Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

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Investors should carefully consider the following risk factors and warnings before making an investment decision. The risks described below are not the only ones facing SJW Group and its subsidiaries. Additional risks that SJW Group and its subsidiaries does not yet know of or that it currently thinks are immaterial may also impair its business operations. If any of the following risks actually occur, SJW Group and its subsidiaries' business, operating results or financial condition could be materially affected. In such case, the trading price of SJW Group' s common stock could decline and you may lose part or all of your investment. Investors should also refer to the other information set forth in this Annual Report on Form 10- K, including the consolidated financial statements and the notes thereto. Risks Relating To Regulatory and Legal Matters Our business is regulated and may be adversely affected by changes to the regulatory environment. Our Water Utility Services ~~are~~ **represent the tariffed operations of our** regulated ~~public~~ utilities. ~~The~~ **Our** operating revenue ~~of SJWC, Connecticut Water, SJWTX and Maine Water~~ is generated primarily from the sale of water at rates authorized by **applicable state public utility commissions** ~~the CPUC, PURA, PUCT and MPUC~~ (the " Regulators "). The Regulators set rates that are intended to provide revenues sufficient to recover normal operating expenses, provide funds for replacement of water infrastructure and produce a fair and reasonable return on stockholder common equity. Please refer to Part I, Item 1, " Regulation and Rates " for a discussion of the most recent regulatory proceedings affecting the rates of our regulated operations. Consequently, our revenue and operating results depend substantially upon the rates the Regulators authorize. In our applications for rate approvals, we rely upon estimates and forecasts to propose rates for approval by the Regulators. No assurance can be given that our estimates and forecasts will be accurate or that the Regulators will agree with our estimates and forecasts and approve our proposed rates. To the extent our authorized rates may be too low, revenues may be insufficient to cover Water Utility Services' operating expenses, capital requirements and SJW Group' s historical dividend rate. In addition, delays in approving rate increases may negatively affect our operating results and operating cash flows. In addition, policies and regulations promulgated by the Regulators govern the recovery of capital expenditures, the treatment of gains from the sale of real utility property, the offset of production and operating costs, the recovery of the cost of debt, the optimal equity structure, and the financial and operational flexibility to engage in non- tariffed operations. If the regulators implement policies and regulations that will not allow ~~SJWC, Connecticut~~ Water **Utility Services** ~~, SJWTX and Maine Water~~ to accomplish some or all of the items listed above, **its** ~~Water Utility Services'~~ future operating results may be adversely affected. ~~Further~~ **Furthermore** , from time to time, the commissioners at the Regulators may change. Such changes could lead to changes in policies and regulations and there can be no assurance that the resulting changes in policies and regulation, if any, will not adversely affect our operating results or financial condition. **We have various regulatory mechanisms such as balancing and memorandum accounts and rate adjustment mechanisms for infrastructure replacement, to recover certain costs and expenses.** If the ~~CPUC~~ **Regulators** ~~disagrees~~ - **disagree** with our ~~calculation~~ **calculations** of ~~SJWC' s~~ **our balancing and** memorandum ~~and balancing~~ accounts, we may be required to make adjustments that could adversely affect our results of operations. **Furthermore** ~~Under a 2007 Connecticut law~~ , ~~PURA authorizes regulated water companies to use a rate adjustment mechanism, known as WICA, for eligible projects completed and in service for the benefit of the customers. Maine legislature enacted a law that allows Maine Water expedited recovery of investments in water systems infrastructure replacement, both treatment and distribution, through WISC, similar to WICA in Connecticut. There~~ **there** is no guarantee that ~~these~~ -- **the** ~~regulatory~~ **Regulators** ~~authorities~~ will approve our applications to recover all or a portion of our capital expenditure or infrastructure investment through such rate adjustment mechanisms, and their failure to do so will adversely affect our financial conditions and results of operations. Recovery of regulatory assets is subject to adjustment by regulatory agencies and could impact the operating results of Water Utility Services. Generally accepted accounting principles for water utilities include the recognition of regulatory assets and liabilities **to reflect the actions of regulators** as permitted by FASB ASC Topic 980 — " Regulated Operations. " **These actions may result in the recognition of revenues and expenses in time periods that are different from non- rate- regulated enterprises.** In accordance with ASC Topic 980, Water Utility Services record deferred costs ~~and credits~~ on the balance sheet as regulatory assets ~~and liabilities~~ when it is probable that these costs ~~and credits~~ will be recovered ~~or refunded~~ in the ratemaking process **. Also, Water Utility Services record regulatory liabilities for amounts expected to be refunded to customers** in ~~a period different from when~~ the ~~costs~~ **ratemaking process** and ~~credits were incurred~~ **for amounts collected in advance of the related expenditures** . Please refer to Note 3 of the " Notes to Consolidated Financial Statements " for a summary of ~~net~~ regulatory assets **and liabilities** . If the assessment of the probability of recovery in the ratemaking process is incorrect and the applicable ratemaking body determines that a deferred cost is not recoverable through future rate increases, the regulatory assets would need to be adjusted, which could have an adverse effect on our results of operations and financial condition. **.Water Utility Services is subject to litigation risks concerning water quality and contamination.Although Water Utility Services is not** a ~~defendant in a class action~~ **party to any environmental and product- related** ~~lawsuit~~ **lawsuits ,** ~~alleging that the water provided by CWC contained contaminants.CWC intends to vigorously defend itself in this lawsuit.There~~ **there is** ~~can be~~ no guarantee that ~~additional~~ **such** lawsuits will not occur in the future.Any environmental or product- related lawsuit ~~,including the class action against CWC,~~ may require us to incur significant legal costs and we may not be able to recover the legal costs from ratepayers or other third parties.Although Water Utility Services has liability insurance coverage for bodily injury and property damage,pollution liability is excluded from this coverage and our excess liability coverage.Pollution liability coverage is in place for the majority of the SJW Group locations and operations **,** but is subject to exclusions and limitations.In addition,any complaints or lawsuits against us based on water quality and contamination may receive negative publicity that can damage our reputation and adversely affect our business and trading price of our common stock.Water Utility Services