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

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2021

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 October 22, 2021, there were 29,826,233 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 actions concerning rates, authorized return on equity, authorized capital structures, capital expenditures and other decisions;
- changes in demand for water and other services;
- the impact of the Coronavirus (“COVID-19”) pandemic on our business operation and financial results;
- unanticipated weather conditions and changes in seasonality including those affecting water supply and customer usage;
- climate change and the effects thereof;
- 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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
REVENUE	\$ 166,923	165,863	\$ 433,949	428,826
OPERATING EXPENSE:				
Production Expenses:				
Purchased water	33,121	35,130	76,434	76,953
Power	4,179	3,994	10,573	10,145
Groundwater extraction charges	23,736	20,471	59,419	54,082
Other production expenses	11,069	10,092	30,302	30,465
Total production expenses	72,105	69,687	176,728	171,645
Administrative and general	22,713	19,529	64,932	58,917
Maintenance	6,369	4,550	19,221	15,970
Property taxes and other non-income taxes	8,125	7,797	22,789	22,362
Depreciation and amortization	23,837	22,417	70,787	66,552
Total operating expense	133,149	123,980	354,457	335,446
OPERATING INCOME	33,774	41,883	79,492	93,380
OTHER (EXPENSE) INCOME:				
Interest on long-term debt and other interest expense	(13,535)	(13,174)	(40,655)	(39,638)
Pension non-service cost	334	(218)	999	(270)
Gain on sale of Texas Water Alliance	—	—	3,000	—
Gain on sale of real estate investments	—	1,050	—	1,050
Other, net	1,244	1,130	4,782	2,935
Income before income taxes	21,817	30,671	47,618	57,457
Provision for income taxes	2,749	4,578	5,159	9,226
NET INCOME	19,068	26,093	42,459	48,231
Other comprehensive (loss) income, net	(12)	76	133	(49)
COMPREHENSIVE INCOME	\$ 19,056	26,169	\$ 42,592	48,182
EARNINGS PER SHARE				
Basic	\$ 0.64	0.91	\$ 1.44	1.69
Diluted	\$ 0.64	0.91	\$ 1.43	1.68
DIVIDENDS PER SHARE	\$ 0.34	0.32	\$ 1.02	0.96
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	29,816,736	28,533,907	29,496,533	28,510,489
Diluted	29,952,477	28,703,343	29,625,784	28,687,012

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
Utility plant:		
Land	\$ 38,885	36,845
Depreciable plant and equipment	3,318,451	3,198,060
Construction in progress	163,262	109,976
Intangible assets	37,347	35,167
	3,557,945	3,380,048
Less accumulated depreciation and amortization	1,114,123	1,045,136
	2,443,822	2,334,912
Real estate investments	58,765	58,129
Less accumulated depreciation and amortization	15,655	14,783
	43,110	43,346
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents:		
Cash	14,019	5,269
Restricted cash	2,202	4,000
Accounts receivable:		
Customers, net of allowances for uncollectible accounts of \$4,272 and \$3,891 on September 30, 2021 and December 31, 2020, respectively	58,725	46,832
Income tax	2,148	7,041
Other	4,342	4,269
Accrued unbilled utility revenue	52,631	44,950
Prepaid expenses	13,048	8,097
Current regulatory assets, net	3,249	1,748
Other current assets	5,149	5,125
	155,513	127,331
<b>OTHER ASSETS:</b>		
Net regulatory assets, less current portion	178,861	156,482
Investments	15,289	14,367
Goodwill	628,144	628,144
Other	5,002	6,883
	827,296	805,876
	<u>\$ 3,469,741</u>	<u>3,311,465</u>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	September 30, 2021	December 31, 2020
<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 29,822,182 on September 30, 2021 and 28,556,605 on December 31, 2020	\$ 30	29
Additional paid-in capital	581,201	510,158
Retained earnings	420,411	408,037
Accumulated other comprehensive income	(931)	(1,064)
Total stockholders' equity	1,000,711	917,160
Long-term debt, less current portion	1,420,032	1,287,580
	2,420,743	2,204,740
<b>CURRENT LIABILITIES:</b>		
Line of credit	122,072	175,094
Current portion of long-term debt	26,288	76,241
Accrued groundwater extraction charges, purchased water and power	29,030	19,184
Accounts payable	37,410	34,200
Accrued interest	17,642	12,861
Accrued payroll	13,231	14,012
Other current liabilities	21,612	19,203
	267,285	350,795
DEFERRED INCOME TAXES	193,366	191,415
ADVANCES FOR CONSTRUCTION	132,228	125,027
CONTRIBUTIONS IN AID OF CONSTRUCTION	305,487	296,105
POSTRETIREMENT BENEFIT PLANS	125,005	121,597
OTHER NONCURRENT LIABILITIES	25,627	21,786
COMMITMENTS AND CONTINGENCIES (See Note 12)		
	\$ 3,469,741	3,311,465

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, 2020	28,556,605	\$ 29	\$ 510,158	\$ 408,037	\$ (1,064)	\$ 917,160
Net income	—	—	—	2,616	—	2,616
Unrealized gain on investment, net of tax of \$14	—	—	—	—	38	38
Stock-based compensation	—	—	1,280	(32)	—	1,248
Issuance of restricted and deferred stock units	30,547	—	(964)	—	—	(964)
Employee stock purchase plan	18,235	—	1,026	—	—	1,026
Common stock issuance, net of costs	1,184,500	1	66,895	—	—	66,896
Dividends paid (\$0.34 per share)	—	—	—	(9,724)	—	(9,724)
BALANCES, March 31, 2021	29,789,887	30	578,395	400,897	(1,026)	978,296
Net income	—	—	—	20,775	—	20,775
Unrealized gain on investment, net of tax of \$39	—	—	—	—	107	107
Stock-based compensation	—	—	791	(28)	—	763
Issuance of restricted and deferred stock units	15,040	—	(9)	—	—	(9)
Common stock issuance, net of costs	—	—	(120)	—	—	(120)
Dividends paid (\$0.34 per share)	—	—	—	(10,133)	—	(10,133)
BALANCES, June 30, 2021	29,804,927	30	579,057	411,511	(919)	989,679
Net income	—	—	—	19,068	—	19,068
Unrealized loss on investment, net of tax benefit of \$4	—	—	—	—	(12)	(12)
Stock-based compensation	—	—	1,130	(29)	—	1,101
Issuance of restricted and deferred stock units	186	—	14	—	—	14
Employee stock purchase plan	17,069	—	1,000	—	—	1,000
Dividends paid (\$0.34 per share)	—	—	—	(10,139)	—	(10,139)
BALANCES, September 30, 2021	29,822,182	\$ 30	\$ 581,201	\$ 420,411	\$ (931)	\$ 1,000,711

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

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Nine months ended September 30,	
	2021	2020
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 42,459	48,231
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	71,912	68,683
Deferred income taxes	4,140	(6,358)
Stock-based compensation	3,201	2,318
Allowance for equity funds used during construction	(1,490)	—
Gain on sale of Texas Water Alliance and real estate investments	(3,000)	(1,050)
Changes in operating assets and liabilities:		
Accounts receivable and accrued unbilled utility revenue	(19,647)	(34,491)
Accounts payable and other current liabilities	3,697	(3,877)
Accrued groundwater extraction charges, purchased water and power	9,846	10,396
Tax receivable and payable, and other accrued taxes	832	6,459
Postretirement benefits	265	408
Regulatory assets and liabilities excluding income tax temporary differences, net and postretirement benefits	(12,418)	(14,086)
Up-front service concession payment	—	(5,000)
Other changes, net	458	(1,018)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>100,255</b>	<b>70,615</b>
<b>INVESTING ACTIVITIES:</b>		
Additions to utility plant:		
Company-funded	(169,238)	(130,426)
Contributions in aid of construction	(12,520)	(9,584)
Additions to real estate investments	(606)	(391)
Payments to retire utility plant, net of salvage	(3,535)	(1,877)
Proceeds from sale of Texas Water Alliance and real estate investments	3,000	1,068
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(182,899)</b>	<b>(141,210)</b>
<b>FINANCING ACTIVITIES:</b>		
Borrowings on line of credit	67,099	226,884
Repayments on line of credit	(120,120)	(218,290)
Long-term borrowings	137,000	85,000
Repayments of long-term borrowings	(52,700)	(9,589)
Issuance of common stock, net of issuance costs	66,775	—
Debt issuance costs	(843)	(646)
Dividends paid	(29,996)	(27,371)
Receipts of advances and contributions in aid of construction	23,585	19,059
Refunds of advances for construction	(2,179)	(2,121)
Other changes, net	975	(64)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>89,596</b>	<b>72,862</b>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>6,952</b>	<b>2,267</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD</b>	<b>9,269</b>	<b>17,944</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD</b>	<b>16,221</b>	<b>20,211</b>
<b>LESS RESTRICTED CASH, END OF PERIOD</b>	<b>2,202</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 14,019</b>	<b>20,211</b>
Cash paid during the period for:		
Interest	\$ 39,533	40,409
Income taxes	7,643	7,024
Supplemental disclosure of non-cash activities:		
Accrued payables for additions to utility plant	\$ 26,628	21,857
Change in accrued payables for construction costs capitalized	(209)	1,997
Utility property installed by developers	1,527	5,051

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**  
(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 2020 Annual Report on Form 10-K should be read with the accompanying unaudited condensed consolidated financial statements.

**Recently Adopted Accounting Principles**

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, "Simplifying the Accounting for Income Taxes", which simplifies the accounting for income taxes, eliminates certain exceptions within Topic 740, "Income Taxes", and clarifies certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 was effective for SJW Group in the first quarter of fiscal 2021. The adoption of ASU 2019-12 did not have a material impact on the consolidated financial statements.

**Revenue**

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue from contracts with customers	\$ 163,103	167,045	\$ 422,545	414,344
Alternative revenue programs, net	2,216	1,324	4,984	4,877
Other balancing and memorandum accounts, net	639	1,532	3,637	11,743
Other regulatory mechanisms, net	(438)	(5,441)	(1,284)	(6,355)
Rental income	1,403	1,403	4,067	4,217
	\$ 166,923	165,863	\$ 433,949	428,826

**Earnings per Share**

Basic earnings per share is calculated using income available to common stockholders, divided by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated using income available to common stockholders divided by the weighted average number of shares of common stock including both shares outstanding and shares potentially issuable in connection with restricted common stock awards under SJW Group's Long-Term Incentive Plan (as amended, the "Incentive Plan"), shares potentially issuable under the performance stock plans assumed through the business combination with Connecticut Water Service, Inc. ("CTWS"), and shares potentially issuable under the Employee Stock Purchase Plan ("ESPP"). For the three months ended September 30, 2021 and 2020, 1,558 and 1,029 anti-dilutive restricted common stock units were excluded from the dilutive earnings per share calculation, respectively. For the nine months ended September 30, 2021 and 2020, 14,441 and 20,220 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)**  
**September 30, 2021**  
**(in thousands, except share and per share data)**

**Real Estate Investments**

The major components of real estate investments as of September 30, 2021, and December 31, 2020, are as follows:

	September 30, 2021	December 31, 2020
Land	\$ 14,168	14,168
Buildings and improvements	44,597	43,961
Subtotal	58,765	58,129
Less: accumulated depreciation and amortization	15,655	14,783
Total	<u>\$ 43,110</u>	<u>43,346</u>

A former wholly owned subsidiary of SJW Group, Texas Water Alliance Limited was sold to Guadalupe-Blanco River Authority (“GBRA”) in 2017. The sales agreement with GBRA included a holdback amount of \$3,000 to be paid to SJW Group on June 30, 2021, subject to reduction under certain conditions. SJW Group received the holdback amount without reduction from the GBRA on June 29, 2021 and recognized a pre-tax gain on sale of \$3,000.

