

SJW GROUP
Form 10-Q
July 31, 2017

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

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

Commission file number 1-8966

SJW Group

(Exact name of registrant as specified in its charter)

Delaware 77-0066628
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

110 West Taylor Street, San Jose, CA 95110
(Address of principal executive offices) (Zip Code)
408-279-7800

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)
Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of July 24, 2017, there were 20,506,494 shares of the registrant's Common Stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SJW Group and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(in thousands, except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
OPERATING REVENUE	\$102,073	86,944	\$171,118	148,056
OPERATING EXPENSE:				
Production Expenses:				
Purchased water	22,181	14,485	36,105	24,182
Power	1,704	1,614	2,991	2,851
Groundwater extraction charges	10,932	8,312	18,342	14,760
Other production expenses	3,655	3,272	7,166	6,504
Total production expenses	38,472	27,683	64,604	48,297
Administrative and general Maintenance	13,412	11,536	26,017	23,241
Property taxes and other non-income taxes	4,258	4,054	7,919	7,865
Depreciation and amortization	3,111	2,684	6,806	5,902
Total operating expense	12,033	11,187	24,152	22,370
OPERATING INCOME	71,286	57,144	129,498	107,675
OTHER (EXPENSE) INCOME:				
Interest on long-term debt	(5,696)	(5,007)	(11,659)	(10,046)
Mortgage and other interest expense	(60)	(462)	(154)	(858)
Gain on sale of California Water Service Group stock	—	3,197	—	3,197
Gain on sale of real estate investments	6,903	—	6,903	—
Dividend income	18	8	36	53
Other, net	596	150	1,041	459
Income before income taxes	32,548	27,686	37,787	33,186
Provision for income taxes	11,964	10,911	13,532	13,033
NET INCOME BEFORE NONCONTROLLING INTEREST	20,584	16,775	24,255	20,153
Less net income attributable to the noncontrolling interest	1,896	—	1,896	—
SJW GROUP NET INCOME	18,688	16,775	22,359	20,153
Other comprehensive income, net of tax:				
Unrealized gain on investment	56	487	172	1,017
Reclassification adjustment for gain realized on sale of investments	—	(1,742)	—	(1,742)
SJW GROUP COMPREHENSIVE INCOME	\$18,744	15,520	\$22,531	19,428
SJW GROUP EARNINGS PER SHARE				
Basic	\$0.91	0.82	\$1.09	0.99
Diluted	\$0.90	0.82	\$1.08	0.98
DIVIDENDS PER SHARE	\$0.22	0.20	\$0.44	0.41
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	20,504,357	20,437,612	20,495,211	20,425,678
Diluted	20,673,775	20,578,585	20,664,556	20,569,790

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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SJW Group and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share and per share data)

	June 30, 2017	December 31, 2016
ASSETS		
Utility plant:		
Land	\$ 18,073	17,923
Depreciable plant and equipment	1,575,892	1,554,016
Construction in progress	110,396	70,453
Intangible assets	25,165	23,989