is subject to possible litigation or regulatory enforcement action concerning water discharges to Waters of the United States (“ WOTUS ”).Regulatory actions and fines related to discharges of water to WOTUS against other water utilities have increased in frequency in recent years.If Water Utility Services is subject to a litigation or regulatory enforcement action,it might incur significant costs in fines and restoration efforts,and it is uncertain whether Water Utility Services would be able to recover some or all of such costs from ratepayers or other third parties.In addition,any litigation or regulatory enforcement action against us regarding a water discharge and / or resulting environmental impact may receive negative publicity that can damage our reputation and adversely affect our business and the trading price of **our common stock** Streamflow regulations in Connecticut could potentially impact our ability to serve our customers. In December 2011, regulations concerning the flow of water in Connecticut’ s rivers and streams were adopted. As promulgated, the regulations require that certain downstream releases be made from seven of **CWC** ~~Connecticut Water~~ ’ s eighteen active reservoirs no later than ten years following the adoption of stream classifications by the Department of Energy and Environmental Protection (“ DEEP ”). Currently, downstream releases are made at two locations. The next streamflow releases will be initiated by October 2024 and will affect two additional reservoirs. No groundwater supply wells are affected by the regulations. DEEP has finalized stream classifications in all areas of Connecticut where **CWC** ~~Connecticut Water~~ maintains and operates sources of supply. The Company remains engaged in the process in order to minimize impact to our available water supply. Although modified from prior versions, the regulations still have the potential to lower our safe yield, raise our capital and operating expenses and adversely affect our revenues and earnings. Although costs associated with the regulations may be recovered in the form of higher rates and Connecticut law allows for a WICA surcharge to recover capital improvement costs necessary to achieve compliance with the regulations, there can be no assurance PURA would approve rate increases to enable us to recover all such costs and surcharges . Water Utility Services is subject to...... the trading price of our common stock . New or more stringent environmental regulations could increase Water Utility Services’ operating costs and affect its business. Water Utility Services ~~are~~ **is** subject to water quality and pollution control regulations issued by the EPA and environmental laws and regulations administered by the respective states and local regulatory agencies. New or more stringent environmental and water quality regulations could increase Water Utility Services’ water quality compliance costs, hamper Water Utility Services’ available water supplies, and increase future capital expenditures. Under the federal Safe Drinking Water Act, Water Utility Services is subject to regulation by the EPA relating to the quality of water it sells and treatment techniques it uses to make the water potable. The EPA promulgates, from time to time, nationally applicable standards, including maximum contaminant levels for drinking water. Additional or more stringent requirements may be adopted by each state. There can be no assurance that Water Utility Services will be able to continue to comply with all water quality requirements. Water Utility Services has implemented monitoring activities and installed specific water treatment improvements in order to comply with existing maximum contaminant levels and plan for compliance with future drinking water regulations. However, the EPA and the respective state agencies have continuing authority to issue additional regulations under the Safe Drinking Water Act. New or more stringent environmental standards could be imposed that will raise Water Utility Services’ operating costs and capital expenditures, including requirements for increased monitoring, additional treatment of underground water 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 such as polyfluoroalkyl substances. 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. The impact of climate change and climate change laws and regulations have been passed and are being proposed that require compliance with greenhouse gas emissions standards, as well as other climate change initiatives, which could increase Water Utility Services’ operating costs and affect our business. Climate change is receiving ever increasing attention worldwide. Many scientists, legislators, and others attribute global warming to increased levels of greenhouse gases, including carbon dioxide. Climate change laws and regulations enacted and proposed limit greenhouse gases emissions from covered entities and require additional monitoring / reporting. We produce a corporate **sustainability** ~~social responsibility~~ report, which provides an overview of our energy usage and greenhouse emissions. At this time, the existing greenhouse gases laws and regulations are not expected to materially harm Water Utility Services’ operations or capital expenditures. While regulation on climate change could change ~~in light of the current federal administration’ s agenda~~ , the uncertainty of future climate change regulatory requirements still remains. We cannot predict the potential impact of future laws and regulations on our business, financial condition, or results of operations. Although these future expenditures and costs for regulatory compliance may be recovered in the form of higher rates, there can be no assurance that the various state utility commissions that govern our business would approve rate increases to enable us to recover such expenditures and costs. Climate change may also impact water supply. For example, severity of drought conditions may impact the availability of water to all Water Utility Services and rising sea levels **and their effect on contributing tributary’ s water quality** may impact the availability of groundwater to Water Utility Services. We may be at risk for litigation under the principle of inverse condemnation for activities in the normal course of business ~~which~~ **that** have a damaging effect on private property. Under the California legal doctrine of inverse condemnation, a public utility taking or damaging private property can be responsible to the property owners for compensation, even when damage occurs through no fault or negligence of the utility company and regardless of whether the damage could be foreseen. Based upon existing California case law, SJWC could be sued under the doctrine of inverse condemnation and held liable if its facilities, operations or property, such as mains, fire hydrants, power lines and other equipment, or wildfires in our Santa Cruz ~~mountain~~ **Mountain** watershed result in damage to private property. A court finding of inverse condemnation does not obligate the CPUC to allow SJWC to recover damage awards or pass on costs to ratepayers. Insurance coverage for inverse condemnation may not be available or may not be sufficient. SJWC' s liquidity, earnings, and operations may be adversely affected if we are unable to recover the costs of paying claims for damages caused by the operation and maintenance of our property from customers or through insurance. Our water utility property and systems are subject to condemnation and other proceedings through eminent domain. State laws in jurisdictions where