SJW CORP
Form 10-K
February 26, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2015
OR

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

For the transition period from to
Commission file number: 1-8966
SJW CORP.
(Exact name of registrant as specified in its charter)

California	77-0066628
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
110 West Taylor Street, San Jose, California	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)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.521 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No ý
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No ý
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 ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
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 ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer ¨ Accelerated filer ý Non-accelerated filer ¨ Smaller reporting company ¨

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

As of June 30, 2015, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $487 million based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of registrant's common stock, as of the latest practicable date.

Class	Outstanding at February 12, 2016
Common Stock, $0.521 par value per share	20,418,127

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to the registrant's Annual Meeting of Shareholders, to be held on April 27, 2016, are incorporated by reference into Part III of this Form 10-K where indicated.

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PART I

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws relating to future events and future results of SJW Corp. and its subsidiaries that are based on current expectations, estimates, forecasts, and projections about SJW Corp. and its subsidiaries and the industries in which SJW Corp. and its subsidiaries operate and the beliefs and assumptions of the management of SJW Corp. Such forward-looking statements are identified by words including “expect”, “estimate”, “anticipate”, “intends”, “seeks”, “plans”, “projects”, “may”, “should”, “wil variation of such words, and similar expressions. These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Important factors that could cause or contribute to such differences include, but are not limited to, those discussed in this report under Item 1A, “Risk Factors,” and Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere, and in other reports SJW Corp. files with the Securities and Exchange Commission (the “SEC”), specifically the most recent report on Form 10-Q and reports on Form 8-K filed with the SEC, each as it may be amended from time to time.

SJW Corp. undertakes no obligation to update or revise the information contained in this report, including the forward-looking statements, to reflect any event or circumstance that may arise after the date of this report.

Item 1. Business

General Development of Business

SJW Corp. was incorporated in California on February 8, 1985. SJW Corp. is a holding company with five subsidiaries:

- San Jose Water Company, a wholly owned subsidiary of SJW Corp., with its headquarters located at 110 West Taylor Street in San Jose, California 95110, was originally incorporated under the laws of the State of California in 1866. As part of a reorganization on February 8, 1985, San Jose Water Company became a wholly owned subsidiary of SJW Corp. San Jose Water Company is a public utility in the business of providing water service to approximately 229,000 connections that serve a population of approximately one million people in an area comprising approximately 138 square miles in the metropolitan San Jose, California area.
- SJWTX, Inc., a wholly owned subsidiary of SJW Corp., was incorporated in the State of Texas in 2005. SJWTX, Inc. is doing business as Canyon Lake Water Service Company (“CLWSC”). CLWSC is a public utility in the business of providing water service to approximately 12,500 connections that serve approximately 37,000 people. CLWSC's service area comprises more than 243 square miles in western Comal County and southern Blanco County in the growing region between San Antonio and Austin, Texas. SJWTX, Inc. has a 25% interest in Acequia Water Supply Corporation (“Acequia”). The water supply corporation has been determined to be a variable interest entity within the scope of Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 810—“Consolidation” with SJWTX, Inc. as the primary beneficiary. As a result, Acequia has been consolidated with SJWTX, Inc.
- SJW Land Company, a wholly owned subsidiary of SJW Corp., was incorporated in 1985. SJW Land Company owns undeveloped land in the states of California and Tennessee, owns and operates commercial buildings in the states of California, Arizona and Tennessee, and has a 70% limited partnership interest in 444 West Santa Clara Street, L.P.
- Texas Water Alliance Limited (“TWA”), a wholly owned subsidiary of SJW Corp., is undertaking activities that are necessary to develop a water supply project in Texas. On February 22, 2016, SJW Corp. entered into an agreement with the Guadalupe-Blanco River Authority (“GBRA”), pursuant to which SJW Corp. agreed to sell all of its equity interest in TWA to GBRA for $31.0 million in cash (the “TWA Agreement”). The TWA Agreement is subject to specified closing conditions, including the completion of a financing by GBRA to fund the purchase price.
- SJW Group, Inc., a Delaware corporation, was formed in March 2015 for the sole purpose of effectuating a change in the state of incorporation of SJW Corp. from California to Delaware (the “Reincorporation”). The Reincorporation requires the approval of the California Public Utilities Commission (“CPUC”) and Public Utilities Commission of Texas

("PUCT") and will not become effective until after we obtain such approvals. In July and September 2015, applications were filed with the CPUC and PUCT, respectively, to seek such approvals and decisions are expected in the first quarter of 2016.

Together, San Jose Water Company, CLWSC and TWA are referred to as "Water Utility Services."

SJW Land Company and its consolidated variable interest entity, 444 West Santa Clara Street, L.P., which operates commercial building rentals, are collectively referred to as “Real Estate Services.”

Regulation and Rates

San Jose Water Company's rates, service and other matters affecting its business are subject to regulation by the CPUC.

Generally, there are three types of rate adjustments that affect San Jose Water Company's revenue collection: general rate adjustments, cost of capital adjustments, and offset rate adjustments. General rate adjustments are authorized in general rate case decisions, which usually authorize an initial rate adjustment followed by two annual escalation adjustments. General rate applications are normally filed and processed during the last year covered by the most recent general rate case as required by the CPUC in order to avoid any gaps in regulatory decisions on general rate adjustments.

Cost of capital adjustments are rate adjustments resulting from the CPUC's usual tri-annual establishment of a reasonable rate of return for San Jose Water Company's capital investments.

The purpose of an offset rate adjustment is to compensate utilities for changes in specific pre-authorized offsettable capital investments or expenses, primarily for purchased water, groundwater extraction charges and purchased power. Pursuant to Section 792.5 of the California Public Utilities Code, a balancing account must be maintained for each expense item for which such revenue offsets have been authorized. The purpose of a balancing account is to track the under-collection or over-collection associated with such expense changes.

On September 15, 2014, San Jose Water Company filed an application for rehearing of 2012 General Rate Case Decision No. 14-08-006 to address a limited set of issues from San Jose Water Company's General Rate Case Decision No. 14-08-006. Specifically, San Jose Water Company sought rehearing on the duration of the interim rate period used to determine the General Rate Case true-up recovery and rehearing on the treatment of excess capacity labor in the provision of non-tariffed products and services. On March 27, 2015, the CPUC issued Decision No. 15-03-048 granting a limited rehearing and modifying Decision No. 14-08-006 to recover over 12 months lost revenue in the amount of $1.9 million related to the extension of interim rates from the date of the 2012 General Rate Case Decision (August 14, 2014) to the date 2014 rates became effective (September 29, 2014). Decision No. 15-03-048 also provided for a limited rehearing on the treatment of excess capacity labor in the provision of non-tariffed products and services. On August 13, 2015, San Jose Water Company and the CPUC's Office of Ratepayer Advocates (“ORA”) submitted a settlement that resolved all outstanding issues related to the rehearing. On October 1, 2015, the CPUC issued Decision No. 15-10-005 adopting the submitted settlement and closed the proceeding. The settlement agreement did not affect authorized revenues or rates.

On January 5, 2015, San Jose Water Company filed General Rate Case Application No. 15-01-002 requesting authority for an increase of revenue of $34.9 million, or 12.22%, in 2016, $10.0 million, or 3.11%, in 2017 and $17.6 million, or 5.36%, in 2018. This General Rate Case filing also includes several requests, including but not limited to: (1) recovery of the under-collected balance of $4.8 million in balancing accounts, (2) disbursement of the over-collected balance of $976 thousand accrued in various memorandum accounts, and (3) implementation of a full revenue decoupling Water Revenue Adjustment Mechanism and associated Modified Cost Balancing Account. The ORA submitted testimony on April 23, 2015, recommending increases of $23.5 million, or 8.54%, in 2016, $13.8 million, or 4.42%, in 2017 and $16.3 million, or 4.95% in 2018. San Jose Water Company and the ORA reached a settlement agreement on a range of issues, including full settlement on all contested utility plant in-service items. Evidentiary hearings to address all remaining unsettled items took place in June 2015 and briefs were submitted in July 2015. Since a decision was not reached by the end of 2015, the CPUC has authorized San Jose Water Company to implement interim rates, effective January 1, 2016, until such time as decision is adopted. Interim rates have been set equal to calendar year-end 2015 rates and will remain in effect until a decision is adopted. Any difference between interim rates and the rates ultimately approved will be tracked in a memorandum account and will be submitted to the CPUC for recovery or refund. A final General Rate Case is expected in the first half of 2016.

On March 26, 2015, San Jose Water Company filed Advice Letter No. 468 with the CPUC. With this advice letter San Jose Water Company requested authorization to recover an under-collection balance of $9.6 million in the Mandatory Conservation Revenue Adjustment Memorandum Account (“MCRAMA”), using a Water Revenue Adjustment

Mechanism (“WRAM”) methodology, that accumulated during the period April 1, 2014 through December 31, 2014. On December 3, 2015, the CPUC adopted Resolution W-5071. The resolution authorized recovery of $4.3 million in lost revenues based on the use of a Water Conservation Memorandum Account (“WCMA”) calculation methodology. The WCMA calculation methodology allows San Jose Water Company to track lost revenue associated with reduced sales due to the ongoing drought and the associated calls for water use reduction from the Santa Clara Valley Water District (“SCVWD”). The lost revenues are to be recovered over a 12-month period via a surcharge of $0.08 per hundred cubic feet (“CCF”) beginning December 9, 2015. The MCRAMA was subsequently renamed the WCMA in Advice Letter No. 479. See “Balancing and Memorandum Accounts” under Note 1 of Notes to Consolidated Financial Statements for further discussion on recognition of the approved recovery amount.

On May 1, 2015, San Jose Water Company filed Advice Letter No. 471 with the CPUC requesting to recover the cumulative balance of $1.9 million in the 2013 General Rate Case Interim Rates Memorandum Account for the period of August 15, 2014 through September 28, 2014. The recovery of the balance for this 45-day period was authorized in the GRC rehearing Decision No. 15-03-048. San Jose Water Company's request was authorized effective May 6, 2015.

On May 11, 2015, San Jose Water Company filed Advice Letters No. 472 and No. 473 with the CPUC. With Advice Letter No. 472, San Jose Water Company sought to modify the existing Water Shortage Contingency Plan in Tariff Rule 14.1, so that the plan reflects examples put forward by the CPUC and so that the restrictions provided within the plan more closely matched the restrictions adopted by local government agencies. Advice Letter No. 473 was filed pursuant to Executive Order B-29-15 by the Governor of the State of California, and by orders of the State Water Resources Control Board ("State Water Board") and the CPUC. With Advice Letter No. 473, San Jose Water Company requested authority from the CPUC to activate Stage 3 of Tariff Rule 14.1 and activate the Water Shortage Contingency Plan in Schedule No. 14.1 with staged mandatory reductions in water usage and drought surcharges. Both Advice Letters No. 472 and No. 473 became effective on June 15, 2015. The drought surcharges will be recorded in a drought account authorized by the CPUC to track lost revenues from conservation. The amount collected will offset future rate increases that would be necessary to recover lost revenue due to drought conservation efforts.

On May 29, 2015, San Jose Water Company filed Advice Letter No. 474 with the CPUC requesting authorization to increase revenues by $18.4 million, or approximately 6.44%. This filing covered increased costs that went into effect on July 1, 2015 for purchased water and groundwater production charged to San Jose Water Company by the SCVWD. As directed by the CPUC's Water Division, the revenue increase is recovered via surcharges on the existing quantity rate. San Jose Water Company's request was authorized and became effective July 1, 2015.

On July 30, 2015, San Jose Water Company filed Application No. 15-07-027 with the CPUC seeking the authorization to change the state of incorporation of SJW Corp., the parent holding company of San Jose Water Company, from California to Delaware. A decision in this matter is anticipated in the first quarter of 2016.

On August 21, 2015, San Jose Water Company filed Application No. 15-08-016 with the CPUC seeking authority to issue additional debt and equity securities of up to $150 million in aggregate for general purposes including property acquisition, construction, completion, extension or improvement of facilities. On December 18, 2015, the CPUC issued Decision No. 15-12-018 authorizing San Jose Water Company to issue the requested debt and equity securities.

On August 21, 2015, San Jose Water Company filed Advice Letter 476 with the CPUC. San Jose Water Company requested authorization for a rate base offset for improvements to the Montevina Water Treatment Plant. In Decision No. 13-07-028 the CPUC authorized San Jose Water Company to file annual advice letters to include in rate base costs of the Montevina Water Treatment Plant upgrade project. The advice letter filing requested authorization for a revenue increase of approximately $275 thousand or about 0.09%. The advice letter was approved and the increase in rates became effective September 20, 2015. Revenue will be recorded through rates on a prospective basis. This filing was the second such advice letter related to the Montevina Water Treatment Plant. San Jose Water Company intends to continue to file similar annual advice letters until the project has been completed.

On December 11, 2015, San Jose Water Company along with three other California water utilities (the "Joint Parties"), filed a request for a one year postponement of their 2016 Cost of Capital ("COC") filings scheduled for March 31, 2016. Pursuant to the CPUC's rate case plan, the Joint Parties are required to file their COC applications on a triennial basis with the next scheduled filing due on March 31, 2016. Postponing the filing for one year would alleviate administrative processing costs on the Joint Parties as well as the CPUC staff. On February 1, 2016, the CPUC's executive director approved the Joint Parties request for a one year postponement. Joint Parties are now required to file their next COC applications on March 31, 2017.

On December 15, 2015, San Jose Water Company filed Advice Letter No. 481 with the CPUC requesting authorization to re-implement a previously existing surcharge of $0.0492 per CCF to amortize the remaining uncollected balancing account recovery authorized in General Rate Case Decision 14-08-006. In Decision No. 14-08-006 the CPUC authorized San Jose Water Company to recover the $2.6 million under-collection in various balancing accounts over a 12-month period beginning in August of 2014. However, at the end of the 12-month period $590 thousand of the originally authorized $2.6 million remained uncollected. This under-collection is due primarily

to actual sales being substantially lower than the commission authorized sales estimate which was used to calculate the surcharge level. The advice letter was approved and effective on January 15, 2016.

On February 5, 2016, San Jose Water Company filed Advice Letter No. 482 with the CPUC. With this advice letter San Jose Water Company requested authorization to recover the $7.7 million balance accumulated in the WCMA during the period January 1, 2015 through December 31, 2015. The WCMA is used to track the revenue impact of mandatory conservation upon

San Jose Water Company's quantity revenue resulting from mandatory conservation instituted by the State of California and the SCVWD. The requested $7.7 million recovery is the net amount of the total drought related revenue reduction calculated in the WCMA offset by the drought surcharges collected during 2015. If approved, the under-collection will be recovered via a surcharge of $0.1441 per CCF on the existing quantity rate for a period of 12 months from the date of CPUC approval. San Jose Water Company has requested the recovery begin on or about April 7, 2016.

Effective September 1, 2014, CLWSC became subject to the economic regulation of the PUCT. Prior to that time, CLWSC was subject to economic regulation by the Texas Commission on Environmental Quality ("TCEQ"). Both the PUCT and TCEQ authorize rate increases after the filing of an Application for a Rate/Tariff Change. Rate cases may be filed as they become necessary, provided there is no current rate case outstanding. Further, rate cases may not be filed more frequently than once every 12 months.

On September 16, 2015, CLWSC filed an application with the PUCT requesting approval of the reincorporation of SJW Corp., Inc. from a California corporation to a Delaware corporation. The application is currently being reviewed by PUCT and a decision in this matter is anticipated in the first quarter of 2016.

Please also see Item 1A, "Risk Factors," Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 1 of Notes to Consolidated Financial Statements.

Financial Information about Industry Segments

See Note 12 of Notes to Consolidated Financial Statements for information regarding SJW Corp.'s business segments.

Description of Business

General

The principal business of Water Utility Services consists of the production, purchase, storage, purification, distribution, wholesale, and retail sale of water. San Jose Water Company provides water service to approximately 229,000 connections that serve customers in portions of the cities of San Jose and Cupertino and in the cities of Campbell, Monte Sereno, Saratoga and the Town of Los Gatos, and adjacent unincorporated territories, all in the County of Santa Clara in the State of California. San Jose Water Company distributes water to customers in accordance with accepted water utility methods. CLWSC provides water service to approximately 12,500 connections that serve approximately 37,000 people in a service area comprising more than 243 square miles in the growing region between San Antonio and Austin, Texas. TWA has entered into arrangements with certain landowners in Gonzales County, Texas that provide for the development of a water supply project. In connection with the project, TWA applied for groundwater production and transportation permits to meet the future water needs in CLWSC's service area and to the central Texas hill country communities and utilities adjacent to this area. In January of 2013, TWA's permits were approved by the groundwater district in Gonzales County. The permits were subsequently received in March 2013.

San Jose Water Company also provides non-tariffed services under agreements with municipalities and other utilities. These non-tariffed services include water system operations, maintenance agreements and antenna leases.

In October 1997, San Jose Water Company commenced operation of the City of Cupertino municipal water system under the terms of a 25-year lease. The system is adjacent to the San Jose Water Company service area and has approximately 4,600 service connections. Under the terms of the lease, San Jose Water Company paid an up-front $6.8 million concession fee to the City of Cupertino that is amortized over the contract term. San Jose Water Company assumed responsibility for all maintenance and operating costs, while receiving all payments for water service.

Among other things, operating results from the water business fluctuate according to the demand for water, which is often influenced by seasonal conditions, such as summer temperatures or the amount and timing of precipitation in Water Utility Services' service areas. Revenue, production expenses and income are affected by changes in water sales and the availability of surface water supply. Overhead costs, such as payroll and benefits, depreciation, interest on long-term debt, and property taxes, remain fairly constant despite variations in the amount of water sold. As a result, earnings are highest in the higher demand, warm summer months and lowest in the lower demand, cool winter months.

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Water Supply

San Jose Water Company's water supply consists of groundwater from wells, surface water from watershed run-off and diversion, reclaimed water, and imported water purchased from the SCVWD under the terms of a master contract with SCVWD expiring in 2051. Purchased water provides approximately 40% to 50% of San Jose Water Company's annual production. San Jose Water Company pumps approximately 40% to 50% of its water supply from the underground basin and pays a groundwater extraction charge to SCVWD. Surface supply, which during a year of normal rainfall satisfies about 6% to 8% of San Jose Water Company's annual needs, provides approximately 1% of its water supply in a dry year and approximately 14% in a wet year. In dry years, the decrease in water from surface run-off and diversion, and the corresponding increase in purchased and pumped water, increases production expenses substantially.

The pumps and motors at San Jose Water Company's groundwater production facilities are propelled by electric power. Over the last few years, San Jose Water Company has installed standby power generators at 33 of its strategic water production sites. In addition, the commercial office and operations control centers are outfitted with standby power equipment that allow critical distribution and customer service operations to continue during a power outage. SCVWD has informed San Jose Water Company that its filter plants, which deliver purchased water to San Jose Water Company, are also equipped with standby generators. In the event of a power outage, San Jose Water Company believes it will be able to prevent an interruption of service to customers for a limited period by pumping water with its standby generators and by using purchased water from SCVWD.

In 2015, the level of water in the Santa Clara Valley groundwater basin, which is managed by the SCVWD, experienced a slight recovery due to: (1) a reduction in groundwater pumping by various water retailers in the region, and (2) a modest increase in groundwater recharge efforts on the part of the SCVWD. As reported by the SCVWD at the end of 2015, groundwater level in the Santa Clara Plain was slightly higher compared to the same time in 2014, but lower than the five-year average and the total groundwater storage at the end of 2015 was within Stage 3 (Severe) of the SCVWD's Water Shortage Contingency Plan. On January 8, 2016, SCVWD's 10 reservoirs were 31.3% full with 52,862 acre-feet of water in storage. As of December 31, 2015, San Jose Water Company's Lake Elsman contained 571 acre-feet or approximately 36% of the five-year seasonal average. In addition, the rainfall at San Jose Water Company's Lake Elsman was measured at 9.35 inches for the period from July 1, 2015 through December 31, 2015, which is 55% of the five-year average. Local surface water is a less costly source of water than groundwater or purchased water and its availability significantly impacts San Jose Water Company's results of operations. San Jose Water Company believes that its various sources of water supply will be sufficient to meet customer demand in 2016 after consideration of implemented water restrictions and conservation activities in response to the continuing drought.