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

**Note 2. Regulatory Rate Filings**

**California Regulatory Affairs**

On March 17, 2020, the California Public Utilities Commission (“CPUC”) ordered its regulated water utilities to halt customer disconnection activities in connection with the COVID-19 pandemic. On April 2, 2020, California Governor Gavin Newsom issued Executive Order N-42-20 suspending customer disconnection activities until further notice. On April 16, 2020, the CPUC issued Resolution M-4842 directing utilities to implement emergency customer protections to assist customers such as waiving reconnection deposits, offering payment arrangements, and suspending disconnections for nonpayment. This resolution was effective for up to one year, or April 15, 2021, with the option to extend. On February 11, 2021, the CPUC approved Resolution M-4849 extending customer protections required in Resolution M-4842 through June 30, 2021. The resolution also requires water utilities to develop a transition plan regarding shutoffs and terminations with customers once the moratorium ends. On April 1, 2021, San Jose Water Company (“SJWC”) filed Advice Letter 560 which includes such plan and the filing was approved on June 16, 2021. On June 11, 2021, Governor Newsom issued Executive Order N-08-21 which ends the suspension on customer disconnection activities on September 30, 2021. On June 16, 2021, the CPUC directed its regulated water utilities to extend the suspension on customer disconnection activities through September 30, 2021, in response to the Governor’s order. On June 23, 2021, SJWC filed Advice Letter 565 to extend Resolution M-4849’s emergency customer protections through September 30, 2021. This advice letter was approved on July 1, 2021. On September 23, 2021, Governor Newsom approved Senate Bill 155, which included a provision extending the water shutoff moratorium through December 31, 2021.

SJWC filed Advice Letter 556 on November 16, 2020, with the CPUC requesting authorization to increase its revenue requirement by \$11,750 or 3.04% in 2021 for the final escalation year authorized in our 2018 General Rate Case Decision 18-011-025 which established rates for 2019, 2020, and 2021. This advice letter was approved on December 17, 2020, and new rates became effective January 1, 2021.

On January 4, 2021, SJWC filed General Rate Case Application No. 21-01-003 requesting authority for an increase of revenue of \$51,585 or 13.35% in 2022, \$16,932 or 3.88% in 2023, and \$19,195 or 4.24% in 2024. The application also includes requests to recover \$18,499 from balancing and memorandum accounts, authorization for a \$435,000 capital budget, further alignment between actual and authorized usage, and a shift to greater revenue collection in the service charge. The application will undergo a year-long review process and new rates, if approved, are expected to be effective by the second quarter of 2022. SJWC will file for interim rates to be effective on January 1, 2022.

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% 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% from the current rate of 8.90%. In addition, the request seeks to adjust

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**September 30, 2021**  
**(in thousands, except share and per share data)**

SJWC's currently authorized capital structure of approximately 47% debt and 53% equity to approximately 45% debt and 55% equity. If approved, rates are expected to be effective in the second quarter of 2022.

On May 27, 2021, SJWC filed Advice Letter No. 561/561A with the CPUC requesting authorization to increase revenue by \$17,262 or 4.34% to recover the increases to purchased potable water charges, the groundwater extraction fee, and purchased recycled water charges implemented by Santa Clara Valley Water District ("Valley Water") and South Bay Water Recycling. This advice letter was approved with an effective date of July 1, 2021.

On June 9, 2021, Valley Water declared a water shortage emergency and asked its retailers to reduce consumption by 15% based on 2019's volume. On June 18, 2021, SJWC filed Advice Letter 563 with the CPUC to activate Stage 3 of its Rule 14.1, Water Shortage Contingency Plan, in response to Valley Water's declaration of drought emergency and call for 15% mandatory conservation. Advice Letter 564 was also filed on June 9, 2021, to establish a Water Conservation Memorandum Account to track the revenue impact of authorized vs actual water consumption and the incremental expenses required to implement our mandatory water conservation plan. Similar memorandum accounts were authorized during the previous drought. Advice Letters 564 and 563 were approved with the effective dates of July 20, 2021, and August 5, 2021, respectively.

On August 5, 2021, SJWC filed Advice Letter 567 with the CPUC requesting authorization to update its Drought Allocations and Drought Surcharges program contained within its Schedule 14.1. This filing updates the program developed during the drought of 2014-2017. Advice Letter 567 was approved with an effective date of September 6, 2021. This approval does not authorize its activation. SJWC will submit another filing with the commission to activate the program should water supply conditions dictate or if it is required to do so by the CPUC and/or the State of California.

On October 15, 2021, SJWC filed Advice Letter 569 with the CPUC requesting authorization to activate Schedule 14.1 effective November 15, 2021, as approved in Advice Letter 567. If approved, drought surcharges collected will be used to offset the revenue losses tracked in the Water Conservation Memorandum Account authorized in Advice Letter 564. This filing is pending before the CPUC.

### **Connecticut Regulatory Affairs**

On October 28, 2020, The Connecticut Water Company ("Connecticut Water") filed a Water Infrastructure Conservation Adjustment ("WICA") application representing an additional 1.11% surcharge or approximately \$956 increase in revenues, for a cumulative WICA surcharge of 6.94%. The Public Utilities Regulatory Authority of Connecticut ("PURA") approved the requested increase with an April 1, 2021, effective date. Additionally, on February 1, 2021, Connecticut Water filed its annual WICA reconciliation which called for a 0.09% increase of the WICA surcharge. On March 3, 2021, PURA approved the reconciliation, resulting in a net cumulative 7.03% surcharge for Connecticut Water which became effective on customers' bills on April 1, 2021. The WICA surcharge was reset to zero as part of the July 28, 2021, rate case decision. On October 26, 2021, Connecticut Water filed for a WICA increase for approximately \$21,746 in completed projects. Many of the projects were those that were not considered by PURA in the rate case because of the deadline in the proceeding for pro forma capital additions. If approved as submitted, Connecticut Water expects a WICA surcharge of 2.49% to be added to customer bills in January 2022 which is expected to generate approximately \$2,581 in additional revenue. Prior to being reset to zero concurrent with the new rates from the Connecticut Water rate proceeding effective July 28, 2021, WICA surcharges for Connecticut Water and its Avon Water division were 7.03% and 8.51%, respectively. The Heritage Village Water division did not have an approved WICA surcharge, but Connecticut Water is authorized in its July 28, 2021, rate case decision to include Heritage Village Water division in the WICA program in the future.

On January 15, 2021, Connecticut Water filed an application with PURA to amend rates for its customers, including the divisions of Avon Water and Heritage Village Water. The filing requests an increase of \$20,206 in annual revenues that includes more than \$265,514 in completed infrastructure investments that are not currently in approved rates and surcharges. On July 28, 2021, Connecticut Water received the final decision approving an increase of \$5,208 in annual revenues, a return on equity of 9.0%, with new rates effective July 28, 2021. The final decision also approved a low-income rate, tiered block rate structure for residential water customers and the cost of debt and equity percentage as requested. The final decision did not include all of the requested proforma plant in service due to the timing of its completion. However, no plant was disallowed. Connecticut Water will seek recovery for the projects in the future, including a portion of plant which is eligible for recovery through WICA. In addition, the final decision reset WICA, which was approaching its statutory caps to zero. On August 11, 2021, Connecticut Water filed a petition for reconsideration with PURA to consider matters specific to excess deferred income taxes contained in the July 28, 2021, decision. The proposed increased revenues associated with the petition is \$2,229. On October 25, 2021, PURA issued a draft decision approving \$1,752 of Connecticut Water's request. A final decision on the matter is expected on November 10, 2021.

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Long-term debt issuances for Connecticut Water require regulatory authorization which is typically obtained for a specified amount of debt to be issued during a specified period of time. On March 16, 2021, Connecticut Water filed for PURA approval for the issuance of up to \$100,000 of long-term borrowings in 2021. Connecticut Water anticipates to use the proceeds to pay down line of credit borrowings and payoff maturing debt, as well as general working capital needs. Connecticut Water received approval of the financings from PURA on June 9, 2021.

**Texas Regulatory Affairs**

On January 29, 2021, SJWTX, Inc., doing business as Canyon Lake Water Service Company (“CLWSC”) submitted its Water Pass-Through Charge (“WPC”) true-up report for the Canyon Lake area water systems’ 2020 purchased water costs. The WPC is the annual filing to change the monthly per thousand gallons charge for changes in purchased water costs since the last annual true-up report. The 2020 WPC true-up report resulted in a reduction of the WPC usage rate from \$0.95 dollars to \$0.70 dollars per thousand gallons which became effective on March 1, 2021. On August 18, 2021, the GBRA announced a 13% increase for treated water effective September 1, 2021.

The Deer Creek Ranch water system has a separate WPC. A WPC filing for Deer Creek Ranch is required only when there is a change in purchased water costs. The WPC true-up report for this system was last submitted December 1, 2020, which resulted in a decrease in the usage charge from \$2.02 to \$1.84 dollars per thousand gallons, and an increase in the monthly base charge of \$0.51 dollars per residential account. The Deer Creek Ranch WPC rate changes became effective February 25, 2021.

A disaster declaration was issued on February 12, 2021, by the Public Utilities Commission of Texas (“PUCT”) because of severe winter weather. The PUCT issued orders under Docket No. 51812-6 which prohibited disconnections for non-payment, suspended the rules for late fees and interest, and allowed for estimated billing for the duration of the disaster declaration. On March 5, 2021, the PUCT reinstated the utilities’ ability to resume charging late fees, and on June 15, 2021, removed the prohibition on disconnections for non-payment. The Texas Legislature passed Senate Bill 3 on August 6, 2021. Under this bill, utilities are obligated to report to the PUCT steps they are taking to mitigate for the type of long-term power outages experienced during the February 2021 storm. CLWSC expects to incur capital expenditures related to meeting these new requirements, largely for procurement of backup generators.

On June 28, 2021, CLWSC announced that it reached an agreement to acquire the Kendall West and Bandera East utilities in Bandera and Medina counties in Texas and that change in ownership applications had been filed with the PUCT under Docket No. 52281. The acquisition, pending approval by the PUCT, would grow CLWSC by 1,400 service connections. Rates will remain the same for those customers of the acquired Certificate of Convenience and Necessity. A decision by the PUCT is expected in the fourth quarter of 2021.

**Maine Regulatory Affairs**

On June 17, 2020, the Maine Public Utilities Commission (“MPUC”) approved a general rate increase for Skowhegan Division customers allowing \$198 in additional revenue. Per the MPUC decision, the increase will be implemented in two steps: an initial 9.80% rate increase effective June 15, 2020, and a 3.51% rate increase effective July 1, 2021. The combined rate increase is 13.31%.

On November 23, 2020, The Maine Water Company (“Maine Water”) filed Water Infrastructure Surcharge (“WISC”) applications with the MPUC in five divisions requesting an increase between 1.1% and 5%, representing approximately \$304 in additional revenues. The WISC applications were approved on December 15, 2020, and December 22, 2020 and the surcharges became effective January 1, 2021.

