

Risk Factors Comparison 2025-02-27 to 2024-02-29 Form: 10-K

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In evaluating our business, you should carefully consider the following discussion of material risks, events, and uncertainties that make an investment in us speculative or risky in addition to the other information in this ~~Annual~~ **annual Report-report** on Form 10-K. A manifestation of any of the following risks and uncertainties could, in circumstances we may or may not be able to accurately predict, materially and adversely affect our business, growth, reputation, prospects, operating and financial results, financial condition, cash flows, liquidity, and stock price. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. It is not possible to predict or identify all such factors; our operations could also be affected by factors, events or uncertainties that are not presently known to us or that we currently do not consider to present significant risks to our operations. Therefore, you should not consider the following risks to be a complete statement of all the potential risks or uncertainties that we face. **Moreover, some of the factors, events, and contingencies discussed below may have occurred in the past, but the disclosures below are not representations as to whether or not the factors, events, or contingencies have occurred in the past, and instead reflect our beliefs and opinions as to the factors, events, or contingencies that could materially and adversely affect us in the future.**

Risks Related to Our Regulatory Environment

Our business is heavily regulated by state and federal regulatory agencies and our financial viability depends upon our ability to recover costs and investments from our customers through rates that must be approved by state public utility commissions. Cal Water, New Mexico Water, Washington Water, and Hawaii Water are regulated public utilities, which provide water and water-related service to our customers. Additionally, Hawaii Water and Texas Water own in whole or in part other companies which are regulated public utilities. The rates that we charge our water customers are subject to the jurisdiction of the regulatory Commissions in the states in which we operate. These Commissions may set water and water-related rates for each operating district independently because the systems are not interconnected. The Commissions authorize us to charge rates that they consider sufficient to recover normal operating expenses, to provide funds for adding new or replacing water infrastructure, and to allow us the opportunity to earn what the Commissions consider to be a fair and reasonable return on invested capital. Our revenues and consequently our ability to meet our financial objectives are dependent upon the rates we are authorized to charge our customers by the Commissions and our ability to recover our costs in these rates. Our management uses forecasts, models and estimates in order to set rates that we believe will provide a fair and reasonable return on our invested capital. While our rates must be approved by the Commissions, no assurance can be given that our forecasts, models and estimates will be correct or that the Commissions will agree with our forecasts, models, and estimates. If our rates are set too low, our revenues may be insufficient to cover our operating expenses, capital expenditure requirements and desired dividend levels. We periodically file rate increase applications with the Commissions. The ensuing administrative and hearing process may be lengthy and costly. The decisions of the Commissions are beyond our control and we can provide no assurances that our rate increase requests will be granted by the Commissions. Even if approved, there is no guarantee that approval will be given in a timely manner or at a sufficient level to cover our expenses and provide a reasonable return on our investment. **If Our earnings have in the past been and may in the future be adversely affected when** rate increase decisions are delayed or approved at a level that is lower than what we have requested, ~~our earnings may be adversely affected.~~ For example, the CPUC ~~has did not issued~~ **issue** its final decision on our 2021 GRC **until March 2024, over a year later than expected**, which **caused uncertainty around** ~~has resulted in lower revenues in 2023 and is leading to volatility in our~~ **results until** ~~uncertainty for the Company. Our ability to execute on our business strategy is expected to be adversely impacted if the CPUC issues a final decision on our 2021 GRC that~~ **time** ~~results in approving lower rate increases than what we have requested.~~ Our evaluation of the probability of recovery of regulatory assets is subject to adjustment by regulatory agencies and any such adjustment could adversely affect our results of operations and financial condition. Regulatory decisions may affect prospective revenues and earnings and the timing of the recognition of revenues and expenses and may overturn past decisions used in determining our revenues and expenses. While our management evaluates the anticipated recovery of regulatory assets and revenues subject to refund and provides for allowances and / or reserves as deemed necessary, no assurance can be given that any such allowances and / or reserves will be adequate to cover any loss or adjustment due to the absence of our limited recovery of regulatory assets and revenues as a result of regulatory decisions. Current accounting procedures allow us to defer certain costs if we believe it is probable that we will be allowed to recover those costs through future rate increases. If the Commissions determined that a portion of our assets were not recoverable in customer rates, we may suffer an asset impairment, which would require a write down in such asset's valuation that would be recorded through operations. If our assessment as to the probability of recovery through the ratemaking process is later determined to be incorrect, the associated regulatory asset would be adjusted to reflect the change in our assessment of any regulatory disallowances. A change in our evaluation of the probability of recovery of regulatory assets or a regulatory disallowance of all or a portion of our cost could have a material adverse effect on our financial results. Regulatory agencies may disagree with our valuation and characterization of certain of our assets. If we determine that ~~assets are real property is~~ **no longer used or useful for utility operations, we may remove them-it** from our rate base and subsequently sell ~~those~~ **the assets property** with any gain on sales accruing to the stockholders, subject to certain conditions. If the Commissions disagree with our characterization, there is a risk that the Commissions could determine that realized appreciation in property value should be awarded to customers rather than our stockholders. Changes in laws, rules, and policies of our regulators or operating jurisdictions can significantly affect our business. Regulatory agencies may **change their rules and policies for various reasons, including changes in the local political environment. Regulators are elected** ~~appointed~~ **appointed** by popular

