by \$18,418 or 4% for the escalation year increase in accordance with the 2022 GRC Decision. Advice Letter No. 586 was approved with an effective date of January 1, 2023.

SJWC filed Advice Letter No. 590 on April 6, 2023 to recover \$14,196 under-collection in its Monterey-Water Revenue Adjustment Mechanism Balancing Account as of March 31, 2023. SJWC proposed that this amount be recovered via a 12-month volume surcharge. This filing is pending before the CPUC.

SJWC filed Advice Letter No. 592 on April 20, 2023 to continue its WCMA and WCEMA under Valley Water's voluntary call for 15% conservation. This filing is pending before the CPUC.

#### Connecticut Regulatory Affairs

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

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

### Texas Regulatory Affairs

Texas Water has no current general rate case pending. However, it filed its application to establish a System Improvement Charge (“SIC”) with the PUCT under Docket No. 54430 on December 30, 2022. This filing will allow Texas Water to add certain utility plant additions made since 2020 to its rate base, thereby increasing revenue and avoiding the immediate need for a general rate case. The SIC is projected to increase Texas Water’s water revenue by \$1,596 and sewer revenue by \$29 within one year of the approval from the PUCT. The PUCT will determine the completeness of the application and sufficiency of the notices on April 11, 2023. Once the PUCT files the final order approving the SIC, Texas Water will be required to file a general rate case within four years. Texas Water will incrementally increase its SIC annually until that rate case. Texas Water expects to receive the final order during the second half of 2023. Notwithstanding the SIC filing, Texas Water will continue to file its annual adjustments for the Water Pass-through Charges (“WPC”) for Canyon Lake, Deer Creek, and Kendall West customers. All water supply cost increases are recoverable when the next annual WPC adjustment for each system is filed.

Texas Water plans to acquire a system owned by KT Water Development that provides service to approximately 570 residential connections using the fair market value process and filed rate doctrine. Texas Water filed its Sales, Transfer, and Merger application with the PUCT on January 3, 2023 under Docket No. 54530. The PUCT found the application to be administratively complete on March 7, 2023. Texas Water mailed the customer notices to all KT Water customers on March 24, 2023.

### 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, Maine Water agreed to file a final phase of the rate case by April 1, 2023. The third filing was submitted 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 February 28, 2022, Maine Water filed requests for general rate increases in the Camden-Rockland, Freeport, Millinocket and Oakland Divisions. On February 2, 2023, Maine Water Company received final decisions from the MPUC on four general rate cases filed in 2022. The rate increases are retroactively effective for January 1, 2023, and authorize a \$692 increase in annual revenues.

## **Liquidity:**

### Cash Flow from Operating Activities

During the three months ended March 31, 2023, SJW Group generated cash flows from operations of approximately \$50,600, compared to \$45,300 for the same period in 2022. Cash flow from operations is primarily generated by net income from revenue producing activities, adjusted for non-cash expenses for depreciation and amortization, deferred income taxes, stock-based compensation, allowance for equity funds used during construction, gains or losses on the sale of assets, and changes in working capital items. Cash flow from operations increased by approximately \$5,300. This increase was the result of a combination of the following factors: (1) general working capital and net income, adjusted for non-cash items, increased by \$11,800, (2) an increase in collections from accounts receivable and accrued unbilled utility revenue of \$3,900, and (3) an increase of \$3,200 in regulatory assets primarily due to the recognition of balancing and memorandum accounts, offset by (4) payments of amounts previously invoiced and accrued including accrued production costs, decreased by \$9,100, and (5) a decrease of \$4,500 in other changes primarily due to prior funds received from the State of California Water and Wastewater Arrearages Payment Program.

As of March 31, 2023, Water Utility Services’ write-offs for uncollectible accounts represented 2% of its total revenue, increased from less than 1% as of March 31, 2022. The increase in write-offs from prior year is due to the end of state moratoriums to halt collection efforts related to the COVID pandemic. Management believes that the collection rate for its accounts receivables will gradually return to pre-pandemic levels now that service disconnections are once again allowable in order to mitigate payment delinquencies.

### Cash Flow from Investing Activities

During the three months ended March 31, 2023, SJW Group used cash flows from investing activities of approximately \$55,000, compared to \$49,400 for the same period in 2022. SJW Group used approximately: (1) \$52,400 of cash for company-funded capital expenditures, (2) \$2,700 for developer-funded capital expenditures, and (3) \$200 for utility plant retirements.