On March 10, 2021, Maine Water filed a general rate increase application for the Biddeford Saco Division seeking approximately \$6,659, or 77.5%, in additional revenue. The application proposed a three step, multi-year rate plan designed to ease the transition to higher water bills over the period from July 2021 to July 2023. The primary driver for the increase in rates is the support for a new drinking water treatment facility on the Saco River, a \$60,000 project to replace the existing facility that is expected to be in service in the second quarter of 2022. On June 23, 2021, the MPUC approved the first step in the plan adopting the proposed rate smoothing mechanism and implementing a temporary 22.65% surcharge on all customer bills. The surcharge will be in effect for one year. Action on the rate increase request was deferred by agreement of the parties. On September 8, 2021, Maine Water filed a supplemental application to update its request to increase base rates, initiating the second step in the rate plan. The supplemental application seeks \$6,880, or 80.1% in additional revenue primarily to support a

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new drinking water treatment facility on the Saco River. A decision on the requested revenue increase is expected in the second quarter of 2022, corresponding with the completion of the new water treatment facility.

**Note 3. Regulatory Assets, Net**

Regulatory assets, net are comprised of the following as of September 30, 2021, and December 31, 2020:

	September 30, 2021	December 31, 2020
Regulatory assets:		
Income tax temporary differences, net	\$ 15,772	6,230
Postretirement pensions and other medical benefits	99,213	95,559
Business combinations debt premium, net	20,573	22,479
Balancing and memorandum accounts, net	33,277	25,463
Water Rate Adjustment	5,489	323
Other, net	7,786	8,176
Total regulatory assets, net in Condensed Consolidated Balance Sheets	182,110	158,230
Less: current regulatory assets, net	3,249	1,748
Total regulatory assets, net, less current portion	\$ 178,861	156,482

As of September 30, 2021, and December 31, 2020, SJW Group's regulatory assets, net not earning a return primarily included postretirement pensions and other medical benefits unfunded amount, and the business combinations debt premium, net. The total amount of regulatory assets, net not earning a return at September 30, 2021, and December 31, 2020, either by interest on the regulatory asset/liability or as a component of rate base at the allowed rate of return was \$121,090 and \$119,236, respectively.

**Note 4. Balancing and Memorandum Accounts**

SJWC has established balancing accounts for the purpose of tracking the under-collection or over-collection associated with expense changes and revenue authorized by the CPUC to offset those expense changes. SJWC also maintains memorandum accounts to track revenue impacts due to catastrophic events, certain unforeseen water quality expenses related to new federal and state water quality standards, energy efficiency, water conservation, water tariffs, and other approved activities or as directed by the CPUC. The Monterey Water Revenue Adjustment Mechanism ("MWRAM") 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.

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Balancing and memorandum accounts recorded to regulatory assets, net for the three and nine months ended September 30, 2021, and 2020 as follows:

	Three months ended September 30, 2021				Three months ended September 30, 2020			
	Beginning Balance	Regulatory Asset Increase (Decrease)	Refunds (Collections) Adjustments	Ending Balance	Beginning Balance	Regulatory Asset Increase (Decrease)	Refunds (Collections) Adjustments	Ending Balance
<b>Revenue accounts:</b>								
MWRAM	\$ 15,278	363	—	15,641	\$ 10,549	(1,124)	2,625	12,050
Cost of capital memorandum account	(1,562)	—	—	(1,562)	(1,560)	(1)	—	(1,561)
Tax memorandum account	333	—	—	333	332	1	—	333
All others	(829)	397	—	(432)	(1,034)	37	1	(996)
<b>Total revenue accounts</b>	<b>\$ 13,220</b>	<b>760</b>	<b>—</b>	<b>13,980</b>	<b>\$ 8,287</b>	<b>(1,087)</b>	<b>2,626</b>	<b>9,826</b>
<b>Cost-recovery accounts:</b>								
Water supply costs	9,895	388	—	10,283	5,899	1,222	1	7,122
Pension	4,210	366	—	4,576	2,985	(253)	—	2,732
Hydro Generation Research, Development and Demonstration Memorandum Account (“PRVMA”)	928	—	(121)	807	—	1,219	(8)	1,211
COVID-19 Catastrophic Event Memorandum Account (“CEMA”)	2,618	567	—	3,185	—	—	—	—
All others	446	—	—	446	444	—	—	444
<b>Total cost-recovery accounts</b>	<b>\$ 18,097</b>	<b>1,321</b>	<b>(121)</b>	<b>19,297</b>	<b>\$ 9,328</b>	<b>2,188</b>	<b>(7)</b>	<b>11,509</b>
<b>Total</b>	<b>\$ 31,317</b>	<b>2,081</b>	<b>(121)</b>	<b>33,277</b>	<b>\$ 17,615</b>	<b>1,101</b>	<b>2,619</b>	<b>21,335</b>
	Nine months ended September 30, 2021				Nine months ended September 30, 2020			
	Beginning Balance	Regulatory Asset Increase (Decrease)	Refunds (Collections) Adjustments	Ending Balance	Beginning Balance	Regulatory Asset Increase (Decrease)	Refunds (Collections) Adjustments	Ending Balance
<b>Revenue accounts:</b>								
MWRAM	\$ 12,077	3,563	1	15,641	\$ 7,015	2,437	2,598	12,050
Cost of capital memorandum account	(1,561)	(1)	—	(1,562)	(1,553)	(8)	—	(1,561)
Tax memorandum account	333	—	—	333	(6,643)	(2)	6,978	333
All others	(806)	369	5	(432)	(759)	(128)	(109)	(996)
<b>Total revenue accounts</b>	<b>\$ 10,043</b>	<b>3,931</b>	<b>6</b>	<b>13,980</b>	<b>\$ (1,940)</b>	<b>2,299</b>	<b>9,467</b>	<b>9,826</b>
<b>Cost-recovery accounts:</b>								
Water supply costs	8,123	2,159	1	10,283	4,328	2,827	(33)	7,122
Pension	3,478	1,098	—	4,576	2,449	261	22	2,732
PRVMA	1,108	—	(301)	807	—	1,219	(8)	1,211
CEMA	2,266	919	—	3,185	—	—	—	—
All others	445	1	—	446	446	2	(4)	444
<b>Total cost-recovery accounts</b>	<b>\$ 15,420</b>	<b>4,177</b>	<b>(300)</b>	<b>19,297</b>	<b>\$ 7,223</b>	<b>4,309</b>	<b>(23)</b>	<b>11,509</b>
<b>Total</b>	<b>\$ 25,463</b>	<b>8,108</b>	<b>(294)</b>	<b>33,277</b>	<b>\$ 5,283</b>	<b>6,608</b>	<b>9,444</b>	<b>21,335</b>

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All balancing accounts and memorandum-type accounts not included for recovery or refund in the current general rate case will be reviewed by the CPUC in SJWC’s next general rate case or at the time an individual account balance reaches a threshold of 2% of authorized revenue, whichever occurs first.

**Note 5. Capitalization**

On March 8, 2021, SJW Group entered into an underwriting agreement with J.P. Morgan Securities LLC, as the representative of the several underwriters named therein (the “Underwriters”), which provided for the issuance and sale by SJW Group to the Underwriters 1,030,000 shares of our common stock, par value \$0.001 per share, in an underwritten public offering (the “Offering”). The shares in the Offering were sold at a public offering price of \$59.00 per share. SJW Group also granted the Underwriters an option to purchase up to 154,500 additional shares of common stock, which was exercised in full. The Offering closed on March 11, 2021, and the offering of option shares closed on March 16, 2021.

SJW Group received net proceeds of approximately \$66,775 from the Offering and the sale of option shares, after deducting the underwriting discounts and commissions and offering expenses. SJW Group used the proceeds from the offerings to pay down a bank line of credit agreement, dated as of June 1, 2016, between SJWC and JPMorgan Chase Bank, N.A. and for general corporate purposes, which included, among other things, financing infrastructure improvements and other capital expenditures, repayment of debt or other corporate obligations and working capital.

**Note 6. 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. As of September 30, 2021, 174,154 shares are issuable upon the vesting of outstanding restricted stock units and deferred restricted stock units and an additional 685,660 shares are available for award issuances under the Incentive Plan.

In connection with the merger with CTWS on October 9, 2019, SJW Group assumed outstanding awards of restricted stock units and deferred share units under the following stock plans: the CTWS 2014 Performance Stock Program, the CTWS 2004 Performance Stock Program and the CTWS 1994 Performance Stock Program (collectively, the “CTWS Plans”). As of September 30, 2021, approximately 56,326 shares are issuable upon the exercise of outstanding restricted stock units and deferred restricted stock units under the CTWS Plans.

A summary of compensation costs charged to income and proceeds from the exercise of any restricted stock and similar instruments that are recorded to additional paid-in capital and common stock, by award type, are presented below for the three and nine months ended September 30, 2021, and 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Compensation costs charged to income:				
ESPP	\$ 176	152	\$ 357	323
Restricted stock and deferred restricted stock	954	906	2,844	1,995
Total compensation costs charged to income	\$ 1,130	1,058	\$ 3,201	2,318
ESPP proceeds	\$ 1,000	860	\$ 2,026	1,830

**Restricted Stock and Deferred Restricted Stock**

For the three months ended September 30, 2021, and 2020, SJW Group granted under the Incentive Plan 1,134 and 761, respectively, one year and three year service-based restricted stock awards with a weighted-average grant date fair value of \$69.20 and \$58.63, respectively, per unit. For the nine months ended September 30, 2021, and 2020, SJW Group granted under the Incentive Plan 46,567 and 43,474, respectively, one year and three year service-based restricted stock awards with a weighted-average grant date fair value of \$64.65 and \$63.87, respectively, per unit.

For the three months ended September 30, 2021, and 2020, SJW Group granted under the Incentive Plan 0 and 58 target units, respectively, performance-based and market-based restricted stock awards with a weighted-average grant date fair value of \$0.00 and \$62.95, respectively, per unit. For the nine months ended September 30, 2021, and 2020, SJW Group granted under

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the Incentive Plan 30,641 and 24,777 target units, respectively, performance-based and market-based restricted stock awards granted with a weighted-average grant date fair value of \$66.33 and \$65.02, respectively, per unit. Based upon actual attainment relative to the target performance metric, the number of shares issuable can range between 0% to 150% of the target number of shares for performance-based restricted stock awards, or between 0% and 200% of the target number of shares for market-based restricted stock awards.

As of September 30, 2021, the total unrecognized compensation costs related to restricted and deferred restricted stock plans amounted to \$5,442. This cost is expected to be recognized over a weighted-average period of 1.72 years.

**Employee Stock Purchase Plan**

SJW Group's recorded expenses were \$91 and \$265 for the three and nine months ended September 30, 2021, respectively, and \$85 and \$244 for the three and nine months ended September 30, 2020, respectively, related to the ESPP. The total unrecognized compensation costs related to the semi-annual offering period that ends January 31, 2022, for the ESPP is approximately \$124. This cost is expected to be recognized during the fourth quarter of 2021 and first quarter of 2022.

**Note 7. 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 have received advance deposit payments from its customers on certain construction projects and the refunds of the advance deposit payments constitute an obligation of the respective subsidiaries.