vote or are appointed by elected officials, and the election of a new administration or the appointment of new officials due to the results of elections may result in dramatic change to the long-established rules and policies of an agency. For example, in 2020 regulation regarding full decoupling WRAMs temporarily changed in California. Since 2008, the CPUC allowed full decoupling WRAMs. However, in 2020, the CPUC precluded companies from proposing full decoupling WRAMs in their next GRC filings. As a result, we were have been precluded from recording requesting a full decoupling WRAM from revenue since the conclusion time of the 2021 GRC application until the California Supreme Court's decision on July 8, 2024 voiding the WRAM provisions in the August 27, 2020 CPUC decision. In addition, the recent change in U. S. federal administration has led and is expected to continue to lead to changes in the leadership of various U. S. federal regulatory agencies and changes or proposed or threatened changes to U. S. federal government policy that have led to, in some cases, legal challenges as of December 31, 2022 well as uncertainty around the funding, 2022 functioning and policy priorities of U. S. federal regulatory agencies and the status of current and future regulations. U. S. federal government policy changes have included seeking to temporarily broadly halt federal funding, seeking to aggressively downsize the U. S. federal government's workforce and instructing federal agencies to reprioritize or to cease operating or enforcing certain laws or regulations. We are unable to predict the extent to which the current U. S. federal administration may impose or seek to impose leadership or policy changes at the U. S. federal regulatory agencies responsible for regulating our business, including changes or proposed changes at the EPA or SEC, or changes or proposed changes to rules and policies impacting our operations. Any such changes could impose additional costs, require the attention of senior management or result in other changes to or limitations on our business. We rely on policies and regulations promulgated by the various state commissions Commissions in order to recover capital expenditures, maintain favorable treatment on gains from the sale of real property, offset certain production and operating costs, recover the cost of debt, maintain an optimal equity structure without over-leveraging, and have financial and operational flexibility to engage in non-regulated operations. If any of the Commissions with jurisdiction over us implements policies and regulations that do not allow us to accomplish some or all of the items listed above, our future operating results may be adversely affected. In addition, legislatures may repeal, relax or tighten existing laws, or enact new laws that affect the regulatory agencies with jurisdiction over our business or affect our business directly. If changes in existing laws or the implementation of new laws limit our ability to accomplish some of our business objectives, or make accomplishing such objectives more expensive, our future operating results may be adversely affected. Finally, local jurisdictions may impose new ordinances, laws, fees, and regulations that could increase costs or limit our operations, which affect future operating results. Cities may impose or amend franchise requirements, impose conditions on underground construction or land use, impose various taxes and fees, or restrict our hours for construction, among other things. In the last decade, more cities have imposed excavation moratoria or paving rules, which has resulted in delays and required more costly construction than anticipated. We expect drinking water, wastewater and environmental health and safety regulation to increase, resulting in higher operating costs in the future and the potential that the company fails to meet these regulatory standards. Our water and wastewater services are governed by various federal and, state, and local environmental protection, health and safety laws, and regulations. Although we have a water quality assurance program in place, we cannot guarantee that we will continue to comply with all standards. If we violate any federal or state regulations or laws governing health and safety, we could be subject to substantial fines or otherwise sanctioned, subject to potential civil liability for damages, and our customers' trust in our operations ability could be eroded. Drinking water, wastewater, and Environmental environmental health and safety laws are complex and change frequently. They have tended to become more stringent over time. As new or stricter standards are introduced, our operating costs could increase. Although we would likely seek permission to recover these costs through rate increases, we can give no assurance that the Commissions would approve rate increases to enable us to recover these additional compliance costs. We are required to test our water quality and wastewater discharges for certain chemicals and potential contaminants on a regular basis. If the test results indicate that our water exceeds allowable limits, we may be required either to commence treatment to remove the contaminant or to develop an alternate water source. Either of these results may be costly. Although we would likely seek permission to recover these through rate increases, there can be no assurance that the Commissions would approve rate increases to enable us to recover these additional compliance costs. Past events in the utility sector, including those in Flint, Michigan and those related to Pacific Gas and Electric Company in California, show that failure to meet one or more water quality, environmental, or safety standards can have severe effects on customer trust, reputation, regulatory treatment, or civil and criminal liability. New and / or more stringent water quality regulations could increase our operating costs. We are subject to water quality standards set by federal, state, and local authorities that have the power to issue new regulations. Compliance with new regulations that are more stringent than current regulations could increase our operating costs and capital expenditures, including requirements for increased monitoring, additional treatment of underground surface water and groundwater supplies, fluoridation of all supplies, more stringent performance standards for treatment plants, additional procedures to further reduce levels of disinfection by-products, and more comprehensive measures to monitor, reduce or eliminate known or newly identified contaminants. There are currently limited regulatory mechanisms and procedures available to us for the recovery of such costs and there can be no assurance that such costs will be fully recovered and failure to do so may adversely affect our operating results. Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered. We believe these contaminants may form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations. For example, while in April of 2024, there the EPA finalized MCLs, for six PFAS in drinking water. Under the PFAS regulation, water utilities across the country are required to complete initial currently no federal MCLs or state MCLs in states in which we operate for per- and polyfluoroalkyl substances (PFAS) compounds, we continue to closely monitor monitoring by 2027 the regulatory process at state and federal levels, follow recommendations

from our regulators, review existing and new treatment methods, and develop a response strategy to help prepare us to meet anticipated MCLs. Currently the federal government has proposed regulations for 6 PFAS compounds. Where detections of PFAS in our California systems have exceeded the state-established response levels, we have implemented -- **implement** procedures for removing the source from service or installing treatment for PFAS sources exceeding the MCL by 2029. We also treat several affected **estimate a capital investment of approximately \$ 226. 0 million will be required to comply with the regulation, but this amount could be higher or lower depending on factors out of our control such as unforeseen supply issues that may arise as public** water systems across the country compete to procure necessary treatment supplies for chromium-6, which experts suggest is harmful to human health and for which the California State Water Resources Control Board is developing a new MCL. To treat chromium-6, we use strong base anion exchange or reduction, coagulation, oxidation, and filtration treatment methods. We began treating water supplies in California for chromium-6 shortly after the state safe drinking water standard was set in 2014, which was subsequently remanded, and we have continued to meet the threshold for affected active water sources as regulations have evolved. While there are no known lead service lines within Cal Water systems, the Revised Lead and Copper Rule from the EPA includes expanded requirements to complete service line inventories on both the water utility's and the customer's side of the water meter to identify lead in drinking water. As part of our compliance strategy for this updated rule, we are currently conducting an inventory to identify potential lead service lines on the customer side of the water meter. Legislation and regulation designed to mitigate or adapt to climate change may affect our operations. Future legislation or regulation regarding climate change may restrict our operations or impose new costs on our business. Our operations depend on power provided by other public utilities and, in emergencies, power generated by our portable and fixed generators. If future legislation or regulation limits emissions from the power generation process, our cost of power may increase. Although any increase in the cost of power would be expected to be passed along to our California customers through the ICBA or included in our cost of service paid by our customers as requested in our GRC filings in California, we can give no assurance that such costs would be passed along to our California customers or that the CPUC would approve rate increases to enable us to recover such expenditures or costs. Legislation and regulation regarding greenhouse gas emissions may also impose new costs on our business. For example, in **March 2022, the U. S. Securities and Exchange Commission proposed climate disclosure rules that would require public companies to significantly increase disclosure of greenhouse gas emissions and strategies, targets, costs and risks associated with climate change and the energy transition. Additionally, in October 2023, California enacted legislation addressing the disclosure of greenhouse gas emissions, climate-related risks, environmental claims, and the use or sale of voluntary carbon offsets. New and future laws and regulations , including related uncertainty from modifications to or reversals of such regulations, or inconsistency between requirements in different jurisdictions,** could increase the complexity of and costs associated with compliance with such regulations, which could have a material adverse effect on our business, results of operations, and financial condition. We have been and may in the future be party to environmental and **product service** - related lawsuits, which could result in us paying damages not covered by insurance. We have been and may be in the future, party to water contamination lawsuits, which may not be fully covered by insurance. The number of environmental and **product service** - related lawsuits against other water utilities has increased in frequency in recent years. If we are subject to additional environmental or **product service** - related lawsuits, we might incur significant legal costs and it is uncertain whether we would be able to recover the legal costs from customers or other third parties. In addition, if current California law regarding CPUC's preemptive jurisdiction over regulated public utilities for claims about compliance with California **Department of Health Services State Water Resources Control Board** and United States EPA water quality standards changes, our legal exposure may be significantly increased.