In response to the ongoing drought in California, on March 17, 2015, the State Water Board adopted an expanded emergency conservation regulation that became effective on March 27, 2015. The regulation prohibits certain outdoor water uses for all Californians and also places water usage restrictions on businesses in the restaurant and hospitality sectors. On March 25, 2015, SCVWD increased their conservation target from 20% to 30% through the end of 2015. On April 1, 2015, Governor Edmund G. Brown Jr. issued an executive order imposing restrictions to achieve a statewide 25% reduction in potable urban water usage through February 28, 2016 based on 2013 usage. On November 13, 2015, Governor Edmund G. Brown issued Executive Order B-36-15 that calls for an extension of restrictions on urban potable water usage until October 31, 2016, should drought conditions persist through January of 2016. On February 2, 2016, the State Water Board approved a resolution to extend the existing emergency conservation regulation as directed in the November 2015 executive order.

On April 9, 2015, CPUC issued a resolution ordering its regulated water utilities to comply with the State Water Board's emergency conservation regulation, conduct additional customer outreach and implement restrictions on outdoor water use. Effective June 15, 2015, San Jose Water Company was authorized by the CPUC to activate Stage 3 of Tariff Rule 14.1 which is a water shortage contingency plan with mandatory water usage reductions and drought surcharges. Tariff Rule 14.1 focuses primarily on restrictions of outdoor water use which accounts for 50% of a typical customer's water usage. The drought surcharges are recorded in a drought account authorized by the CPUC. The amount collected will offset future surcharges that would be necessary to recover lost revenue due to drought conservation efforts. San Jose Water Company is continually working to remain in compliance with the various

drought rules and regulations and is also working with local governments as well as the SCVWD to communicate consistent messages to the public about use restrictions and other matters related to the ongoing drought.

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

CLWSC's water supply consists of groundwater from wells and purchased treated and raw water from the GBRA. CLWSC has long-term agreements with the GBRA, which expire in 2037, 2040, 2044 and 2050. The agreements, which are

take-or-pay contracts, provide CLWSC with an aggregate of 6,900 acre-feet of water per year from Canyon Lake at prices that may be adjusted periodically by GBRA.

Please also see further discussion under Item 1A, “Risk Factors” and Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

Franchises

Franchises granted by local jurisdictions permit Water Utility Services to construct, maintain, and operate a water distribution system within the streets and other public properties of a given jurisdiction. San Jose Water Company holds the necessary franchises to provide water in portions of the cities of San Jose and Cupertino and in the cities of Campbell, Monte Sereno and Saratoga, the Town of Los Gatos and the unincorporated areas of Santa Clara County. None of the franchises have a termination date, other than the franchise for the unincorporated areas of Santa Clara County, which terminates in 2020.

CLWSC holds the franchise for water and wastewater service to the City of Bulverde, which terminates in 2029. The unincorporated areas that CLWSC serves in Comal and Blanco Counties do not require water service providers to obtain franchises.

Seasonal Factors

Water sales are seasonal in nature and influenced by weather conditions. The timing of precipitation and climatic conditions can cause seasonal water consumption by customers to vary significantly. Demand for water is generally lower during the cooler and rainy winter months. Demand increases in the spring when the temperature rises and rain diminishes.

Competition

San Jose Water Company and CLWSC are public utilities regulated by the CPUC and PUCT, respectively, and operate within a service area approved by the regulators. The statutory laws provide that no other investor-owned public utility may operate in the public utilities' service areas without first obtaining from the regulator a certificate of public convenience and necessity. Past experience shows such a certificate will be issued only after demonstrating that service in such area is inadequate.

California law also provides that whenever a public agency constructs facilities to extend utility service to the service area of a privately-owned public utility, like San Jose Water Company, such an act constitutes the taking of property and is conditioned upon payment of just compensation to the private utility.

Under the California law, municipalities, water districts and other public agencies have been authorized to engage in the ownership and operation of water systems. Such agencies are empowered to condemn properties operated by privately-owned public utilities upon payment of just compensation and are further authorized to issue bonds (including revenue bonds) for the purpose of acquiring or constructing water systems. To the Company's knowledge, no municipality, water district or other public agency has pending any proceeding to condemn any part of its water systems.

Environmental Matters

Water Utility Services' produces potable water in accordance with all applicable county, state and federal environmental rules and regulations. Additionally, public utilities are subject to environmental regulation by various other state and local governmental authorities.

Water Utility Services is currently in compliance with all of the United States Environmental Protection Agency's (the “EPA”) surface water treatment performance standards, drinking water standards for disinfection by-products and primary maximum contaminant levels. These standards have been adopted and are enforced by the California State Water Board, Division of Drinking Water and the TCEQ for San Jose Water Company and CLWSC, respectively.

Other state and local environmental regulations apply to our Water Utility Services' operations and facilities. These regulations relate primarily to the handling, storage and disposal of hazardous materials and discharges to the environment. In 2008, as part of routine replacement of infrastructure, San Jose Water Company identified legacy equipment containing elemental mercury which was released into the surrounding soil. San Jose Water Company has determined the release posed no risk of contamination to the water supply, notified the appropriate authorities and remediated the affected area. San Jose Water Company also identified 10 other potentially affected sites. Six of these sites have been remediated and San Jose Water Company is continuing its assessment of the remaining sites in

conjunction with its infrastructure replacement program. SJW Corp. believes there will be no material financial impact related to this matter. In 2013, as part of routine maintenance and replacement of infrastructure, San Jose Water Company identified certain non-soluble contaminants that could become a hazard if released into the environment. As a precautionary measure, San Jose Water Company developed and implemented a plan to remove the source of the contaminants and expects to complete the plan in 2018. SJW Corp. believes there will be no material financial impact related to this matter.

San Jose Water Company is currently in compliance with all state and local regulations governing hazardous materials, point and non-point source discharges and the warning provisions of the California Safe Drinking Water and Toxic Enforcement Act of 1986. Please also see Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

Employees

As of December 31, 2015, SJW Corp. had 399 full-time employees, of whom 357 were San Jose Water Company employees and 42 were CLWSC employees. At San Jose Water Company, 122 were executive, administrative or supervisory personnel, and 235 were members of unions. In November 2013, San Jose Water Company reached three-year collective bargaining agreements with the Utility Workers of America, representing the majority of all employees, and the International Union of Operating Engineers, representing certain employees in the engineering department, covering the period from January 1, 2014 through December 31, 2016. The agreements include a 2% wage increase in 2014, 2% in 2015 and 3% in 2016 for union workers as well as increases in medical co-pays and employee cost-sharing. As of December 31, 2015, CLWSC had 42 employees, of whom 9 were exempt and 33 were non-exempt employees. Non-exempt employees are subject to overtime but are not represented by a union.

Officers of the Registrant

Name	Age	Offices and Experience
D.R. Drysdale	60	San Jose Water Company—Vice President, Information Systems. Mr. Drysdale has served as Vice President of Information Systems since 2000. From 1998 to 1999, Mr. Drysdale was Director of Information Systems. From 1994 to 1998, Mr. Drysdale was Data Processing Manager. Mr. Drysdale joined San Jose Water Company in 1992.
A.R. Gere	49	San Jose Water Company—Chief Operating Officer. Mr. Gere has served as Chief Operating Officer since April 2015. From 2013 to April 2015, Mr. Gere was Vice President of Operations. From 2008 to 2013, Mr. Gere was Chief of Operations. From 2006 to 2008, Mr. Gere was Director of Maintenance. From 2005 to 2006, Mr. Gere was Director of Operations and Water Quality. From 2003 to 2005, Mr. Gere was Manager of Operations and Water Quality. Mr. Gere has been with San Jose Water Company since 1995.
C.S. Giordano	59	San Jose Water Company—Vice President, Engineering. Mr. Giordano has served as Vice President of Engineering since April 2013. From June 2007 to April 2013, Mr. Giordano was Chief Engineer. From August 2000 to June 2007, Mr. Giordano was Director of Engineering and Construction. From January 1994 to August 2000, Mr. Giordano was Assistant Chief Engineer. Mr. Giordano has been with San Jose Water Company since 1994.
P. L. Jensen	56	San Jose Water Company—Senior Vice President, Regulatory Affairs. Mr. Jensen has served as Senior Vice President of Regulatory Affairs since October 2011. From July 2007 to October 2011, Mr. Jensen was Vice President of Regulatory Affairs. From 1995 to July 2007, Mr. Jensen was Director of Regulatory Affairs. Mr. Jensen has been with San Jose Water Company since 1995.
D.M. Leal	51	San Jose Water Company—Vice President, Human Resources. Ms. Leal has served as Vice President of Human Resources since 2013. From 2001 to 2013, Ms. Leal was Director of Human Resources. From 2000 to 2001, Ms. Leal was employed as a Human Resources Manager at Micrel Semiconductor, Inc. From 1989 to 2000, Ms. Leal worked in various capacities for San Jose Water Company.
J.P. Lynch	56	SJW Corp.—Chief Financial Officer and Treasurer. Mr. Lynch has served as Chief Financial Officer and Treasurer since October 2010. He is also Chief Financial Officer and Treasurer of San Jose Water Company, SJW Land Company, SJWTX, Inc. and Texas Water Alliance Limited. Prior to joining the Corporation, Mr. Lynch was an Audit Partner with KPMG LLP. Mr. Lynch was with KPMG LLP for 26 years. Mr. Lynch is a certified public accountant.
S. Papazian	40	SJW Corp.—General Counsel and Corporate Secretary. Ms. Papazian has served as General Counsel and Corporate Secretary for SJW Corp. and San Jose Water Company since April 2014. From February 2005 to April 2014, Ms. Papazian was Corporate Secretary and Attorney. She is also Corporate Secretary of SJW Land Company, SJWTX, Inc. and Texas Water Alliance Limited. She was admitted to the California State Bar in January 2000 and thereafter was an Associate Attorney at The Corporate Law Group from March 2000 until February 2005.
W.R. Roth	63	SJW Corp.—President, Chief Executive Officer and Chairman of the Board of Directors of SJW Corp., San Jose Water Company, SJW Land Company and SJWTX, Inc. Mr. Roth is also Chief Executive Officer and Chairman of the Board of Directors of Texas Water Alliance Limited. Mr. Roth was appointed Chief Executive Officer of SJW Corp. in 1999 and President in 1996. Mr. Roth has been with San Jose Water Company since 1990.
J.B. Tang	45	

		San Jose Water Company—Vice President, Government Relations and Corporate Communications. Mr. Tang has served as Vice President of Government Relations and Corporate Communications since October 2014. From 2012 to October 2014, Mr. Tang was Director of Government Relations and Corporate Communications. From 2009 to 2011, Mr. Tang was Manager of Government Relations and Corporate Communications.
W.L. Avila-Walker	52	SJW Corp.—Controller. Ms. Avila-Walker has served as Controller of San Jose Water Company since September 2009. Ms. Avila-Walker is also Controller of SJW Corp. since October 2014. From August 2008 to September 2009, Ms. Avila-Walker served as Director of Compliance. From May 2005 to May 2008, Ms. Avila-Walker served as Director of Reporting and Finance.
A.F. Walters	45	San Jose Water Company—Chief Administrative Officer. Mr. Walters has served as Chief Administrative Officer since January 31, 2014. Prior to joining San Jose Water Company, Mr. Walters was a managing director and a senior acquisitions officer in the Infrastructure Investments Group of JP Morgan Asset Management from January 2009 to June 2013.

Financial Information about Foreign and Domestic Operations and Export Sales

SJW Corp.'s revenue and expense are derived substantially from Water Utility Services' operations located in the County of Santa Clara in the State of California and Comal and Blanco Counties in the State of Texas.

Available Information

SJW Corp.'s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, are made available free of charge through SJW Corp.'s website at http://www.sjwcorp.com, as soon as reasonably practicable, after SJW Corp. electronically files such material with, or furnish such material to, the SEC. The content of SJW Corp.'s website is not incorporated by reference to or part of this report.

You may also obtain a copy of any of these reports directly from the SEC. You may read and copy any material we file or furnish with the SEC at their Public Reference Room, located at 100 F Street N.E., Washington, D.C. 20549. The phone number for information about the operation of the Public Reference Room is 1-800-732-0330. Because we electronically file our reports, you may also obtain this information from the SEC internet website at http://www.sec.gov.

Item 1A. Risk Factors

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 Corp. Additional risks that SJW Corp. 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 Corp.'s business, operating results or financial condition could be materially harmed. In such case, the trading price of SJW Corp.'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 Form 10-K, including the consolidated financial statements and the notes thereto.

Our business is regulated and may be adversely affected by changes to the regulatory environment.

San Jose Water Company and CLWSC are regulated public utilities. The operating revenue of San Jose Water Company and CLWSC is generated primarily from the sale of water at rates authorized by the CPUC and the PUCT, respectively. The CPUC and PUCT 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 shareholder 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 San Jose Water Company and CLWSC. Consequently, our revenue and operating results depend upon the rates which the CPUC and PUCT authorize.

In our applications for rate approvals, we rely upon estimates and forecasts to propose rates for approval by the CPUC or PUCT. No assurance can be given that our estimates and forecasts will be accurate or that the CPUC or PUCT 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 Corp.'s historical dividend rate. In addition, delays in approving rate increases may negatively affect our operating results and our 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 San Jose Water Company and CLWSC to accomplish some or all of the items listed above, Water Utility Services' future operating results may be adversely affected. Further, from time to time, the commissioners at the CPUC and the PUCT change. Such changes could lead to changes in policies and regulations. 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.

Recovery of regulatory assets is subject to adjustment by the regulatory agency 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 as permitted by FASB ASC Topic 980—“Regulated Operations.” 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 in the ratemaking process in a period different from when the costs and credits were incurred. Please refer to Note 1 of the Notes to Consolidated Financial Statements for a summary of net regulatory assets. 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 or liabilities would need to be adjusted, which could have an adverse effect on our results of operations and financial condition.

Changes in water supply, water supply costs or the mix of water supply could adversely affect the operating results and business of Water Utility Services.

San Jose Water Company's supply of water primarily relies upon three main sources: water purchased from SCVWD, surface water from its Santa Cruz Mountains watershed, and pumped underground water. Changes and variations in quantities from each of these three sources affect the overall mix of the water supply, thereby affecting the cost of the water supply. Surface water is the least costly source of water. If there is an adverse change to the mix of water supply and San Jose Water Company is not allowed by the CPUC to recover the additional or increased water supply costs, its operating results may be adversely affected.

SCVWD receives an allotment of water from state and federal water projects. If San Jose Water Company has difficulties obtaining a high quality water supply from SCVWD due to availability, environmental, legal or other restrictions (see also Part I, Item 1, “Water Supply”), it may not be able to fully satisfy customer demand in its service area and its operating results and business may be adversely affected. Additionally, the availability of water from San Jose Water Company's Santa Cruz Mountains watershed depends on the weather and fluctuates with each season. In a normal year, surface water supply provides 6% to 8% of the total water supply of the system. In a season with little rainfall, such as the record drought conditions in 2014 and 2015, water supply from surface water sources may be low, thereby causing San Jose Water Company to increase the amount of water purchased from outside sources at a higher cost than surface water, thus increasing water production expenses. If the drought condition continues throughout 2016, we may be required to rely more heavily on purchased water than surface water, which would increase our costs and adversely affect our results of operations.

In addition, San Jose Water Company's 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 overall water production expenses and adversely affecting our operating results.

Because the extraction of water from the groundwater basin and the operation of the water distribution system require a significant amount of energy, increases in energy prices could increase operating expenses of San Jose Water Company. The cost of energy is beyond our control and can change unpredictably and substantially based on load supply and demand. Therefore, San Jose Water Company cannot be certain that it will be able to contain energy costs into the future.

San Jose Water Company continues to utilize Pacific Gas & Electric's time of use rate schedules to minimize its overall energy costs primarily for groundwater pumping. Optimization and energy management efficiency is achieved through the implementation of Supervisory Control and Data Acquisition system software applications that control pumps based on demand and cost of energy. An increase in demand or a reduction in the availability of surface water or import water could result in the need to pump more water during peak hours which may adversely affect the operating results of San Jose Water Company.

San Jose Water Company has been granted certain balancing accounts by the CPUC to track various water supply expenses and revenues. There is no assurance that the CPUC will allow recovery or refund of these balances when submitted by San Jose Water Company.

CLWSC's primary water supply is 6,900 acre-feet of water which is pumped from Canyon Lake at three lake intakes or delivered as treated water from GBRA's Western Canyon Pipeline, in accordance with the terms of its contracts with the GBRA, which are long-term take-or-pay contracts. This supply is supplemented by groundwater pumped from wells. While the contract provides a committed long-term water supply for future demand, CLWSC customers currently do not use the volume of water allowed under the contracts which increases the cost of water for existing customers, and there is no assurance that future demands up to the committed supply volume will occur. Texas faces operating challenges and long-term water supply constraints similar to California as described above. (See also Part I, Item 1, “Water Supply”).

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

Water Utility Services' operations are seasonal, thus quarterly fluctuation in results of operations may be significant. Rainfall and other weather conditions also affect the operations of Water Utility Services. Most water consumption occurs during the third quarter of each year when weather tends to be warm and dry. In periods of drought, if customers are encouraged or required to conserve water due to a shortage of water supply or restriction of use, revenue tends to be lower. Similarly, in unusually wet periods, water supply tends to be higher and customer demand tends to be lower, again resulting in lower revenues. Furthermore, certain lifestyle choices made by customers can affect demand for water. For example, a significant portion of residential water use is for outside irrigation of lawns and landscaping. If there is a decreased desire by customers to maintain landscaping for their homes or restrictions are placed on outside irrigation, residential water demand would decrease, which would result in lower revenues. Conservation efforts and construction codes, which require the use of low-flow plumbing fixtures, could diminish water consumption and result in reduced revenue. In addition, in time of drought, water conservation may become a regulatory requirement that impacts the water usage of our customers. For example, in response to the ongoing drought in California, on March 17, 2015, the State Water Board adopted an expanded emergency conservation regulation that became effective on March 27, 2015. The regulation prohibits certain outdoor water uses for all Californians and also places water usage restrictions on businesses in the restaurant and hospitality sectors. On March 25, 2015, the SCVWD increased their conservation target from 20% to 30% through the end of 2015. On April 1, 2015, Governor Edmund G. Brown Jr. issued an executive order imposing restrictions to achieve a statewide 25% reduction in potable urban water usage through February 28, 2016 based on 2013 usage. On November 13, 2015, Governor Edmund G. Brown issued Executive Order B-36-15 that calls for an extension of restrictions on urban potable water usage until October 31, 2016, should drought conditions persist through January of 2016. On February 2, 2016, the State Water Board approved a resolution to extend the existing emergency conservation regulation as directed in the November 2015 executive order. San Jose Water Company is continually working to remain in compliance with the various drought rules and regulations and is also working with local governments as well as the SCVWD to communicate consistent messages on the drought to the public. (See also Part I, Item 1, “Water Supply”.) The implementation of mandatory conservation measures has resulted and is expected to result in lower water usage by our customers which may adversely affect our results of operation. If the current drought and the related conservation measures continue, we may experience fluctuations in the timing of or a reduction in customer revenue. Furthermore, while the CPUC approved WCMA and MCMA memorandum accounts would allow us to recover revenue reductions due to water conservation activities and certain conservation related costs, such memorandum accounts are subject to a review and approval process by the CPUC, which can be lengthy, and there is no assurance that we will be able to recover in a timely manner all of the revenue and costs recorded in the memorandum accounts.

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 environmental regulations to comply with water quality requirements. Through water quality compliance programs, Water Utility Services continually 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 with all applicable water quality requirements. 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 in our water supplies or other environmental damages. Our insurance policies may not cover or may not be sufficient to cover the costs of these claims.

Water Utility Services is subject to litigation risks concerning water quality and contamination.

Although Water Utility Services has not been and is not a party to any environmental and product-related lawsuits, such lawsuits against other water utilities have increased in frequency in recent years. If Water Utility Services is subject to an environmental or product-related lawsuit, they might incur significant legal costs and it is uncertain

whether it would 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. A pollution liability policy is in place, but is subject to exclusions and limitations. Costs for defense are included within the limit of insurance on the pollution liability policy. 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.

New or more stringent environmental regulations could increase Water Utility Services' operating costs and affect its business.

Water Utility Services' operations are 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 expenditure.