**Lines of Credit**

On April 23, 2021, SJWC closed its \$140,000 line of credit agreement which was set to mature on June 1, 2021, and entered into a new \$140,000 credit agreement ("SJWC Credit Agreement") with JPMorgan Chase Bank, N.A., as the lender (the "Lender"). The SJWC Credit Agreement provides an unsecured credit facility with a letter of credit sublimit of \$15,000. Proceeds of borrowings under the SJWC Credit Agreement may be used to refinance existing debt, for working capital, and for general corporate purposes. The new SJWC Credit Agreement has a maturity date of December 31, 2023. The line of credit bears interest at variable rates. The SJWC Credit Agreement contains customary representations, warranties and events of default, as well as restrictive covenants customary for facilities of this type. The SJWC Credit Agreement also includes certain customary financial covenants such as a funded debt to capitalization ratio.

Also on April 23, 2021, SJW Group, as guarantor, and CLWSC closed its \$5,000 line of credit agreement which was set to mature on June 1, 2021, and entered into a new \$5,000 credit agreement ("SJWTX Credit Agreement") with the Lender. The SJWTX Credit Agreement provides an unsecured credit facility with a letter of credit sublimit of \$1,000. The new SJWTX Credit Agreement has a maturity date of December 31, 2023.

**Long-Term Debt**

On March 2, 2021, Maine Water entered into a credit agreement with a commercial bank, pursuant to an existing master loan agreement under which the commercial bank issued Maine Water a promissory note on the same date with an aggregate principal amount of \$17,000 and a fixed interest rate of 3.89%, due March 1, 2041. The notes are unsecured obligations of Maine Water. Interest is payable quarterly in arrears on the 20th day of January, April, July and October of each year. The promissory note contains customary representations and warranties. Under the promissory note, Maine Water is required to comply with certain customary affirmative and negative covenants for as long as the notes are outstanding. The notes are also subject to customary events of default, the occurrence of which may result in all of the notes then outstanding becoming immediately due and payable. Proceeds from the borrowing were received on March 18, 2021.

On May 13, 2021, CLWSC entered into a master credit agreement and promissory note with a commercial bank under which it entered into a borrowing agreement for an aggregate principal amount not to exceed \$30,000, of which \$20,000 was advanced at the closing date. The borrowing carries a fixed interest rate of 4.01% due on March 20, 2041. The remaining aggregate principal amount of the promissory note is to be advanced at the discretion of CLWSC before the maturity date. The notes are unsecured obligations of CLWSC. Interest is payable quarterly in arrears on the 20th day of January, April, July and October of each year. The promissory note contains customary representations and warranties. Under the promissory note, CLWSC is required to comply with certain customary affirmative and negative covenants for as long as the notes are outstanding. The notes are also subject to customary events of default, the occurrence of which may result in all of the notes then outstanding becoming immediately due and payable.

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On June 25, 2021, SJWC entered into a note purchase agreement with certain affiliates of New York Life Insurance (collectively the “Purchasers”), pursuant to which the company sold an aggregate principal amount of \$50,000 of its 3.00% Senior Notes, Series N (“Series N Notes”) to the Purchasers. The Series N Notes are unsecured obligations of SJWC and are due on June 25, 2051. Interest is payable semi-annually in arrears on January 1st and July 1st of each year. The note purchase agreement contains customary affirmative and negative covenants for as long as the Series N Notes are outstanding. The Series N Notes are also subject to customary events of default, the occurrence of which may result in all of the Series N Notes then outstanding becoming immediately due and payable. The closing occurred simultaneously with the signing of the note purchase agreement.

On August 4, 2021, Connecticut Water entered into a note purchase agreement with certain affiliates of Metropolitan Life Insurance Company, New York Life Insurance Company, the Northwestern Mutual Life Insurance Company and Pacific Life Insurance Company, pursuant to which Connecticut Water sold on August 4, 2021, an aggregate principal amount of \$50,000 of its 3.07% Senior Notes, Series 2021A, due 2051 (the “2021A Notes”) and will sell on December 1, 2021, an aggregate principal amount of \$50,000 of its 3.10% Senior Notes, Series 2021B, due 2051 (the “2021B Notes” and together with the 2021A Notes, the “CWC Notes”). The closing on December 1, 2021, is subject to customary closing conditions. The CWC Notes are unsecured obligations of Connecticut Water, with the 2021A Notes due on June 1, 2051, and the 2021B Notes due on December 1, 2051. Interest on the CWC Notes is payable semi-annually in arrears on June 1st and December 1st of each year. The note purchase agreement contains customary representations and warranties. Connecticut Water has agreed to customary affirmative and negative covenants for as long as the CWC Notes are outstanding. The CWC Notes are also subject to customary events of default, the occurrence of which may result in all of the CWC Notes then outstanding becoming immediately due and payable. The proceeds from the sale of the CWC Notes will be used to repay outstanding short and/or long-term borrowings, to fund Connecticut Water’s capital expenditures, and/or for other general corporate purposes.

On August 4, 2021, SJWC entered into a note purchase agreement with the purchasers listed in the agreement, pursuant to which the company sold an aggregate principal amount of \$50,000 of its 3.00% Senior Notes, Series O (“Series O Notes”), due December 1, 2051. The Series O Notes are unsecured obligations of SJWC. Interest is payable semi-annually in arrears on June 1st and December 1st of each year. The note purchase agreement contains customary affirmative and negative covenants for as long as the Series O Notes are outstanding. The Series O Notes are also subject to customary events of default, the occurrence of which may result in all of the Series O Notes then outstanding becoming immediately due and payable. The closing of the note purchase agreement is expected to occur on December 1, 2021.

**Note 8.**                      **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. 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.

In addition, senior management hired before March 31, 2008, for SJWC and January 1, 2009, for CTWS are eligible to receive additional retirement benefits under supplemental executive retirement plans and retirement contracts. SJWC’s senior management hired on or after March 31, 2008, are eligible to receive additional retirement benefits under SJWC’s Cash Balance Executive Supplemental Retirement Plan. The supplemental retirement plans and Cash Balance Executive Supplemental Retirement Plan are non-qualified plans in which only senior management and other designated members of management may participate. SJW Group also provides health care and life insurance benefits for retired employees under employer-sponsored postretirement benefits other than pension plans.

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The components of net periodic benefit costs for the defined benefit plans and other postretirement benefits for the three and nine months ended September 30, 2021, and 2020 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Service cost	\$ 2,711	2,390	\$ 8,134	7,170
Interest cost	2,556	2,860	7,666	8,580
Expected return on assets	(4,748)	(4,126)	(14,242)	(12,429)
Unrecognized actuarial loss	1,788	1,296	5,362	3,888
Amortization of prior service cost	12	39	37	115
Total	\$ 2,319	2,459	\$ 6,957	7,324

In 2021, SJW Group expects to make required and discretionary cash contributions of up to \$9,043 to the pension plans and other postretirement benefits. For the three and nine months ended September 30, 2021, SJW Group has made \$3,517 and \$4,997, respectively, contributions to such plans.

**Note 9. Income Taxes**

For the three and nine months ended September 30, 2021, income tax expense was \$2,749 and \$5,159, respectively. Income tax expense for the three and nine months ended September 30, 2020, was \$4,578 and \$9,226, respectively. The effective consolidated income tax rates were 13% and 15% for the three months ended September 30, 2021 and 2020, respectively, and 11% and 16% for the nine months ended September 30, 2021, and 2020, respectively. The lower effective rates for the three and nine months ended September 30, 2021, were primarily due to flow-through tax benefits.

SJW Group had unrecognized tax benefits, before the impact of deductions of state taxes, excluding interest and penalties of approximately \$7,537 and \$6,468 as of September 30, 2021, and December 31, 2020, respectively. SJW Group does not expect its unrecognized tax benefits to change significantly within the next 12 months.

On March 11, 2021, the American Rescue Plan Act (the “Act”) was signed into law. SJW Group has considered the income tax implications of the Act in its estimated tax provision and does not believe it will materially impact the company’s year-end tax rate.

**Note 10. Fair Value Measurement**

The following instruments are not measured at fair value on SJW Group’s condensed consolidated balance sheets as of September 30, 2021, but require disclosure of their fair values: cash and cash equivalents, accounts receivable and accounts payable. The estimated fair value of such instruments as of September 30, 2021, approximates their carrying value as reported on the condensed consolidated balance sheets. The estimated fair value of such financial instruments are determined using the income approach based on the present value of estimated future cash flows. There have been no changes in valuation techniques during the three and nine months ended September 30, 2021. 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 \$1,573,581 and \$1,570,727 as of September 30, 2021, and December 31, 2020, 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 \$1,446,320 and \$1,363,821 as of September 30, 2021, and December 31, 2020, 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 \$3,738 and \$3,014 as of September 30, 2021, and December 31, 2020, respectively, and are categorized as Level 1 in the fair value hierarchy.

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**September 30, 2021**  
**(in thousands, except share and per share data)**

**Note 11. Segment and Non-Tariffed Business Reporting**

SJW Group is a holding company with four subsidiaries: (i) SJWC, a water utility operation with both regulated and non-tariffed businesses, (ii) CLWSC, a regulated water utility located in Canyon Lake, Texas, and its consolidated non-tariffed variable interest entity, Acequia Water Supply Corporation, (iii) SJW Land Company and its consolidated variable interest entity, 444 West Santa Clara Street, L.P., which operated commercial building rentals, and (iv) SJWNE LLC a holding company for CTWS and its subsidiaries, Connecticut Water, Maine Water, New England Water Utility Services, Inc. (“NEWUS”) and Chester Realty, Inc. In accordance with FASB ASC Topic 280 - “Segment Reporting,” SJW Group’s reportable segments have been determined based on information used by the chief operating decision maker. SJW Group’s chief operating decision maker includes the Chairman, President and Chief Executive Officer, and his executive staff. The first segment is providing water utility and utility-related services to its customers through SJW Group’s subsidiaries, SJWC, Connecticut Water, CLWSC, Maine Water, and NEWUS together referred to as “Water Utility Services.” The second segment is property management and investment activity conducted by SJW Land Company and Chester Realty, Inc., referred to as “Real Estate Services.”

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.

	<b>For Three Months Ended September 30, 2021</b>							
	<b>Water Utility Services</b>		<b>Real Estate Services</b>	<b>All Other (1)</b>		<b>SJW Group</b>		<b>Total</b>
	<b>Regulated</b>	<b>Non-tariffed</b>	<b>Non-tariffed</b>	<b>Non-tariffed</b>		<b>Regulated</b>	<b>Non-tariffed</b>	
Operating revenue	\$ 162,352	3,168	1,403	—		162,352	4,571	
Operating expense	129,915	2,156	956	122		129,915	3,234	133,149
Operating income (loss)	32,437	1,012	447	(122)		32,437	1,337	33,774
Net income (loss)	20,625	879	294	(2,730)		20,625	(1,557)	19,068
Depreciation and amortization	23,209	113	292	223		23,209	628	23,837
Interest on long-term debt and other interest expense	8,805	—	—	4,730		8,805	4,730	13,535
Provision (benefit) for income taxes	3,537	280	100	(1,168)		3,537	(788)	2,749
Assets	\$ 3,352,976	7,141	44,629	64,995		3,352,976	116,765	3,469,741

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

**SJW GROUP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**September 30, 2021**  
(in thousands, except share and per share data)

	For Nine Months Ended September 30, 2021							
	Water Utility Services		Real Estate Services	All Other (1)		SJW Group		Total
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed		
Operating revenue	\$ 421,985	7,897	4,067	—	421,985	11,964	433,949	
Operating expense	343,965	5,467	2,718	2,307	343,965	10,492	354,457	
Operating income (loss)	78,020	2,430	1,349	(2,307)	78,020	1,472	79,492	
Net income (loss)	46,909	2,278	913	(7,641)	46,909	(4,450)	42,459	
Depreciation and amortization	68,913	332	872	670	68,913	1,874	70,787	
Interest on long-term debt and other interest expense	25,323	—	—	15,332	25,323	15,332	40,655	
Provision (benefit) for income taxes	8,001	665	305	(3,812)	8,001	(2,842)	5,159	
Assets	\$ 3,352,976	7,141	44,629	64,995	3,352,976	116,765	3,469,741	

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

- (1) The "All Other" category for the nine months ended September 30, 2021 and September 30, 2020, includes the accounts of SJW Group, SJWNE LLC and CTWS on a stand-alone basis.  
(2) As of September 30, 2021 and December 31, 2020, the Company has performed an allocation of goodwill associated with the acquisition of CTWS to two reporting units, Connecticut and Maine, which are both aggregated within the Regulated Water Utility Services reportable segment.