Risks Related to Our Business Operations We are at risk for litigation under the principle of inverse condemnation for activities in the normal course of business that are deemed to have a damaging effect on private property. The California constitution may allow compensation to property owners for a public utility taking or damaging private property, even when damage occurs through no fault of the utility and regardless of whether the damage could be foreseen by the utility. As a result, this doctrine, which is known as inverse condemnation and is routinely invoked in California, imposes strict liability for damages, including legal fees, because of the design, construction, maintenance and operation of utility facilities. In addition to claims that our water or wastewater systems damaged property, Cal Water **has been and could in the future** be sued under inverse condemnation **if its, including pursuant to allegations or claims that our** facilities or operations damage private property, or **if it is that we are** unable to timely deliver sufficient quantities of water for firefighting because of system capacity limitations or water supply disruptions, including as a result of action taken by an electric utility pursuant to a PSPS program or other loss of power. **For example, accelerated land movement in Cal Water's Rancho Dominguez District in southern California has given rise to claims and lawsuits against Cal Water, including among other allegations, inverse condemnation .** Although the imposition of liability is premised on the assumption that utilities have the ability to recover these costs from their customers, there is no assurance that the CPUC would allow Cal Water to recover any such damage awards from customers. For example, in December 2017, the CPUC denied recovery of costs that San Diego Gas & Electric Company incurred because of inverse condemnation, holding that the inverse condemnation principles of strict liability are not relevant to the CPUC's prudent manager standard. The effects of natural disasters, attacks by third parties, or poor water quality or contamination to our water supply **or wastewater services** may result in disruption in our services and litigation, which could adversely affect our business, operating results and financial condition. We operate in areas that are prone to earthquakes, **urban fires , wildfires, landslides , mudslides, and other natural disasters. A significant seismic event , urban or wildfire outbreak,** or other natural disaster in California where our operations are concentrated could adversely affect our ability to deliver water and adversely affect our costs of operations. A major disaster could damage or destroy substantial capital assets. **For example, wildfires in our service areas may have significant impacts on water supply and water system reliability. In addition, our infrastructure faces risks from landslides in our service areas, which can lead to leaks in water mains, impact our ability to deliver water and**

result in litigation. For example, in Cal Water's Rancho Dominguez District in southern California, land movement in the City of Rancho Palos Verdes has adversely impacted utility infrastructure including electric power poles and lines, natural gas mains and services and water mains and services. This land movement has impacted Cal Water assets, as well as structural, road and other property damage. The area is an active landslide complex with decades of land movement, and the Company and Cal Water believe that the recent accelerated rate of land movement is a result of an unusual and significant amount of rainfall in the area. Certain homeowners in this area have alleged Cal Water assets have contributed to ground oversaturation and land movement resulting in home and property damage. Some of these homeowners have brought claims and lawsuits against Cal Water as well as other defendants alleging inverse condemnation, among other things, and it is anticipated that other homeowners may bring similar claims in the future.

The CPUC has historically allowed utilities to establish a catastrophic event memorandum account as another possible mechanism to recover costs. However, we can give no assurance that the CPUC or any other ~~commission~~ **Commission** would allow any such cost recovery mechanism in the future. Our water supplies are subject to contamination, including contamination from the development of naturally- occurring compounds, chemicals in groundwater systems, pollution resulting from fabricated sources, such as 1, 2, 3- Trichloropropane (TCP) and PFAS, seawater ~~incursion~~ **intrusion**, and possible third- party attacks, including physical attacks, terrorist attacks, and cyber- attacks. If our water supply is contaminated, we may have to interrupt the use of that water supply until we are able to substitute the flow of water from an uncontaminated water source. In addition, we may incur significant costs in order to treat the contaminated source through expansion of our current treatment facilities, or development of new treatment methods. If we are unable to substitute water supply from an uncontaminated water source, or if we are unable to adequately treat the contaminated water source in a cost- effective manner, there may be an adverse effect on our revenues, operating results, and financial condition. The costs we incur to decontaminate a water source or an underground water system could be significant and may not be recoverable in rates. We could also be held liable for consequences arising out of human exposure to hazardous substances in our water supplies or other environmental damage. For example, private plaintiffs have the right to bring personal injury or other toxic tort claims arising from the presence of hazardous substances in our drinking water supplies. Our insurance policies may not be sufficient to cover the costs of these claims. We have taken steps to increase security measures at our facilities and heighten employee awareness of threats to our water supply, to protect against third- party attacks, including physical attacks, terrorist attacks, and cyber- attacks. We have also improved our security measures regarding the delivery and handling of certain chemicals used in our business. We have and will continue to bear increased costs for security precautions to protect our facilities, operations, and supplies. These costs may be significant. Despite these improved security measures, we may not be able to prevent or deter ~~any~~ third- party attacks or be in a position to control the outcome of third- party attacks should they occur. We depend upon our skilled and trained workforce for water delivery. Actual or threatened public health emergencies, including disease outbreaks, may also lead to the closure of our facilities or to the illness of our employees. We can give no assurance that we will be able to maintain sufficient human resources to provide service in all of the districts that we serve. If any of these catastrophic events were to occur, we can give no assurance that our emergency preparedness plans would be adequate and that we would respond effectively, which could result in public or employee harm or adversely affect our revenues, operating results, ~~and~~ financial condition, **and reputation**. Failure of critical elements of our infrastructure could result in interruption of service, damage to others, or injuries, and could adversely affect our business, operating results, and financial condition. We own physical infrastructure, which was installed over a long period of time, both underground and above- ground. This infrastructure is subject to potential failure due to age, operating conditions, or other unknown factors. Failure of any of our facilities or infrastructure could cause flooding, loss of service to our customers, contamination from chemicals we use in operations, or other damages. We operate a dam. If the dam were to fail for any reason, we would lose a water supply and flooding likely would occur. Whether or not we were responsible for the dam ~~'s~~ failure, **our reputation could be harmed, and** we could be sued. We can give no assurance that we would be able to defend such a suit successfully. We operate several water and wastewater treatment plants. If a major failure of these facilities were to occur, we would have an interruption in service, potential flooding, and could release potentially harmful material into the environment. We operate over 7, 000 miles of underground pipeline. Some failures of underground pipelines could release disinfection chemicals into the environment, which have a negative impact on sensitive habitats. **Any of these failures, whether or not we are responsible, could result in public or employee harm or adversely affect our revenues, operating results, financial condition and reputation**. We rely on our information technology (IT), operational technology (OT), and a number of complex business systems to assist with the management of our business and customer and supplier relationships, and a disruption of these systems, including from cyber- attacks, could adversely affect our business. Our IT and OT systems are an integral part of our business, and a serious disruption of these systems could significantly limit our ability to manage and operate our business efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We rely on our IT and OT networks and applications to bill customers, process orders, provide customer service, manage construction projects, manage our financial records, track assets, remotely monitor certain of our plants and facilities and manage human resources, inventory and accounts receivable collections. Our systems also enable us to purchase products from our suppliers and bill customers on a timely basis, maintain cost- effective operations, and provide service to our customers. Some of our mission and business critical systems are older and the steps we have taken to protect our systems may be insufficient to protect them from damage or interruption from: • power loss, computer systems failures, including hardware equipment and software applications, and internet, telecommunications or data network failures; • operator negligence or improper operation by, or supervision of, employees; • physical and electronic loss of customer data due to security breaches, cyber- attacks, misappropriation, acts of violence, war or terrorism, and similar events; • computer viruses; • intentional security breaches, hacking, denial of services actions, misappropriation of data, and similar events, including intentional cybersecurity breaches aimed at disrupting and interfering with water treatment processes; and • earthquakes, floods,