Under the federal Safe Drinking Water Act, Water Utility Services is subject to regulation by the EPA of the quality of water it sells and treatment techniques it uses to make the water potable. The EPA promulgates nationally applicable standards, including maximum contaminant levels for drinking water. Water Utility Services is currently in compliance with all of the primary maximum contaminant levels promulgated to date. 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, including requirements for increased monitoring, additional treatment of underground water supplies, fluoridation of all supplies, more stringent performance standards for treatment plants and procedures to further reduce levels of disinfection by-products. There are currently limited regulatory mechanisms and procedures available to the Company for the recovery of such costs and there can be no assurance that such costs will be fully recovered.

Water Utility Services rely on information technology and systems that are key to business operations. A system malfunction, security breach or other disruptions could compromise our information and expose us to liability, which could adversely affect business operations.

Information technology is key to the operation of 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 and security breaches could prevent us from operating or monitoring our facilities, billing and collecting cash accurately and timely analysis 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, publicly disclosed, lost or stolen which could result in legal claims or proceedings, violation of privacy laws or damage to our reputation. Our profitability and cash flow could be affected negatively in the event these systems do not operate effectively or are breached.

The water utility business requires significant capital expenditures that are dependent on our ability to secure appropriate funding. If SJW Corp. is unable to generate sufficient operating cash flows and 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. 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 Corp. funds capital expenditures through a variety of sources, including cash received from operations, funds received from developers as contributions or advances, borrowings through the lines of credit, and equity or debt financing. 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 deteriorations in the strength of financial institutions could adversely affect SJW Corp.'s ability to draw on its line 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 Corp.'s cost of capital. Furthermore, equity financings may result in dilution to our existing shareholders and debt financings may contain covenants that restrict the actions of SJW Corp. and its subsidiaries.

We operate in areas subject to natural disasters or that may be the target of terrorist activities.

We operate in areas that are prone to earthquakes, fires 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 or Texas could adversely impact our ability to deliver water to our customers and our costs of operations. A major disaster could damage or destroy substantial capital assets. Our California and Texas based regulators have historically allowed utilities to establish catastrophic event memorandum accounts as a possible mechanism to recover costs. 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. 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 CPUC and PUCT will approve a rate increase to recover all or part of such costs and, as a result, the Company's 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.

A failure of our reservoirs, storage tanks, mains or distribution networks could result in losses and damages that may 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. A substantial portion of Water Utility Services distribution system was constructed during the period from 1945 to 1980. 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. Any business interruption or other losses might not be covered by 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.

SJW Land Company has a significant real estate portfolio that is subject to various business and investment risks.

SJW Land Company owns a diversified real estate portfolio in multiple states. The risks in investing directly in real estate vary depending on the investment strategy and investment objective and include the following:

- Liquidity risk—real estate investments are illiquid. The lag time to build or reduce the real estate portfolio is long.
- Obsolescence risk—real estate property is location specific. Location obsolescence can occur due to a decline of a particular sub-market or neighborhood. Functional obsolescence can also occur from physical depreciation, wear and tear, and other architectural and physical features which could be curable or incurable.
- 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 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.

The value of real estate can drop 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.

A drop 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.

- Concentration/Credit risk—the risk of a tenant declaring bankruptcy and seeking relief from its contractual rental obligation could affect the income and the financial results of SJW Land Company.

Diversification of many tenants across many properties may mitigate the risk, but can never eliminate it. This risk is most prevalent in a recessionary environment.

The success of SJW Land Company's real estate investment strategy depends 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 aversely affect our operating results and financial condition.

There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

Dividends on our common stock will only be paid if and when declared by our Board of Directors. Our earnings, financial condition, capital requirements, applicable regulations and other factors, including the timeliness and adequacy of rate increases, will determine both our ability to pay dividends on common stock and the amount of the dividends declared by our Board of Directors. There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

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. Factors that could cause fluctuations in the trading price of our common stock include volatility of the stock market, regulatory developments, 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 events or sales of large blocks of our stock.

Equity markets in general can experience extreme price and volume fluctuations which may continue to adversely affect the market price of our common stock for reasons unrelated to our business or operating results.

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;

(2) Regional non-tariffed water utility related services provided in accordance with the guidelines established by the CPUC in California and the PUCT in Texas; and

(3)Out-of-region water and utility related services.

As part of our pursuit of the above three strategic areas, the Company considers from time to time opportunities to acquire businesses and assets. However, SJW Corp. cannot be certain it will be successful in identifying and consummating any strategic business 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 Corp.'s financial position and operating results, entering markets in which SJW Corp. has no or limited direct prior experience and the potential loss of key employees of any acquired company. Any future 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 Corp. cannot be certain that any transaction will be successful or that it will not materially harm its operating results or 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 a defined benefit pension plan. Our pension costs and the funded status of the plan are affected by a number of factors including the discount rate, mortality rates of plan

participants, investment returns on plan assets, and pension reform legislation. Any change in such factors could result in an increase in future pension costs and an increase in our pension liability, requiring an increase in plan contributions.

Work stoppages and other labor relations matters could adversely affect our business and operating results.
As of December 31, 2015, 235 of our 399 total employees were union employees. Most of our unionized employees are represented by the Utility Workers of America, except certain employees in the engineering department are represented by the International Union of Operating Engineers.
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.

Item 1B. Unresolved Staff Comments
None.

Item 2. Properties
The properties of San Jose Water Company consist of a unified water production system located in the County of Santa Clara in the State of California. In general, the property is comprised of franchise rights, water rights, necessary rights-of-way, approximately 7,000 acres of land held in fee (which is primarily non-developable watershed), impounding reservoirs with a capacity of approximately 2.256 billion gallons, 2,470 miles of transmission and distribution mains, distribution storage of approximately 239 million gallons, wells, boosting facilities, diversions, surface water treatment plants, equipment, office buildings and other property necessary to supply its customers.
San Jose Water Company maintains all of its properties in good operating condition in accordance with customary practice for a water utility. San Jose Water Company's groundwater pumping stations have a production capacity of approximately 208 million gallons per day and the present capacity for taking purchased water is approximately 90 million gallons per day. The surface water collection system has a physical delivery capacity of approximately 35 million gallons per day. During 2015, a maximum and average of 121 million gallons and 92 million gallons of water per day, respectively, were delivered to the system.
CLWSC maintains a service area that covers approximately 243 square miles located in the southern region of the Texas hill country in Comal and Blanco counties. Our service area surrounds an 8,200 surface acre reservoir (Canyon Lake). Production wells are located in a Comal Trinity Groundwater Conservation District regulated portion of the Trinity aquifer and have the ability to pump a combined 2.9 billion gallons annually. CLWSC has contracts for 2 billion gallons of untreated surface water and 235 million gallons of treated surface water from the GBRA annually. CLWSC owns and operates three surface water treatment plants with a combined production capacity of 7 million gallons per day. CLWSC has 561 miles of transmission and distribution mains and maintains 65 storage tanks with a total storage capacity of 7.4 million gallons. CLWSC owns and operates three wastewater treatment plants with a combined capacity of 60,000 gallons per day.
Water Utility Services hold all of its principal properties in fee simple, subject to current tax and assessment liens, rights-of-way, easements, and certain minor defects in title which do not materially affect their use.

As of December 31, 2015, SJW Land Company owns approximately 66 acres of property in the states of Arizona and Tennessee and approximately five undeveloped acres of land and two acres of land with commercial properties primarily in the San Jose metropolitan area. SJW Land Company also owns a 70% limited partnership interest in 444 West Santa Clara Street, L.P. One of our California properties is owned by such partnership. SJW Land Company consolidates its limited partnership interest in 444 West Santa Clara Street, L.P. as a variable interest entity within the scope of ASC Topic 810. The following table is a summary of SJW Land Company properties described above:

				% for Year Ended December 31, 2015 of SJW Land Company			
Description	Location	Acreage	Square Footage	Revenue		Expense	
2 Commercial buildings	San Jose, California	2	28,000	10	%	10	%
Warehouse building	Phoenix, Arizona	11	176,000	12	%	9	%
Warehouse building	Knoxville, Tennessee	30	361,500	34	%	29	%
Commercial building	Knoxville, Tennessee	15	135,000	44	%	52	%
Parking lot	Knoxville, Tennessee	10	N/A	N/A		N/A	
Undeveloped land	San Jose, California	5	N/A	N/A		N/A	

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

SJW Corp.'s common stock is traded on the New York Stock Exchange under the symbol SJW. Information as to the high and low sales prices for SJW Corp.'s common stock for each quarter in the 2015 and 2014 fiscal years is contained in the section captioned “Market price range of stock” in the tables set forth in Note 15 of “Notes to Consolidated Financial Statements” in Part II, Item 8.

As of December 31, 2015, there were 400 record holders of SJW Corp.'s common stock.

Dividends

Dividends have been paid on SJW Corp.'s and its predecessor's common stock for 289 consecutive quarters and the annual dividend amount has increased in each of the last 48 years. Additional information as to the cash dividends paid on common stock in 2015 and 2014 is contained in the section captioned “Dividend per share” in the tables set forth in Note 15 of “Notes to Consolidated Financial Statements” in Part II, Item 8. Future dividends will be determined by the Board of Directors after consideration of various financial, economic and business factors.

Five-Year Performance Graph

The following performance graph compares the changes in the cumulative shareholder return on SJW Corp.'s common stock with the cumulative total return on a Water Utility Index and the Standard & Poor's 500 Index during the last five years ended December 31, 2015. The comparison assumes $100 was invested on December 31, 2010 in SJW Corp.'s common stock and in each of the foregoing indices and assumes reinvestment of dividends.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN

Among SJW Corp., a Water Utility Index and the S&P 500 Index

The following descriptive data of the performance graph is supplied in accordance with Rule 304(d) of Regulation S-T (numbers represent U.S. dollars ($)):

	2010	2011	2012	2013	2014	2015
SJW Corp.	100	92	107	123	136	129
Water Utility Index	100	114	138	166	204	230
S&P 500 Index	100	102	118	157	178	181

The Water Utility Index is the 9 water company Water Utility Index prepared by Wells Fargo Securities, LLC.

Item 6. Selected Financial Data

FIVE YEAR FINANCIAL AND STATISTICAL REVIEW

SJW Corp. and Subsidiaries

	2015	2014	2013	2012	2011
CONSOLIDATED RESULTS OF OPERATIONS (in thousands)					
Operating revenue	$305,082	319,668	276,869	261,547	238,955
Operating expense:					
Purchased water	61,089	47,280	63,225	66,106	54,317
Power	6,121	9,865	7,619	5,796	5,394
Groundwater extraction charges	31,240	53,678	37,927	23,940	20,997
Other production expenses	12,178	11,929	12,073	11,445	11,345
Administrative and general	47,131	40,573	43,714	42,812	39,136
Maintenance	14,956	14,474	13,548	13,350	13,261
Property taxes and other non-income taxes	11,667	11,086	10,317	9,703	8,921
Depreciation and amortization	40,740	37,905	35,039	33,098	31,193
Total operating expense	225,122	226,790	223,462	206,250	184,564
Operating income	79,960	92,878	53,407	55,297	54,391
Interest expense, other income and expense	(18,806)	(16,101)	(16,888)	(17,437)	(18,947)
Income before income taxes	61,154	76,777	36,519	37,860	35,444
Provision for income taxes	23,272	24,971	14,135	15,542	14,566
Net income	37,882	51,806	22,384	22,318	20,878
Dividends paid	15,885	15,177	14,443	13,231	12,823
CONSOLIDATED PER SHARE DATA					
Earnings per share - diluted	1.85	2.54	1.12	1.18	1.11
Dividends paid	0.78	0.75	0.73	0.71	0.69
Book value per common share	18.83	17.75	14.71	14.71	14.20
CONSOLIDATED BALANCE SHEET (in thousands)					
Utility plant and intangible assets	$1,524,422	1,413,151	1,314,191	1,216,235	1,112,127
Less accumulated depreciation and amortization	487,659	450,137	415,453	384,675	355,914
Net utility plant	1,036,763	963,014	898,738	831,560	756,213
Net real estate investment	61,484	62,201	67,819	65,187	78,542
Total assets	1,340,963	1,269,304	1,109,986	1,087,499	1,038,810
Capitalization:					
Shareholders' equity	383,783	360,155	321,175	274,604	264,004
Long-term debt, less current portion	380,825	384,365	334,997	335,598	343,848
Total capitalization	$764,608	744,520	656,172	610,202	607,852
OTHER STATISTICS—WATER UTILITY SERVICES					
Average revenue per connection	$1,263	1,328	1,159	1,101	1,101
Investment in gross utility plant per connection	$6,311	5,869	5,499	5,119	4,702
Connections at year-end	241,555	240,773	238,977	237,600	236,500
Miles of main at year-end	3,031	2,939	2,920	2,893	2,915
Water production (million gallons)	36,535	44,649	49,638	47,655	46,033
Maximum daily production (million gallons)	130	173	187	190	181
Population served (estimate)	1,089,000	1,085,000	1,077,000	1,071,000	1,066,000

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
(Dollar amounts in thousands, except where otherwise noted)

Description of Business

SJW Corp. is a publicly traded company and is a holding company with five subsidiaries:

San Jose Water Company, a wholly owned subsidiary, is a public utility in the business of providing water service to approximately 229,000 connections that serve a population of approximately one million people in an area comprising approximately 138 square miles in the metropolitan San Jose, California area.

SJWTX, Inc., a wholly owned subsidiary of SJW Corp., doing business as Canyon Lake Water Service Company, is a public utility in the business of providing water service to approximately 12,500 connections that serve approximately 37,000 people. CLWSC's service area comprises more than 243 square miles in western Comal County and southern Blanco County in the growing region between San Antonio and Austin, Texas. SJWTX, Inc. has a 25% interest in Acequia Water Supply Corporation. Acequia has been determined to be a variable interest entity within the scope of ASC Topic 810 with SJWTX, Inc. as the primary beneficiary. As a result, Acequia has been consolidated with SJWTX, Inc.

SJW Land Company, a wholly owned subsidiary of SJW Corp., owns undeveloped land in the states of California and Tennessee, owns and operates commercial buildings in the states of California, Arizona and Tennessee and has a 70% limited partnership interest in 444 West Santa Clara Street, L.P. 444 West Santa Clara Street, L.P. has been determined to be a variable interest entity within the scope of ASC Topic 810 with SJW Land Company as the primary beneficiary. As a result, 444 West Santa Clara Street L.P. has been consolidated with SJW Land Company.

Texas Water Alliance Limited, a wholly owned subsidiary of SJW Corp., is undertaking activities that are necessary to develop a water supply project in Texas. In connection with the project, TWA obtained groundwater production and transportation permits to meet the future water needs in the Canyon Lake Water Service Company's service area and to the central Texas hill country communities and utilities adjacent to the area. On February 22, 2016, SJW Corp. entered into an agreement with the GBRA, pursuant to which SJW Corp. agreed to sell all of its equity interest in TWA to GBRA for $31.0 million in cash (the “TWA Agreement”). The TWA Agreement is subject to specified closing conditions, including the completion of a financing by GBRA to fund the purchase price.

SJW Group, Inc., a Delaware corporation, was formed in March 2015 for the sole purpose of effectuating a change in the state of incorporation of SJW Corp. from California to Delaware (the “Reincorporation”). The Reincorporation requires the approval of the California Public Utilities Commission (“CPUC”) and Public Utilities Commission of Texas (“PUCT”) and will not become effective until after we obtain such approvals. In July and September 2015, applications were filed with the CPUC and PUCT, respectively, to seek such approvals and decisions are expected in the first quarter of 2016.

Business Strategy for Water Utility Services

SJW Corp. focuses its business initiatives in three strategic areas:

(1) Regional regulated water utility operations;

(2) Regional non-tariffed water utility related services provided in accordance with the guidelines established by the CPUC in California and the PUCT in Texas; and

(3) Out-of-region water and utility related services.

Regional Regulated Activities

SJW Corp.'s regulated utility operation is conducted through San Jose Water Company and CLWSC. SJW Corp. plans and applies a diligent and disciplined approach to maintaining and improving its water system infrastructures. It also seeks to acquire regulated water systems adjacent to or near its existing service territory.

The United States water utility industry is largely fragmented and is dominated by municipal-owned water systems. The water industry is regulated, and provides a life-sustaining product. This makes water utilities subject to lower business cycle risks than non-tariffed industries.

Regional Non-tariffed Activities

Operating in accordance with guidelines established by the CPUC, San Jose Water Company provides non-tariffed services, such as water system operations, maintenance agreements and antenna leases under agreements with municipalities and other utilities. CLWSC provides non-tariffed wholesale water service to adjacent utilities.

San Jose Water Company also seeks appropriate non-tariffed business opportunities that complement its existing operations or that allow it to extend its core competencies beyond existing operations. San Jose Water Company seeks

opportunities to fully utilize its capabilities and existing capacity by providing services to other regional water systems, which also will benefit its existing regional customers.

Out-of-Region Opportunities

SJW Corp. also from time to time pursues opportunities to participate in out-of-region water and utility related services, particularly regulated water businesses. SJW Corp. evaluates out-of-region and out-of-state opportunities that meet SJW Corp.'s risk and return profile.

The factors SJW Corp. considers in evaluating such opportunities include:

- potential profitability;
- regulatory environment;
- additional growth opportunities within the region;
- water supply, water quality and environmental issues;
- capital requirements;
- general economic conditions; and
- synergy potential.

As part of our pursuit of the above three strategic areas, the Company considers from time to time opportunities to acquire businesses and assets. However, SJW Corp. cannot be certain it will be successful in identifying and consummating any strategic business 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 Corp.'s financial position and operating results, entering markets in which SJW Corp. has no or limited direct prior experience and the potential loss of key employees of any acquired company. Any future 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 Corp. cannot be certain that any transaction will be successful or that it will not materially harm its operating results or financial condition.

Real Estate Services

SJW Corp.'s real estate investment activity is conducted through SJW Land Company. SJW Land Company owns undeveloped land in the states of California and Tennessee and owns and operates a portfolio of commercial buildings in the states of California, Arizona and Tennessee. SJW Land Company also owns a limited partnership interest in 444 West Santa Clara Street, L.P. The partnership owns a commercial building in San Jose, California. SJW Land Company manages its acquired income producing and other properties until such time a determination is made to reinvest proceeds from sale of such properties. SJW Land Company's real estate investments diversify SJW Corp.'s asset base.

Critical Accounting Policies

SJW Corp. has identified accounting policies delineated below as the policies critical to its business operations and the understanding of the results of operations. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. SJW Corp. bases its estimates on historical experience and other assumptions that are believed to be reasonable under the circumstances. For a detailed discussion on the application of these and other accounting policies, see Note 1 of “Notes to Consolidated Financial Statements.” SJW Corp.'s critical accounting policies are as follows:

Revenue Recognition

SJW Corp. recognizes its regulated and non-tariffed revenue when services have been rendered, in accordance with FASB ASC Topic 605—“Revenue Recognition.”

Metered revenue of Water Utility Services includes billing to customers based on meter readings plus an estimate of water used between the customers' last meter reading and the end of the accounting period. Water Utility Services read the majority of its customers' meters on a bi-monthly basis and records its revenue based on its meter reading results. Unbilled revenue from the last meter reading date to the end of the accounting period is estimated based on the most recent usage

patterns, production records and the effective tariff rates. Actual results could differ from those estimates, which may result in an adjustment to operating revenue in the period which the revision to Water Utility Services' estimates is determined. San Jose Water Company also recognizes balancing and memorandum accounts in its revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Revenues also include a surcharge collected from regulated customers that is paid to the CPUC. This surcharge is recorded both in operating revenues and administrative and general expenses.

SJW Corp. recognizes its non-tariffed revenue based on the nature of the non-tariffed business activities. Revenue from San Jose Water Company's non-tariffed utility operations, maintenance agreements or antenna leases are recognized when services have been rendered. Revenue from SJW Land Company properties is generally recognized ratably over the term of the leases.

Balancing and Memorandum Accounts

The purpose of a balancing account is to track the under-collection or over-collection associated with expense changes and the revenue authorized by the CPUC to offset those expense changes. Pursuant to Section 792.5 of the California Public Utilities Code, a balancing account must be maintained for expense items for which revenue offsets have been authorized.