Water Utility Services' estimated capital expenditures for 2023, exclusive of capital expenditures financed by customer contributions and advances, are anticipated to be approximately \$255,000. As of March 31, 2023, approximately \$52,400 or 21% of the \$255,000 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 \$1,350,000 in capital expenditures, which includes replacement of pipes and mains, and maintaining water systems. A significant portion of this amount is subject to future respective state regulatory utility commissions' approval. Capital expenditures have the effect of increasing utility plant rate base on which Water Utility Services earns a return. Water Utility Services actual capital expenditures may vary from their projections due to changes in the expected demand for services, weather patterns, actions by governmental agencies, and general economic conditions. Total additions to utility plant normally exceed Company-financed additions as a result of new facilities construction funded with advances from developers and contributions in aid of construction.

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

#### Cash Flow from Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2023, increased by approximately \$5,300 from the same period in the prior year, primarily as a result of (1) an increase in net borrowings and repayments on long-term debt of \$70,200, and (2) an increase in net proceeds from our common stock equity offerings of \$41,000, offset by (3) a decrease in net borrowings and repayments on our lines of credit of \$100,100, and (4) \$4,400 decrease in net cash receipts from advances and contributions in aid of construction.

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

A summary of the line of credit agreements as of March 31, 2023, are as follows:

	<u>Maturity Date</u>	<u>Line Limit</u>	<u>Amounts Outstanding</u>	<u>Unused Portion</u>
Syndicated credit agreement:	August 2, 2027			
SJW Group		\$ 50,000	—	50,000
SJWC		140,000	25,000	115,000
CTWS		90,000	—	90,000
Texas Water		20,000	—	20,000
Total syndicated credit agreement		300,000	25,000	275,000
CTWS credit agreement	December 14, 2023	10,000	7,433	2,567
CTWS credit agreement	May 15, 2025	40,000	40,000	—
		<u>\$ 350,000</u>	<u>72,433</u>	<u>277,567</u>

During the three months ended March 31, 2023, cost of borrowing on the lines of credit averaged 5.74% compared to 1.64% in the same period in 2022.

All of SJW Group's and subsidiaries lines of credit contain customary representations, warranties and events of default, as well as certain restrictive covenants customary for facilities of this type, including restrictions on indebtedness, liens, acquisitions and investments, restricted payments, asset sales, and fundamental changes. All of the lines of credit also include certain customary financial covenants such as a funded debt to capitalization ratio and a minimum interest coverage ratio. As of March 31, 2023, SJW Group and its subsidiaries were in compliance with all covenants on their lines of credit.

### Long-term Financing Agreements

On July 14, 2022, SJWC entered into a note purchase agreement with certain affiliates of New York Life Insurance, Metropolitan Life Insurance, Northwestern Mutual Life Insurance, and John Hancock Life Insurance (collectively the “Purchasers”), pursuant to which the company will sell an aggregate principal amount of \$70,000 of its 4.85% Senior Notes, Series P (“Series P Notes”) to the Purchasers. The Series P Notes are unsecured obligations of SJWC and are due on February 1, 2053. Interest is payable semi-annually in arrears on February 1st and August 1st of each year. The note purchase agreement contains customary affirmative and negative covenants for as long as the Series P Notes are outstanding. The Series P Notes are also subject to customary events of default. The closing of the note purchase agreement occurred on January 25, 2023.

### Equity Financing Arrangements

On March 1, 2023, SJW Group entered into an Amendment No. 1 to the equity distribution agreement (the “Equity Distribution Agreement”), dated November 17, 2021, between the Company and J.P. Morgan Securities LLC, Janney Montgomery Scott LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC (each a “Sales Agent” and, collectively, the “Sales Agents”), pursuant to which the Company increased the aggregate gross sales price of shares of the Company’s common stock, \$0.001 par value per share, that may be sold under the Equity Distribution Agreement from \$100,000 to \$240,000. For the three months ended March 31, 2023, SJW Group issued and sold a total of 547,820 shares of common stock with a weighted average price of \$76.10 per share and received approximately \$40,997 in net proceeds under the Equity Distribution Agreement. Since the inception of the Equity Distribution Agreement, SJW Group has issued and sold 1,432,671 shares of common stock with a weighted average price of \$74.46 for a total net proceeds of \$104,429 and has \$133,323 remaining to issue from the sale of shares as of March 31, 2023 under the Equity Distribution Agreement.