we operate, including California, Connecticut, Texas and Maine, allow municipalities, water districts and other public agencies to own and operate water systems. **If** ~~These~~ **these public** agencies are ~~empowered~~ **able** to **establish certain eminent domain elements required under state and federal laws, they may** condemn water systems or real property owned by privately owned public utilities in certain circumstances ~~and in compliance with state and federal laws~~. In general, if a public agency **seeks to** ~~exercises~~ - **exercise** its eminent domain power to take possession of private property, ~~the government~~ **it must establish that such taking** is ~~required to~~ **for a public purpose and must** pay just compensation to owners of such property. In the event of eminent domain or condemnation proceedings against our water utility property or systems, we may incur substantial attorney' s fees, consultant and expert fees and other costs in considering a challenge to such proceeding and / or its valuation for just compensation, as well as fees and costs in any subsequent litigation if necessary. If the public agency prevailed and acquired our utility property, 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. Furthermore, if public agencies succeed in acquiring our assets, there is a risk that we will not receive adequate compensation for the assets taken or be able to recover all charges associated with the condemnation of such assets, which may adversely affect our business operations and financial conditions. **Regulatory agencies may disagree with our valuation and characterization of certain of our assets. If we determine that assets are no longer used or useful for utility operations, we may remove them from our rate base and subsequently sell those assets with any gain on sales accruing to the stockholders, subject to certain conditions. If the regulators disagree with our characterization, there is a risk that the regulators could determine that a portion or all of the realized appreciation in property value should be awarded to customers rather than our stockholders.** Risks Relating To Business Operations **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. 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. 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. 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. We face competition from other utilities and service providers which might hinder our growth opportunities and mitigate our future profitability. We face competition from other utilities and service providers which might hinder our growth opportunities and mitigate our future profitability. We face risks of competition from other utilities or other entities authorized by federal, state or local agencies to expand rate- regulated or contracted utility services. Once a state utility regulator grants a franchise to a public utility to serve a specific territory, that utility effectively has an exclusive right to service that territory. Although a new franchise offers some protection against competitors, the pursuit of franchises is often competitive, where new franchises may be awarded to utilities based upon competitive negotiation. Competing entities have challenged, and may challenge in the future, our applications for new franchises.** Fluctuations in customer demand for water due to seasonality, restrictions of use, weather, and lifestyle can adversely affect operating results. Water Utility Services ~~are~~ **is** 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 **and appliances** , could diminish water consumption and result in reduced revenue. In addition, in time of drought, **such as in the drought experienced in California in 2021 to early 2023, mandatory** water conservation may become a regulatory requirement that impacts the water usage of our customers. **While the impacts of conservation and** ~~On July 8, 2021, Governor Gavin Newsom issued a proclamation declaring a~~ drought **may be mitigated by certain** ~~emergency in fifty California Counties, including Santa Clara County. SJWC has activated our Water Shortage Contingency Plan to achieve the 15 % conservation target. On July 9, 2021 Valley Water, the water supply agency for Santa Clara County, declared a water shortage emergency and requested its retailers enact conservation measures to achieve a mandatory 15 % reduction compared to 2019 water consumption. SJWC has activated our Water Shortage Contingency Plan to achieve the 15 % conservation target. On January 4, 2022, the State Water Resource Control Board (" State Water Board ") adopted emergency water use regulations~~ - **regulatory mechanisms** that **may apply** ~~prohibit certain outdoor wasteful water practices. SJWC' s drought response through our Water Shortage Contingency Plan includes the same restrictions on wasteful water practices. On June 10~~ , **such regulatory mechanisms are subject** ~~2022, the State Water Board' s Second Water Conservation Emergency Declaration of 2022 became effective. This declaration prohibits the use of potable water for irrigation of non- functional turf at commercial, industrial, and institutional properties. SJWC is currently collaborating with our wholesaler and utility peers~~ to ~~engage~~ **review** and **change** ~~inform customers. Both water conservation emergency declarations will remain in effect for one year. 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 **Regulators** ~~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~~ . ~~Furthermore~~ **Accordingly** , ~~the CPUC may approve memorandum accounts, such as a WCMA, to allow companies to recover revenue reductions due to water conservation activities and certain conservation related costs. However, collection of such memorandum accounts is subject to a review and approval process by CPUC, which can be lengthy, and~~ there ~~is~~ **could be** no assurance that ~~we~~ **such regulatory mechanisms** will **offset** ~~be able to recover in a timely manner all or some of~~ the **effects of any** revenue **losses or** ~~and costs recorded in the~~ **other adverse impacts** ~~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 **our operating** ~~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~~ **results attributable** ~~in lower revenues. Similar~~ to ~~SJWC, Connecticut Water and Maine Water have also been impacted by increased water conservation, as well as the~~ **these fluctuations in** ~~use of more efficient household fixtures and appliances among residential users. There has been a trend of declining per~~ customer ~~residential water usage in Connecticut and Maine over the last several years. CTWS' s regulated businesses at Maine Water are heavily dependent on revenue generated from rates it charges to its residential customers for the volume of water they use. The rates Connecticut Water and Maine Water charge for its water is regulated by PURA in Connecticut and MPUC in Maine, and CTWS' s water services subsidiaries may not unilaterally adjust their rates to reflect changes in~~ demand ~~. A declining volume of residential water usage may have a negative impact on our operating revenues in the future if regulators do not reflect usage declines in the rate setting design process. Although the legislatures in Maine and Connecticut have provided legislation for water utilities to implement revenue adjustment mechanisms to allow for recovery of authorized rates where conservation has occurred and consumption has declined and such a mechanism has been approved by PURA and implemented for Connecticut Water, this mechanism