Balancing accounts are currently being maintained for the following items: purchased water, purchased power, groundwater extraction charges, and pensions. The amount in the water production balancing accounts varies with the seasonality of the water utility business such that, during the summer months when the demand for water is at its peak, the account tends to reflect an under-collection, while during the winter months when demand for water is relatively lower, the account tends to reflect an over-collection. The pension balancing account is intended to capture the difference between actual pension expense and the amount approved in rates by the CPUC.

The Company also maintains memorandum accounts to track revenue impacts due to catastrophic events, certain unforeseen water quality expenses related to new federal and state water quality standards, energy efficiency, cost of capital, WCMA, drought surcharges, Monterey Water Revenue Adjustment Mechanism, and other approved activities or as directed by the CPUC. The drought surcharge memorandum account tracks monies received from drought surcharges. The amount collected will offset future surcharges that would be necessary to recover lost revenue due to drought conservation efforts. The Monterey Water Revenue Adjustment Mechanism tracks the difference between the revenue received for actual metered sales through the tiered volumetric rate and the revenue that would have been received with the same actual metered sales if a uniform rate would have been in effect.

Balancing and memorandum accounts are recognized by San Jose Water Company when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process. In addition, in the case of special revenue programs such as the WCMA, San Jose Water Company follows the requirements of ASC Topic 980-605-25—“Alternative Revenue Programs” in determining revenue recognition, including the requirement that such revenues will be collected within 24 months of the year-end in which the revenue is recorded. A reserve will be recorded for amounts we estimate will not be collected within the 24-month period. This reserve will be based on the difference between authorized usage in the last general rate case decision and an estimate of actual usage over the recovery period, offset by applicable drought surcharges. In assessing the probability criteria for balancing and memorandum accounts between general rate cases, San Jose Water Company considers evidence that may exist prior to CPUC authorization that would satisfy ASC Topic 980 subtopic 340-25 recognition criteria. Such evidence may include regulatory rules and decisions, past practices, and other facts and circumstances that would indicate that recovery or refund is probable. When such evidence provides sufficient support for balance recognition, the balances are recorded in SJW Corp.'s financial statements.

It is typical for the CPUC to incorporate any over-collected and/or under-collected balances in balancing or memorandum accounts into customer rates at the time rate decisions are made as part of the Company's general rate case proceedings by assessing temporary surcredits and/or surcharges. In the case where the Company's balancing or memorandum-type accounts that have been authorized by the CPUC reach certain thresholds or have termination dates, the Company can request the CPUC to recognize the amounts in customer rates prior to the next regular general rate case proceeding by filing an advice letter.

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Recognition of Regulatory Assets and Liabilities

Generally accepted accounting principles for water utilities include the recognition of regulatory assets and liabilities as permitted by ASC Topic 980. In accordance with ASC Topic 980, Water Utility Services, to the extent applicable, records deferred costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that these costs and credits will be recognized in the ratemaking process in a period different from when the costs and credits are incurred. Accounting for such costs and credits is based on management's judgment and prior historical ratemaking practices, and it occurs when management determines that it is probable that these costs and credits will be recognized in the future revenue of Water Utility Services through the ratemaking process. The regulatory assets and liabilities recorded by Water Utility Services, in particular, San Jose Water Company, primarily relate to the recognition of deferred income taxes for ratemaking versus tax accounting purposes, balancing and memorandum accounts, postretirement pension benefits, medical costs, accrued benefits for vacation and asset retirement obligations that have not been passed through in rates. The Company adjusts the related asset and liabilities for these items through its regulatory asset and liability accounts at year-end, except for certain postretirement benefit costs and balancing and memorandum accounts which are adjusted monthly. The disallowance of any asset in future ratemaking, including deferred regulatory assets, would require San Jose Water Company to immediately recognize the impact of the costs for financial reporting purposes. No disallowances were recognized during the years ending December 31, 2015, 2014 or 2013.

Pension Plan Accounting

San Jose Water Company offers a Pension Plan, Executive Supplemental Retirement Plan, Cash Balance Executive Supplemental Retirement Plan and certain postretirement benefits other than pensions to employees retiring with a minimum level of service. Accounting for pensions and other postretirement benefits requires assumptions about the discount rate applied to expected benefit obligations, expected return on plan assets, the rate of future compensation increases expected to be received by the employees, mortality, turnover and medical costs. Plan assets are marked to market at each reporting date. See assumptions and disclosures detailed in Note 10 of “Notes to Consolidated Financial Statements.”

Income Taxes

SJW Corp. estimates its federal and state income taxes as part of the process of preparing consolidated financial statements. The process involves estimating the actual current tax exposure together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes, including the evaluation of the treatment acceptable in the water utility industry and regulatory environment. These differences result in deferred tax assets and liabilities, which are included on the balance sheet. If actual results, due to changes in the regulatory treatment, or significant changes in tax-related estimates or assumptions or changes in law, differ materially from these estimates, the provision for income taxes will be materially impacted.

Factors Affecting Our Results of Operations

SJW Corp.'s financial condition and results of operations are influenced by a variety of factors including the following:

- economic utility regulation;
- infrastructure investment;
- compliance with environmental, health and safety standards;
- production expenses;
- customer growth;
- water usage per customer; and
- weather conditions, seasonality and sources of water supply.

Economic Utility Regulation

Water Utility Services is generally subject to economic regulation by their respective state commissions overseeing public utilities. Regulatory policies vary from state to state and may change over time. In addition, there may be regulatory lag between the time a capital investment is made, a consumption decrease occurs, or an operating expense increases and when those items are adjusted in utility rates.

San Jose Water Company employs a forward-looking test year and has been authorized to use several mechanisms to mitigate risks faced due to regulatory lag and new and changing legislation, policies and regulation. These include memorandum accounts to track revenue impacts due to catastrophic events, certain unforeseen water quality expenses related to new federal and state water quality standards, energy efficiency, cost of capital, WCMA, drought surcharges, Monterey Water Revenue Adjustment Mechanism, and other approved activities or as directed by the CPUC. Rate recovery for the balances in these memorandum accounts is generally allowed in a subsequent general rate case. San Jose Water Company also maintains

balancing accounts to track changes in purchased water, purchased power, groundwater extraction charges and pension costs for later rate recovery.

Regulatory risk is mitigated in California by use of a forward-looking test year which allows the return on and return of utility plant on a forecasted basis as it is placed in service, and in some cases interim rate relief is allowed in the event of regulatory lag.

Pursuant to Texas regulation, CLWSC employs a historical test year. Additionally, rate cases may be filed as necessary, provided there is no current rate case outstanding. Further, rate cases may not be filed more frequently than once every 12 months.

Infrastructure Investment

The water utility business is capital-intensive. In 2015 and 2014, Company-funded capital improvements were $96,012 and $91,846, respectively, for additions to, or replacements of, property, plant and equipment for our Water Utility Services. We plan to spend approximately $141,298 in 2016 and $614,520 over the next five years for capital improvements, subject to CPUC and PUCT approval. Included in this amount is approximately $46,900 remaining to be spent on upgrades to San Jose Water Company's 40-year old Montevina Water Treatment Plant. SJW Corp. funds these expenditures through a variety of sources, including cash received from operations, equity issuances and borrowings. SJW Corp. relies upon a line of credit, which will expire on September 1, 2016, to fund capital expenditures in the short term and has historically issued long-term debt to refinance our short-term debt. While our ability to obtain financing will continue to be a key risk, we believe that based on our 2015 activities, we will have access to the external funding sources necessary to implement our on-going capital investment programs in the future.

Compliance with Environmental, Health and Safety Standards

Water Utility Services' operations are 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. Under the federal Safe Drinking Water Act, Water Utility Services is subject to regulation by the EPA of the quality of water it sells and treatment techniques it uses to make the water potable. The EPA promulgates nationally applicable standards, including maximum contaminant levels for drinking water. Water Utility Services has implemented monitoring activities and installed specific water treatment improvements enabling it 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. We incur substantial costs associated with compliance with environmental, health and safety and water quality regulation to which our Water Utility Services is subject.

Environmental, health and safety and water quality regulations are complex and change frequently, and the overall trend has been that they have become more stringent over time. It is possible that new or more stringent environmental standards and water quality regulations could be imposed that will increase Water Utility Services' water quality compliance costs, hamper Water Utility Services' available water supplies, and increase future capital expenditures. Future drinking water regulations may require increased monitoring, additional treatment of underground water supplies, fluoridation of all supplies, more stringent performance standards for treatment plants and procedures to further reduce levels of disinfection by-products. In the past, Water Utility Services has generally been able to recover expenses associated with compliance related to environmental, health and safety standards, but future recoveries could be affected by regulatory lag and the corresponding uncertainties surrounding rate recovery.

Production Expenses

Water Utility Services' operations require significant production inputs which result in significant production expenses. These expenses include power, which is used to operate pumps and other equipment, purchased water and groundwater extraction charges. For 2015, production expenses accounted for approximately 49% of our total operating expenses. Price increases associated with these production inputs would adversely impact our results of operations until rate relief is granted.

Customer Growth

Customer growth in our Water Utility Services is driven by: (i) organic population growth within our authorized service areas and (ii) the addition of new customers to our regulated customer base by acquiring regulated water systems adjacent to or near our existing service territories. During 2015, 2014 and 2013, we had cash outflows of

$991, $1,768 and $3,349, respectively, for acquisitions and water rights which we believe will allow us to expand our regulated customer base. Before entering new regulated markets, we evaluate the regulatory environment to ensure that we will have the opportunity to achieve an appropriate rate of return on our investment while maintaining our high standards for quality, reliability and compliance with environmental, health and safety and water quality standards.

Water Usage Per Customer

Fluctuations in customer demand for water could be due to seasonality, restrictions of use, weather or lifestyle choices, all of which could affect Water Utility Services' results of operations. San Jose Water Company residential usage decreased 22.6% and 14.9% from 2014 to 2015 and 2013 to 2014, respectively. San Jose Water Company business usage decreased 14.1% and 5.9% from 2014 to 2015 and 2013 to 2014, respectively. In addition, 2015 residential and business usage was 30.3% and 5.7%, respectively, lower than the amount authorized in our 2013-2015 general rate case. Residential usage in 2014 was 9.9% lower and business usage was 9.8% higher than the amount authorized in our 2013-2015 general rate case. CLWSC residential and business usage decreased 9.8% from 2014 to 2015 and increased 1% from 2013 to 2014.

Weather Conditions, Seasonality and Sources of Water Supply

Our ability to meet the existing and future water demands of our customers depends on an adequate supply of water. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats or other factors may limit the availability of ground and surface water. Also, customer usage of water is affected by weather conditions, in particular during the warmer months. Our water systems experience higher demand in the summer due to the warmer temperatures and increased usage by customers for outside irrigation of lawns and landscaping. In periods of drought, if customers are encouraged or required to conserve water due to a shortage of supply or restriction of use, revenue tends to be lower. Water use restrictions may be imposed at a regional or state level and may affect our service areas regardless of our readiness to meet unrestricted customer demands. Similarly, in unusually wet periods, water supply tends to be higher and customer demand tends to be lower, again resulting in lower revenues.

In response to the ongoing drought in California, on March 17, 2015, the State Water Board adopted an expanded emergency conservation regulation that became effective on March 27, 2015. The regulation prohibits certain outdoor water uses for all Californians and also places water usage restrictions on businesses in the restaurant and hospitality sectors. On March 25, 2015, the SCVWD increased their conservation target from 20% to 30% through the end of 2015. On April 1, 2015, Governor Edmund G. Brown Jr. issued an executive order imposing restrictions to achieve a statewide 25% reduction in potable urban water usage through February 28, 2016 based on 2013 usage. On November 13, 2015, Governor Edmund G. Brown issued Executive Order B-36-15 that calls for an extension of restrictions on urban potable water usage until October 31, 2016, should drought conditions persist through January of 2016. On February 2, 2016, the State Water Board approved a resolution to extend the existing emergency conservation regulation as directed in the November 2015 executive order.

On April 9, 2015, the CPUC issued a resolution ordering its regulated water utilities to comply with the State Water Board's emergency conservation regulation, conduct additional customer outreach and implement restrictions on outdoor water use. Effective June 15, 2015, San Jose Water Company was authorized by the CPUC to activate Stage 3 of Tariff Rule 14.1 which is a water shortage contingency plan with mandatory water usage reductions and drought surcharges. Tariff Rule 14.1 focuses primarily on restrictions of outdoor water use which accounts for 50% of a typical customer's water usage. The drought surcharges are recorded in a regulatory liability account which has been authorized by the CPUC to track monies received from drought surcharges and will be used to reduce future customer surcharges that result from drought conservation activities. San Jose Water Company is continually working to remain in compliance with the various drought rules and regulations and is also working with local governments as well as the SCVWD to communicate consistent messages to the public about use restrictions and related matters because of the ongoing drought.

San Jose Water Company believes that its various sources of water supply, which consists of groundwater from wells, surface water from watershed run-off and diversion, reclaimed water, and imported water purchased from the SCVWD, will be sufficient to meet customer demand for 2016 after consideration of implemented water restrictions and drought conservation activities. However, additional conservation measures which may include water rationing may be necessary if the drought continues. In addition, San Jose Water Company actively works with the SCVWD to address California's long-term water supply challenges by continuing to educate customers on responsible water use practices and to conduct long-range water supply planning. CLWSC believes that they will be able to meet customer demand for 2016 with their water supply which consists of groundwater from wells and purchased treated and raw

water from the GBRA.

Results of Operations

Among other things, water sales are seasonal in nature and influenced by weather conditions. The timing of precipitation and climatic conditions can cause seasonal water consumption by customers to vary significantly. Revenue is generally higher in the warm, dry summer months when water usage and sales are greater and lower in the winter months when cooler temperatures and increased rainfall curtail water usage and sales.

See Item 1, “Business” for a discussion of the California drought and political and regulatory activities that have occurred in response to ongoing drought conditions.

Overview

SJW Corp.'s consolidated net income for the year ended December 31, 2015 was $37,882, compared to $51,806 for the same period in 2014. This represents an decrease of $13,924 or 27%, from 2014. The decrease in net income was primarily due to the recognition in 2014 of $46,456 in true-up revenue resulting from the general rate case decision. On September 29, 2014, the CPUC approved a surcharge to true-up the difference between interim rates and authorized rates of $46,700 as well as one-time refunds of $200 that were recognized in 2014. Collection of the surcharge was authorized to occur over a three-year period which commenced on October 2, 2014. This decrease in revenue was partially offset by the recognition of $20,492 in revenue related to the WCMA. On December 3, 2015, the CPUC approved a surcharge to recover lost revenues for the period of April 1, 2014 through December 31, 2014 related to the ongoing drought and the associated calls for water use reduction from the SCVWD. The resolution authorized San Jose Water Company to recover $4,259 of lost revenues tracked through the WCMA account over a 12-month period via a surcharge of $0.08 per CCF beginning December 9, 2015. A reserve was recorded of $1,278 for the estimated amount that may not be collected within 24 months of year-end based upon guidance in ASC Topic 980 subtopic 605-25. The net amount of $2,981 has been recorded in revenue for the year ended December 31, 2015. In addition, San Jose Water Company recognized $19,854 of lost revenues accumulated in the WCMA account during the year ended December 31, 2015, less a $2,343 reserve for the estimated amount that may not be collected timely based upon the same guidance.

Operating Revenue

Operating revenue by segment was as follows:

Operating Revenue

	2015	2014	2013
Water Utility Services	$298,094	312,649	270,664
Real Estate Services	6,988	7,019	6,205
	$305,082	319,668	276,869

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

	2015 vs. 2014 Increase/(decrease)		2014 vs. 2013 Increase/(decrease)	
Water Utility Services:				
Consumption changes	$(36,332)	(11)%	$(17,987)	(6)%
Increase in customers	1,226	—%	1,816	—%
Rate increases	37,818	12%	20,224	7%
Balancing and memorandum accounts:				
2012 general rate case true-up	(44,519)	(14)%	46,456	17%
Water Conservation Memorandum Account	20,492	6%	—	—%
All other	6,760	2%	(9,476)	(3)%
Texas general rate case refund	—	—%	952	—%
Real Estate Services	(31)	—%	814	—%
	$(14,586)	(5)%	$42,799	15%

2015 vs. 2014

The revenue decrease consists of $14,555 from Water Utility Services and $31 from Real Estate Services.

The revenue decrease for Water Utility Services is primarily the result of the recognition of $46,456 true-up revenue approved by the CPUC in September 2014 and a decrease in consumption primarily due to the record drought in California and associated conservation measures. These decreases were partially offset by an increase in rates as approved in the 2012 general rate case decision, an increase in the revenue recognized related to certain balancing and memorandum accounts, and an increase in customers. The Company also recognized lost 2014 and 2015 revenue that

was being tracked in the Water Conservation Memorandum Account until the criteria of ASC Topic 980 subtopic 605-25 was met.

The revenue decrease for Real Estate Services was primarily the result of decreased rental income from our Tennessee property due to lower common area maintenance expense reimbursements.

2014 vs. 2013

The revenue increase consists of $41,985 from Water Utility Services and $814 from Real Estate Services.

The revenue increase for Water Utility Services primarily consists of the recognition of $46,456 true-up revenue approved by the CPUC in September 2014 and increases in rates as approved in the 2012 general rate case decision. These increases were partially offset by a decrease in customer consumption primarily due to the record drought in California and associated conservation and a decrease in revenue recognized related to certain balancing and memorandum accounts.

The revenue increase for Real Estate Services was primarily the result of increased rental income from our Tennessee property. The Tennessee commercial building and warehouse building had a new tenant whose lease term commenced in July 2013. A full year of lease income was recognized in 2014, compared to only six months in 2013.

Water Utility Services' Operating Revenue and Customer Counts

The following tables present operating revenues and number of customers by customer group of Water Utility Services:

Operating Revenue by Customer Group

	2015	2014	2013
Residential and business	$251,617	249,302	245,601
Industrial	1,446	1,492	1,209
Public authorities	11,764	11,766	12,104
Others	8,536	8,091	7,683
Balancing and memorandum accounts	24,731	41,998	4,067
	$298,094	312,649	270,664

Number of Customers

	2015	2014	2013
Residential and business	235,883	235,179	233,452
Industrial	76	76	77
Public authorities	1,368	1,374	1,401
Others	4,228	4,144	4,047
	241,555	240,773	238,977

Operating Expense

Operating expense by segment was as follows:

Operating Expense

	2015	2014	2013
Water Utility Services	$218,687	221,600	218,444
Real Estate Services	4,079	4,193	4,000
All Other	2,356	997	1,018
	$225,122	226,790	223,462

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

	2015 vs. 2014 Increase/(decrease)		2014 vs. 2013 Increase/(decrease)	
Water production expenses:				
Change in surface water supply	$(2,630)	(1)%	$4,880	2 %
Change in usage and new customers	(21,468)	(9)%	(11,449)	(5)%
Purchased water and groundwater extraction charge and energy price increase	11,974	5 %	8,477	4 %
Total water production expenses	(12,124)	(5)%	1,908	1 %
Administrative and general	6,558	3 %	(3,141)	(1)%
Maintenance	482	— %	926	— %
Property taxes and other non-income taxes	581	— %	769	— %
Depreciation and amortization	2,835	1 %	2,866	1 %
	$(1,668)	(1)%	$3,328	1 %

Sources of Water Supply

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

CLWSC's water supply consists of groundwater from wells and purchased treated and raw water from the GBRA. CLWSC has long-term agreements with the GBRA, which expire in 2037, 2040, 2044 and 2050. The agreements, which are take-or-pay contracts, provide CLWSC with an aggregate of 6,900 acre-feet of water per year from Canyon Lake at prices that may be adjusted periodically by GBRA.

The following table presents the sources of water supply for Water Utility Services:

	Source of Water Supply		
	2015	2014	2013
	(million gallons) (MG)		
Purchased water	21,338	18,491	27,119
Groundwater	13,005	25,052	19,300
Surface water	1,553	421	2,537
Reclaimed water	639	685	682
	36,535	44,649	49,638
Average water production expense per MG	$3,028	2,749	2,435

Water production in 2015 for Water Utility Services decreased 8,114 million gallons from 2014. Water production in 2014 decreased 4,989 million gallons from 2013. The changes are primarily attributable to changes in consumption by customers and are consistent with the changes in the related water production expenses.