**Note 12. 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 13. Subsequent Events**

On October 29, 2021, San Jose Water sold two non-utility properties located in San Jose, California for \$13,150. Also, on the same date, SJW Land sold undeveloped land located in San Jose, California for \$2,600. SJW Group will record an estimated pre-tax gain on the sale of real estate investments of \$13,600 in the fourth quarter of 2021.

**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, 2020.*

*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 four wholly-owned subsidiaries: San Jose Water Company (“SJWC”), SJWNE LLC, SJWTX, Inc. and SJW Land Company.

SJWC is a public utility in the business of providing water service to approximately 231,000 connections that serve a population of approximately one million people in an area comprising approximately 139 square miles in the metropolitan San Jose, California area.

The principal business of SJWC consists of the production, purchase, storage, purification, distribution, wholesale, and retail sale of water. SJWC provides water service to customers in portions of the cities of San Jose and Cupertino and in the cities of Campbell, Monte Sereno, 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 230 acres of nonutility property which has been identified as no longer used and useful in providing utility services. The majority of the properties are located in the hillside areas adjacent to SJWC’s various watershed properties.

SJWNE LLC is the holding company for Connecticut Water Service, Inc. (“CTWS”). CTWS became a wholly-owned subsidiary of SJWNE LLC as part of the merger transaction between SJW Group and CTWS that was completed on October 9, 2019. CTWS, headquartered in Connecticut, serves as a holding company for water utility companies providing water service to approximately 140,000 connections that serve a population of approximately 457,000 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. (“NEWUS”), which provides contract water and sewer operations and other water related services. CTWS also offers *Linebacker*, an optional service line protection program to eligible residential customers through NEWUS in Connecticut and Maine.

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

SJWTX, Inc., doing business as Canyon Lake Water Service Company (“CLWSC”), is a public utility in the business of providing water service to approximately 22,000 connections that serve approximately 65,000 people. CLWSC’s service area comprises more than 248 square miles in the southern region of the Texas Hill Country in Blanco, Comal, Hays and Travis

counties, the growing region between San Antonio and Austin, Texas. On July 1, 2021, CLWSC completed the asset purchase of Clear Water Estates Water System, LLC which added approximately 230 connections and 0.6 square miles to the service area. CLWSC has a 25% interest in Acequia Water Supply Corporation (“Acequia”). The water supply corporation has been determined to be a variable interest entity within the scope of Accounting Standards Codification Topic 810 with CLWSC as the primary beneficiary. As a result, Acequia has been consolidated with CLWSC.

SJW Land Company owns undeveloped land and operates commercial buildings in Tennessee. SJW Land Company owned the following real properties during the nine months ended September 30, 2021:

Description	Location	Acreage	Square Footage	% for Nine months ended September 30, 2021 of SJW Land Company	
				Revenue	Expense
Warehouse building	Knoxville, Tennessee	30	361,500	48 %	44 %
Commercial building	Knoxville, Tennessee	15	135,000	52 %	56 %
Undeveloped land and parking lot	Knoxville, Tennessee	10	N/A	N/A	N/A
Undeveloped land (1)	San Jose, California	103	N/A	N/A	N/A

(1) On October 29, 2021, SJW Land sold 1.93 acres of undeveloped land located in San Jose, California. See Note 13, “Subsequent Events” of the Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of the transaction.

As of September 30, 2021, Chester Realty, Inc. owns 23 acres of undeveloped land and a commercial building in the State of Connecticut.

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

SJW Group focuses its business initiatives in three strategic areas:

- (1) Regional regulated water utility operations;
- (2) Regional non-tariffed water utility related services provided in accordance with the guidelines established by the California Public Utilities Commission in California, the Public Utilities Regulatory Authority in Connecticut, the Public Utilities Commission of Texas in Texas, and the Maine Public Utilities Commission 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 SJW Group’s financial position and operating results, entering markets in which SJW Group has no or limited direct prior experience and the potential loss of key employees of any acquired company. Any strategic combination or acquisition we decide to undertake may also impact our ability to finance our business, affect our compliance with regulatory requirements, and impose additional burdens on our operations. Any businesses we acquire may not achieve sales, customer growth and projected profitability that would justify the investment. Any difficulties we encounter in the integration process, including the integration of controls necessary for internal control and financial reporting, could interfere with our operations, reduce our operating margins and adversely affect our internal controls. SJW Group cannot be certain that any transaction will be successful or that it will not materially harm operating results or our financial condition.

### **Real Estate Services:**

SJW Group’s real estate investment activity is conducted through SJW Land Company and Chester Realty, Inc. As noted above, SJW Land Company owns undeveloped land and operates commercial buildings in Tennessee. Chester Realty, Inc. owns and operates land and commercial buildings in the State of 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 2020 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, 2020, that was filed with the Securities and Exchange Commission on March 1, 2021.

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, 2020. There have been no changes in our critical accounting policies. Our significant accounting policies are described in our notes to the 2020 Consolidated Financial Statements included in our annual report on Form 10-K for the year ended December 31, 2020.

### **Recently Adopted Accounting Policies:**

See Note 1 of the Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of recently adopted accounting policies for the nine months ended September 30, 2021.

### **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 September 30, 2021, was \$19,068, a decrease of \$7,025, or approximately 27%, from \$26,093 for the same period in 2020. SJW Group's consolidated net income for the nine months ended September 30, 2021, was \$42,459, a decrease of \$5,772, or approximately 12%, from \$48,231 for the same period in 2020. The decrease in net income for the three months ended September 30, 2021, was primarily due to an increase in production costs due to increases in average per unit costs for purchased water, groundwater extraction, energy charges, and a decrease in available surface water at SJWC. In addition, administrative and general expenses increased due to higher compensation, contracted work charges and the impact of one-time credits in 2020 that not recur in 2021. The decrease in net income for the nine months ended September 30, 2021, was primarily due to an increase in production costs due to increases in average per unit costs for purchased water, groundwater extraction, energy charges and a decrease in available surface water at SJWC, and an increase in administrative and general expenses increased primarily due to the same factors noted for the three months ended September 30, 2021, as described above. These increases were partially offset by an increase in revenue of \$5,123 or 1% from an increase in cumulative water rates and net recognition of other regulatory mechanisms and certain balancing and memorandum accounts, net of a decrease in customer usage. In addition, for the nine months ended September 30, 2021, SJW Group recorded a \$3,000 pre-tax gain on sale of utility property from the release of a holdback amount by Guadalupe-Blanco River Authority ("GBRA") in connection with the sale of Texas Water Alliance Limited ("TWA") that occurred in 2017.

#### *Coronavirus ("COVID-19") Update*

The outbreak of COVID-19 has had significant impact on the global economy. Financial impacts experienced by SJW Group due to the COVID-19 pandemic include higher uncollectible accounts receivables and increased costs from COVID-19 related prevention activities. The regulators in the states SJW Group operates have approved mechanisms to either record a regulatory asset or track in a memorandum account expenses and savings related to COVID-19. SJWC and CLWSC have determined that future recovery of the amount related to COVID-19 activities are probable and have recognized the related regulatory assets. Probability criteria have not yet been met for CTWS. If a state regulator disagrees with the calculation of recorded COVID-19 account balances, we may be required to make adjustments that could adversely affect our results of operations. SJW Group continues to monitor COVID-19 developments affecting our business, employees and suppliers and will take additional precautions as management believes is necessary. See Item 1A, "Risk Factors" for further discussion.

Operating Revenue

	Operating Revenue by Segment			
	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Water Utility Services	\$ 165,520	164,460	\$ 429,882	424,609
Real Estate Services	1,403	1,403	4,067	4,217
	<u>\$ 166,923</u>	<u>165,863</u>	<u>\$ 433,949</u>	<u>428,826</u>

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

	Three months ended September 30, 2021 vs. 2020		Nine months ended September 30, 2021 vs. 2020	
	Increase/(decrease)		Increase/(decrease)	
Water Utility Services:				
Consumption changes (including unbilled utility revenue)	\$ (12,850)	(8)%	\$ (14,215)	(3)%
Increase in customers	909	1 %	2,027	— %
Rate increases	7,642	5 %	14,044	3 %
Texas winter storm customer credits	—	— %	(839)	— %
Balancing and memorandum accounts	1,847	1 %	1,632	— %
Other regulatory mechanisms	3,267	2 %	2,380	1 %
Other	245	— %	244	— %
Real Estate Services	—	— %	(150)	— %
	<u>\$ 1,060</u>	<u>1 %</u>	<u>\$ 5,123</u>	<u>1 %</u>

Operating Expense

	Operating Expense by Segment			
	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Water Utility Services	\$ 132,071	122,046	\$ 349,432	328,368
Real Estate Services	956	961	2,718	2,642
All Other	122	973	2,307	4,436
	<u>\$ 133,149</u>	<u>123,980</u>	<u>\$ 354,457</u>	<u>335,446</u>

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

	Three months ended September 30, 2021 vs. 2020		Nine months ended September 30, 2021 vs. 2020	
	Increase/(decrease)		Increase/(decrease)	
<b>Water production expenses:</b>				
Change in surface water use	\$ 1,221	1 %	\$ 3,879	1 %
Change in usage and new customers	(7,451)	(6)%	(5,763)	(1)%
Purchased water and groundwater extraction charge, energy price change and other production expenses, net	7,814	6 %	6,299	2 %
Balancing and memorandum accounts cost recovery	834	1 %	668	— %
Total water production expenses	2,418	2 %	5,083	2 %
<b>Administrative and general</b>				
Balance and memorandum account cost recovery	(1,186)	(1)%	(1,755)	(1)%
Maintenance	600	— %	2,032	1 %
Balance and memorandum account cost recovery	1,219	1 %	1,219	— %
Property taxes and other non-income taxes	328	— %	427	— %
Depreciation and amortization	1,420	1 %	4,235	1 %
	<u>\$ 9,169</u>	<u>7 %</u>	<u>\$ 19,011</u>	<u>6 %</u>

#### Sources of Water Supply

SJWC's water supply consists of imported water purchased from the Santa Clara Valley Water District ("Valley Water") under the terms of a master contract with Valley Water expiring in 2051, groundwater from wells, surface water from watershed run-off and diversion, and reclaimed water. Surface water is the least expensive source of water. Changes and variations in quantities from each of these sources affect the overall mix of the water supply, thereby affecting water supply cost. In addition, the water rate for purchased water and the groundwater extraction charge may be increased by Valley Water at any time. If an increase occurs, then SJWC would file an advice letter with the California Public Utilities Commission ("CPUC") seeking authorization to increase customer rates to offset the cost increase.