fires, mudslides, and other natural disasters or physical attacks. These events may result in physical and / or electronic loss of customer or financial data; security breaches; misappropriation; disruption of service to our customers; loss of revenues, response costs, and other financial loss; loss of management time, attention, and resources from our regular business operations; damage to our reputation; and other adverse consequences, including liability or regulatory penalties under data privacy laws and regulations. In addition, the lack of redundancy for certain of our IT systems, including billing systems, could exacerbate the impact of any of these events on us, all of which could have a negative impact on our business, results of operations, and cash flows. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs. In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers, employees, and vendors. In many cases, we outsource the administration of certain functions to vendors that have been and will continue to be targets of cyber- attacks. Any theft, loss or fraudulent use of customer, employee, vendor, or proprietary data as a result of a cyber- attack on us or a vendor could also subject us to significant litigation, liability, and costs, as well as adversely impact our reputation with customers and regulators, among others. In addition, we may not be successful in developing or acquiring technology that is competitive and responsive to the needs of our business, and we might lack sufficient resources to make the necessary upgrades or replacements of our outdated existing technology to allow us to continue to operate at our current level of efficiency, all of which could adversely impact our business and competitive position. We maintain cybersecurity insurance to provide coverage for a portion of the losses and damages that may result from a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss caused by a breach. Other costs associated with cyber events may not be covered by insurance or recoverable in rates. The market for cybersecurity insurance continues to evolve and may affect the future availability of **cyber cybersecurity** insurance at reasonable rates. The adequacy of our water supplies depends upon a variety of factors beyond our control. Interruption in the water supply may adversely affect our reputation and earnings. We depend on an adequate water supply to meet the present and future needs of our customers. Whether we have an adequate supply varies depending upon a variety of factors, many of which are partially or completely beyond our control, including:

- the amount of rainfall;
- the amount of water stored in reservoirs;
- underground water supply from which well water is pumped;
- availability from water wholesalers;
- changes in the amount of water used by our customers;
- water quality and availability of appropriate treatment technology;
- legal limitations on water use such as rationing restrictions during a drought;
- changes in prevailing weather patterns and climate; and
- population growth.

We purchase our water supply from various governmental agencies and others, and, in many areas, purchased water is the only available source of water. Water supply availability may be affected by weather conditions, funding and other political and environmental considerations. In addition, our ability to use surface water is subject to regulations regarding water quality and volume limitations. If new regulations are imposed or existing regulations are changed or given new interpretations, the availability of surface water may be materially reduced. A reduction in surface water could result in the need to procure more costly water from other sources, thereby increasing our water production costs and adversely affecting our operating results if not recovered in rates on a timely basis. We have entered into long- term water supply agreements, which commit us to making certain minimum payments whether or not we purchase any water. Therefore, if demand were insufficient to use our required purchases we would have to pay for water we did not receive. From time to time, we enter into water supply agreements with third parties and our business is dependent upon such agreements in order to meet regional demand. For example, we have entered into a water supply contract with the SFPUC that expires on June 30, 2034. We can give no assurance that the SFPUC, or any of the other parties from whom we purchase water, will renew our contracts upon expiration, or that we will not be subject to significant price increases under any such renewed contracts. The parties from whom we purchase water maintain significant infrastructure and systems to deliver water to us. Maintenance of these facilities is beyond our control. If these facilities are not adequately maintained or if these parties otherwise default on their obligations to supply water to us, we may not have adequate water supplies to meet our customers' needs. If we are unable to access adequate water supplies, we may be unable to satisfy all customer demand, which could result in rationing. Rationing may have an adverse effect on cash flow from operations. We can make no guarantee that we will always have access to an adequate supply of water that will meet all required quality standards. Water shortages may affect us in a variety of ways. For example, shortages could:

- adversely affect our supply mix by causing us to rely on more expensive purchased water;
- adversely affect operating costs;
- increase the risk of contamination to our systems due to our inability to maintain sufficient pressure; and
- increase capital expenditures for building pipelines to connect to alternative sources of supply, new wells to replace those that are no longer in service or are otherwise inadequate to meet the needs of our customers and reservoirs and other facilities to conserve or reclaim water.

We may or may not be able to recover increased operating and construction costs on a timely basis, or at all, for our regulated systems through the ratemaking process. We can give no assurance, as to whether we may be able to recover certain of these costs from third parties that may be responsible, or potentially responsible, for any groundwater contamination. Our water supplies and other aspects of our operations may be affected by climate change. There is strong scientific consensus that human activity including carbon and methane emissions is impacting many planetary systems such as the heat- trapping capacity of the atmosphere; ocean temperature, circulation, acidity, and volume; weather patterns including the severity and frequency of severe weather events; ambient temperatures; and planetary ice cover. Because scientific investigations have been focused globally, there is tremendous uncertainty over the timing, extent, and types of impacts global climate change may have on our service areas and in our water supplies. Moreover, studies of tree ring data show long periods of drought conditions have occurred prior to significant human impacts in California and prior to our operation. Finally, in the last fifty years, California has experienced at least three severe multi- year droughts. We can give no assurance that any of our plans for water reliability and water shortages, including incorporating projected and potential climate change risks into our water supply planning activities, will be adequate or capable of effectively addressing any droughts or longer periods of drought conditions or other conditions affecting water quality and availability. Immediate physical risks could affect our operations and