The contract water rates for San Jose Water Company are determined by SCVWD. These rates are adjusted periodically and coincide with SCVWD's fiscal year, which ends on June 30. The contract water rate for SCVWD's fiscal years 2016, 2015 and 2014 was $3.1, $2.6 and $2.4 per million gallons, respectively. The contractual cost of the groundwater extraction charge for water pumped from the ground basin was $2.7, $2.3 and $2.1 per million gallons for SCVWD's fiscal years 2016, 2015, and 2014, respectively.

Unaccounted-for water for 2015 and 2014 approximated 8.1% and 7.1%, respectively, as a percentage of production. The unaccounted-for water estimate is based on the results of past experience and the impact of lower flows through

the system

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as a result of conservation activities, partially offset by Water Utility Services' main replacements and lost water reduction programs.

The various components of operating expenses are discussed below.

Water production expenses

2015 vs. 2014

Water production expenses decreased $21,468 due to a decrease in customer usage and $2,630 due to an increase in the use of available surface water in 2015 compared to 2014. These decreases were offset by a $11,974 increase due to higher per unit costs paid for purchased water, groundwater extraction and energy charges. Effective July 2015, SCVWD increased the unit price of purchased water by approximately 17% and the groundwater extraction charge by approximately 20%.

2014 vs. 2013

Water production expenses increased $8,477 due to higher per unit costs paid for purchased water, groundwater extraction and energy charges and $4,880 due to a decrease in the use of available surface water in 2014 compared to 2013. The decrease in the use of available surface water was due to the record drought in California. Effective July 2014, SCVWD increased the unit price of purchased water by approximately 9% and the groundwater extraction charge by approximately 10%. The increases were offset by a $11,449 decrease in customer usage.

Administrative and General Expense

Administrative and general expenses include payroll related to administrative and general functions, all employee benefits charged to expense accounts, insurance expenses, legal fees, regulatory utility commissions' expenses, expenses associated with being a public company, and general corporate expenses.

2015 vs. 2014

Administrative and general expense increased $6,558 in 2015, or 16%, in comparison to 2014. The increase consisted primarily of: (1) $3,368 due to a increase in pension expense as a result of a decreasing discount rate and updated mortality data to reflect increasing life expectancies in the United States, (2) $1,219 increase in legal fees primarily relating to lease amendments for our Texas water supply project, (3) $1,158 increase in salaries, (4) $419 increases in regulatory surcharges due to higher rates, and (5) $394 increase in miscellaneous expenses.

2014 vs. 2013

Administrative and general expense decreased $3,141 in 2014, or 7%, in comparison to 2013. The decrease consisted primarily of: (1) $3,614 due to a decrease in pension expense as a result of an increasing discount rate coupled with an increase in return on pension plan assets, and (2) $1,088 decrease due to nonrecurring settlement payments and bonus payments incurred in 2013 in connection with securing permits for our Texas water supply project recorded in prior year, offset by (3) a $1,098 increase in salaries and (4) $463 increase in miscellaneous expenses.

Maintenance Expense

Maintenance expense increased $482 in 2015, or 3%, in comparison to 2014, and increased $926 in 2014, or 7%, in comparison to 2013. The increase in 2015 consisted primarily of a $298 increase in paving expense due to a change in paving specifications required by City of San Jose. The increase in 2014 consisted primarily of: (1) $421 increase in transportation and fuel expense, and (2) $305 increase in contracted work, paving, and materials and supplies as a result of an increase in main and service leaks.

Property Taxes and Other Non-income Taxes

Property taxes and other non-income taxes for 2015 and 2014 increased $581 and $769 from prior years, respectively. The increases were primarily a result of increased utility plant. SJW Corp. anticipates increases in 2016 for property taxes and other non-income taxes due to increases in utility plant.

Depreciation and Amortization

Depreciation and amortization expense increased $2,835 in 2015, or 7%, in comparison to 2014, and increased $2,866 in 2014, or 8%, in comparison to 2013. The increase in both years was due to increases in utility plant. SJW Corp. anticipates increases in 2016 for depreciation expense due to increases in utility plant.

Other Income and Expense

The change in other (expense) income in 2015 compared to 2014 was primarily due to a $2,017 gain from the sale of 125,969 shares of California Water Service Group stock in 2014 and an increase in interest on long-term debt due to the

issuance of Series L senior note in 2014. This decrease was partially offset by an increase in the gain from the sale of a portfolio of San Jose Water Company non-utility properties in 2015 compared to the sale of our SJW Land Company Texas property and a California non-utility property recorded in prior year.

The change in other (expense) income in 2014 compared to 2013 was primarily due to a $2,017 pre-tax gain from the sale of 125,969 shares of California Water Service Group stock. No similar sale occurred in 2013. This increase was partially offset by a decrease in the pre-tax gain from the sale of our Texas property and California nonutility property compared to the pre-tax gain recorded in prior year on the sale of our SJW Land Company Connecticut property.

SJW Corp.'s consolidated weighted-average cost of long-term debt, including the mortgages and the amortization of debt issuance costs, was 6.2% for the years ended December 31, 2015 and 2014, and 6.3% for the year ended December 31, 2013.

Provision for Income Taxes

Income tax expense for 2015 was $23,272, compared to $24,971 in 2014. The effective consolidated income tax rate was 38% for 2015, 33% for 2014 and 39% for 2013. The change in the effective consolidated income tax rate between 2014 and 2015 was primarily due to a state income tax benefit of $4,482 recognized in 2014 related to the adoption of new Department of Treasury and Internal Revenue Service Tangible Property Regulations for 2013 and prior years.

SJW Corp. is currently undergoing an income tax examination by The California Franchise Tax Board for refund claims for fiscal years 2008 through 2012. Please refer to Note 5, “Income Taxes,” of Notes to Consolidated Financial Statements for a reconciliation of actual to expected income tax expense.

Other Comprehensive (Loss) Income

Other comprehensive loss in 2015 was $206, net of tax, due to a change in the market value of our investment in California Water Service Group stock. Other comprehensive loss in 2014 was $870, net of tax, due to a change in the market value of the investment in California Water Service Group stock of $301 and the recognition of unrealized holding gains of $1,171 that was reclassified out of accumulated other comprehensive income due to the sale of California Water Service Group stock during the year.

Liquidity and Capital Resources

Water Utility Services' business derives the majority of its revenue directly from residential and business customers. Water Utility Services bills the majority of its customers' on a bi-monthly basis. Payments from customers are impacted by the general economic conditions in the areas where SJW Corp. operates. Payment delinquencies are mitigated by service interruptions due to non-payment. Because California is a high cost of living state, it is possible that Californians may migrate to other states with a lower cost-of-living. As of December 31, 2015, the change in the number of customers has been minimal and write-offs for uncollectible accounts have been less than 1% of total revenue, unchanged from the prior year. Management believes it can continue to collect its accounts receivable balances at its historical collection rate.

Funds collected from Water Utility Services' customers are used to pay for water production expenses, in addition to all costs associated with general operations. Funds were also generated from borrowings on the line of credit and sale of non-utility properties owned by San Jose Water Company. From these amounts, SJW Corp. paid cash dividends of approximately $15,885 and funded its 2015 working capital and capital expenditure program.

The condition of the capital and credit markets or the strength of financial institutions could impact SJW Corp.'s ability to draw on its line 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 Corp.'s cost of capital. While our ability to obtain financing will continue to be a key risk, we believe that based on our 2015 activities, we will have access to the external funding sources necessary to implement our on-going capital investment programs in the future.

In 2015, the common dividends declared and paid on SJW Corp.'s common stock represented 42% of net income for 2015. Dividends have been paid on SJW Corp.'s and its predecessor's common stock for 289 consecutive quarters and the annual dividend amount has increased in each of the last 48 years. While historically SJW Corp. has generally paid dividends equal to approximately 50% to 60% of its net income, SJW Corp. cannot guarantee that this trend will continue in the future.

On February 22, 2016, SJW Corp. entered into a Purchase and Sale Agreement with the GBRA pursuant to which SJW Corp. agreed to sell all of its equity interest in TWA to GBRA for $31,000 in cash (the “TWA Agreement”). Pursuant to the TWA Agreement, (i) upon closing of the transaction, GBRA will hold back $3,000 in the payment of the total purchase price and (ii) such holdback amount, subject to reductions under certain circumstances, shall be paid to SJW Corp. four years following the closing. The TWA Agreement is subject to specified closing conditions, including without limitation, the completion of a financing by GBRA to fund the purchase price. There is no guarantee that all of the closing conditions will be

satisfied, and the failure to complete the sale of TWA may adversely affect the financial conditions and results of operations of SJW Corp.

Cash Flow from Operations

In 2015, SJW Corp. generated cash flow from operations of approximately $97,200 compared to $65,900 in 2014 and $63,400 in 2013. Cash flow from operations is primarily generated by net income from revenue producing activities, adjusted for non-cash expenses for depreciation and amortization, deferred income taxes, gains on the sale of assets, and changes in working capital items. Cash flow from operations increased in 2015 by approximately $31,300. This increase was caused primarily by a combination of the following factors: (1) recognition in the prior year of true-up revenue resulting from the general rate case decision added $41,200 in the balancing and memorandum accounts, (2) net income adjusted for non-cash items and gains from asset activity decreased $19,400, and (3) all other items caused a $9,500 increase. The increase in 2014 by approximately $2,500 was caused by a combination of the following factors: (1) net income adjusted for non-cash items and gains from asset activity increased $43,700, (2) general working capital and postretirement changes caused a $2,400 increase, (3) collections of previously billed and accrued receivables increased by $1,800, (4) recognition and collection of the balancing and memorandum accounts drove a decrease of $36,500, (5) payments of amounts previously invoiced and accruals related to groundwater extraction charges and purchased water decreased by $4,500, and (6) net collection of taxes receivable was $4,400 less than the prior year.

Cash Flow from Investing Activities

In 2015, SJW Corp. used approximately $96,000 of cash for Company funded capital expenditures, $10,800 for developer funded capital expenditures, $3,700 in utility plant retirement costs, $1,100 for real estate investments related to the leasehold improvement additions for the properties located in Knoxville, Tennessee, and $1,000 for acquisitions and rights to provide water service. These uses were offset by cash proceeds of $2,000 from the sale of non-utility properties owned by San Jose Water Company. In 2014, SJW Corp. used approximately $91,800 of cash for Company funded capital expenditures, $10,100 for developer funded capital expenditures, $1,800 for acquisitions and rights to provide water service, and $1,600 in utility plant retirement costs. These uses were offset by cash proceeds of $4,600 from the sales of SJW Land Company's real estate investment in Texas and a non-utility property owned by San Jose Water Company, and $3,100 from the sale of California Water Service Group stock.

Water Utility Services budgeted capital expenditures for 2016, exclusive of capital expenditures financed by customer contributions and advances is as follows:

	Budgeted Capital Expenditures 2016		
Water treatment	$1,784	1	%
Source of supply	10,443	7	%
Reservoirs and tanks	10,842	8	%
Pump stations and equipment	8,978	6	%
Equipment and other	13,890	10	%
Montevina Water Treatment Plant	24,500	18	%
Recycled water, green and alternative energy projects	5,505	4	%
Distribution system	65,356	46	%
	$141,298	100	%

The 2016 capital expenditures budget is concentrated in main replacements. Included in the distribution system budgeted capital expenditures of $65,356 is approximately $43,000 that is planned to be spent to replace Water Utility Services' pipes and mains.

Water Utility Services' capital expenditures are incurred in connection with normal upgrading and expansion of existing facilities and to comply with environmental regulations. Over the next five years, Water Utility Services expects to incur approximately $614,520 in capital expenditures, which includes replacement of pipes and mains, and

maintaining water systems. This amount is subject to CPUC and PUCT approval. Capital expenditures have the effect of increasing utility plant on which Water Utility Services earns a return. Water Utility Services actual capital expenditures may vary from their projections due to changes in the expected demand for services, weather patterns, actions by governmental agencies and general

economic conditions. Total additions to utility plant normally exceed Company-financed additions as a result of new facilities construction funded with advances from developers and contributions in aid of construction.

A substantial portion of San Jose Water Company's distribution system was constructed during the period from 1945 to 1980. Expenditure levels for renewal and modernization of this part of the system will grow at an increasing rate as these components reach the end of their useful lives. In most cases, replacement cost will significantly exceed the original installation cost of the retired assets due to increases in the costs of goods and services and increased regulation.

Cash Flow from Financing Activities

Net cash provided by financing activities for the year ended December 31, 2015 decreased by approximately $15,600 from the same period in the prior year, primarily as a result of a decrease in the amount of new long-term borrowing, partially offset by an increase in net borrowings on the line of credit and receipts of advances and contributions in aid of construction. SJW Corp.'s cash management policy includes the issuance of long-term debt to pay down borrowings on the lines of credit. As such, when long-term borrowings are high, borrowings on the line of credit tend to be low and when long-term borrowings are low, borrowings on the line of credit tend to be high.

SJW Corp., SJW Land Company and San Jose Water Company have unsecured bank lines of credit totaling $100,000, of which $3,000 under the San Jose Water Company line of credit has been set aside in the form of letters of credit for its California Department of Water Resources' Safe Drinking Water State Revolving Fund (“SDWSRF”) loans as of December 31, 2015. Our drawdowns on our lines of credit are restricted by our funded debt not exceeding a percent of total capitalization as defined in our debt covenants. SJW Corp. expects to periodically draw down on the lines of credit as dictated by our funding needs and subsequently repay such borrowings with cash from operations and issuance of long-term debt or equity. See also “Sources of Capital—Water Utility Services” below.

Sources of Capital

Water Utility Services

San Jose Water Company's ability to finance future construction programs and sustain dividend payments depends on its ability to maintain or increase internally generated funds and attract external financing. The level of future earnings and the related cash flow from operations is dependent, in large part, upon the timing and outcome of regulatory proceedings.

San Jose Water Company's financing activity is designed to achieve a capital structure consistent with regulatory guidelines of approximately 49% debt and 51% equity. As of December 31, 2015, San Jose Water Company's funded debt and equity were approximately 45% and 55%, respectively. The average borrowing rate of San Jose Water Company's long-term debt was 6.5% as of December 31, 2015.

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

SJW Corp. has outstanding a $50,000 unsecured senior note as of December 31, 2015. The senior note has terms and conditions that restrict SJW Corp. from issuing additional funded debt if: (1) the funded consolidated debt would exceed 66-2/3% of total capitalization, and (2) the minimum net worth of SJW Corp. becomes less than $175,000 plus 30% of Water Utility Services cumulative net income, since June 30, 2011. As of December 31, 2015, SJW Corp. was not restricted from issuing future indebtedness as a result of these terms and conditions.

San Jose Water Company has outstanding $250,000 of unsecured senior notes as of December 31, 2015. The senior note agreements of San Jose Water Company generally have terms and conditions that restrict San Jose Water Company from issuing additional funded debt if: (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-calendar-month period would be less than 175% of interest charges. As of December 31, 2015, San Jose Water Company's funded debt was 45% of total capitalization and the net income available for interest charges was 439% of interest charges. As of December 31, 2015, San Jose Water Company was not restricted from issuing future indebtedness as a result of these terms and conditions.

San Jose Water Company has outstanding $50,000 in California Pollution Control Financing Authority revenue bonds as of December 31, 2015. The loan agreement for the revenue bonds contains affirmative and negative covenants customary for a loan agreement relating to revenue bonds, including, among other things, complying with certain

disclosure obligations and covenants relating to the tax exempt status of the interest on the bonds and limitations and prohibitions relating to the transfer of the projects funded by the loan proceeds and the assignment of the loan agreement. As of December 31, 2015, San Jose Water Company was in compliance with all such covenants.

San Jose Water Company has received two loans in the aggregate principal amount of $3,076 from the California Department of Water Resources' SDWSRF for the retrofit of San Jose Water Company's water treatment plants. Terms of these loans require semi-annual payments over 20 years of principal and interest at an annual rate of 2.39% and 2.60%. The outstanding balance as of December 31, 2015 is $1,849.

SJWTX, Inc., doing business as Canyon Lake Water Service Company, has outstanding $15,000 of senior notes as of December 31, 2015. The senior note agreement has terms and conditions that restrict SJWTX, Inc. from issuing additional funded debt if: (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-calendar-month period would be less than 175% of interest charges. In addition, SJW Corp. is a guarantor of SJWTX, Inc.'s senior note which has terms and conditions that restrict SJW Corp. from issuing additional funded debt if: (1) the funded consolidated debt would exceed 66-2/3% of total capitalization, and (2) the minimum net worth of SJW Corp. becomes less than $125,000 plus 30% of Water Utility Services cumulative net income, since December 31, 2005. As of December 31, 2015, SJWTX, Inc. and SJW Corp. were not restricted from issuing future indebtedness as a result of these terms and conditions.

Real Estate Services

As of December 31, 2015, SJW Land Company's outstanding balance of mortgages related to acquiring properties in various states totaled $14,631. The mortgages have various payments, interest and amortization terms and all are secured by the respective properties.

As of December 31, 2015, SJW Land Company also had an outstanding mortgage loan in the amount of $2,836 borrowed by its variable interest entity, 444 West Santa Clara Street, L.P. The mortgage loan is due in 2021 and is amortized over 20 years with an interest rate of 5.68%. The mortgage loan is secured by the partnership's real property and is non-recourse to SJW Land Company.

The average borrowing rate of SJW Land Company mortgages is 5.71%.

SJW Corp. and its Subsidiaries

SJW Corp. and its subsidiaries consolidated long-term debt was 50% of total capitalization as of December 31, 2015. Management believes that SJW Corp. is capable of obtaining future long-term capital to fund regulated and non-tariffed growth opportunities and capital expenditure requirements.

As of December 31, 2015, SJW Corp. and its subsidiaries had unsecured bank lines of credit, allowing aggregate short-term borrowings of up to $100,000, of which $15,000 was available to SJW Corp. and SJW Land Company under a single line of credit and $85,000 was available to San Jose Water Company under another line of credit. $3,000 under the San Jose Water Company line of credit is set aside in the form of letters of credit for its SDWSRF loans. At December 31, 2015, SJW Corp. and its subsidiaries had available unused short-term bank lines of credit of $62,400. These lines of credit bear interest at variable rates. They will expire on September 1, 2016. The cost of borrowing on SJW Corp.'s short-term credit facilities averaged 1.31% for 2015. SJW Corp., on a consolidated basis, has the following affirmative covenants on its unsecured bank line of credit: (1) the funded debt cannot exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-calendar-month period cannot be less than 175% of interest charges. As of December 31, 2015, SJW Corp.'s funded debt was 50% of total capitalization and the net income available for interest charges was 376% of interest charges. As of December 31, 2015, SJW Corp. was in compliance with all covenants. San Jose Water Company's unsecured bank line of credit has the following affirmative covenants: (1) the funded debt cannot exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-calendar-month period cannot be less than 175% of interest charges. As of December 31, 2015, San Jose Water Company was in compliance with all covenants.

Off-Balance Sheet Arrangement/Contractual Obligations

SJW Corp. has no significant contractual obligations not fully recorded on its Consolidated Balance Sheet or not fully disclosed in the Notes to Consolidated Financial Statements.

SJW Corp.'s contractual obligations and commitments as of December 31, 2015 are as follows:

		Contractual Obligations Due in			
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Senior notes, Water Utility Services	$265,000	—	—	—	265,000
SJW Land Company mortgages	14,631	3,272	11,359	—	—
Advances for construction, San Jose Water Company*	63,159	2,549	5,098	5,098	50,414
SDWSRF loans, San Jose Water Company	1,849	101	312	328	1,108
444 West Santa Clara Street, L.P. long-term debt (non-recourse to SJW Land Company)	2,836	119	259	290	2,168
California Pollution Control Financing Authority Revenue Bonds, San Jose Water Company	50,000	—	—	—	50,000
Senior note, SJW Corp.	50,000	—	—	—	50,000
Total contractual cash obligation	$447,475	6,041	17,028	5,716	418,690
Total interest on contractual obligations	$358,386	23,123	44,803	44,489	245,971

* As of December 31, 2015, advances for construction was $76,572 of which $13,413 was related to non-refundable advances for construction.

In addition to the obligations listed above, San Jose Water Company issued two standby letters of credit with a commercial bank in the amounts of $2,000 and $1,000 in support of its $1,122 and $727 SDWSRF loans which were funded in 2005 and 2008. The letters of credit automatically renew for one year each December and the amount of coverage can be reduced as the loan principal balance decreases.