has yet to be implemented at Maine Water~~ . A contamination event or other decline in source water quality could affect the water supply of Water Utility Services and therefore adversely affect our business and operating results. Water Utility Services is required under drinking water regulations to comply with water quality requirements. Through water quality compliance programs, Water Utility Services monitors for contamination and pollution of its sources of water. In addition, a watershed management program provides a proactive approach to minimize potential contamination activities. There can be no assurance that Water Utility Services will continue to comply fully with all applicable water quality requirements or detect contamination timely or at all. In addition, our facilities and infrastructure, including water towers, reservoirs and wells, may be subject to vandalism, break- ins or attacks, which may cause contamination or damage to our water supply. While we have taken measures to maintain physical security of our facilities, there is no guarantee that such measures will be effective to prevent such events. In the event a contamination is detected, Water Utility Services must either commence treatment to remove the contaminant or procure water from an alternative source. Either of these results may be costly, may increase future capital expenditures and there can be no assurance that the regulators would approve a rate increase to enable us to recover the costs arising from such remedies. In addition, we could be held liable for consequences arising from hazardous substances or contamination in our water supplies or other environmental damages and our reputation may be harmed by the public disclosures or media reports of these events. Our insurance policies may not cover or may not be sufficient to cover the costs of these claims. Operating under contract water and waste systems subject us to risks. Water Utility Services operates a number of water and wastewater systems under operation and maintenance contracts. Pursuant to these contracts, such systems are operated according to the standards set forth in the applicable contract, and it is generally the responsibility of the owner of the system to undertake capital improvements over which we may not have control. We may not be able to convince the owner to make needed improvements in order to maintain compliance with applicable regulations. Although violations and fines incurred by water and wastewater systems may be the responsibility of the owner of the system under these contracts, such non- compliance events may reflect poorly on us as the operator of the system and harm our reputation, and in some cases, may result in liability to the same extent as if we were the owner. **The necessity for ongoing physical and technological security has resulted, and may continue to result, in increased operating costs. The necessity for ongoing physical and technological security has resulted, and may continue to result, in increased operating costs. Because of physical and technological threats to the health and security of the United States of America, we employ procedures to review and modify security measures. We provide ongoing training and communications to our employees about threats to our water supply, our assets and related systems and our employees' personal safety. We have incurred, and will continue to incur, costs for security measures in efforts to protect against such risks.** Water Utility Services rely on information technology and systems that are key to business operations. A system malfunction, security breach, cyber-attacks **,** or other ~~disruptions~~ - **disruption that compromises our information** could ~~compromise our information and~~ expose us to liability **and adversely affect business operations. In addition** , ~~which~~ **noncompliance** could **expose us to liability and** adversely affect business operations. Information technology is key to the operation of the Water Utility Services, including but not limited to payroll, general ledger activities, outsourced bill preparation and remittance processing, providing customer service and the use of Supervisory Control and Data Acquisition systems to operate our distribution system. Among other things, system malfunctions, computer viruses and security breaches could prevent us from operating or monitoring our facilities, billing **,** and collecting cash accurately and timely analysis **and reporting** of financial results. In addition, we collect, process, and store sensitive data from our customers and employees, including personally identifiable information, on our networks. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance **,** or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed without our authorization, publicly disclosed, lost **,** or stolen which could result in legal claims or proceedings, violation of privacy laws or damage to our reputation and customer relationships. Our profitability and cash flow could be affected negatively in the event these systems do not operate effectively or are breached. **Further, the use of AI by cybercriminals may increase the frequency and severity of cybersecurity attacks, including against us or our third- party vendors.** In addition, we may not be able to develop or acquire information technology that is competitive and responsive to the needs of our business, and we may 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. In addition, we must comply with privacy **laws** ~~rights regulations~~ such as The California Consumer Privacy Act **, as amended by the California Privacy Rights Act** (**collectively, the** " CCPA ") **. The CCPA requires** , **among other things** ~~a state statute that became effective January 1~~ , ~~2020, which~~ **covered companies to provide** ~~enhances~~ **enhanced** ~~the~~ **disclosures to California consumers and to afford such consumers certain** privacy rights and consumer protections ~~for California residents~~ . **The** ~~Among other things, the~~ CCPA **also** establishes statutory damages for victims of data security breaches, and provides additional rights for consumers to obtain their data from any business that has their personally identifying information. **We are anticipating updated and finalized implementing regulations under** ~~On January 1, 2023 the California Privacy Rights Act (" CPRA ") took effect. The CPRA amended~~ the CCPA **that may impact our compliance** ~~to create new rights for consumers and impose additional~~ obligations ~~on businesses~~ . We ~~will~~ **are** also ~~be~~ subject to Connecticut' s Act Concerning Personal Data Privacy and Online Monitoring ~~(the " Connecticut Privacy Act ")~~ , a similar law that ~~takes~~ **took** effect July 1, 2023 **, and will be subject to Texas Data Privacy and Security Act, a consumer privacy law that will be effective July 1, 2024** . ~~Implementing regulations~~ **Moreover, additional state privacy laws** have ~~not yet~~ been ~~finalized~~ **passed or may be passed in the future, and they may have potential compliance obligations that impact our operations depending on whether we fall** under ~~the~~ **their scope. The effects of** ~~CPRA and no regulations are expected pursuant to the~~ **these laws have been** ~~Connecticut Privacy Act, creating a~~ significant ~~amount of uncertainty~~ **, requiring us to modify our data processing practices and policies and to incur costs and expenses for compliance** . Despite our efforts to comply with these laws, we may fail to do so **,** which may lead to investigations, claims, and