intensify over time as climate change worsens. More frequent flooding, wildfires, sea level rise, rising or falling groundwater levels, and uneven ground level sinking could damage our assets, including pressurized mains and other pipelines, wells, treatment facilities, and other infrastructure. Wildfires and changes in rainfall may also affect water quality, and both higher temperatures and wildfires can pose risks to employee safety. Farther into the mid- century and late- century horizon, temperature increases may cause declines in snowpack storage, and droughts could decrease surface water supply availability and groundwater recharge while causing increased outdoor demands, which, in each case, could adversely impact our ability to source adequate water supply to meet the needs of our customers. Additional climate- related risks may influence our approach as we support the transition to a low- carbon economy. Transition risks include changes in the market and consumer demands, such as differences in generational behaviors, shifts in population locations due to different weather patterns, and variations in water needs and customer groups. Regulatory risks, such as emission trading systems and carbon taxes, may also financially affect our business. Additionally, federal and state regulations present requirements for managing water supplies and limiting impacts on local wildlife, while regional plans and legislation may directly affect how we address water issues. We also periodically review the climate change plans of our wholesalers to determine whether alternative supplies may be necessary in the future. However, we can give no assurance that replacement water supplies will be available at a reasonable cost or a cost acceptable to our customers and Commissions. Natural disasters, **wildfires**, climate change, economic conditions, and other factors may change the population in our service areas. In the event that some outside factor such as a wildfire, flood, **landslide**, changed climate pattern, actual or threatened public health emergency, or change in the local economy reduces or eliminates our customer base in a service area, or negatively affects the ability of a customer to pay, we could face unrecoverable costs. In those circumstances, the remaining customers might not be able to pay for the operating costs or capital costs of the water system. We may not be able to recover capital costs of property that is no longer used or useful in utility service. **For example, in 2024, the California Governor proclaimed the Rancho Palos Verdes landslide a state of emergency following an increase in ground movement due to significant rainfall over the past two years, and the Federal Emergency Management Agency and the California Governor's Office of Emergency Services instituted a voluntary property buyout program for impacted homeowners.** We may also encounter an increase in bad debt expense in times of economic difficulty. For example, we experienced an increase in bad debt expense in 2022, which we believe was due to **the** economic impact of the COVID- 19 pandemic. Although we would likely seek permission to recover any such future costs through rate increases on remaining customers or in statewide rates, we can give no assurance that the Commissions would approve rate increases to enable us to recover these costs. Wastewater operations entail significant risks. Wastewater collection and treatment involve many risks associated with damage to the environment, and we anticipate that wastewater collection and treatment will become an increasing significant part of our business. If collection or treatment systems fail or do not operate properly, untreated or partially treated wastewater could discharge onto property or into nearby streams and rivers, causing damage or injury to property, aquatic life, or human life. Our results of operations and financial condition could be materially and adversely affected by liabilities resulting from such damage. Demand for our water is subject to various factors and is affected by seasonal fluctuations. Demand for our water during the warmer, dry months is generally greater than during cooler or rainy months due primarily to additional requirements for water in connection with irrigation systems, swimming pools, cooling systems, and other outside water use. Throughout the year, and particularly during typically warmer months, demand will vary with temperature and rainfall levels. If temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the demand for our water may decrease. ~~Under the MWRAM mechanism, lower water usage in our California operations affects our cash flows in the year of usage, but results in higher cash flows in the following years.~~ In addition, governmental restrictions on water usage during drought conditions may result in a decreased demand for our water, even if our water reserves are sufficient to serve our customers during these drought conditions. The Commissions may not allow surcharges to collect lost revenues caused by customers' **water** conservation during a drought. Regardless of whether we may surcharge our customers during a conservation period, they may use less water even after a drought has passed because of conservation patterns developed during the drought. Furthermore, our customers may wish to use recycled water as a substitute for potable water. If rights are granted to others to serve our customers recycled water, there will likely be a decrease in demand for our water. Finally, changes in prevailing weather patterns due to climate change may affect customer demand. If increased ambient temperatures affect our service areas, water used for irrigation and cooling may increase. If rainfall patterns change, our customers may change their patterns of water use including the amount of outdoor irrigation and the type of landscape they install. Government agencies may also mandate changes to customer irrigation or landscape patterns in response to changes in weather and climate. Changes in water supply costs affect our operations. The cost to obtain water for delivery to our customers varies depending on the sources of supply, wholesale suppliers' **water** prices, the quality of water required to be treated and the quantity of water produced to fulfill customer water demand. Our source of supply varies among our operating districts. Certain districts obtain all of their supply from wells; some districts purchase all of **the their** supply from wholesale suppliers; and other districts obtain **the their** supply from a combination of wells and wholesale suppliers. A small portion of supply comes from surface sources and is processed through Company- owned water treatment plants. On average, slightly more than half of the water we deliver to our customers is pumped from wells or received from a surface supply with the remainder purchased from wholesale suppliers. Water purchased from suppliers usually costs us more than surface supplied or well pumped water. The cost of purchased water for delivery to customers represented **29.7 % and 31.2 %** of our total operating costs in **2024 and 2023, respectively** and in 2022. Water purchased from suppliers will require renewal of our contracts upon expiration and may result in significant price increases under any such renewed contracts. Wholesale water suppliers may increase their prices for water delivered to us based on factors that affect their operating costs. Purchased water rate increases are beyond our control. In California, our ability to recover increases in the cost of purchased water ~~is expected to change~~ **changed** with the adoption of the ICBA, which ~~was is pending approval~~ **approved as part** of the 2021 GRC. With this change, actual per- unit purchased

water costs are ~~expected to be~~ compared to authorized per- unit purchased water costs, with variances added to or netted against the variances in purchased power and pump taxes being recorded as a cost recovery. The balance in the ICBA is ~~expected to be~~ collected / **refunded** in the future by billing the ICBA accounts receivable / **payable** balances over future periods, which may have a short- term negative impact on cash flow. Dependency upon adequate supply of electricity, certain chemicals, and third-party suppliers of parts and skilled labor could adversely affect our results of operations. Purchased electrical power is required to operate the wells and pumps needed to supply water to our customers. Although there are back- up power generators to operate a number of wells and pumps in emergencies, an extended interruption in power could affect the ability to supply water. In the past, California has been subject to rolling power blackouts due to insufficient power supplies. There is no assurance we will not be subject to power blackouts in the future. Additionally, we require sufficient amounts of certain chemicals in order to treat the water we supply. There are multiple sources for these chemicals but an extended interruption of supply could adversely affect our ability to adequately treat our water. Purchased power is a significant operating expense. During **2024 and 2023 and 2022**, purchased power expense represented **5.9 % and 6.4 % and 6.2 %**, respectively, of our total operating costs. These costs are beyond our control and can change unpredictably and substantially. As with purchased water, purchased power costs are ~~expected to be~~ included in the ICBA. Cash flows between rate filings may be adversely affected until the Commission authorizes a rate change , ~~but earnings will be minimally impacted~~. Cost of chemicals used in the delivery of water is not an element of the ICBA, and therefore, variances in quantity or cost could affect the results of operations. We rely on outside contractors to supply us with materials and parts critical to the operation of our systems. Should parts and material become unavailable, or should the cost of necessary supplies rise substantially, it could adversely affect our ability to operate or have financial effects that are not recoverable through a regulatory process. We also rely on outside contractors to complete large construction projects and provide emergency maintenance services. In the event these contractors are unavailable or cannot meet the demands imposed on them, we may face significantly lengthy interruptions of service or delays in constructing capital projects. We may face additional costs to acquire more resources to complete these activities. Our business requires significant capital expenditures to replace or improve aging infrastructure that are dependent on our ability to secure appropriate funding. If we are unable to obtain sufficient capital or if the rates at which we borrow increase, there would be a negative impact on our results of operations. The water utility business is capital- intensive. We invest significant funds to replace or improve aging infrastructure such as property, plant, and equipment. In addition, water shortages may adversely affect us by causing us to rely on more purchased water. This could cause increases in capital expenditures needed to build pipelines to secure alternative water sources. In addition, we require capital to grow our business through acquisitions. We fund our capital requirements from cash received from operations, from funds received from developers, by raising equity through common stock issuances or by issuing debt obligations. We cannot give any assurance that these sources will continue to be adequate or that the cost of funds will remain at levels permitting us to earn a reasonable rate of return. In the event we are unable to obtain sufficient capital, our expansion efforts could be curtailed, which may affect our growth and may affect our future results of operations. Our ability to access the capital markets is affected by the ratings of certain of our debt securities. Standard & Poor's ¹ Rating Agency issues a rating on **California-Cal Water Service Company's** ability to repay certain debt obligations. The credit rating agency could downgrade our credit rating based on reviews of our financial performance and projections or upon the occurrence of other events that could affect our business outlook. Lower ratings by the agency could restrict our ability to access equity and debt capital. We can give no assurance that the rating agency will maintain ratings that allow us to borrow under advantageous conditions and at reasonable interest rates. A future downgrade by the agency could also increase our cost of capital by causing potential investors to require a higher interest rate due to a perceived risk related to our ability to repay outstanding debt obligations. While the majority of our debt is long term at fixed rates, we do have interest rate exposure in our short- term borrowings, which have variable interest rates. We are also subject to interest rate risks on new financings. However, if interest rates were to increase on a long- term basis, our management believes that customer rates would increase accordingly, subject to approval by the appropriate ~~commission~~ **Commission**. We can give no assurance that the Commission would approve such an increase in customer rates. We are obligated to comply with specified debt covenants under certain of our loan and debt agreements. Failure to maintain compliance with these covenants could limit future borrowing, and we could face increased borrowing costs, litigation, acceleration of maturity schedules, and cross default issues. Such actions by our creditors could have a material adverse effect on our financial condition and results of operations. Our inability to access the capital or financial markets could affect our ability to meet our liquidity needs at reasonable cost and our ability to meet long- term commitments. Changes in economic conditions in our markets could affect our customers ¹ ability to pay for water services. Any of these could adversely affect our results of operations, cash flows, and financial condition. We rely on our current credit facilities to fund short- term liquidity needs if internal funds are not available from operations. Specifically, given the seasonal fluctuations in demand for our water we commonly draw on our credit facilities to meet our cash requirements at times in the year when demand is relatively low. We also may occasionally use letters of credit issued under our revolving credit facilities. Disruptions in the capital and credit markets could adversely affect our ability to draw on our credit facilities. Our access to funds under our credit facilities is dependent on the ability of our banks to meet their funding commitments. Many of our customers and suppliers also have exposure to risks that could affect their ability to meet payment and supply commitments. We operate in geographic areas that may be particularly susceptible to declines in the price of real property, which could result in significant declines in demand for our products and services. In the event that any of our significant customers or suppliers, or a significant number of smaller customers and suppliers, are adversely affected by these risks, we may face disruptions in supply, significant reductions in demand for our products and services, inability of customers to pay invoices when due, and other adverse effects that could negatively affect our financial condition, results of operations and / or cash flows. Our operations and certain contracts for water distribution and treatment depend on the financial capability of state and local governments, and other municipal entities such as water districts. Major disruptions in the financial strength or operations of such entities, such as