In regards to uncertain tax positions, we are unable to predict the timing of tax settlements as tax audits can involve complex issues and the resolution of those issues may span multiple years, particularly if subject to negotiation or litigation.

San Jose Water Company purchases water from SCVWD under terms of a master contract expiring in 2051. Delivery schedules for purchased water are based on a contract year beginning July 1, and are negotiated every three years under terms of the master contract with SCVWD. For the years ended December 31, 2015, 2014 and 2013, San Jose Water Company purchased from SCVWD 18,482 million gallons ($52,553), 17,782 million gallons ($44,444) and 22,700 million gallons ($52,500), respectively, of contract water. In accordance with the reduction of treated water deliveries approved by the SCVWD Board of Directors on November 25, 2015, the delivery schedule was reduced by 20% through June 30, 2016. Based on current prices and estimated deliveries, San Jose Water Company committed to purchase from SCVWD a minimum of 90% of the reduced delivery schedule, or 19,360 million gallons ($59,060) of water at the current contract water rate of $3.1 per million gallons in the year ending December 31, 2016.

Additionally, San Jose Water Company purchases non-contract water from SCVWD on an “as needed” basis if the water supply is available. The contract water rates for San Jose Water Company are determined by SCVWD. These rates are adjusted periodically and coincide with SCVWD's fiscal year, which ends on June 30. The contract water rate for SCVWD's fiscal years 2016, 2015 and 2014 was $3.1, $2.6 and $2.4 per million gallons, respectively.

San Jose Water Company also pumps water from the local groundwater basin. There are no delivery schedules or contractual obligations associated with the purchase of groundwater. SCVWD determines the groundwater extraction charge and it is applied on a per unit basis. In addition to the SCVWD groundwater extraction charge, San Jose Water Company also incurs power costs to pump the groundwater from the basin.

San Jose Water Company sponsors a noncontributory defined benefit pension plan and provides health care and life insurance benefits for retired employees. In 2015, San Jose Water Company contributed $9,374 and $468 to the

pension plan and other postretirement benefit plan, respectively. In 2016, San Jose Water Company expects to make required and discretionary cash contributions of up to $8,200 to the pension plan and other postretirement benefit plan. The amount of required contributions for years thereafter is not actuarially determinable.

San Jose Water Company's other benefit obligations include employees' and directors' postretirement benefits, an Executive Supplemental Retirement Plan, Cash Balance Executive Supplemental Retirement Plan, Special Deferral Election Plan and Deferral Election Program for non-employee directors. Under these benefit plans, San Jose Water Company is committed to pay approximately $793 annually to former officers and directors. Future payments may fluctuate depending on the life span of the retirees and as current officers and executives retire.

San Jose Water Company has remaining commitments of $46,900 with one vendor related to Phase 2 upgrades to the Montevina Water Treatment Plant. This amount is expected to be spent during 2016 and 2017.

CLWSC purchases water from GBRA under terms of agreements expiring in 2037, 2040, 2044 and 2050. The agreements, which are take-or-pay contracts, provide CLWSC with 6,900 acre-feet per year of water supply from Canyon Lake. The water rate may be adjusted by GBRA at any time, provided they give CLWSC a 60-day written notice on the proposed adjustment.

TWA has entered into approximately 180 water leases with property owners for certain real property rights for the development, production, transportation and use of groundwater in and under their property. In accordance with the water leases, TWA is committed to pay between $1,000 and $1,300 per year from 2016 to 2020. TWA may terminate the water leases at any time during the pre-production phase, upon two years prior written notice.

444 West Santa Clara Street, L.P.

SJW Land Company owns a 70% limited partnership interest in 444 West Santa Clara Street, L.P., a real estate limited partnership. A real estate development firm owns the remaining 30% limited partnership interest. A commercial building was constructed on the property of 444 West Santa Clara Street, L.P. and is leased to an international real estate firm. The lease expires in August 2019. SJW Land Company consolidates its limited partnership interest in 444 West Santa Clara Street, L.P. as a variable interest entity within the scope of ASC Topic 810.

Impact of Recent Accounting Pronouncements

In January 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-05 - “Service Concession Arrangements” which became effective for SJW Corp. during the first quarter of 2015. ASU 2014-05 specifies that an operating entity should not account for a service concession arrangement as a lease in accordance with FASB ASC Topic 840 - “Leases.” An operating entity should refer to other accounting guidance topics as applicable to account for various aspects of a service concession arrangement. ASU 2014-05 also specifies that infrastructure constructed by an operator in a service concession arrangement should not be recognized as property, plant, and equipment of the operator. ASU 2014-05 required application on a modified retrospective basis to service concession arrangements that existed at January 1, 2015. San Jose Water Company operates the City of Cupertino's municipal water system under a service concession arrangement. Upon adoption of this standard, SJW Corp. reclassified $1,859 of Depreciable Plant and Equipment for infrastructure related to the Cupertino service concession arrangement to intangible assets and the related accumulated depreciation of $377 to accumulated amortization. In addition, SJW Corp. recognized a cumulative effect adjustment of $436, net of tax, to the opening balance of retained earnings.

In May 2014, the FASB issued ASU 2014-09 which supersedes most of the current revenue recognition requirements, including most industry-specific guidance. On July 9, 2015, the FASB agreed to defer by one year the mandatory effective date but will also provide entities the option to adopt it as of the original effective date. The updated standard will become mandatory for SJW Corp. in the first quarter of 2018 and permits the use of either the retrospective or cumulative effect transition method. Management is currently evaluating the effect that the new standard will have on our consolidated financial statements and related disclosures.

In February 2015, the FASB issued ASU 2015-02 which modifies the evaluation of whether limited partnerships and similar legal entities are variable or voting interest entities, eliminates the presumption that the general partner should consolidate a limited partnership, modifies the consolidation analysis for reporting entities that are involved in variable interest entities, particularly those that have fee arrangements and related party relationships, and provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that operate as registered money market funds. ASU 2015-02 is effective for us in the first quarter of 2016, and adoption does not have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 regarding simplification of the presentation of debt issuance costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a

direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The update is effective for SJW Corp. beginning in the first quarter of the fiscal year ending December 31, 2016. Earlier adoption is permitted for financial statements that have not been previously issued. SJW Corp. is required to apply the guidance on a retrospective basis with additional disclosure

requirements upon transition. The adoption of the ASU does not have a material impact on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17 which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as noncurrent. The ASU is effective for fiscal years and interim periods beginning after December 31, 2016. Early adoption is permitted. The Company early adopted this ASU during the quarter ended December 31, 2015. The adoption of the ASU did not have an impact on prior periods.

In January 2016, the FASB issued ASU 2016-01 which will significantly change the recognition of changes in fair value of financial liabilities when the fair value option is elected and require equity investments to be measured at fair value with changes in fair value recognized in net income instead of through other comprehensive income. The update is effective for SJW Corp. beginning in the first quarter of the fiscal year ending December 31, 2018. Management is currently evaluating the effect that the new standard will have on our consolidated financial statements and related disclosures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

SJW Corp. is subject to market risks in the normal course of business, including changes in interest rates, pension plan asset values, and equity prices. The exposure to changes in interest rates can result from the issuance of debt and short-term funds obtained through the Company's variable rate lines of credit. San Jose Water Company sponsors a noncontributory pension plan for its employees. Pension costs and the funded status of the plan are affected by a number of factors including the discount rate and investment returns on plan assets. SJW Corp. also owned 259,151 shares of common stock of California Water Service Group as of December 31, 2015, which is listed on the New York Stock Exchange, and is therefore exposed to the risk of fluctuations and changes in equity prices.

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

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
SJW Corp.:

We have audited the accompanying consolidated balance sheets of SJW Corp. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement schedule listed in Item 15. We also have audited SJW Corp's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). SJW Corp's management is responsible for these consolidated financial statements, for the financial statement schedule and for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SJW Corp. and subsidiaries as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, SJW Corp maintained, in all material respects,

effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

Santa Clara, CA

February 25, 2016

SJW Corp. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2015	2014
Assets		
Utility plant:		
Land	$17,853	16,838
Depreciable plant and equipment	1,438,321	1,353,772
Construction in progress	45,573	23,208
Intangible assets	22,675	19,333
	1,524,422	1,413,151
Less accumulated depreciation and amortization	487,659	450,137
	1,036,763	963,014
Real estate investments	74,641	73,794
Less accumulated depreciation and amortization	13,157	11,593
	61,484	62,201
Current assets:		
Cash and cash equivalents	5,239	2,399
Accounts receivable:		
Customers, net of allowances for uncollectible accounts of $200 and $150 in 2015 and 2014, respectively	16,390	14,997
Income tax	10,852	8,871
Other	2,192	3,385
Accrued unbilled utility revenue	17,417	18,074
Current regulatory assets, net	16,542	16,853
Other current assets	4,744	3,514
	73,376	68,093
Other assets:		
Investment in California Water Service Group	6,030	6,378
Unamortized debt issuance, broker and reacquisition costs	4,721	5,218
Net regulatory assets, less current portion	152,021	158,010
Other	6,568	6,390
	169,340	175,996
	$1,340,963	1,269,304

See Accompanying Notes to Consolidated Financial Statements.

SJW Corp. and Subsidiaries
CONSOLIDATED BALANCE SHEETS (Continued)
(in thousands, except share and per share data)

	December 31, 2015	2014
Capitalization and Liabilities		
Capitalization:		
Shareholders' equity:		
Common stock, $0.521 par value; authorized 36,000,000 shares; issued and outstanding 20,381,949 shares in 2015 and 20,286,840 shares in 2014	$10,616	10,567
Additional paid-in capital	68,636	66,298
Retained earnings	302,220	280,773
Accumulated other comprehensive income	2,311	2,517
Total shareholders' equity	383,783	360,155
Long-term debt, less current portion	380,825	384,365
	764,608	744,520
Current liabilities:		
Line of credit	34,600	13,200
Current portion of long-term debt	3,491	584
Accrued groundwater extraction charges, purchased water and power	7,163	6,030
Accounts payable	16,196	7,001
Accrued interest	6,193	6,361
Accrued property taxes and other non-income taxes	1,622	1,607
Accrued payroll	4,203	3,755
Other current liabilities	6,155	6,156
	79,623	44,694
Deferred income taxes	198,775	185,506
Advances for construction	76,572	73,303
Contributions in aid of construction	141,194	138,502
Postretirement benefit plans	70,230	74,187
Other noncurrent liabilities	9,961	8,592
Commitments and contingencies	—	—
	$1,340,963	1,269,304

See Accompanying Notes to Consolidated Financial Statements.

SJW Corp. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31 (in thousands, except share and per share data)

	2015	2014	2013
Operating revenue	$305,082	319,668	276,869
Operating expense:			
Production Expenses:			
Purchased water	61,089	47,280	63,225
Power	6,121	9,865	7,619
Groundwater extraction charges	31,240	53,678	37,927
Other production expenses	12,178	11,929	12,073
Total production expenses	110,628	122,752	120,844
Administrative and general	47,131	40,573	43,714
Maintenance	14,956	14,474	13,548
Property taxes and other non-income taxes	11,667	11,086	10,317
Depreciation and amortization	40,740	37,905	35,039
Total operating expense	225,122	226,790	223,462
Operating income	79,960	92,878	53,407
Other (expense) income:			
Interest on long-term debt	(20,925)	(19,423)	(18,667)
Mortgage and other interest expense	(1,261)	(1,365)	(1,255)
Gain on sale of California Water Service Group stock	—	2,017	—
Gain on sale of real estate investment	1,886	554	1,063
Dividend income	174	189	246
Other, net	1,320	1,927	1,725
Income before income taxes	61,154	76,777	36,519
Provision for income taxes	23,272	24,971	14,135
Net income	$37,882	51,806	22,384
Other comprehensive (loss) income:			
Unrealized (loss) income on investment, net of taxes of ($141) in 2015, $208 in 2014 and $741 in 2013	(206)	301	1,077
Reclassification adjustment for gain realized on investment, net of taxes of $805 in 2014	—	(1,171)	—
Comprehensive income	$37,676	50,936	23,461
Earnings per share			
—Basic	$1.86	2.56	1.13
—Diluted	$1.85	2.54	1.12
Weighted average shares outstanding			
—Basic	20,360,663	20,227,297	19,774,589
—Diluted	20,515,643	20,416,734	19,971,236

See Accompanying Notes to Consolidated Financial Statements.

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SJW Corp. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands, except share and per share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Number of Shares	Amount				
Balances, December 31, 2012	18,670,566	9,724	26,117	236,453	2,310	274,604
Net income	—	—	—	22,384	—	22,384
Unrealized income (loss) on investment, net of tax effect of $741	—	—	—	—	1,077	1,077
Share-based compensation	—	—	912	(128)	—	784
Exercise of stock options and similar instruments	43,665	23	46	—	—	69
Employee stock purchase plan	30,869	16	706	—	—	722
Dividend reinvestment and stock purchase plan	3,111	2	82	—	—	84
Common stock issued	1,421,000	740	35,154	—	—	35,894
Dividends paid ($0.73 per share)	—	—	—	(14,443)	—	(14,443)
Balances, December 31, 2013	20,169,211	10,505	63,017	244,266	3,387	321,175
Net income	—	—	—	51,806	—	51,806
Unrealized income (loss) on investment, net of tax effect of $208	—	—	—	—	301	301
Reclassification adjustment for gain realized on investment, net of tax effect of $805	—	—	—	—	(1,171)	(1,171)
Share-based compensation	—	—	1,031	(122)	—	909
Exercise of stock options and similar instruments	80,796	42	1,397	—	—	1,439
Employee stock purchase plan	35,682	19	820	—	—	839
Dividend reinvestment and stock purchase plan	1,151	1	33	—	—	34
Dividends paid ($0.75 per share)	—	—	—	(15,177)	—	(15,177)
Balances, December 31, 2014	20,286,840	10,567	66,298	280,773	2,517	360,155
Net income	—	—	—	37,882	—	37,882
Cumulative effect of change in accounting principle, net of tax effect of $300	—	—	—	(436)	—	(436)
Unrealized income (loss) on investment, net of tax effect of $141	—	—	—	—	(206)	(206)
Share-based compensation	—	—	1,603	(114)	—	1,489
Exercise of stock options and similar instruments	61,791	32	(143)	—	—	(111)

Employee stock purchase plan	33,318	17	878	—	—	895
Dividends paid ($0.78 per share)	—	—	—	(15,885)	—	(15,885)
Balances, December 31, 2015	20,381,949	10,616	68,636	302,220	2,311	383,783

See Accompanying Notes to Consolidated Financial Statements.

SJW Corp. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31 (in thousands)

	2015	2014	2013
Operating activities:			
Net income	$37,882	51,806	22,384
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	42,330	39,491	36,595
Deferred income taxes	15,925	26,067	11,567
Share-based compensation	1,603	1,031	912
Gain on sale of real estate investment	(1,886)	(554)	(1,063)
Gain on sale of California Water Service Group stock	—	(2,017)	—
Changes in operating assets and liabilities:			
Accounts receivable and accrued unbilled utility revenue	735	(1,276)	(3,073)
Accounts payable and other current liabilities	1,550	(403)	(369)
Accrued groundwater extraction charges, purchased water and power	1,133	(1,751)	2,709
Tax receivable and accrued taxes	(3,297)	(5,546)	(1,112)
Postretirement benefits	(117)	(325)	127
Regulatory asset related to balancing and memorandum accounts	1,429	(39,727)	(3,257)
Other noncurrent assets and noncurrent liabilities	1,950	(2,001)	(884)
Other changes, net	(1,980)	1,116	(1,111)
Net cash provided by operating activities	97,257	65,911	63,425
Investing activities:			
Additions to utility plant:			
Company-funded	(96,012)	(91,846)	(82,720)
Contributions in aid of construction	(10,762)	(10,090)	(11,605)
Additions to real estate investment	(1,097)	(13)	(4,232)
Payments for business/asset acquisition and water rights	(991)	(1,768)	(3,349)
Cost to retire utility plant, net of salvage	(3,673)	(1,551)	(2,695)
Proceeds from sale of real estate investment	1,925	4,572	8,831
Proceeds from sale of California Water Service Group stock	—	3,056	—
Net cash used in investing activities	(110,610)	(97,640)	(95,770)
Financing activities:			
Borrowings from line of credit	97,000	57,200	48,600
Repayments of line of credit	(75,600)	(66,400)	(41,500)
Long-term borrowings	—	50,000	—
Repayments of long-term borrowings	(633)	(602)	(5,439)
Debt issuance costs	—	(528)	(19)
Dividends paid	(15,885)	(15,177)	(14,443)
Issuance of common stock, net of issuance costs	—	—	35,894
Exercise of stock options and similar instruments	895	1,917	1,004
Tax benefits realized from share options exercised	634	462	28
Receipts of advances and contributions in aid of construction	12,266	7,569	10,293
Refunds of advances for construction	(2,484)	(2,612)	(2,296)
Net cash provided by financing activities	16,193	31,829	32,122
Net change in cash and cash equivalents	2,840	100	(223)
Cash and cash equivalents, beginning of year	2,399	2,299	2,522

Cash and cash equivalents, end of year	$5,239	2,399	2,299
Cash paid during the year for:			
Interest	$23,634	21,046	20,886
Income taxes	$9,723	6,324	4,186
Supplemental disclosure of non-cash activities:			
Increase (Decrease) in accrued payables for construction costs capitalized	$7,540	(4,981)	4,588
Utility property installed by developers	$1,011	6,549	2,162

See Accompanying Notes to Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2015, 2014 and 2013
(Dollars in thousands, except share and per share data)

Note 1. Summary of Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of SJW Corp., its wholly owned subsidiaries, and two variable interest entities in which two SJW Corp. subsidiaries are the primary beneficiaries. All intercompany transactions and balances have been eliminated in consolidation.

SJW Corp.'s principal subsidiary, San Jose Water Company, is a regulated California water utility providing water service to approximately one million people in the greater metropolitan San Jose area. San Jose Water Company's accounting policies comply with the applicable uniform system of accounts prescribed by the CPUC and conform to generally accepted accounting principles for rate-regulated public utilities. Approximately 93% of San Jose Water Company's revenues are derived from the sale of water to residential and business customers.

SJWTX, Inc., a wholly owned subsidiary of SJW Corp., is incorporated in the State of Texas and is doing business as Canyon Lake Water Service Company (“CLWSC”). CLWSC is a public utility in the business of providing water service to approximately 37,000 people. CLWSC's service area comprises more than 243 square miles in western Comal County and southern Blanco County in the growing region between San Antonio and Austin, Texas. SJWTX, Inc. has a 25% interest in Acequia Water Supply Corporation. Acequia has been determined to be a variable interest entity within the scope of ASC Topic 810 with SJWTX, Inc. as the primary beneficiary. As a result, Acequia has been consolidated with SJWTX, Inc.

SJW Land Company owns commercial properties, several undeveloped real estate properties, and warehouse properties in the states of California, Arizona, and Tennessee and holds a 70% limited partnership interest in 444 West Santa Clara Street, L.P. 444 West Santa Clara Street, L.P. has been determined to be a variable interest entity within the scope of ASC Topic 810 with SJW Land Company as the primary beneficiary. As a result, 444 West Santa Clara Street L.P. has been consolidated with SJW Land Company (see Note 9).

Texas Water Alliance Limited, a wholly owned subsidiary of SJW Corp., is undertaking activities that are necessary to develop a water supply project in Texas. In connection with the project, TWA obtained groundwater production and transportation permits to meet the future water needs in the Canyon Lake Water Service Company's service area and to the central Texas hill country communities and utilities adjacent to the area.

SJW Group, Inc., a Delaware corporation, was formed in March 2015 for the sole purpose of effectuating a change in the state of incorporation of SJW Corp. from California to Delaware (the “Reincorporation”). The Reincorporation requires the approval of the California Public Utilities Commission (“CPUC”) and Public Utilities Commission of Texas (“PUCT”) and will not become effective until after we obtain such approvals. In July and September 2015, applications were filed with the CPUC and PUCT, respectively, to seek such approvals and decisions are expected in the first quarter of 2016.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Utility Plant

The cost of additions, replacements and betterments to utility plant is capitalized. The amount of interest capitalized in 2015, 2014 and 2013 was $1,188, $1,112 and $905, respectively. Construction in progress was $45,573 and $23,208 at December 31, 2015 and 2014, respectively.