proceedings by governmental entities and private parties, damages for breach, and cause us to incur other significant costs, penalties, and other liabilities, as well as harm to our reputation. A failure of our reservoirs, storage tanks, mains or distribution networks could result in losses and damages that may adversely affect our financial condition and reputation. We distribute water through an extensive network of mains and store water in reservoirs and storage tanks located across our service areas. The Water Utility Services' distribution systems were constructed during the period from the early 1900' s through today. A failure of major mains, reservoirs, or tanks could result in injuries and damage to residential and / or commercial property for which we may be responsible, in whole or in part. The failure of major mains, reservoirs or tanks may also result in the need to shut down some facilities or parts of our water distribution network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water delivery requirements prescribed by governmental regulators, which could adversely affect our financial condition, results of operations, cash flow, liquidity and reputation. We also own and operate numerous dams in California, Connecticut and Maine, and a failure of such dams could result in losses and damages that may adversely affect our financial condition and reputation. Any business interruption or other losses might not be covered by existing insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance in the future at acceptable rates. Our insurance policies may not cover or may not be sufficient to cover the costs of these claims **. The operations of our water and wastewater treatment plants involve physical, chemical, and biological processes and the use of pumps, generators, and other industrial equipment. As a result, our operations are subject to various industrial risks, including chemical spills, discharges or releases of toxic or hazardous substances or gases, effects resulting from confined operating spaces, fires, explosions, mechanical failures, storage tank leaks, and electric shock. These risks can result in personal injury, loss of life, catastrophic damage to or destruction of property and equipment or environmental damage, and related legal proceedings, including those commenced by regulators, neighbors, or others. They may also result in an unanticipated interruption or suspension of**

our operations and the imposition of liability. The loss or shutdown over an extended period of operations at any of our treatment facilities or any losses relating to these risks could have a material adverse impact on our profitability, results of operations, liquidity, and cash flows . Our business and financial performance may be adversely affected by high inflation. 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. SJW Land Company and Chester Realty, Inc. have real estate holdings that are subject to various business and investment risks. SJW Land Company owns real estate in California and Tennessee, and Chester Realty, Inc. owns real estate in Connecticut. The risks of investing directly in real estate vary depending on the investment strategy and investment objective and include the following: • Market and general economic risks — real estate investment is tied to overall domestic economic growth and, therefore, carries market risk which cannot be eliminated by diversification. Generally, all property types benefit from national economic growth, though the benefits range according to local factors, such as local supply and demand and job creation. Because real estate leases are typically staggered and last for multiple years, there is generally a delayed effect in the performance of real estate in relation to the overall economy. This delayed effect can insulate or deteriorate the financial impact to SJW Land Company and Chester Realty, Inc. in a downturn or an improved economic environment. • Vacancy rates can climb and market rents can be impacted and weakened by general economic forces, therefore affecting income to SJW Land Company and Chester Realty, Inc. • A decrease in the value of a real estate property or increase in vacancy could result in reduced future cash flows to amounts below the property' s current carrying value and could result in an impairment charge. The value of real estate can decrease materially due to a deflationary market, decline in rental income, market cycle of supply and demand, long lag time in real estate development, legislative and governmental actions, environmental concerns, increases in rates of returns demanded by investors, and fluctuation of interest rates, eroding any unrealized capital appreciation and, potentially, invested capital. The success of SJW Land Company and Chester Realty, Inc.' s real estate investment strategy depend largely on ongoing local, state and federal land use development activities and regulations, future economic conditions, the development and fluctuations in the sale of the undeveloped properties, the ability to identify the developer / potential buyer of the available- for- sale real estate, the timing of the transaction, favorable tax law, and the ability to maintain and manage portfolio properties. There is no guarantee that we will be able to execute the strategy successfully and failure to do so may adversely affect our operating results and financial condition. Work stoppages and other labor relations matters could adversely affect our business and operating results. As of December 31, ~~2022~~ **2023** , ~~215~~ **240** of our ~~757~~ **808** total employees were union members. Most of our unionized employees are represented by the ~~OWUA~~ **UWUA** , except certain employees in the engineering department who are represented by the OE. Only employees at SJWC are union members. The current three- year bargaining agreements **will** ~~expired~~ - **expire** on December 31, ~~2022 and a tentative agreement has been negotiated and will begin in 2023 for the upcoming period, 2023 through~~ 2025 ~~. Acceptance of the OE and the OWUA bargaining agreements are anticipated in the first quarter of 2023~~ . We may experience difficulties and delays in the collective bargaining process to reach suitable agreements with union employees, particularly in light of increasing healthcare and pension costs. In addition, changes in applicable law and regulations could have an adverse effect on management' s negotiating position with the unions. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during future negotiations may adversely affect our business, financial condition, results of operations, cash flows and liquidity. If we fail to maintain safe work sites, we can be exposed to not only people impacts but also to financial losses such as penalties and other liabilities. Our safety record is critical to our reputation because our business operation involves inherently dangerous activities. We maintain health and safety standards to protect our employees, customers, vendors and the public. Although we intend to adhere to such health and safety standards and aim for zero injuries, it is difficult to avoid accidents at all times. Our business sites, including construction and maintenance sites, often place our employees and others in close proximity with large pieces of heavy equipment, moving vehicles, pressurized water, underground trenches and vaults, chemicals and other regulated materials. On many sites we are responsible for safety and, accordingly, must implement safety procedures. If we fail to implement such procedures or if the procedures we implement are ineffective or are not followed by our employees or others, or if accidents occur outside of our control, our employees and others may be injured or die. Unsafe work sites also have the potential to increase employee turnover and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows. In addition, our operations can involve the handling and storage of hazardous chemicals, which, if improperly handled, stored or disposed of, could subject us to penalties or other liabilities. We are also subject to regulations dealing with occupational health and safety. Although we maintain functional employee groups whose primary purpose is to ensure we implement effective health, safety, and environment work procedures throughout our organization, including construction sites and maintenance sites, the failure to comply with such regulations or procedures could subject us to a liability. Risks Relating To Our Finances and Corporate Matters We may not have sufficient cash flow or capital resources to fund capital expenditures of our ~~water utility~~ business **, and our access to liquidity through the capital markets may be limited** . **Our** ~~The water utility~~ business is capital- intensive. Expenditure levels for renewal and modernization of the system will grow at an increasing rate as components reach the end of their useful lives. SJW Group' **s** subsidiaries fund capital expenditures through a variety of sources, including cash received from operations, funds received from developers as contributions or advances, borrowings through lines of credit and debt financings, as well as equity financings by SJW Group. We cannot provide any assurance that the historical sources of funds for capital expenditures will continue to be adequate or that the cost of funds will remain at levels permitting us to earn a reasonable rate of return. A significant change in any of the funding sources could impair the ability of Water Utility Services to fund its capital expenditures, which could impact our ability to grow our utility asset base and earnings. Any increase in the cost of capital through higher interest rates or otherwise could adversely affect our results of operations. Our ability to raise capital through equity or debt may be affected by the economy and condition of the debt and equity markets. Disruptions in the capital and credit markets or deterioration in the strength of financial institutions could adversely affect SJW Group' s ability to draw on its lines of credit, issue long- term debt or sell its equity. 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. Furthermore, equity financings may result in dilution to our existing stockholders and debt financings may contain covenants that restrict the actions of SJW Group and its subsidiaries. We have incurred substantial additional indebtedness that may reduce our business and operational flexibility and increase our borrowing costs. We have incurred substantial indebtedness resulting in higher debt- to- equity ratio, which may have the effect, among other things, of: reducing our flexibility to respond to changing business, industry and economic conditions; increasing borrowing costs; placing us at a competitive disadvantage relative to other companies in our industry with less debt; potentially having an adverse effect on our issuer and issue ratings; requiring additional cash flow to be used to service debt instead of for other purposes; and potentially impairing our ability to obtain other financing. In addition, the terms and conditions of such indebtedness, including financial covenants and restrictive covenants, may reduce our business flexibility and adversely affect our business, financial condition, results of operations and prospects. The agreements governing the indebtedness contain covenants that impose significant operating and financial limitations and restrictions on us, including restrictions on the ability to enter particular transactions and engage in other activities that we may believe will be advisable or necessary for our business. In addition, failure to comply with any of the covenants in our existing or future debt agreements could result in a default under those agreements and under other existing agreements containing cross- default provisions. A default would permit lenders to accelerate the maturity of indebtedness under these agreements ~~and to foreclose upon any collateral securing such indebtedness~~. Under certain circumstances, we may not have sufficient funds or other resources to satisfy all of our obligations under our indebtedness, including principal and interest payments, which, if not cured, may cause an event of default. ~~The~~ **Our** senior note borrowings ~~of SJW Group, SJWC and SJWTX~~ include certain financial covenants regarding a maximum debt to equity ratio and an interest coverage requirement. In the event the relevant borrower exceeds the maximum debt to equity ratio or interest coverage requirement, we may be restricted from issuing future debt. In addition, ~~the pollution control~~ **we have issued certain** revenue bonds **that** ~~issued on behalf of SJWC~~ contain affirmative and negative covenants customary for a loan agreement relating to revenue bonds, including, among other things, certain disclosure obligations, the tax exempt status of the interest on the bonds, and limitations and prohibitions on the transfer of projects funded by the loan proceeds and assignment of the loan agreement. **Certain** ~~CTWS and its~~ subsidiaries are required to comply with certain covenants in connection with their various long term loan agreements. ~~The most restrictive of these~~ **These** covenants **include** ~~are the~~ requirements to maintain a consolidated debt to capitalization ratio **and** ~~of not more than 60 %. Additionally, Maine Water has~~ restrictions on cash dividends paid based on restricted net assets. In the event that we violate any of these covenants, an event of default may occur and all amounts due under such loans, senior notes or bonds may come due, which would have an adverse effect on our business operations and financial conditions. SJW Group has committed to certain " ring- fencing " measures which will enhance CTWS' s separateness from SJW Group, which may limit SJW Group' s ability to influence the management and policies of CTWS (beyond the limitations included in other existing governance mechanisms). Pursuant to the agreements related to the acquisition of CTWS and commitments made by SJW Group as part of the application for PURA and MPUC approval of the acquisition of CTWS, SJW Group has instituted certain " ring- fencing " measures to enhance CTWS' s separateness from SJW Group and to mitigate the risk that CTWS would be negatively impacted in the event of a bankruptcy or other adverse financial developments affecting SJW Group or its non- ring- fenced affiliates. These commitments became effective upon the closing of the acquisition. In order to satisfy the ring- fencing commitments, SJW Group formed SJWNE LLC a wholly ~~-~~ owned special purpose entity (" SPE ") to own the capital stock of CTWS. The SPE, CTWS and its subsidiaries (collectively, the " CTWS Entities ") adopted certain measures designed to enhance their separateness from SJW Group, with the intention of mitigating the effects on the CTWS Entities of any bankruptcy of SJW Group and its affiliates other than the CTWS Entities (collectively, the " Non- CTWS Entities "). As a result of these ring- fencing measures, in certain situations, SJW Group will be restricted in its ability to access assets of the