### Credit Rating

The condition of the capital and credit markets or the strength of financial institutions could impact SJW Group’s ability to draw on its lines of credit, issue long-term debt, sell its equity or earn interest income. In addition, government policies, the state of the credit markets and other factors could result in increased interest rates, which would increase SJW Group’s cost of capital. While our ability to obtain financing will continue to be a risk, we believe that based on our 2023 and 2022 activities, we will have access to the external funding sources necessary to implement our on-going capital investment programs in the future. The current Standard & Poor’s Rating Service assigned company rating for SJW Group with a stable outlook is an A-, for SJWC with a stable outlook is an A, CTWS with a stable outlook is an A-, and Connecticut Water with a stable outlook is an A-.

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

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

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

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

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

There has been no change in internal control over financial reporting during the first fiscal quarter of 2023 that has materially affected, or is reasonably likely to materially affect, the internal controls over financial reporting of SJW Group.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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

### ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the "Risk Factors" in SJW Group's Form 10-K for the year ended December 31, 2022 and our other public filings, which could materially affect our business, financial condition or future results. There has been no material changes from risk factors previously disclosed in "Risk Factors" in SJW Group's Form 10-K for the year ended December 31, 2022.

### ITEM 5. OTHER INFORMATION

#### Quarterly Dividend

On April 26, 2023, the Board of Directors of SJW Group declared the regular quarterly dividend of \$0.38 per share of common stock. The dividend will be paid on June 1, 2023, to stockholders of record as of the close of business on May 8, 2023.

#### Information Web Sites

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

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
10.1	<a href="#"><u>Amendment 1, dated March 1, 2023, to the Equity Distribution Agreement, dated November 17, 2021, by and among the Company, J.P. Morgan Securities LLC, Janney Montgomery Scott LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC. Incorporated by reference to Exhibit 1.1 to the Form 8-K filed on March 2, 2023.</u></a> (1)
31.1	<a href="#"><u>Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chairman, President and Chief Executive Officer.</u></a> (1)
31.2	<a href="#"><u>Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chief Financial Officer and Treasurer.</u></a> (1)
32.1	<a href="#"><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></a> (1)
32.2	<a href="#"><u>Certification Pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer and Treasurer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a> (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: May 1, 2023**

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

## SJW GROUP

AMENDMENT NO. 1 TO DISTRIBUTION AGREEMENT

March 1, 2023

J.P. Morgan Securities LLC  
383 Madison Avenue  
New York, New York 10179

Janney Montgomery Scott LLC  
1717 Arch Street  
Philadelphia, Pennsylvania 19103

RBC Capital Markets, LLC  
200 Vesey Street  
New York, NY 10281

Wells Fargo Securities, LLC  
500 West 33rd Street  
New York, New York 10001

Ladies and Gentlemen:

Reference is made to the Distribution Agreement (the "Agreement"), dated as of November 17, 2021, by and among SJW Group, a Delaware corporation, and J.P. Morgan Securities LLC, Janney Montgomery Scott LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agreement.

In connection with the foregoing, the parties hereto wish to amend the Agreement through this Amendment No. 1 to Distribution Agreement (this "Amendment") to make certain changes to the Agreement with effect on and after the date hereof (the "Effective Date").

SECTION 1. Amendments to the Agreement. The parties hereto agree, from and after the Effective Date, that:

(a) The first paragraph of the Agreement is hereby amended and restated in its entirety to read as follows:

SJW Group, a Delaware corporation (the "**Company**"), confirms its agreement with J.P. Morgan Securities LLC ("**J.P. Morgan**"), Janney Montgomery Scott LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC, each as an agent and/or principal under any Terms Agreement (as defined in Section 1(a) below) (each an "**Agent**" and, collectively, the "**Agents**"), with respect to the issuance and sale from time to time by the Company, in the manner and subject to the terms and conditions described below in this Distribution Agreement (this "**Agreement**"), of Common Stock, \$0.001 par value per share (the "**Common Stock**"), of the Company having an aggregate Gross Sales Price (as defined in Section 2(b) below) of up to \$240,000,000 (the "**Maximum Amount**") on the terms set forth in Section 1 of this Agreement. Such shares are hereinafter collectively referred to as the "**Shares**" and are described in the Prospectus referred to below.