The major components of depreciable plant and equipment as of December 31, 2015 and 2014 are as follows:

	2015	2014
Equipment	$254,940	242,383
Transmission and distribution	1,108,659	1,042,794
Office buildings and other structures	74,722	68,595
Total depreciable plant and equipment	$1,438,321	1,353,772

Depreciation is computed using the straight-line method over the estimated service lives of the assets, ranging from 5 to 75 years. The estimated service lives of depreciable plant and equipment are as follows:

	Useful Lives
Equipment	5 to 35 years
Transmission and distribution plant	35 to 75 years
Office buildings and other structures	7 to 50 years

For the years 2015, 2014 and 2013, depreciation expense as a percent of the beginning of the year balance of depreciable plant was approximately 3.4%, 3.4% and 3.4%, respectively. A portion of depreciation expense is allocated to administrative and general expense. For the years 2015, 2014 and 2013, the amounts allocated to administrative and general expense were $1,590, $1,586 and $1,556, respectively. Depreciation expense for utility plant for the years ended December 31, 2015, 2014 and 2013 was $38,233, $35,424 and $32,616, respectively. The cost of utility plant retired, including retirement costs (less salvage), is charged to accumulated depreciation and no gain or loss is recognized.

Utility Plant Intangible Assets

All intangible assets are recorded at cost and are amortized using the straight-line method over the legal or estimated economic life of the asset, ranging from 5 to 70 years (see Note 6).

In January 2014, the FASB issued ASU 2014-05 - “Service Concession Arrangements” which became effective for the Company during the first quarter of 2015. ASU 2014-05 specifies that an operating entity should not account for a service concession arrangement as a lease in accordance with FASB ASC Topic 840 - “Leases.” An operating entity should refer to other accounting guidance topics as applicable to account for various aspects of a service concession arrangement. ASU 2014-05 also specifies that infrastructure constructed by an operator in a service concession arrangement should not be recognized as property, plant, and equipment of the operator. ASU 2014-05 required application on a modified retrospective basis to service concession arrangements that existed at January 1, 2015. San Jose Water Company operates the City of Cupertino's municipal water system under a service concession arrangement. Upon adoption of this standard, SJW Corp. reclassified $1,859 of Depreciable Plant and Equipment for infrastructure related to the Cupertino service concession arrangement to intangible assets and the related accumulated depreciation of $377 to accumulated amortization. In addition, the Company recognized a cumulative effect adjustment of $436, net of tax, to the opening balance of retained earnings.

Real Estate Investments

Real estate investments are recorded at cost and consist primarily of land and buildings. Net gains and losses from the sale of real estate investments are recorded as a component of other (expense) income in the Consolidated Statements of Comprehensive Income. Nonutility property in Water Utility Services is also classified in real estate investments and not separately disclosed on the balance sheet based on the immateriality of the amount. Nonutility property is property that is neither used nor useful in providing water utility services to customers and is excluded from the rate base for rate-setting purposes. San Jose Water Company recognizes gain/loss on disposition of nonutility property in accordance with CPUC Code Section 790, whereby the net proceeds are reinvested back into property that is useful in providing water utility services to customers. There is no depreciation associated with nonutility property as it is all land. The major components of real estate investments as of December 31, 2015 and 2014 are as follows:

	2015	2014
Land	$17,297	17,297

Buildings and improvements	57,015	56,168
Intangibles	329	329
Total real estate investment	$74,641	73,794

Depreciation on real estate investments is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 39 years.

On August 14, 2015, San Jose Water Company sold five nonutility properties located in San Jose, California for $2,015. SJW Corp. recognized a pre-tax gain on the sale of real estate investments of $1,886, after selling expenses of $91.

On August 1, 2014, San Jose Water Company sold a nonutility property located in San Jose, California for $300. The Company recognized a pre-tax gain on the sale of real estate investment of $281, after selling expense of $10.

On June 30, 2014, SJW Land Company sold its retail building located in El Paso, Texas for $4,450. The Company recognized a pre-tax gain on the sale of real estate investment of $273, after selling expenses of $169.

On February 1, 2013, SJW Land Company sold its warehouse building located in Windsor, Connecticut for $9,200. The Company recognized a pre-tax gain on the sale of real estate investment of $1,063, after selling expenses of $369.

Real estate investments include $73,658 and $72,402 as of December 31, 2015 and 2014, respectively, of assets that are leased or available for lease. The following schedule shows the future minimum rental payments to be received from third parties under operating leases that have remaining noncancelable lease terms in excess of one year as of December 31, 2015:

Year ending December 31:	Rental Revenue
2016	$5,514
2017	5,612
2018	4,789
2019	3,753
2020	3,302
Thereafter	10,389

Impairment of Long-Lived Assets

In accordance with the requirements of FASB ASC Topic 360—“Property, Plant and Equipment,” the long-lived assets of SJW Corp. are reviewed for impairment when changes in circumstances or events require adjustments to the carrying values of the assets. When such changes in circumstances or events occur, the Company assesses recoverability by determining whether the carrying value of such assets will be recovered through the undiscounted expected future cash flows. To the extent an impairment exists, the asset is written down to its estimated fair value with a corresponding charge to operations in the period in which the impairment is identified. Long-lived assets consist primarily of utility plant in service, real estate investments, intangible assets, and regulatory assets. In addition, the Company tests unamortized intangible assets, which primarily relate to water rights, at least annually or more frequently if events or changes in circumstances indicate that this asset may be impaired. The Company first performs a qualitative assessment to determine whether it is necessary to perform the quantitative impairment test. In assessing the qualitative factors, the Company considers the impact of these key factors: change in industry and competitive environment, financial performance, and other relevant Company-specific events. If the Company determines that as a result of the qualitative assessment it is more likely than not (> 50% likelihood) that the fair value is less than carrying amount, then a quantitative test is performed. No impairments occurred during 2015 or 2014.

Financial Instruments

The following instruments are not measured at fair value on the Company's consolidated balance sheets but require disclosure of fair values: cash and cash equivalents, accounts receivable and accounts payable. The estimated fair value of such instruments approximates their carrying value as reported on the consolidated balance sheets. The fair value of such financial instruments are determined using the income approach based on the present value of estimated future cash flows. The fair value of these instruments would be categorized as Level 2 in the fair value hierarchy, with the exception of cash and cash equivalents, which would be categorized as Level 1. The fair value of long-term debt is discussed in Note 4, pension plan assets in Note 10 and investment in California Water Service Group Stock in Note 13.

Investment in California Water Service Group

SJW Corp.'s investment in California Water Service Group is accounted for under FASB ASC Topic 320—“Investments—Debt and Equity Securities,” as an available-for-sale marketable security. The investment is recorded on the Consolidated Balance Sheet at its quoted market price with the change in unrealized gain or loss reported, net of tax, as a component of other comprehensive income (loss) (see Note 13).

Regulatory Rate Filings

On September 15, 2014, San Jose Water Company filed an application for rehearing of 2012 General Rate Case Decision No. 14-08-006 to address a limited set of issues from San Jose Water Company's General Rate Case Decision No. 14-08-006. Specifically, San Jose Water Company sought rehearing on the duration of the interim rate period used to determine the General Rate Case true-up recovery and rehearing on the treatment of excess capacity labor in the provision of non-tariffed products and services. On March 27, 2015, the CPUC issued Decision No. 15-03-048 granting a limited rehearing and modifying Decision No. 14-08-006 to recover lost revenue in the amount of $1,937 related to the extension of interim rates from the date of the 2012 General Rate Case Decision (August 14, 2014) to the date 2014 rates became effective (September 29, 2014). Decision No. 15-03-048 also provided for a limited rehearing on the treatment of excess capacity labor in the provision of non-tariffed products and services. On August 13, 2015, San Jose Water Company and the CPUC's Office of Ratepayer Advocates (“ORA”) submitted a settlement that resolved all outstanding issues related to the rehearing. On October 1, 2015, the CPUC issued Decision No. 15-10-005 adopting the submitted settlement and closed the proceeding. The settlement agreement did not affect authorized revenues or rates.

On January 5, 2015, San Jose Water Company filed General Rate Case Application No. 15-01-002 requesting authority for an increase of revenue of $34,928, or 12.22%, in 2016, $9,954, or 3.11%, in 2017 and $17,567, or 5.36%, in 2018. This General Rate Case filing also includes several requests, including but not limited to: (1) recovery of the under-collected balance of $4,752 in balancing accounts, (2) disbursement of the over-collected balance of $976 accrued in various memorandum accounts, and (3) implementation of a full revenue decoupling Water Revenue Adjustment Mechanism and associated Modified Cost Balancing Account. The ORA submitted testimony on April 23 2015, recommending increases of $23,468, or 8.54%, in 2016, $13,803, or 4.42%, in 2017 and $16,261, or 4.95% in 2018. San Jose Water Company and the CPUC's ORA reached a settlement agreement on a range of issues, including full settlement on all contested utility plant in-service items. Evidentiary hearings to address all remaining unsettled items took place in June 2015 and briefs were submitted in July 2015. Since a decision was not reached by the end of 2015, the CPUC has authorized San Jose Water Company to implement interim rates, effective January 1, 2016, until such time as decision is adopted. Interim rates have been set equal to calendar year-end 2015 rates and will remain in effect until a decision is adopted. Any difference between interim rates and the rates ultimately approved will be tracked in a memorandum account and will be submitted for recovery or refund. A final General Rate Case is expected in the first half of 2016.

On March 26, 2015, San Jose Water Company filed Advice Letter No. 468 with the CPUC. With this advice letter San Jose Water Company requested authorization to recover an under-collection balance of $9,567 in the Mandatory Conservation Revenue Adjustment Memorandum Account (“MCRAMA”), using a Water Revenue Adjustment Mechanism (“WRAM”) methodology, that accumulated during the period April 1, 2014 through December 31, 2014. On December 3, 2015, the CPUC adopted Resolution W-5071. The resolution authorized recovery of $4,259 in lost revenues based on the use of a Water Conservation Memorandum Account (“WCMA”) calculation methodology. The WCMA calculation methodology allows San Jose Water Company to track lost revenue associated with reduced sales due to the ongoing drought and the associated calls for water use reduction from the SCVWD. Lost revenues authorized for collection are to be recovered over a 12-month period via a surcharge of $0.08 per CCF beginning December 9, 2015. The MCRAMA was subsequently renamed the WCMA in Advice Letter No. 479. See “Balancing and Memorandum Accounts” under Note 1 of Notes to Consolidated Financial Statements for further discussion on recognition of the approved recovery amount.

On May 1, 2015, San Jose Water Company filed Advice Letter No. 471 with the CPUC requesting to recover the cumulative balance of $1,937 in the 2013 General Rate Case Interim Rates Memorandum Account for the period of August 15, 2014 through September 28, 2014. Recovery of the balance for this 45-day period was authorized in the GRC rehearing Decision No. 15-03-048. San Jose Water Company's request was authorized effective May 6, 2015.

On May 11, 2015, San Jose Water Company filed Advice Letters No. 472 and No. 473 with the CPUC. With Advice Letter No. 472, San Jose Water Company sought to modify the existing Water Shortage Contingency Plan in Tariff Rule 14.1, so that the plan reflects examples put forward by the CPUC and so that the restrictions provided within the plan more closely matched the restrictions adopted by local government agencies. Advice Letter No. 473 was filed

pursuant to Executive Order B-29-15 by the Governor of the State of California, and by orders of the State Water Board and the CPUC. With Advice Letter No. 473, San Jose Water Company requested authority from the CPUC to activate Stage 3 of Tariff Rule 14.1 and activate the Water Shortage Contingency Plan in Schedule No. 14.1 with staged mandatory reductions in water usage and drought surcharges. Both Advice Letters No. 472 and No. 473 became effective on June 15, 2015. The drought surcharges will be recorded in a drought account authorized by the CPUC to track lost revenues from conservation. The amount collected will offset future rate increases that would be necessary to recover lost revenue due to drought conservation efforts, such as the WCMA.

On May 29, 2015, San Jose Water Company filed Advice Letter No. 474 with the CPUC requesting authorization to increase revenues by $18,357, or approximately 6.44%. This filing covered increased costs that went into effect on July 1,

2015 for purchased water and groundwater production charged to San Jose Water Company by the SCVWD. As directed by the CPUC's Water Division, the revenue increase is recovered via surcharges on the existing quantity rate. San Jose Water Company's request was authorized and became effective July 1, 2015.

On July 30, 2015, San Jose Water Company filed Application No. 15-07-027 with the CPUC seeking the authorization to change the state of incorporation of SJW Corp., the parent holding company of San Jose Water Company, from California to Delaware. A decision in this matter is anticipated in the first quarter of 2016.

On August 21, 2015, San Jose Water Company filed Application No. 15-08-016 with the CPUC seeking authority to issue additional debt and equity securities of up to $150,000 in aggregate for general purposes including property acquisition, construction, completion, extension or improvement of facilities. On December 18, 2015, the CPUC adopted Decision No. 15-12-018 authorizing San Jose Water Company to issue the requested debt and equity securities.

On August 21, 2015, San Jose Water Company filed Advice Letter 476 with the CPUC. San Jose Water Company requested authorization for a rate base offset for improvements to the Montevina Water Treatment Plant. In Decision No. 13-07-028 the CPUC authorized San Jose Water Company to file annual advice letters to include in rate base costs of the Montevina Water Treatment Plant upgrade project. The advice letter filing requested authorization for a revenue increase of approximately $275 or about 0.09%. The advice letter was approved and the increase in rates became effective September 20, 2015. Revenue will be recorded through rates on a prospective basis. This filing was the second such advice letter related to the Montevina Water Treatment Plant. San Jose Water Company will continue to file similar annual advice letters until the project has been completed.

On December 11, 2015, San Jose Water Company along with three other California water utilities (the “Joint Parties”), filed a request for a one year postponement of their 2016 Cost of Capital (“COC”) filings scheduled for March 31, 2016. Pursuant to the CPUC's rate case plan, the Joint Parties are required to file their COC applications on a triennial basis with the next scheduled filing due on March 31, 2016. Postponing the filing for one year would alleviate administrative processing costs on the Joint Parties as well as the CPUC staff. On February 1, 2016, the CPUC's executive director approved the Joint Parties request for a one year postponement. Joint Parties are now required to file their next COC applications on March 31, 2017.

On December 15, 2015, San Jose Water Company filed Advice Letter No. 481 with the CPUC requesting authorization to re-implement a previously existing surcharge of $0.0492 per CCF to amortize the remaining uncollected balancing account recovery authorized in General Rate Case Decision 14-08-006. In Decision No. 14-08-006 the CPUC authorized San Jose Water Company to recover the $2,599 under-collection in various balancing accounts over a 12-month period beginning in August of 2014. However, at the end of the 12-month period $590 of the originally authorized $2,599 remained uncollected. This under-collection is due primarily to actual sales being substantially lower than the commission authorized sales estimate which was used to calculate the surcharge level. The advice letter was approved and effective on January 15, 2016.

On February 5, 2016, San Jose Water Company filed Advice Letter No. 482 with the CPUC. With this advice letter San Jose Water Company requested authorization to recover the $7,668 balance accumulated in the WCMA during the period January 1, 2015 through December 31, 2015. The WCMA is used to track the revenue impact of mandatory conservation upon San Jose Water Company’s quantity revenue resulting from mandatory conservation instituted by the State of California and the SCVWD. The requested $7,668 recovery is the net amount of the total drought related revenue reduction calculated in the WCMA offset by the drought surcharges collected during 2015. If approved, the under-collection will be recovered via a surcharge of $0.1441 per CCF on the existing quantity rate for a period of 12 months from the date of CPUC approval. San Jose Water Company has requested the recovery begin on or about April 7, 2016.

Effective September 1, 2014, CLWSC became subject to the economic regulation of the PUCT. Prior to that time, CLWSC was subject to economic regulation by the Texas Commission on Environmental Quality (“TCEQ”). Both the PUCT and TCEQ authorize rate increases after the filing of an Application for a Rate/Tariff Change. Rate cases may be filed as they become necessary, provided there is no current rate case outstanding. Further, rate cases may not be filed more frequently than once every 12 months.

On September 16, 2015, CLWSC filed an application with the PUCT requesting approval of the reincorporation of SJW Corp., Inc. from a California corporation to a Delaware corporation. The application is currently being reviewed by PUCT and a decision in this matter is anticipated in the first quarter of 2016.

Balancing and Memorandum Accounts

For California, the CPUC has established a balancing account mechanism for the purpose of tracking the under-collection or over-collection associated with expense changes and the revenue authorized by the CPUC to offset those expense changes. The Company also maintains memorandum accounts to track revenue impacts due to catastrophic events, certain

unforeseen water quality expenses related to new federal and state water quality standards, energy efficiency, cost of capital, WCMA, drought surcharges, Monterey Water Revenue Adjustment Mechanism, and other approved activities or as directed by the CPUC.

Balancing and memorandum accounts are recognized by San Jose Water Company when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process. In addition, in the case of special revenue programs such as the WCMA, San Jose Water Company follows the requirements of ASC Topic 980-605-25—"Alternative Revenue Programs" in determining revenue recognition, including the requirement that such revenues will be collected within 24 months of the year-end in which the revenue is recorded. A reserve will be recorded for amounts we estimate will not be collected within the 24-month period. This reserve will be based on the difference between authorized usage in the last general rate case decision and an estimate of actual usage over the recovery period, offset by applicable drought surcharges. In assessing the probability criteria for balancing and memorandum accounts between general rate cases, San Jose Water Company considers evidence that may exist prior to CPUC authorization that would satisfy ASC Topic 980 subtopic 340-25 recognition criteria. Such evidence may include regulatory rules and decisions, past practices, and other facts and circumstances that would indicate that recovery or refund is probable. When such evidence provides sufficient support for balance recognition, the balances are recorded in SJW Corp.'s financial statements.

On December 3, 2015, the CPUC approved a surcharge to recover lost revenues for the period of April 1, 2014 through December 31, 2014 related to the ongoing drought and the associated calls for water use reduction from the SCVWD. The resolution authorized San Jose Water Company to recover $4,259 of lost revenues tracked through the WCMA account over a twelve month period via a surcharge of $0.08 per CCF beginning December 9, 2015. A reserve was recorded of $1,278 for the estimated amount that may not be collected within 24 months of December 31, 2015, the year-end of the period in which the revenue is being recorded, in accordance with FASB ASC Topic 980-605-25—"Alternative Revenue Programs". The reserve was determined based on the difference between authorized usage in the last general rate case decision and an estimate of actual usage over the recovery period, offset by applicable drought surcharges. The net amount of $2,981 has been recorded into the 2014 WCMA row in the table below.

Based on FASB ASC Topic 980-605-25—"Alternative Revenue Programs," San Jose Water Company also recognized in revenue $19,854 of lost revenues accumulated in the WCMA account for the year ended December 31, 2015 less a $2,343 reserve for the estimated amount that may not be collected within the 24 month period defined in the guidance. The regulatory asset was offset with the regulatory liability amount of $12,139 representing Tariff Rule 14.1 drought surcharges collected for the same period as allowed for in Advice Letter 473A which was approved by the CPUC and became effective June 15, 2015. The net amount of $5,372 has been recorded as a revenue addition in the 2015 WCMA row in the table below.