liquidity limitations, bankruptcy or insolvency, could have an adverse effect on our ability to conduct our business and / or enforce our rights under contracts to which such entities are a party. We are a holding company that depends on cash flow from our subsidiaries to meet our obligations and to pay dividends on our common stock. As a holding company, we conduct substantially all of our operations through our subsidiaries and our only significant assets are investments in those subsidiaries. In ~~2023-2024~~, ~~90-92~~, ~~6-3~~ % of our total consolidated operating revenue was derived from the operations of ~~California-Cal Water Service Company~~. As a result, we are dependent on cash flow from our subsidiaries, and ~~California-Cal Water Service Company~~ in particular, to meet our obligations and to pay dividends on our common stock. Our subsidiaries are separate and distinct legal entities and generally have no obligation to pay any amounts due on ~~our Company's~~ ~~California Water Service Group's~~ debt or to provide ~~our Company's~~ ~~California Water Service Group's~~ funds for dividends. Although there are no contractual or regulatory restrictions on the ability of our subsidiaries to transfer funds to us, the reasonableness of our capital structure is one of the factors considered by state and local regulatory agencies in their ratemaking determinations. Therefore, transfer of funds from our subsidiaries to us for the payment of our obligations or dividends may have an adverse effect on ratemaking determinations. Furthermore, our right to receive cash or other assets upon the liquidation or reorganization of a subsidiary is generally subject to the prior claims of creditors of that subsidiary. If we are unable to obtain funds from our subsidiaries in a timely manner, we may be unable to meet our obligations or pay dividends. We can make dividend payments only from our surplus (the excess, if any, of our net assets over total paid-in capital) or if there is no surplus, the net profits for the current fiscal year or the fiscal year before which the dividend is declared. In addition, we can pay cash dividends only if after paying those dividends we would be able to pay our liabilities as they become due. Owners of our capital stock cannot force us to pay dividends and dividends will only be paid if and when declared by our board of directors (Board). Our Board can elect at any time, and for an indefinite duration, not to declare dividends on our capital stock. An important element of our growth strategy is the acquisition of water and wastewater systems. Risks associated with potential acquisitions, divestitures or restructurings may adversely affect us. We seek to acquire or invest in other companies, technologies, services, or products that complement our business from time to time. The execution of our growth strategy exposes us to different risks than those associated with our utility operations. We can give no assurance that we will succeed in finding attractive acquisition candidates or investments, or that we would be able to reach mutually agreeable terms with such parties. In addition, as consolidation becomes more prevalent in the water and wastewater industries, the prices for suitable acquisition candidates may increase to unacceptable levels and limit our ability to grow through acquisitions. If we are unable to find acquisition candidates or investments, our ability to grow may be limited. Acquisition and investment transactions may result in the issuance of our equity securities that could be dilutive if the acquisition or business opportunity does not develop in accordance with our business plan. They may also result in significant write-offs and an increase in our debt. The occurrence of any of these events could have a material adverse effect on our business, financial condition, and results of operations. Any of these transactions could involve numerous additional risks, including one or more of the following: • problems integrating the acquired operations, personnel, technologies, physical and cybersecurity processes, or products with our existing businesses and ~~products-services~~; • **cybersecurity risks associated with acquired systems and infrastructure**; • liabilities inherited from the acquired companies ~~and~~ prior business operations; • diversion of management time and attention from our core business to the acquired business; • failure to retain key technical, management, and other personnel of the acquired business; • difficulty in retaining relationships with suppliers and customers of the acquired business; and • difficulty in obtaining required regulatory approvals **and operating in new regulatory jurisdictions**. In addition, the businesses and other assets we acquire may not achieve the sales and profitability expected. The occurrence of one or more of these events may have a material adverse effect on our business. There can be no assurance that we will be successful in overcoming these or any other significant risks encountered. We may not be able to increase or sustain our recent growth rate, and we may not be able to manage our future growth effectively. We may be unable to continue to expand our business or manage future growth. To successfully manage our growth and handle the responsibilities of being a public company, we must effectively: • hire, train, integrate, and manage additional qualified engineers for engineering design and construction activities, new business personnel, and financial and information technology personnel; • retain key management, augment our management team, and retain qualified and certified water and wastewater system operators; • implement and improve additional and existing administrative, financial and operations systems, procedures and controls; • expand our technological capabilities; and • manage multiple relationships with our customers, regulators, suppliers, and other third parties. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, satisfy customer requirements, execute our business plan, or respond to competitive pressures. We have a number of large-volume commercial and industrial customers and a significant decrease in consumption by one or more of these customers could have an adverse effect on our operating results and cash flows. Our billed revenues and cash flows from operations will decrease if a significant business or industrial customer terminates or materially reduces its use of our water. Approximately \$ ~~187-210~~, ~~1-4~~ million, or ~~23-72~~ %, of our ~~2023-2024~~ water utility revenues was derived from business and industrial customers. In Hawaii, we serve a number of large resorts, which if their water usage was reduced or ceased could have a material impact to our Hawaii operation. The delay between such date and the effective date of the rate relief may be significant and could adversely affect our operating results and cash flows. Our operating cost and costs of providing services may rise faster than our revenues. Our ability to increase rates over time is dependent upon approval of such rate increases by the Commissions, or in the case of the City of Hawthorne and the City of Commerce, the City Council, which may be inclined, for political or other reasons, to limit rate increases. However, our costs, which are subject to **inflationary** market conditions and other factors, may increase significantly. The second largest component of our operating costs after water production is made up of salaries and wages. These costs are affected by the local supply and demand for qualified labor. Other large components of our costs are general insurance, workers compensation insurance, employee benefits, and health insurance costs. These costs may increase disproportionately to rate increases authorized by the Commissions and may have a material adverse