(b) Section 3(gg) of the Agreement is hereby amended and restated in its entirety to read as follows:

Neither the Company nor any of its subsidiaries, directors or officers, nor, to the knowledge of the Company, any employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries is currently the subject or the target of any sanctions administered or enforced by the U.S. government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury (“**OFAC**”) or the U.S. Department of State and including, without limitation, the designation as a “**pecially designated national**” or “**blocked person**”), the United Nations Security Council (“**UNSC**”), the European Union, His Majesty’s Treasury (“**HMT**”) or other relevant sanctions authority (collectively, “**Sanctions**”), nor is the Company or any of its subsidiaries located, organized or resident in a country or territory that is the subject or target of Sanctions, including, without limitation, Crimea and the non-government controlled areas of the Zaporizhzhia and Kherson Regions of Ukraine, the so-called Donetsk People’s Republic, the so-called Luhansk People’s Republic, Cuba, Iran, North Korea and Syria (each, a “**Sanctioned Country**”); and the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as agent, underwriter, advisor, investor or otherwise) of Sanctions. For the past five years, the Company and its subsidiaries have not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country.

(c) Section 4(l) of the Agreement is hereby amended and restated in its entirety to read as follows:

(l) Except as otherwise agreed between the Company and the Agents, to pay all costs, expenses, fees and taxes in connection with (i) the preparation and filing of the Registration Statement, the Prospectus, any Permitted Free Writing Prospectus, and any amendments or supplements thereto, and the printing and furnishing of copies of each thereof to the Agents and to dealers (including costs of mailing and shipment), (ii) the registration, issue and delivery of the Shares, (iii) the qualification of the Shares for offering and sale under the securities or blue sky laws of such states or other jurisdictions as the Agents may reasonably designate as aforesaid (including filing fees and the reasonable legal fees and disbursements of counsel to the Agents in connection therewith) and the printing and furnishing of copies of any blue sky surveys to the Agents, (iv) the listing of the Shares on the Exchange and any registration thereof under the Exchange Act, (v) any filing for review, and any review, of the public offering of the Shares by FINRA (including filing fees and the reasonable legal fees and disbursements of counsel to the Agents in connection therewith), (vi) the fees and disbursements of counsel to the Company and of the Company’s independent registered public accounting firm, (vii) the performance of the Company’s other obligations hereunder and under any Terms Agreement and (viii) reasonable and documented fees and out-of-pocket expenses of the Agents and their counsel in an aggregate amount not to exceed \$50,000 in connection with the execution and delivery of the Amendment to this Agreement and \$35,000 in connection with each subsequent Bring-Down Delivery Date (as defined in Section 6(b))

below) in which the requirement to provide a certificate under clause (i) or (iii) of Section 6(b) are not automatically waived pursuant to Section 6(b) thereof.

(d) Section 10 of the Agreement is hereby amended and restated in its entirety to read as follows:

Notices. All notices and other communications under this Agreement and any Terms Agreement shall be in writing and shall be deemed to have been duly given if mailed or transmitted and confirmed by any standard form of communication, and shall be sufficient in all respects if delivered or sent to:

If to J.P. Morgan Securities LLC:

J.P. Morgan Securities LLC  
383 Madison Avenue, 7th Floor  
New York, New York 10179  
Attention: Special Equities Group

If to Janney Montgomery Scott LLC:

Janney Montgomery Scott LLC  
1717 Arch Street  
Philadelphia, Pennsylvania 19103

If to RBC Capital Markets, LLC:

RBC Capital Markets, LLC  
200 Vesey Street  
New York, NY 10281

If to Wells Fargo Securities, LLC:

Wells Fargo Securities, LLC  
500 West 33rd Street  
New York, New York 10001

If to the Company:

SJW Group  
110 W. Taylor Street  
San Jose, California 95110,  
Attn: Willie Brown, email: willie.brown@sjwater.com

Notwithstanding the foregoing, Transaction Proposals shall be delivered by the Company to J.P. Morgan Securities LLC by telephone or email to Sanjeet Dewal (telephone number: (212) 622-8783; email: sanjeet.s.dewal@jpmorgan.com, to Janney Montgomery Scott LLC by telephone or email to David Lau (telephone number: (617) 557-2971, email: dlau@janney.com), to RBC Capital Markets, LLC by facsimile or email to TJ Opladen (facsimile: (212) 428-6260 and email: tj.opladen@rbccm.com) and to Wells Fargo Securities, LLC by telephone or email to Equity Syndicate Department (telephone number: (833) 690-2713, email: cmclientsupport@wellsfargo.com); and Transaction Acceptances shall be delivered by the Agents to the Company by email to Andrew Walters (andrew.walters@sjwater.com).