CTWS Entities as dividends or ~~intracompany~~ - **intercompany** loans to satisfy the debt or contractual obligations of any Non- CTWS Entity, including any indebtedness or other contractual obligations of SJW Group. In addition, the ring- fencing structure may negatively impact SJW Group' s ability to achieve certain benefits, including synergies and economies of scale to reduce operating costs of the combined entity, that it anticipates will result from the merger. This ring- fencing structure also subjects SJW Group and the CTWS Entities to certain governance, operational and financial restrictions since the closing of the merger. Accordingly, SJW Group may be restricted in its ability to direct the management, policies and operations of the CTWS Entities, including the deployment or disposition of their respective assets, declarations of dividends, strategic planning and other important corporate issues. ~~Further~~ **Furthermore** , the CTWS Entities' directors have considerable autonomy and, as described in our commitments, have a duty to act in the best interest of the CTWS Entities consistent with the ring- fencing structure and applicable law, which may be contrary to SJW Group' s best interests or be in opposition to SJW Group' s preferred strategic direction for the CTWS Entities. To the extent they take actions that are not in SJW Group' s interests, our financial condition, results of operations and prospects may be materially adversely affected. Our business strategy, which includes acquiring water systems and expanding non- tariffed services, will expose us to new risks which could have a material adverse effect on our business. Our business strategy focuses on the following: (1) Regional regulated water utility operations **(includes water and wastewater)** ; (2) Regional non- tariffed water utility related services provided in accordance with the guidelines established by the ~~Regulators~~ **applicable state public utility commissions** ; and (3) Out- of- region water and utility related services. As part of our pursuit of the above three strategic areas, we consider from time **-** to **-** time opportunities to acquire businesses and assets. However, we cannot be certain we will be successful in identifying and consummating any strategic business 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. Adverse investment returns and other factors may increase our pension costs and pension plan funding requirements. A substantial number of our employees are covered by defined benefit pension plans. Our pension costs and the funded status of the plans are affected by a number of factors including the discount rate, applicable mortality tables, mortality rates of plan participants, investment returns on plan assets, and pension reform legislation. Any change in such factors could result in an increase in future pension costs and an increase in our pension liabilities, requiring an increase in plan contributions which may adversely affect our financial conditions and results of operations. SJW Group' s dividend policy is subject to the discretion of our board of directors and may be limited by legal and contractual requirements. We anticipate to continue to pay a regular quarterly dividend, though any such determination to pay dividends will be at the discretion of our board of directors and will be dependent on then- existing conditions, including our financial condition, earnings, legal requirements, including limitations under Delaware law, restrictions in our credit agreements and other debt instruments that limit our ability to pay dividends to stockholders and other factors the board of directors deems relevant. The board of directors of SJW Group may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. In addition, our subsidiaries may be subject to restrictions on their ability to pay dividends to us, including under state law, pursuant to regulatory commitments and under their credit agreements and other debt instruments. In this regard, the CTWS Entities are limited from paying dividends to us in certain circumstances under PURA and MPUC regulatory commitments. Any inability of our subsidiaries to pay us dividends may have a material and adverse effect on our ability to pay dividends to our stockholders. Our charter documents and Delaware law could prevent a takeover that stockholders consider favorable and could also make it more difficult for stockholders to influence our policies or may reduce the rights of stockholders. SJW Group' s Certificate of Incorporation and Bylaws contain provisions that could delay or prevent a change in control of SJW Group. These provisions could also make it more difficult for our stockholders to elect directors and take other corporate actions. These provisions include, but are not limited to, the following: • Authorizing Board of Directors to issue " blank check " preferred stock; • Prohibiting cumulative voting in the election of directors; • Limiting the ability of stockholders to call a special meeting of stockholders to only stockholders holding not less than 20 % of outstanding voting power; and • Requiring advance notification of stockholder nomination of directors and proposals. These provisions may frustrate or prevent any attempts by stockholders of SJW Group to replace or remove its current management by making it more difficult for stockholders to replace members of the Board of Directors, which is responsible for appointing the members of management. In addition, the provisions of Section 203 of the Delaware General Corporate Law (" DGCL ") govern SJW Group. These provisions may prohibit large stockholders, in particular those owning 15 % or more of our outstanding voting stock, from merging or combining with us for a certain period of time without the consent of the Board of Directors. Furthermore, SJW Group' s Certificate of Incorporation provides that a state or federal court located within Delaware is the sole and exclusive forum (unless the company consents in writing to the selection of an alternate forum) for (i) any derivative action or proceeding brought on behalf of SJW Group, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of SJW Group to the company or its stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, or (iv) any action asserting a claim governed by the internal affairs doctrine. Such " exclusive forum " provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with SJW Group or its directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. We may not be able to maintain adequate insurance coverage at reasonable costs, or at all, to cover all losses incurred in our operations **.