We are currently experiencing a severe drought in California that is expected to have a significant impact on the sources of our water supply. On October 1, 2021, Valley Water's 10 reservoirs were at approximately 12% of total capacity with 6,252 million gallons of water in storage, which is 26% of the twenty-year average for this date. Valley Water's largest reservoir, Anderson, remains drained in preparation for the 8-10 year Anderson Dam Seismic Retrofit Project. As reported by Valley Water, there was zero inches of rainfall in San Jose during the current annual rainfall season that commenced on July 1, 2021. Rainfall at SJWC's Lake Elsman was measured at zero inches during the current rainfall season. Under normal hydrologic conditions, state and federal water allocations represent approximately 40% of the Valley Water's total annual water supply. As of October 1, 2021, Valley Water reported that allocations from the State Water Project was 5% or 1,629 million gallons. Valley Water received conditional approval for an increase of the Central Valley Project allocation from the original allocation of 25%. Conditional approval is based on public health and safety needs, and increases the total allocation to 23,298 million gallons. Valley Water reported that its Semitropic groundwater bank reserves are at 91% of capacity or 103,931 million gallons, which can be used to perform water transfers with other state water contractors. Valley Water also reported that the managed groundwater recharge from January to September in the Santa Clara Plain was 46% of the five-year average. The groundwater level in the Santa Clara Plain is approximately 14 feet lower than the five-year average. According to Valley Water, the projected total groundwater storage at the end of 2021 is expected to fall within the Alert Stage of the Valley Water's Water Shortage Contingency Plan.

On October 1, 2021, SJWC's Lake Elsman contained 191 million gallons of water, of which approximately 41 million gallons can be utilized for treatment in water production. This Lake Elsman volume represents 18% of the five-year average which reflects the low winter rainfall we experienced in our Santa Cruz mountains watershed. Local surface water is a less costly source of water than groundwater or purchased water and its availability significantly impacts SJWC's results of operations. Typically, SJWC will utilize surface water and additional water from its portfolio of groundwater supplies to supplement imported water from Valley Water. Production from the Montevina Surface Water Treatment Plant through the third quarter was 259 million gallons, which is 14% of the five-year average. On April 14, 2021, SJWC took the Montevina Surface Water Treatment Plant offline due to worsening hydrologic conditions in the local watershed. The plant remains offline. Through the third quarter, there was no water production at SJWC's smaller Saratoga Water Treatment Plant. The Saratoga Water Treatment Plant was unable to be placed into service due to lack of run-off from Saratoga Creek and remains offline.

Nonetheless, SJWC believes that its various other water supply sources will be sufficient to meet customer demand through the remainder of 2021.

On June 9, 2021, Valley Water declared a water shortage emergency and asked its retailers to reduce consumption by 15% based on 2019 usage. In response to Valley Water's declaration of drought emergency and call for conservation, SJWC filed with the CPUC to activate Stage 3 of its Rule 14.1 Water Shortage Contingency Plan. Like the most recent drought, the current restrictions center on outdoor water usage which typically accounts for half of a residential customer's consumption. The restrictions include limits on watering days and times, use of potable water for washing structures and other non-porous surfaces except to protect public health and safety, and no outdoor watering during and up to 48 hours after measurable rainfall.

Connecticut Water utility services' infrastructure consists of 65 noncontiguous water systems in the State of Connecticut. These systems, in total, consist of approximately 1,800 miles of water main and reservoir storage capacity of 2.4 billion gallons. The dependable yield from our 235 active wells and 18 surface water supplies is approximately 65 million gallons per day. Water sources vary among the individual systems, but overall approximately 72% of the total dependable yield comes from wells and 28% from surface water supplies.

CLWSC's water supply consists of groundwater from wells and purchased treated and untreated raw water from local water agencies. CLWSC has long-term agreements with the GBRA, which expire in 2037, 2040, 2044 and 2050. The agreements, which are take-or-pay contracts, provide CLWSC with an aggregate of 6,900 acre-feet of water per year from Canyon Lake at prices that may be adjusted periodically by GBRA. CLWSC also has raw water supply agreements with the Lower Colorado River Authority and West Travis Public Utility Agency expiring in 2053 and 2046, respectively, to provide for 350 acre-feet of water per year from Lake Austin and the Colorado River, respectively, at prices that may be adjusted periodically by the agencies. Production wells located in a Comal Trinity Groundwater Conservation District, a regulated portion of the Trinity aquifer, are charged a groundwater pump tax based upon usage. CLWSC has recently updated its Drought Management Plan to better account for both climatic conditions within its service area and increased demand due to new developments. The updated Drought Management Plan has been approved by the Texas Commission for Environmental Quality. CLWSC believes that by following the Drought Management Plan water supply sources will be sufficient to meet customer demand through the remainder of 2021.

Maine Water's infrastructure consists of 12 noncontiguous water systems in the State of Maine. These systems, in total, consist of approximately 600 miles of water main and reservoir storage capacity of 7.0 billion gallons. The dependable yield from our 14 active wells and 7 surface water supplies is approximately 120 million gallons per day. Water sources vary among the individual systems, but overall approximately 90% of the total dependable yield comes from surface water supplies and 10% from wells.

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

	Three months ended September 30,		Increase/ (decrease)	% of Total Change	Nine months ended September 30,		Increase/ (decrease)	% of Total Change
	2021	2020			2021	2020		
Purchased water	5,703	7,478	(1,775)	(10)%	15,601	16,462	(861)	(2)%
Groundwater	6,283	6,265	18	— %	16,850	16,110	740	2 %
Surface water	3,113	2,914	199	1 %	6,947	7,893	(946)	(2)%
Reclaimed water	341	326	15	— %	669	605	64	— %
	<u>15,440</u>	<u>16,983</u>	<u>(1,543)</u>	<u>(9)%</u>	<u>40,067</u>	<u>41,070</u>	<u>(1,003)</u>	<u>(2)%</u>

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

SJWC's unaccounted-for water on a 12-month-to-date basis for September 30, 2021, and 2020 approximated 6.9% and 6.6%, respectively, as a percentage of total production. The unaccounted-for water estimate is based on the results of past experience and the impact of flows through the system, partially offset by SJWC's main replacements and lost water reduction programs.

CTWS's unaccounted-for water on a 12-month-to-date basis for September 30, 2021 was approximately 14.6% as a percentage of total production. Unaccounted-for water on an acquisition-to-date basis for the period ended September 30, 2020 was approximately 16.9%. 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 for the three and nine months ended September 30, 2021, compared to the same period in 2020, was primarily attributable to increases in average per unit costs for purchased water, groundwater extraction, energy charges and other production expenses, and a decrease in available surface water for SJWC, offset by a decrease in

customer usage. Effective July 1, 2021, Valley Water increased the unit price of purchased water by approximately 9.5% and the groundwater extraction charge by approximately 9.1%.

#### Other Operating Expenses

Operating expenses, excluding water production expenses, increased \$6,751 for the three months ended September 30, 2021, compared to the same period in 2020. The increase was primarily attributable to increases of \$4,370 in administrative and general expenses primarily due to a credit to expense for the Current Expected Credit Loss (“CECL”) adoption in prior year and increases in labor, contracted work and rate case expenses, offset by lower accounting fees. In addition, maintenance expense increased \$1,819 due to the reversal of the Hydroturbine reserve in the prior year and depreciation and amortization expense increased \$1,420 due to increases in utility plant.

Operating expenses, excluding water production expenses, increased \$13,928 for the nine months ended September 30, 2021, compared to the same period in 2020. The increase was primarily attributable to increases of \$7,770 in administrative and general expenses primarily due to a credit to expense for the CECL adoption in prior year and increases in labor, group insurance costs, rate case expenses and contracted work, offset by lower accounting fees, \$4,235 in depreciation and amortization expense due to increases in utility plant, and \$3,251 in maintenance expenses.

#### Other (Expense) Income

For the three months ended September 30, 2021, compared to the same period in 2020, the change in other (expense) income was primarily due to gain on sale of real estate investments recorded in prior year.

For the nine months ended September 30, 2021, compared to the same period in 2020, the change in other (expense) income was primarily due to a \$3,000 pre-tax gain on sale from the release of a holdback amount by GBRA for the sale of TWA recorded in 2017.

#### Provision for Income Taxes

For the three and nine months ended September 30, 2021, compared to the same period in 2020, income tax expense decreased \$1,829 and \$4,067, respectively. The decrease in income tax expense was primarily due to a decrease in pre-tax book income and flow-through tax benefits. The effective consolidated income tax rates were 13% and 15% for the three months ended September 30, 2021, and 2020, respectively, and 11% and 16% for the nine months ended September 30, 2021, and 2020, respectively. The lower effective rates for the three and nine months ended September 30, 2021, were primarily due to flow-through tax benefits.

On March 11, 2021, the American Rescue Plan Act (“Act”) was signed into law. SJW Group has considered the income tax implications of the Act in its estimated tax provision and does not believe it will materially impact the company’s year-end tax rate.

#### Regulation and Rates

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

See Note 2 of Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of regulatory activities that have occurred during the quarter.

### **Liquidity:**

#### Cash Flow from Operating Activities

During the nine months ended September 30, 2021, SJW Group generated cash flows from operations of approximately \$100,300, compared to \$70,600 for the same period in 2020. 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 \$29,700. This increase was the result of a combination of the following factors: (1) an increase in collections from accounts receivable and accrued unbilled utility revenue of \$14,800, (2) payments of amounts previously invoiced and accrued including accrued production costs, increased by \$7,000, (3) an up-front payment of \$5,000 in the prior year for renewal of the Cupertino service concession agreement that did not reoccur in the current year, (4) net income adjusted for non-cash items increased by \$5,400 primarily due to deferred income taxes, and (5) general working capital items increased \$3,000, offset by, (6) a decrease in net collection of taxes receivable which was \$5,500.

As of September 30, 2021, Water Utility Services' write-offs for uncollectible accounts represented less than 1% of its total revenue, unchanged from September 30, 2020. In 2020, the regulated utilities commissions of the respective states we operate initiated executive orders suspending water service disconnections due to non-payment from customers in light of the then current stay-at-home orders, quarantines and similar governmental restrictions in response to the global COVID-19 pandemic. Some of the orders have been lifted and the anticipation is that the remaining orders will be lifted at the end of 2021. Once lifted, management believes that the collection rate for its accounts receivables will return to pre-pandemic levels. The financial impact of certain past due accounts are being recorded for future recovery through the rate-making process. There is no guarantee that such recovery will be approved by the respective state regulatory utility commissions.

#### Cash Flow from Investing Activities

During the nine months ended September 30, 2021, SJW Group used cash flows from investing activities of approximately \$182,900, compared to \$141,200 for the same period in 2020. SJW Group used approximately: (1) \$169,200 of cash for company-funded capital expenditures, (2) \$12,500 for developer-funded capital expenditures, and (3) \$3,500 for utility plant retirements.

Water Utility Services' budgeted capital expenditures for 2021, exclusive of capital expenditures financed by customer contributions and advances, are anticipated to be approximately \$238,800. As of September 30, 2021, approximately \$169,200 or 71% of the \$238,800 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 expect to incur approximately \$1,400,000 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 cost will significantly exceed the original installation cost of the retired assets due to increases in the costs of goods and services and increased regulation.