effect on our future results of operations. Demand for our stock may fluctuate due to circumstances beyond our control. We believe that stockholders invest in public utility stocks, in part, because they seek reliable dividend payments. If there is an over-supply of stock of public utilities in the market relative to demand by such investors, the trading price of our securities could decrease. Additionally, if interest rates rise above the dividend yield offered by our equity securities, demand for our stock, and consequently its market price, may decrease. Additional factors that could cause fluctuations in the trading price of our stock include regulatory developments, such as the **delay in the CPUC's ultimate final** decision regarding the 2021 GRC ~~;~~ general economic conditions and trends, including inflationary pressures, general economic slowdown or a recession, changes in monetary policy, adverse capital markets activity or macroeconomic conditions as a result of geopolitical conflicts, and the prospect of a shutdown of the U. S. federal government; price and volume fluctuations in the overall stock market; actual or anticipated changes or fluctuations in our results of operations; actual or anticipated changes in the expectations of investors or securities analysts; actual or anticipated developments in other utilities' businesses or the competitive landscape generally; litigation involving us or our industry; major catastrophic events, or sales of large blocks of our stock. A decline in demand for our stock may have a negative impact on our ability to finance capital projects. Adverse investment returns and other factors may increase our pension liability and pension funding requirements. A substantial number of our employees are covered by a defined benefit pension plan. At present, the pension plan is ~~underfunded~~ **over funded** because **the aggregate fair value of our plan assets exceeds the projected pension benefit obligation exceeds, but the funded status aggregate fair value of the plan can be affected by investment returns on plan assets, discount rates, mortality rates of plan participants, pension reform legislation, and a number of other factors. There can be no assurance that the value of our pension plan assets will continue to be sufficient to cover future liabilities. Although we contributed to our pension plan in recent years, it is possible that we could incur a pension liability adjustment, or could be required to make additional cash contributions to our pension plan, which would reduce the cash available for business and other needs.** Under applicable law, we are required to make cash contributions to the extent necessary to comply with minimum funding levels imposed by regulatory requirements. The amount of such required cash contribution is based on an actuarial valuation of the plan. ~~The funded status of the plan can be affected by investment returns on plan assets, discount rates, mortality rates of plan participants, pension reform legislation, and a number of other factors. There can be no assurance that the value of our pension plan assets will be sufficient to cover future liabilities. Although we contributed to our pension plan in recent years, it is possible that we could incur a pension liability adjustment, or could be required to make additional cash contributions to our pension plan, which would reduce the cash available for business and other needs.~~ Labor relations matters could adversely affect our operating results. At December 31, ~~2023~~ **2024**, ~~757-771~~ of our ~~1,266~~ **278** total employees were union employees. Most of our unionized employees are represented by the UWUA, AFL- CIO, except certain engineering and laboratory employees who are represented by the IFPTE, AFL- CIO. We believe our labor relations are good, but in light of rising costs for health care, pensions, and general inflation, our future contract negotiations may be difficult. Furthermore, changes in applicable law or regulations could have an adverse effect on management's negotiating position with respect to our currently unionized employees and / or employees that decide to unionize in the future. We are subject to a risk of work stoppages and other labor relations matters as we negotiate with the unions to address these issues, which could affect our results of operations and financial condition. We can give no assurance that issues with our labor forces will be resolved favorably to us in the future or that we will not experience work stoppages. Our operations are geographically concentrated in California and this lack of diversification may negatively affect our operating results. Although we own facilities in a number of states, ~~90-92~~ **6-3** % of our total consolidated operating revenue was generated by our operations located in California in ~~2023~~ **2024**. As a result, we are largely subject to political, regulatory, economic, water supply, weather, labor, and energy cost risks affecting California. We are also affected by the real property market in California. In order to grow our business, we may need to acquire additional real estate or rights to use real property owned by third parties, the cost of which tends to be higher and more volatile in California than in other states. The value of our assets in California may decline if there is a decline in the California real estate market that results in a significant decrease in real property values. Our business and financial performance may be adversely affected by high inflation and other macroeconomic conditions. Inflation has the potential to adversely affect our liquidity, business, financial condition, and results of operations by increasing our overall cost structure, particularly if we are unable to achieve increases in the rates we charge our customers. There is no guarantee that any future rate increase requests will be approved and granted in a timely manner and / or will be sufficient to cover costs for the impact of high inflation. The existence of inflation in the economy has resulted in, and may continue to result in, higher interest rates and capital costs, shipping costs, supply shortages, increased costs of labor, and other similar effects. As a result of inflation, we have experienced, and may continue to experience, cost increases. Although we may take measures to mitigate the impact of this inflation, if these measures are not effective, our business, financial condition, results of operations, and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when these beneficial actions impact our results of operations and when the cost of inflation is incurred. We may also be similarly impacted by stagnating or worsening business and economic conditions, including general economic slowdown or a recession, **tariffs on U. S. imports, such as those recently implemented on steel and aluminum,** higher interest rates for a prolonged period of time, instability of certain financial institutions, changes in monetary policy, adverse capital markets activity or macroeconomic conditions as a result of geopolitical conflicts, and the prospect of a shutdown of the U. S. federal government. Municipalities, water districts, and other public agencies may condemn our property by eminent domain action. State statutes allow municipalities, water districts and other public agencies to own and operate water systems. These agencies are empowered to condemn water systems or real property owned by privately owned public utilities in certain circumstances and in compliance with California and federal law. Additionally, whenever a public agency constructs facilities to extend its utility system into the service area of a privately owned public utility, such an act may constitute the taking of property and require reimbursement to the public utility for its loss. If a public agency were to file an