** We maintain insurance coverage as part of our overall legal and risk management strategy to minimize potential liabilities arising from our operations. Our insurance programs have varying coverage limits, deductibles, exclusions and maximums, and our insurance coverages include ~~,~~ **:** worker' s compensation, employer' s liability, damage to our property, general liability, pollution liability, cybersecurity, and automobile liability. Each policy includes either deductibles or self- insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or are excluded from our insurance coverage or for which we are self- insured. The insurance companies may also seek to challenge, reduce or deny any claims we submit, which may prevent us from recovering fully the losses we incurred. In addition, insurance companies may increase ~~premium~~ **premiums** or ~~deductible~~ **deductibles** or reduce coverage limits based on factors that are beyond our control, including industry trends, financial conditions of insurance companies and catastrophic events such as wildfire, earthquake and pandemic. There can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be obtain at reasonable cost, or at all. General Risk Factors We operate in areas subject to natural disasters, and we may be the target of terrorist activities and other physical threats. We operate in areas that are prone to earthquakes, fires, floods, extreme ~~weathers~~ **weather** and other natural disasters. A significant seismic event in northern California, where the majority of our operations are concentrated, or other natural disaster in northern California, Connecticut, Texas or Maine could adversely impact our ability to deliver water to our customers and our costs of operations. A major disaster could damage or destroy our capital assets, harm our reputations and adversely affect our results of operations. The Regulators have historically allowed utilities to establish catastrophic event memorandum accounts as a possible mechanism to recover costs, such as the CEMA memorandum account in California. However, we can give no assurance that our regulators, or any other commission would allow any such cost recovery mechanism in the future. In light of the potential threats to the nation’ s health and security due to terrorist attacks, we have taken steps to increase security measures at our facilities and heighten employee awareness of threats to our water supply. We have also tightened our security measures regarding the delivery and handling of certain chemicals used in our business. In addition, because our operation requires us to interact extensively with the general public, we may be subject to complaints, threats and potentially violent actions by our customers or the public, which may disrupt our business activities and damage our reputation. We have and will continue to bear increased costs for security precautions to protect our facilities, operations and supplies. These costs may be significant. While some of these costs are likely to be recovered in the form of higher rates, there can be no assurance that the Regulators will approve a rate increase to recover all or part of such costs and, as a result, our operating results and business may be adversely affected. Further, despite these tightened security measures, we may not be in a position to control the outcome of terrorist events should they occur. Our operations, liquidity, and earnings may be adversely affected by wildfires and risk of fire hazards. It is possible that wildfires and other fire hazards may occur more frequently, be of longer duration or impact larger areas as a result of drought- damaged plants and trees, lower humidity or higher winds that might be occurring as result of changed weather patterns. The effects of these natural disasters in California’ s drought- prone areas, such as the Santa Cruz Mountains, the watershed **of which SJWC owns approximately 6, 400 acres and** where SJWC typically obtains approximately up to 10 % of its water supply, may temporarily compromise its surface water supply resulting in disruption in our services and litigation which could adversely affect our business, operating results, and financial condition. If our surface water supply is compromised, we may have to interrupt the use of that water supply until we are able to substitute the flow of water from an alternative water source. In addition, we may incur significant costs in order to treat the impacted source through expansion of our current treatment facilities, or development of new treatment methods. If we are unable to substitute water supply from an alternative water source, or to adequately treat the impacted 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 secure an alternative water source or an increase in draws from our underground water system could be significant and may not be recoverable in rates. Wildfires may destroy or cause damage to properties, facilities, equipment and other assets owned and operated by SJWC or result in personal injuries to our employees and personnel, which may cause temporary or permanent disruption to our water services. In such a case, we may be required to incur significant expenses to repair, replace or upgrade our assets, or to defend against costly litigation or disputes with third parties, any of which may adversely affect our business operations or financial conditions. While we maintain a business insurance policy, such policy includes limitation and retention that may reduce, or in some cases eliminate, our ability to recover all or a substantial portion of the losses and damages due to wildfire. Our inability to rely fully on insurance coverage may negatively impact our results of operations. Losses by insurance companies resulting from wildfires in California may also cause insurance coverage for wildfire risks to become more expensive or unavailable under reasonable terms, and our insurance may be inadequate to recover all our losses incurred in a wildfire. Furthermore, we might not be allowed to recover in our rates any increased costs of wildfire insurance or the costs of any uninsured wildfire losses. The price of our common stock may be volatile and may be affected by market conditions beyond our control. The trading price of our common stock may fluctuate in the future based on a variety of factors, many of which are beyond our control and unrelated to our financial results. Factors that could cause fluctuations in the trading price of our common stock include volatility of the general stock market or the utility index, regulatory developments, public announcement of material development in strategic transactions **,** general economic conditions and trends, 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 our competitors’ businesses or the competitive landscape generally, litigation involving us or our industry, and major catastrophic event (s) or sales of large blocks of our stock. Furthermore, we believe that stockholders invest in public stocks in part because they seek reliable dividend payments. If there is an oversupply of stock of public utilities in the market relative to demand by such investors, the trading price of our common stock may decrease. Additionally, if interest rates rise above the dividend yield offered by our common stock, demand for our stock and its trading price may also decrease. We must continue to attract and retain qualified technical and managerial personnel in order to succeed. Our future success depends substantially upon our ability to attract and retain highly skilled technical, operational and financial managers. There is a significant competition for such personnel in our industry. Our ability to recruit and retain qualified personnel depends on many factors, including but are not limited to, our ability to provide competitive compensation and benefit packages, availability of talents in our industry, general workforce trends and macroeconomic conditions. The loss of the services of any member of our management team or the inability to hire and retain experienced management personnel 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 **believe** ~~try to ensure that~~ we offer competitive compensation and benefits as well as conduct succession planning and provide opportunities for continued development, and we continually strive to recruit and train qualified personnel and retain key employees. There can be no assurance, however, that we will continue to be successful in attracting and retaining the personnel we require to grow and operate profitably.