#### Cash Flow from Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2021, increased by approximately \$16,700 from the same period in the prior year, primarily as a result of (1) an increase in net proceeds from our recent common stock equity offering of \$66,800, (2) an increase in net proceeds of \$8,900 from new long-term debt, and (3) \$4,600 increase in net cash receipts from advances and contributions in aid of construction, offset by (4) a decrease in net borrowings and repayments on our lines of credit of \$61,600, and (5) an increase of dividends paid to stockholders of \$2,600.

#### **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.

#### Long-term Financing Agreements

SJW Group's 2011 unsecured senior note of \$50,000 was paid in full at maturity on June 30, 2021. SJW Group's remaining 2019 and 2020 unsecured senior note agreements have terms and conditions that restrict SJW Group from issuing additional funded debt if the funded consolidated debt would exceed 70% of total capitalization. SJW Group was not restricted from issuing future indebtedness as a result of these terms and conditions at September 30, 2021.

SJWC's financing activity is designed to achieve a capital structure consistent with our CPUC authorized structure of approximately 47% debt and 53% equity. As of September 30, 2021, SJWC's funded debt and equity were approximately 48% and 52%, respectively.

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

SJWC's unsecured senior note agreements generally have terms and conditions that restrict SJWC from issuing additional funded debt if: (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest

charges for the trailing 12-month-calendar period would be less than 175% of interest charges. SJWC was not restricted from issuing future indebtedness as a result of these terms and conditions at September 30, 2021.

On June 25, 2021, SJWC entered into a note purchase agreement with certain affiliates of New York Life Insurance (collectively the “Purchasers”), pursuant to which the company sold an aggregate principal amount of \$50,000 of its 3.00% Senior Notes, Series N (“Series N Notes”) to the Purchasers. The Series N Notes are unsecured obligations of SJWC and are due on June 25, 2051. Interest is payable semi-annually in arrears on January 1st and July 1st of each year. The note purchase agreement contains customary affirmative and negative covenants for as long as the Series N Notes are outstanding. The Series N Notes are also subject to customary events of default, the occurrence of which may result in all of the Series N Notes then outstanding becoming immediately due and payable. The closing occurred simultaneously with the signing of the note purchase agreement. As of September 30, 2021, SJWC was in compliance with all such covenants.

On August 4, 2021, SJWC entered into a note purchase agreement with the purchasers listed in the agreement, pursuant to which the company sold an aggregate principal amount of \$50,000 of its 3.00% Senior Notes, Series O (“Series O Notes”), due December 1, 2051. The Series O Notes are unsecured obligations of SJWC. Interest is payable semi-annually in arrears on June 1st and December 1st of each year. The note purchase agreement contains customary affirmative and negative covenants for as long as the Series O Notes are outstanding. The Series O Notes are also subject to customary events of default, the occurrence of which may result in all of the Series O Notes then outstanding becoming immediately due and payable. The closing of the note purchase agreement is expected to occur on December 1, 2021. As of September 30, 2021, SJWC was in compliance with all such covenants.

SJWC’s loan agreements with the California Pollution Control Financing Authority contain affirmative and negative covenants customary for loan agreements relating to revenue bonds, including, among other things, complying with certain disclosure obligations and covenants relating to the tax exempt status of the interest on the bonds and limitations and prohibitions relating to the transfer of the projects funded by the loan proceeds and the assignment of the loan agreement. As of September 30, 2021, SJWC was in compliance with all such covenants.

CTWS has outstanding term loans with a commercial bank, and under the master loan agreement CTWS is required to comply with certain financial ratio and customary affirmative and negative covenants. The most restrictive of these covenants is to maintain a consolidated (CTWS and its subsidiaries) debt to capitalization ratio of not more than 60%. As of September 30, 2021, CTWS was in compliance with all covenants under the master loan agreement.

Connecticut Water has outstanding term loans with a commercial bank, and under its master loan agreement Connecticut Water is required to comply with financial and customary affirmative and negative covenants substantially identical to those found in CTWS’s master loan agreement. Connecticut Water is required to maintain a debt to capitalization ratio of not more than 60% and an interest coverage ratio of no less than 3 to 1. As of September 30, 2021, Connecticut Water was in compliance with all covenants under its master loan agreement.

Connecticut Water has tax-exempt and taxable Water Facilities Revenue Bonds issued through Connecticut Innovations (formerly the Connecticut Development Authority). The bond indentures and loan agreements contain customary affirmative and negative covenants and also provide for the acceleration of the Revenue Bonds upon the occurrence of stated events of default. As of September 30, 2021, Connecticut Water was in compliance with all covenants of the bond indentures and loan agreements.

Connecticut Water’s unsecured senior notes have terms and conditions that restrict Connecticut Water from issuing additional debt or paying a dividend to CTWS if such debt or distribution would trigger an event of default. The senior note agreements also require Connecticut Water to maintain a debt to capitalization ratio of not more than 60% and an interest coverage ratio of no less than 3 to 1. As of September 30, 2021, Connecticut Water was in compliance with all covenants under this agreement.

On August 4, 2021, Connecticut Water entered into a note purchase agreement with certain affiliates of Metropolitan Life Insurance Company, New York Life Insurance Company, the Northwestern Mutual Life Insurance Company and Pacific Life Insurance Company, pursuant to which Connecticut Water sold on August 4, 2021, an aggregate principal amount of \$50,000 of its 3.07% Senior Notes, Series 2021A, due 2051 (the “2021A Notes”) and will sell on December 1, 2021, an aggregate principal amount of \$50,000 of its 3.10% Senior Notes, Series 2021B, due 2051 (the “2021B Notes”) and together with the 2021A Notes, the “CWC Notes”). The closing on December 1, 2021, is subject to customary closing conditions. The CWC Notes are unsecured obligations of Connecticut Water, with the 2021A Notes due on June 1, 2051, and the 2021B Notes due on December 1, 2051. Interest on the CWC Notes is payable semi-annually in arrears on June 1st and December 1st of each year. The note purchase agreement contains customary representations and warranties. Connecticut Water has agreed to customary affirmative and negative covenants for as long as the CWC Notes are outstanding. The CWC Notes are also subject to customary events of default, the occurrence of which may result in all of the CWC Notes then outstanding becoming immediately due and payable. The proceeds from the sale of the CWC Notes will be used to repay outstanding short and/or long-term borrowings, to fund Connecticut Water’s capital expenditures, and/or for other general corporate purposes. As of September 30, 2021, Connecticut Water was in compliance with all covenants under this agreement.

CLWSC's unsecured senior note agreement has terms and conditions that restrict CLWSC from issuing additional funded debt if: (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-month-calendar period would be less than 175% of interest charges. In addition, SJW Group is a guarantor of CLWSC's senior note which has terms and conditions that restrict SJW Group from issuing additional funded debt if: (1) the funded consolidated debt would exceed 66-2/3% of total capitalization, and (2) the minimum net worth of SJW Group becomes less than \$125,000 plus 30% of Water Utility Services cumulative net income, since December 31, 2005. As of September 30, 2021, CLWSC and SJW Group were not restricted from issuing future indebtedness as a result of these terms and conditions.

On May 13, 2021, CLWSC entered into a master credit agreement and promissory note with a commercial bank under which it entered into a borrowing agreement for an aggregate principal amount not to exceed \$30,000, of which \$20,000 was advanced at the closing date. The borrowing carries a fixed interest rate of 4.01% due on March 20, 2041. The remaining aggregate principal amount of the promissory note is to be advanced at the discretion of CLWSC before the maturity date. The notes are unsecured obligations of CLWSC. Interest is payable quarterly in arrears on the 20th day of January, April, July and October of each year. The promissory note contains customary representations and warranties. Under the promissory note, CLWSC is required to comply with certain customary affirmative and negative covenants for as long as the notes are outstanding. The notes are also subject to customary events of default, the occurrence of which may result in all of the notes then outstanding becoming immediately due and payable.

Maine Water has First Mortgage Bonds issued to the Maine Municipal Bond Bank through the State Safe Drinking Water Revolving Loan Fund and First Mortgage Bonds issued to One America. The associated bond indentures and loan agreements contain customary affirmative and negative covenants, including a prohibition on the issuance of indebtedness secured by assets or revenue of Maine Water where the lien is senior to the lien of the bond trustee under the above bonds except as permitted by the bond indentures and related loan and security agreements, a requirement to maintain a debt to capitalization ratio of not more than 65% and an interest coverage ratio of no less than 3 to 1, required compliance with other various financial covenants, and a provision for maturity acceleration upon the occurrence of stated events of default. As of September 30, 2021, Maine Water was in compliance with all covenants in its bond indentures and related loan agreements.

Maine Water has outstanding term loans with a commercial bank and under its master loan agreement, Maine Water is required to comply with financial and customary affirmative and negative covenants substantially identical to those found in CTWS and Connecticut Water's master loan agreements. Maine Water is required to maintain a debt to capitalization ratio of not more than 60% and an interest coverage ratio of no less than 3 to 1. As of September 30, 2021, Maine Water was in compliance with all covenants under its master loan agreement.

On March 2, 2021, Maine Water entered into a credit agreement with a commercial bank, pursuant to an existing master loan agreement under which the commercial bank issued Maine Water a promissory note on the same date with an aggregate principal amount of \$17,000 and a fixed interest rate of 3.89%, due March 1, 2041. The notes are unsecured obligations of Maine Water. Interest is payable quarterly in arrears on the 20th day of January, April, July and October of each year. The promissory note contains customary representations and warranties. Under the promissory note, Maine Water is required to comply with certain customary affirmative and negative covenants for as long as the notes are outstanding. The notes are also subject to customary events of default, the occurrence of which may result in all of the notes then outstanding becoming immediately due and payable. Proceeds from the borrowing were received on March 18, 2021. As of September 30, 2021, Maine Water was in compliance with all financial, affirmative and negative covenants under this agreement.

#### Short-term Financing Agreements

As of September 30, 2021, SJW Group and its subsidiaries had unsecured bank lines of credit, allowing aggregate short-term borrowings of up to \$260,000, of which \$5,000 was available to CLWSC under a single line of credit, \$140,000 was available to SJWC under a single line of credit, and \$40,000 and \$75,000, respectively, under a third and fourth line of credit was available to CTWS. At September 30, 2021, SJW Group and its subsidiaries had available unused short-term bank lines of credit totaling \$137,928. The lines of credit bear interest at variable rates. On April 23, 2021, the \$140,000 line of credit of SJWC, which was set to mature and expire on June 1, 2021, was closed and replaced by a new \$140,000 line of credit that will expire on December 31, 2023. On April 23, 2021, the \$5,000 line of credit of CLWSC, which was set to mature and expired on June 1, 2021, was closed and replaced by a new \$5,000 line of credit that will expire on December 31, 2023. The \$40,000 and \$75,000 lines of credit for CTWS expire May 15, 2025 and December 14, 2023, respectively. During 2021, the cost of borrowing on SJW Group's short-term credit facilities has averaged 1.34%. All of SJW Group's and subsidiaries lines of credit contain customary representations, warranties and events of default, as well as certain restrictive covenants customary for facilities of this type, including restrictions on indebtedness, liens, acquisitions and investments, restricted payments, asset sales, and fundamental changes. All of the lines of credit also include certain customary financial covenants such as a funded debt to capitalization ratio and a minimum interest coverage ratio. As of September 30, 2021, SJW Group and its subsidiaries were in compliance with all covenants on their lines of credit.