eminent domain lawsuit against us, we would incur substantial ~~legal attorney's~~ fees, consultant and expert fees, and other costs in considering a challenge to the right to take our utility property and / or its valuation for just compensation, as well as such fees and costs in any subsequent litigation if necessary. If the public agency prevailed and acquired our utility property, we would be entitled to just compensation for our loss, but we would no longer have access to the condemned property or water system. Neither would we be entitled to any portion of revenue generated from the use of such asset going forward. General Risk Factors We depend significantly on the services of the members of our management team, and the departure of any of those persons could cause our operating results to suffer. Our success depends significantly on the continued individual and collective contributions of our management team. The loss of the services of any member of our management team could have an adverse effect on our business as our management team has knowledge of our industry and customers and would be difficult to replace. We retain certain risks not covered by our insurance policies. We evaluate our risks and insurance coverage annually or more frequently if circumstances dictate. Our evaluation considers the costs, risks, and benefits of retaining versus insuring various risks as well as the availability of certain types of insurance coverage. Accordingly, we have determined or may determine to self-insure or to not obtain insurance in certain cases, or insurance may not be available at commercially acceptable terms or at all. Furthermore, we are also affected by increases in prices for insurance coverage; in particular, we have been, and will continue to be, affected by rising health insurance costs. Retained risks are associated with deductible limits, partial self-insurance programs, and insurance policy coverage ceilings. If we suffer an uninsured loss, we may be unable to pass all or any portion of the loss on to customers, because our rates are regulated by ~~regulatory commissions~~ **Commissions**. Consequently, uninsured losses may negatively affect our financial condition, liquidity, and results of operations. There can be no assurance that we will not face uninsured losses pertaining to the risks we have retained. Our enterprise risk management processes may not be effective in identifying and mitigating the risks to which we are subject, or in reducing the potential for losses in connection with such risks. Our enterprise risk management processes are designed to minimize or mitigate the risks to which we are subject, as well as any losses stemming from such risks. Although we seek to identify, measure, monitor, report, and control our exposure to such risks, and employ a broad and diversified set of risk monitoring and mitigation techniques in the process, those techniques are inherently limited in their ability to anticipate the existence or development of risks that are currently unknown and unanticipated. The ineffectiveness of our enterprise risk management processes in mitigating the impact of known risks or the emergence of previously unknown or unanticipated risks may result in our incurring losses in the future that could adversely affect our financial condition and results of operations. The accuracy of our judgments and estimates about financial and accounting matters will affect our operating results and financial condition. We make certain estimates and judgments in preparing our financial statements regarding, among others: • the useful life of intangible rights; • the number of years to depreciate certain assets; • amounts to set aside for uncollectible accounts receivable, inventory obsolescence, and uninsured losses; • our legal exposure and the appropriate accrual for claims, including medical claims and workers' compensation claims; • future costs and assumptions for pensions and other postretirement benefits; • regulatory recovery of regulatory assets; • possible tax uncertainties; and • projected collections of ~~WRAM MWRAM and MCBA ICBA~~ **WRAM MWRAM and MCBA ICBA** receivables ~~or receivables under subsequent recovery mechanisms, such as MWRAM and ICBA~~. The quality and accuracy of those estimates and judgments may have an impact on our operating results and financial condition. In addition, we must estimate **accrued and** unbilled revenues and costs as of the end of each accounting period. If our estimates are not accurate, we would be required to make an adjustment in a future period. Accounting rules permit us to use expense balancing accounts and memorandum accounts that include cost changes to us that are different from amounts incorporated into the rates approved by the Commissions. These accounts result in expenses and revenues being recognized in periods other than in which they occurred. Our commitments and stakeholder expectations relating to environmental, social, and governance (ESG) considerations may expose us to liabilities, increased costs, reputational harm, and other adverse effects on our business. We have announced, and may from time to time announce, certain initiatives, including goals, targets, and other objectives, related to ESG matters. These statements reflect our current plans and do not constitute a guarantee that they will be achieved. Our failure to accomplish or accurately track and report on these goals on a timely basis, or at all, could adversely affect our reputation, financial performance, and growth, and expose us to increased scrutiny from the investment community as well as enforcement authorities. In addition, statements about our sustainability goals, targets, and other objectives, and progress against those goals, targets, and other objectives, are or may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. Our selection of voluntary disclosure frameworks and standards, and the interpretation or application of those frameworks and standards, have changed and may change from time to time, or differ from those of others. Methodologies for reporting this data have been and may from time to time be updated and previously reported data has been or may be adjusted, as applicable, to reflect improvement in availability and quality of third-party data, changing assumptions, changes in the nature and scope of our operations, and other changes in circumstances, which could result in significant revisions to our current goals, reported progress in achieving such goals, or ability to achieve such goals in the future. Investor and political advocacy groups, certain institutional investors, investment funds, other market participants, stockholders, and customers have focused increasingly on ESG initiatives, including the goals, targets, and objectives that we announce, and our methodologies and timelines for pursuing them. At the same time, stakeholders and regulators have increasingly expressed or pursued opposing views, legislation, and investment expectations with respect to sustainability initiatives, including the enactment or proposal of ~~"anti-ESG"~~ **"anti-ESG"** legislation or policies. Implementing our ESG programs involves risks and uncertainties, including increased costs, ~~requires~~ **required** investments and often depends on third-party performance or data that is outside our control. For example, as a regulated utility, we must obtain approval from our ~~state utilities commissions~~ **Commissions** for our cost structure and capital investments, including capital expenditures for implementing ESG programs, and any changes that may affect customer rates need to be approved within the rate case process with the ~~state public utilities commissions~~ **Commissions**. In our experience,

U. S. state utilities commissions have prioritized water affordability and physical climate change risk adaptation over emissions reductions. Additionally, in many areas, purchased water, which is a contributor to our emissions inventory, is the only available water source, and a large majority of these single- source suppliers have not published emission reduction targets. We cannot guarantee that we will achieve our announced ESG targets and commitments, satisfy all stakeholder expectations, or that the benefits of implementing or achieving these goals and initiatives will not surpass their projected costs. Any failure, or perceived failure, to achieve ESG goals and initiatives, as well as to manage ESG risks, adhere to public statements, comply with federal or state ESG laws and regulations or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against us and materially adversely affect our business, reputation, results of operations, financial condition, and stock price. Even if we achieve our goals, targets, and objectives, we may not realize all of the benefits that we expected at the time they were established. Our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired by a material weakness in our internal control over financial reporting, which could result in loss of investor confidence in the accuracy and completeness of our financial reports and materially adversely affect our results of operations and stock price. The accuracy of our financial reporting is dependent on the effectiveness of our internal controls. We are required to provide a report from management to our stockholders on our internal control over financial reporting that includes an assessment of the effectiveness of these controls. ~~As disclosed in our 2022 Annual Report on Form 10-K,~~ and management **has in the past** concluded that our internal control over financial reporting was not effective, **which as was** of December 31, 2022 due to a material weakness in our internal control over the completeness of our accounting for regulatory assets and liabilities, specifically controls over the identification of regulatory filings by the Company during the period that are then reviewed to determine their potential accounting impact. ~~This material weakness has since been~~ remediated. Internal control over financial reporting has inherent limitations, including human error, the possibility that controls could be circumvented or become inadequate because of changed conditions, and fraud. Because of these inherent limitations, internal control over financial reporting might not prevent or detect all misstatements or fraud. If we are unable to maintain effective internal control over financial reporting or disclosure controls and procedures, we could suffer harm to our reputation, incur incremental compliance costs, fail to meet our public reporting requirements on a timely basis, be unable to properly report on our business and our results of operations, or be required to restate our financial statements, which could result in loss of investor confidence in the accuracy and completeness of our financial reports, subject us to litigation or investigations requiring management resources and payment of legal and other expenses, and our results of operations and our stock price could be materially adversely affected.