(e) Schedule A to the Agreement is hereby amended and restated in its entirety to read as follows:

## Authorized Company Representatives

Andrew F. Walters – Chief Financial Officer & Treasurer

(f) The first paragraph of Exhibit A of the Agreement is hereby amended and restated in its entirety to read as follows:

SJW Group, a Delaware corporation (the “**Company**”), proposes, subject to the terms and conditions stated herein and in the Distribution Agreement dated November 17, 2021 (as amended on or prior to the date hereof, the “**Distribution Agreement**”) among the Company, J.P. Morgan Securities LLC, RBC Capital Markets, LLC, Wells Fargo Securities LLC and Janney Montgomery Scott LLC, to issue and sell to [J.P. Morgan Securities LLC] [RBC Capital Markets, LLC] [Wells Fargo Securities, LLC] [Janney Montgomery Scott LLC] the securities specified in the Schedule hereto (the “Purchased Shares”) (the “**Designated Agent**”). Unless otherwise defined herein, terms defined in the Distribution Agreement shall have the same meanings when used herein.

(g) The first paragraph of Exhibit B of the Agreement is hereby amended and restated in its entirety to read as follows:

We, Andrew F. Walters, Chief Financial Officer and Treasurer and Willie Brown, Vice President, General Counsel and Corporate Secretary of SJW Group, a Delaware corporation (the “**Company**”), do hereby certify that this certificate is signed by us in our capacities as authorized officers of the Company and not individually, pursuant to the Distribution Agreement dated November 17, 2021, among the Company, J.P. Morgan Securities LLC, RBC Capital Markets, LLC, Wells Fargo Securities LLC and Janney Montgomery Scott LLC (as amended on or prior to the date hereof, the “**Agreement**”), and do hereby further certify on behalf of the Company, as follows:

SECTION 2. No Other Amendments; References to Agreements. Except as set forth in this Amendment, all other terms and provisions of the Agreement shall continue in full force and effect. All references to the Agreement or in any other document executed or delivered in connection therewith shall, from the date hereof, be deemed a reference to the Agreement as amended by this Amendment. Notwithstanding anything to the contrary contained herein, this Amendment shall not have any effect on offerings or sales of the Securities prior to the Effective Date or on the terms of the Agreement and the rights and obligations of the parties thereunder, insofar as they relate to such offerings or sales, including, without limitation, the representations, warranties and agreements (including the indemnification and contribution provisions) contained in the Agreement.

SECTION 3. Applicable Law. This Amendment will be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 4. Effect of Headings. The Section headings herein are included for convenience of reference only and are not intended to be part of, or affect the meaning or interpretation of, this Amendment or the Agreement.

SECTION 5. Counterparts. This Amendment may be signed in counterparts (which may include counterparts delivered by any standard form of telecommunication), each of which shall be an original and all of which together shall constitute one and the same instrument. This Amendment may be delivered by any party by facsimile or other electronic transmission. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Amendment, or any document to be signed in connection with this Amendment, shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form,

each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means.

*[Signature Pages Follow]*

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement by and among the parties hereto in accordance with its terms.

Very truly yours,

**SJW GROUP**

By: /s/ Andrew Walters  
Name: Andrew F. Walters  
Title: Chief Financial Officer and Treasurer

*[Signature Page to Amendment No. 1 to Distribution Agreement]*

CONFIRMED AND ACCEPTED, as of the date first above written:

**J.P. MORGAN SECURITIES LLC**

By: /s/ Signed  
Authorized Signatory

**JANNEY MONTGOMERY SCOTT LLC**

By: /s/ Signed  
Authorized Signatory

**RBC CAPITAL MARKETS, LLC**

By: /s/ Signed  
Authorized Signatory

**WELLS FARGO SECURITIES, LLC**

By: /s/ Signed  
Authorized Signatory

*[Signature Page to Amendment No. 1 to Distribution Agreement]*

## CERTIFICATIONS

I, Eric W. Thornburg, certify that:

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

Date: May 1, 2023

/s/ ERIC W. THORNBURG

Eric W. Thornburg  
Chairman, President and Chief Executive Officer  
(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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 1, 2023

/s/ ANDREWS F. WALTERS

Andrew F. Walters  
Chief Financial Officer and Treasurer  
(Principal financial officer)

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

In connection with the Quarterly Report of SJW Group (the "Company") on Form 10-Q for the quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric W. Thornburg, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge on the date hereof:

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

/s/ ERIC W. THORNBURG

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Eric W. Thornburg

Chairman, President and Chief Executive Officer

(Principal executive officer)

May 1, 2023

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

In connection with the Quarterly Report of SJW Group (the "Company") on Form 10-Q for the quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew F. Walters, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge on the date hereof:

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

/s/ ANDREW F. WALTERS

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Andrew F. Walters  
Chief Financial Officer and Treasurer  
(Principal financial officer)  
May 1, 2023