### Equity Financing Agreement

On March 8, 2021, SJW Group entered into an underwriting agreement with J.P. Morgan Securities LLC, as the representative of the several underwriters named therein (the “Underwriters”), which provided for the issuance and sale by SJW Group to the Underwriters of 1,030,000 shares of our common stock, par value \$0.001 per share, in an underwritten public offering (the “Offering”). The shares in the Offering were sold at a public offering price of \$59.00 per share. SJW Group also granted the Underwriters an option to purchase up to 154,500 additional shares of our common stock, which was exercised in full. The Offering closed on March 10, 2021, and the offering of option shares closed on March 16, 2021.

SJW Group received net proceeds of approximately \$66,775 from the Offering and the sale of option shares, after deducting the underwriting discounts and commissions and offering expenses. SJW Group used the proceeds from the offerings to pay down a bank line of credit agreement, dated as of June 1, 2016, between SJWC and JPMorgan Chase Bank, N.A. and for general corporate purposes, which include, among other things, financing infrastructure improvements and other capital expenditures, repayment of debt or other corporate obligations and working capital.

The condition of the capital and credit markets or the strength of financial institutions could impact SJW Group’s ability to draw on its lines of credit, issue long-term debt, sell its equity or earn interest income. In addition, government policies, the state of the credit markets and other factors could result in increased interest rates, which would increase SJW Group’s cost of capital. While our ability to obtain financing will continue to be a key risk, we believe that based on our 2021 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 Ratings Service assigned the company rating for SJW Group as an A-, with a stable outlook, SJWC as an A, with a stable outlook, and Connecticut Water as an A- with a stable outlook.

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

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

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

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

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

There has been no change in internal control over financial reporting during the third fiscal quarter of 2021 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, 2020 and our other public filings, which could materially affect our business, financial condition or future results. Other than the risk factor below, 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, 2020 and Forms 10-Q for the quarters ended March 31, 2021 and June 30, 2021.

#### **Fluctuations in customer demand for water due to seasonality, restrictions of use, weather, and lifestyle can adversely affect operating results.**

Water Utility Services are seasonal, thus quarterly fluctuation in results of operations may be significant. Rainfall and other weather conditions also affect Water Utility Services. Water consumption typically increases during the third quarter of each year when weather tends to be warm and dry. In periods of drought, if customers are encouraged or required to conserve water due to a shortage of water supply or restriction of use, revenue tends to be lower. Similarly, in unusually wet periods, water supply tends to be higher and customer demand tends to be lower, again resulting in lower revenues. Furthermore, certain lifestyle choices made by customers can affect demand for water. For example, a significant portion of residential water use is for outside irrigation of lawns and landscaping. If there is a decreased desire by customers to maintain landscaping for their homes or restrictions are placed on outside irrigation, residential water demand would decrease, which would result in lower revenues.

Conservation efforts and construction codes, which require the use of low-flow plumbing fixtures, could diminish water consumption and result in reduced revenue. In addition, in time of drought, water conservation may become a regulatory requirement that impacts the water usage of our customers. Weather conditions can also affect the sources of water supply, including the need to use more purchased water than surface water during a drought, which may increase our operating expenses. For example, in response to the current drought in California, on June 9, 2021, the Valley Water declared a drought emergency and requested retailers conserve 15% of their 2019 consumption. On July 8, 2021, Governor Gavin Newsom issued a proclamation declaring a drought emergency in fifty California Counties, including Santa Clara County. San Jose Water Company has activated our Water Shortage Contingency Plan to achieve the 15% conservation target.

The implementation of mandatory or voluntary conservation measures during the current drought has resulted and is expected to result in lower water usage by our customers which may adversely affect our results of operation. If the current conservation measures continue, or if new measures are imposed in response to drought conditions in the future, we may experience fluctuations in the timing of or a reduction in customer revenue. In addition, the current drought reduced the amount of available surface water, which required us to incur more costs to extract groundwater or obtain purchased water, which can significantly impact our results of operations.

Furthermore, the CPUC may approve memorandum accounts, such as a Water Conservation Memorandum Account ("WCMA"), to allow companies to recover revenue reductions due to water conservation activities and certain conservation related costs. However, collection of such memorandum accounts are subject to a review and approval process by CPUC, which can be lengthy, and there is no assurance that we will be able to recover in a timely manner all or some of the revenue and costs recorded in the memorandum accounts. When drought conditions ease and the California State Water Board and Valley Water no longer mandate water conservation, the company may no longer be allowed to recover revenue lost due to continued conservation activities under the WCMA account and would therefore be exposed to differences between actual and authorized usage. This could result in lower revenues.

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

We are subject to risks associated with the COVID-19 pandemic. In 2020 and early parts of 2021, numerous governmental jurisdictions, including the States of California, Connecticut, Maine and Texas where we operate our water utility services, imposed "shelter-in-place" orders, quarantines, executive orders and similar governmental orders and restrictions for their residents to control the spread of COVID-19 disease. Such orders and restrictions resulted in business closures, work stoppages, slowdowns and delays in commercial activities, unprecedented and widespread unemployment, travel restrictions

and cancellation of events, among other effects, thereby negatively impacting our suppliers, employees and customers, among others. Since the start of the second quarter of 2021, there has been increased availability and administration of vaccines against COVID-19, as well as an easing of restrictions on social, business, travel, and government functions, which resulted in gradual resumption of economic and commercial activities. On the other hand, infection rates continue to fluctuate in various regions and new strains of the virus remain a risk. Accordingly, federal and state governments may reinstate restrictions or reverse their prior orders to lift restrictions in response to rising infection rates, which will have a negative effect on our business operations and results of operations.

In response to the pandemic, federal and state governments have and may continue to take actions to impose utility termination moratoriums which prohibit water companies from turning off water supplies for nonpayment of water bills. These and other events associated with the COVID-19 pandemic have reduced the incentive and ability of certain of our residential and commercial customers to pay their water services bills on time, if at all, which could negatively impact our result of operations. Recently, state governments have acted to end existing utility termination moratoriums. For example, Governor Newsom in California issued Executive Order N-08-21 which was anticipated to end the suspension on customer disconnection activities on September 30, 2021. The CPUC also directed its regulated water utilities to extend the suspension on customer disconnection activities through September 30, 2021, in response to the Governor's order. The required transition plan regarding shutoffs and terminations with customers once the moratorium end was filed and approved by the CPUC through Advice Letter 560. On September 24, 2021, the moratorium on customer disconnections in California was extended to December 31, 2021. In Connecticut, the March 12, 2020, the Public Utilities Regulatory Authority of Connecticut ("PURA") moratorium ruling to halt shutoff for nonpayment expired on October 1, 2020. However, all public service utilities were required to submit for PURA approval their termination process, including customer communications, before resuming shutoffs for nonpayment. Connecticut Water received PURA approval of our plan for terminations on September 30, 2021, subject to the filing of specific revised customer communications. The company submitted the revised communications to PURA on October 14, 2021 and expects to resume terminations in the fourth quarter of 2021. However, if COVID-19 infection rates rise and health officials recommend more stringent measures to stop spread of the disease, state governments may decide to reverse these actions which may prolong our inability to collect fully water services bills from customers. Furthermore, a significant portion of our revenue is derived from water usage by commercial customers. As many of these customers have suspended, altered or terminated their business operations, their water usage may decline significantly or cease, which could adversely affect our revenue. Even though many of these legal restrictions have been eased and lifted in certain jurisdictions, including California, some of our commercial customers may decide not to open fully or at all due to their ongoing concerns with health and safety of employees at the workplace, in which case their water usage may remain at a lower level and continue to adversely impact our revenue.

The regulators in states we operate have approved mechanisms to either record a regulatory asset or track, in a memorandum account, expenses and savings related to COVID-19. If a state regulator disagrees with our calculation of recorded COVID-19 account balances, we may be required to make adjustments that could adversely affect our results of operations. While we expect to recover some of the revenue loss and costs through the rate-making processes, there is no guarantee that such recovery will be approved by the regulated utility authorities in a timely manner, or at all.

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

- if governments impose or reinstate "shelter-in-place" orders and quarantines, our planned infrastructure improvement projects could be temporarily interrupted by supply shortages, lack of sufficient workforce and disruption in transportation. This may negatively impact our ability to maintain and improve our infrastructure and provide reliable services to customers. In addition, our expenditures on capital improvements could be reduced, which may in turn impact rate decisions by state regulators.
- wide-spread COVID-19 disease could impact the health of our employees and management team, which may disrupt our business operations;
- a recession, stock market correction, or debt market disruptions resulting from the spread of COVID-19 could materially affect our business, results of operations, cash flow, and the value of our common stock, which may make it more difficult for us to raise capital in equity or debt markets;
- we may experience higher uncollectible accounts receivables and increased costs from COVID-19 related prevention activities.

In addition, the COVID-19 pandemic has resulted in widespread global supply chain disruptions to vendors and suppliers, which may negatively affect our business operations, including delays in procuring materials and supplies that are required for capital additions and operations. The full extent of the future impact of COVID-19 pandemic on our operational and financial performance is uncertain and will depend on many factors, many of which are outside our control, including, without limitation the timing, extent, trajectory and duration of the pandemic; the availability, distribution and effectiveness of vaccines; the imposition of protective public safety measures; and the impact of the pandemic on state and local economy and customer

behaviors. Any of these factors may continue to adversely affect our business and financial conditions, and there is no guarantee that we will be able to quickly return to our normal operations.

## ITEM 5. OTHER INFORMATION

### *Quarterly Dividend*

On October 28, 2021, the Board of Directors of SJW Group declared the regular quarterly dividend of \$0.34 per share of common stock. The dividend will be paid on December 1, 2021, to stockholders of record as of the close of business on November 8, 2021.

### *Information Web Sites*

SJW Group post information about the operating and financial performance of SJW Group and its subsidiaries on its web sites at [www.sjwgroup.com](http://www.sjwgroup.com), [www.sjwater.com](http://www.sjwater.com), [www.ctwater.com](http://www.ctwater.com), [www.sjwtx.com](http://www.sjwtx.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

Exhibit Number	Description
10.1	<a href="#">Note Purchase Agreement among The Connecticut Water Company and Purchasers listed therein, dated August 4, 2021. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 5, 2021.</a>
10.2	<a href="#">Fourth Amendment to the Formulaic Equity Award Program for Non-Employee Board Members dated September 8, 2021. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on September 14, 2021.</a> (2)
31.1	<a href="#">Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chairman, President and Chief Executive Officer.</a> (1)
31.2	<a href="#">Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chief Financial Officer and Treasurer.</a> (1)
32.1	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350 by Chairman, President and Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a> (1)
32.2	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer and Treasurer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</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.

(2) Management contract or compensatory plan or agreement.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SJW GROUP**

**DATE: October 29, 2021**

**By: /s/ JAMES P. LYNCH**  
**James P. Lynch**  
**Chief Financial Officer and Treasurer**  
**(Principal financial officer)**

## 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: October 29, 2021

/s/ ERIC W. THORNBURG

Eric W. Thornburg  
Chairman, President and Chief Executive Officer  
(Principal executive officer)

## CERTIFICATIONS

I, James P. Lynch, certify that:

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

Date: October 29, 2021

/s/ JAMES P. LYNCH

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

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

In connection with the Quarterly Report of SJW Group (the "Company") on Form 10-Q for the quarter ended September 30, 2021 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)

October 29, 2021

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

In connection with the Quarterly Report of SJW Group (the "Company") on Form 10-Q for the quarter ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James P. Lynch, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge on the date hereof:

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

/s/ JAMES P. LYNCH

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James P. Lynch  
Chief Financial Officer and Treasurer  
(Principal financial officer)  
October 29, 2021