San Jose Water Company met the recognition requirements for certain of its balancing and memorandum accounts and certain amounts subject to balancing and memorandum accounts and recorded revenue and regulatory assets as follows:

	For the year ended December 31, 2015				
	Beginning Balance	Revenue Increase (Reduction)	Refunds (Collections)	Surcharge Offset	Ending Balance
Memorandum accounts:					
2014 WCMA	$—	2,981	(37)	—	2,944
2015 WCMA	—	17,511	—	(12,139)	5,372
All others	(1,377)	1,494	477	—	594
Total memorandum accounts	$(1,377)	21,986	440	(12,139)	8,910
Balancing accounts:					
Water supply costs	890	2,025	(144)	—	2,771

Drought surcharges	—	—	(12,498)	12,139	(359)
Pension	1,412	(924)	(1,040)	—	(552)
2012 General Rate Case true-up	44,400	1,937	(13,267)	—	33,070
All others	1,736	(293)	(77)	—	1,366
Total balancing accounts	$48,438	2,745	(27,026)	12,139	36,296
Total	$47,061	24,731	(26,586)	—	45,206

	For the year ended December 31, 2014				
	Beginning Balance	Revenue Increase (Reduction)	Refunds (Collections)	Surcharge Offset	Ending Balance
Memorandum accounts:					
All others	$(1,896)	341	178	—	(1,377)
Total memorandum accounts	$(1,896)	341	178	—	(1,377)
Balancing accounts:					
Water supply costs	(2,378)	3,353	(85)	—	890
Pension	9,734	(7,705)	(617)	—	1,412
2012 General Rate Case true-up	—	46,456	(2,056)	—	44,400
All others	2,229	(447)	(46)	—	1,736
Total balancing accounts	$9,585	41,657	(2,804)	—	48,438
Total	$7,689	41,998	(2,626)	—	47,061

	For the year ended December 31, 2013				
	Beginning Balance	Revenue Increase (Reduction)	Refunds (Collections)	Surcharge Offset	Ending Balance
Memorandum accounts:					
All others	$(1,887)	869	(878)	—	(1,896)
Total memorandum accounts	$(1,887)	869	(878)	—	(1,896)
Balancing accounts:					
Water supply costs	(1,590)	(788)	—	—	(2,378)
Pension	6,657	3,077	—	—	9,734
All others	369	1,860	—	—	2,229
Total balancing accounts	$5,436	4,149	—	—	9,585
Total	$3,549	5,018	(878)	—	7,689

As of December 31, 2015, the total balance in San Jose Water Company's balancing and memorandum accounts combined, including interest, that has not been recorded into the financial statements was a net under-collection of $1,081. All balancing accounts and memorandum-type accounts not included for recovery or refund in the current general rate case will be reviewed by the CPUC in San Jose Water Company's next general rate case or at the time an individual account reaches a threshold of 2% of authorized revenue, whichever occurs first.

Regulatory Assets and Liabilities

Generally accepted accounting principles for water utilities include the recognition of regulatory assets and liabilities as permitted by ASC Topic 980. In accordance with ASC Topic 980, Water Utility Services, to the extent applicable, records deferred costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that these costs and credits will be recognized in the ratemaking process in a period different from when the costs and credits are incurred. Accounting for such costs and credits is based on management's judgment and prior historical ratemaking practices, and it occurs when management determines that it is probable that these costs and credits will be recognized in the future revenue of Water Utility Services through the ratemaking process. The regulatory assets and liabilities recorded by Water Utility Services, in particular, San Jose Water Company, primarily relate to the recognition of deferred income taxes for ratemaking versus tax accounting purposes, balancing and memorandum accounts,

postretirement pension benefits, medical costs, accrued benefits for vacation and asset retirement obligations that have not yet been passed through in rates. The Company adjusts the related asset and liabilities for these items through its regulatory asset and liability accounts at year-end, except for certain postretirement benefit costs and balancing and memorandum accounts which are adjusted monthly. The Company expects to recover regulatory assets related to plant depreciation income tax temporary differences over the average lives of the plant assets of between 5 to 75 years.

Rate-regulated enterprises are required to charge a regulatory asset to earnings if and when that asset no longer meets the criteria for being recorded as a regulatory asset. San Jose Water Company continually evaluates the recoverability of regulatory assets by assessing whether the amortization of the balance over the remaining life can be recovered through expected and undiscounted future cash flows.

Regulatory assets and liabilities are comprised of the following as of December 31:

	2015	2014
Regulatory assets:		
Income tax temporary differences, net	$8,184	6,731
Postretirement pensions and other medical benefits	109,168	115,494
Balancing and memorandum accounts, net	45,206	47,061
Other, net	6,005	5,577
Total regulatory assets, net in Consolidated Balance Sheets	$168,563	174,863
Less: current regulatory asset, net	16,542	16,853
Total regulatory assets, net, less current portion	$152,021	158,010

Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the effect of temporary differences between financial and tax reporting. Deferred tax assets and liabilities are measured using current tax rates in effect. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

To the extent permitted by the CPUC, investment tax credits resulting from utility plant additions are deferred and amortized over the estimated useful lives of the related property.

Advances for Construction and Contributions in Aid of Construction

In California, advances for construction received after 1981 are refunded ratably over 40 years. Estimated refunds for the next five years and thereafter are shown below:

	Estimated Refunds
2016	$ 2,549
2017	2,549
2018	2,549
2019	2,549
2020	2,549
Thereafter	50,414

As of December 31, 2015, advances for construction was $76,572 of which $13,413 was related to non-refundable advances for construction.

Contributions in aid of construction represent funds received from developers that are not refundable under applicable regulations. Depreciation applicable to utility plant constructed with these contributions is charged to contributions in aid of construction.

Customer advances and contributions in aid of construction received subsequent to 1986 and prior to June 12, 1996 generally must be included in federal taxable income. Taxes paid relating to advances and contributions are recorded as deferred tax assets for financial reporting purposes and are amortized over 40 years for advances, and over the tax depreciable life of the related asset for contributions. Receipts subsequent to June 12, 1996 are generally exempt from federal taxable income, unless specifically prescribed under treasury regulations.

Advances and contributions received subsequent to 1991 and prior to 1997 are included in California state taxable income.

Asset Retirement Obligation

SJW Corp.'s asset retirement obligation is recorded as a liability included in other non-current liabilities. It reflects principally the retirement costs of wells and other anticipated clean-up costs, which by law, must be remediated upon retirement. Retirement costs have historically been recovered through rates at the time of retirement. As a result, the liability is offset by a regulatory asset. For the years ended December 31, 2015 and 2014, the asset retirement obligation is as follows:

	2015	2014
Retirement obligation	$4,249	4,355
Discount rate	6 %	6 %
Present value, recorded as a liability	1,961	1,994
Deferred tax	1,348	1,371
Regulatory asset	$3,309	3,365

Revenue

SJW Corp. recognizes its regulated and non-tariffed revenue when services have been rendered, in accordance with ASC Topic 605.

Metered revenue of Water Utility Services includes billing to customers based on meter readings plus an estimate of water used between the customers' last meter reading and the end of the accounting period. Water Utility Services read the majority of its customers' meters on a bi-monthly basis and records its revenue based on its meter reading results. Unbilled revenue from the last meter reading date to the end of the accounting period is estimated based on the most recent usage patterns, production records and the effective tariff rates. Actual results could differ from those estimates, which may result in an adjustment to the operating revenue in the period which the revision to Water Utility Services' estimates is determined. San Jose Water Company also recognizes balancing and memorandum accounts in its revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process. In assessing the probability criteria for balancing and memorandum accounts between general rate cases, San Jose Water Company considers evidence that may exist prior to CPUC authorization that would satisfy ASC Topic 980 subtopic 340-25 recognition criteria. Such evidence may include regulatory rules and decisions, past practices, and other facts and circumstances that would indicate that recovery or refund is probable. When such evidence provides sufficient support for balance recognition, the balances are recorded in SJW Corp.'s financial statements. In addition, in the case of special revenue programs such as the WCMA, San Jose Water Company follows the requirements of ASC Topic 980-605-25 in determining revenue recognition, including the requirement that such revenues will be collected within 24 months of the year-end the revenue is recorded. A reserve will be recorded for amounts which we estimate will not be collected within the 24 month criteria. This reserve will be based on the difference between authorized usage in the last general rate case decision and an estimate of actual usage over the recovery period, offset by applicable drought surcharges.

Revenue also includes a surcharge collected from regulated customers that is paid to the CPUC. This surcharge is recorded both in operating revenues and administrative and general expenses. For the years ended December 31, 2015, 2014 and 2013, the surcharge was $4,605, $3,872 and $3,741, respectively.

Revenue from San Jose Water Company's non-tariffed utility operations, maintenance agreements or antenna leases are recognized when services have been rendered. Non-tariffed operating revenue in 2015, 2014 and 2013 includes $6,145, $6,175 and $5,882, respectively, from the operation of the City of Cupertino municipal water system.

Revenue from SJW Land Company properties is recognized ratably over the term of the related leases.

Share-Based Payment

SJW Corp. utilizes the Black-Scholes option-pricing model to calculate the fair value of restricted stock awards. The Black-Scholes option-pricing model requires the use of subjective assumptions, to compute the fair value of options at the grant date, and is the basis for share-based compensation for financial reporting purposes. In addition, SJW Corp. estimates forfeitures for share-based awards that are not expected to vest.

SJW Corp. utilizes the Monte Carlo valuation model, which requires the use of subjective assumptions, to compute the fair value of market-vesting restricted stock units.

The compensation cost charged to income is recognized on a straight-line basis over the requisite service period, which is the vesting period.

Maintenance Expense

Planned major maintenance projects are charged to expense as incurred.

Earnings per Share

Basic earnings per share is calculated using income available to common shareholders, divided by the weighted average number of shares outstanding during the year. The two-class method in computing basic earnings per share is not used because the number of participating securities as defined in FASB ASC Topic 260—“Earnings Per Share” is not significant. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security. Diluted earnings per share is calculated using income available to common shareholders divided by the weighted average number of shares of common stock including both shares outstanding and shares potentially issuable in connection with stock options, deferred restricted common stock awards under SJW Corp.'s Long-Term Incentive Plan and shares potentially issuable under the Employee Stock Purchase Plans. Restricted common stock units and stock options of 1,978, 2,791 and 3,071 as of December 31, 2015, 2014 and 2013, respectively, were excluded from the dilutive earnings per share calculation as their effect would have been anti-dilutive.

Note 2. Capitalization

SJW Corp. is authorized to issue 36,000,000 shares of common stock of $0.521 par value per share. At December 31, 2015 and 2014, 20,381,949 and 20,286,840, respectively, shares of common stock were issued and outstanding.
At December 31, 2015 and 2014, 176,407 shares of preferred stock of $25 par value per share were authorized; no shares of preferred stock were issued or outstanding.

Note 3. Lines of Credit

As of December 31, 2015, SJW Corp. and its subsidiaries had unsecured bank lines of credit, allowing aggregate short-term borrowings of up to $100,000, of which $15,000 was available to SJW Corp. and SJW Land Company under one line of credit and $85,000 was available to San Jose Water Company under another line of credit. San Jose Water Company has issued two standby letters of credit with a commercial bank in the amount of $3,000 in support of its California Department of Water Resources' Safe Drinking Water State Revolving Fund (“SDWSRF”) loans which were funded in 2005 and 2008. The letters of credit automatically renew for one year each December unless the issuing bank elects not to renew it, and the amount of coverage can be reduced as the loan principal balance decreases. As of December 31, 2015, $3,000 under the San Jose Water Company line of credit is set aside in the form of letters of credit for its SDWSRF loans. The lines of credit bear interest at variable rates, and will expire on September 1, 2016. As of December 31, 2015 and 2014, SJW Corp. has an outstanding balance on the lines of credit of $34,600 and $13,200, respectively. Cost of borrowing on the lines of credit averaged 1.31% and 1.15% as of December 31, 2015 and 2014, respectively.
SJW Corp., on a consolidated basis, and San Jose Water Company have the following affirmative covenants on their unsecured bank lines of credit: (1) the funded debt cannot exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-calendar-month period cannot be less than 175% of interest charges. As of December 31, 2015, SJW Corp. and San Jose Water Company, respectively, were in compliance with the unsecured bank line of credit affirmative covenants. In addition, the Company shall maintain a zero balance on each line of credit for a period of at least thirty consecutive days during: (1) the period commencing November 1, 2014 and ending August 31, 2015, and (2) each 12-month period thereafter commencing September 1, 2015.

Note 4. Long-Term Debt

Long-term debt as of December 31 was as follows:

Description	Due Date	2015	2014
Senior notes, San Jose Water Company:			
Series A 8.58%	2022	$20,000	20,000
Series B 7.37%	2024	30,000	30,000
Series C 9.45%	2020	10,000	10,000
Series D 7.15%	2026	15,000	15,000
Series E 6.81%	2028	15,000	15,000
Series F 7.20%	2031	20,000	20,000
Series G 5.93%	2033	20,000	20,000
Series H 5.71%	2037	20,000	20,000
Series I 5.93%	2037	20,000	20,000
Series J 6.54%	2024	10,000	10,000
Series K 6.75%	2039	20,000	20,000
Series L 5.14%	2044	50,000	50,000
SJWTX, Inc. Series A 6.27%	2036	15,000	15,000
SJW Corp. Series A 4.35%	2021	50,000	50,000
Total senior notes		$315,000	315,000
Mortgage loans 5.61% - 6.09%	2016	2,997	3,109
	2017	11,634	11,896
444 West Santa Clara Street, L.P. 5.68% (non-recourse to SJW Land Company)	2021	2,836	2,947
California Pollution Control Financing Authority Revenue Bonds 5.10%, San Jose Water Company	2040	50,000	50,000
SDWSRF loans 2.39% and 2.60%, San Jose Water Company	2027	1,849	1,997
Total debt		$384,316	384,949
Less: current portion		3,491	584
Total long-term debt, less current portion		$380,825	384,365

Senior notes held by institutional investors are unsecured obligations of SJW Corp., San Jose Water Company and SJWTX, Inc. and require interest-only payments until maturity. To minimize issuance costs, all of the companies' debt has historically been placed privately.

The senior note agreements of San Jose Water Company generally have terms and conditions that restrict the Company from issuing additional funded debt if: (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-calendar-month period would be less than 175% of interest charges. As of December 31, 2015, San Jose Water Company was not restricted from issuing future indebtedness as a result of these terms and conditions.

The senior note agreement of SJWTX, Inc. has terms and conditions that restrict SJWTX, Inc. from issuing additional funded debt if: (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-calendar-month period would be less than 175% of interest charges. In addition, SJW Corp. is a guarantor of SJWTX, Inc.'s senior note which has terms and conditions that restrict SJW Corp. from issuing additional funded debt if: (1) the funded consolidated debt would exceed 66-2/3% of total capitalization, and (2) the minimum net worth of SJW Corp. becomes less than $125,000 plus 30% of Water Utility Services cumulative net income, since December 31, 2005. As of December 31, 2015, SJWTX, Inc. and SJW Corp. were not restricted from issuing future indebtedness as a result of these terms and conditions.

The senior note agreement of SJW Corp. has terms and conditions that restrict SJW Corp. from issuing additional funded debt if: (1) the funded consolidated debt would exceed 66-2/3% of total capitalization, and (2) the minimum net worth

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of SJW Corp. becomes less than $175,000 plus 30% of Water Utility Services cumulative net income, since June 30, 2011. As of December 31, 2015, SJW Corp. was not restricted from issuing future indebtedness as a result of these terms and conditions.

The mortgage loans, which are the obligations of SJW Land Company, are due in 2016 and 2017. These loans amortize over 10 years, are secured by two leased properties and carry a fixed interest rate with 120 monthly principal and interest payments. The loan agreements generally restrict the Company from prepayment in the first three years and require submission of periodic financial reports as part of the loan covenants. An amortization schedule of the mortgage loans is as follows:

	Amortization Schedule		
Year	Total Payment	Interest	Principal
2016	4,034	762	3,272
2017	11,469	110	11,359

444 West Santa Clara Street, L.P., in which SJW Land Company owns a 70% limited partnership interest, has a mortgage loan in the outstanding amount of $2,836 as of December 31, 2015. The mortgage loan is due in 2021 and is amortized over 20 years with an interest rate of 5.68%. The mortgage loan is secured by the partnership's real property and is non-recourse to SJW Land Company. An amortization schedule of the mortgage loan with 444 West Santa Clara Street, L.P. is as follows:

	Amortization Schedule		
Year	Total Payment	Interest	Principal
2016	276	157	119
2017	276	150	126
2018	276	143	133
2019	276	135	141
2020	276	127	149
Thereafter	2,210	42	2,168

San Jose Water Company has outstanding $50,000 in California Pollution Control Financing Authority revenue bonds as of December 31, 2015. The loan agreement for the revenue bonds contains affirmative and negative covenants customary for a loan agreement relating to revenue bonds, including, among other things, complying with certain disclosure obligations and covenants relating to the tax exempt status of the interest on the bonds and limitations and prohibitions relating to the transfer of the projects funded by the loan proceeds and the assignment of the loan agreement. As of December 31, 2015, San Jose Water Company was in compliance with all such covenants.

San Jose Water Company has two loans from the SDWSRF at a rate of 2.39% and 2.60%. The outstanding loan balances as of December 31, 2015 is $1,849. San Jose Water Company issued standby letters of credit with a commercial bank in the amount of $3,000 in support of these loans. The letters of credit automatically renew for one year each December unless the issuing bank elects not to renew it. The amount of coverage can be reduced as the principal balances decrease. An amortization schedule of the SDWSRF loans is as follows:

	Amortization Schedule		
Year	Total Payment	Interest	Principal
2016	132	31	101
2017	196	42	154
2018	196	38	158
2019	196	34	162
2020	196	30	166
Thereafter	1,200	92	1,108

The fair value of long-term debt as of December 31, 2015 and 2014 was approximately $500,035 and $460,171, respectively, and was determined using a discounted cash flow analysis, based on the current rates for similar financial instruments of the same duration and creditworthiness of the Company. The fair value of long-term debt would be categorized as Level 2 of the fair value hierarchy.

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Note 5. Income Taxes

The components of income tax expense were:

	2015	2014	2013
Current:			
Federal	$3,723	50	(525)
State	3,924	(1,146)	3,093
Deferred:			
Federal	16,109	28,493	11,743
State	(484)	(2,426)	(176)
	$23,272	24,971	14,135

The following table reconciles income tax expense to the amount computed by applying the federal statutory rate to income before income taxes of $61,154, $76,777 and $36,519 in 2015, 2014 and 2013:

	2015	2014	2013
“Expected” federal income tax	$21,404	26,872	12,782
Increase (decrease) in taxes attributable to:			
State taxes, net of federal income tax benefit	3,332	4,155	1,836
Dividend received deduction	(43)	(46)	(60)
Uncertain tax positions	3	—	(650)
Sales & Use Enterprise Zone Credit	—	(880)	—
Tangible Property Regulations	(1,081)	(5,127)	—
Other items, net	(343)	(3)	227
	$23,272	24,971	14,135

The components of the net deferred tax liability as of December 31 was as follows:

	2015	2014
Deferred tax assets:		
Advances and contributions	$16,612	16,212
Unamortized investment tax credit	676	709
Pensions and postretirement benefits	4,094	4,216
California franchise tax	1,322	—
Net operating loss	—	5,065
Other	3,410	1,697
Total deferred tax assets	$26,114	27,899
Deferred tax liabilities:		
Utility plant	$165,293	150,662
Pension and postretirement benefits	44,482	47,059
Investment in stock	2,193	2,335
Deferred gain and other-property related	11,686	11,695
Debt reacquisition costs	397	443
Other	838	1,211
Total deferred tax liabilities	$224,889	213,405
Net deferred tax liabilities	$198,775	185,506

Management evaluates the realizability of deferred tax assets based on all available evidence, both positive and negative. The realization of deferred tax assets is dependent on our ability to generate sufficient future taxable income during

periods in which the deferred tax assets are expected to reverse. Based on all available evidence, management believes it is more likely than not that SJW Corp. will realize the benefits of these deferred tax assets.

As of December 31, 2015, the Company has estimated that it will utilize the entire federal net operating loss carry forward of $15,854 and state net operating loss carryforward of $1,525 to offset taxable income generated in 2015.

The total amount of unrecognized tax benefits, before the impact of deductions for state taxes, excluding interest and penalties was $795 and $684 as of December 31, 2015 and 2014, respectively. The amount of tax benefits, net of any federal benefits for state taxes and inclusive of interest that would impact the effective rate, if recognized, is approximately $17 and $14 as of December 31, 2015 and 2014, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at December 31, 2014	$649
Increase related to tax positions taken during a prior year, including interest	106
Reductions related to tax positions taken in a prior year, including interest	—
Balance at December 31, 2015	$755

SJW Corp.'s policy is to classify interest and penalties associated with unrecognized tax benefits, if any, in tax expense. Accrued interest expense, net of the benefit of tax deductions which would be available on the payment of such interest, is approximately $17 as of December 31, 2015. SJW Corp. has not accrued any penalties for unrecognized tax benefits. The amount of interest recognized in 2015 was an expense of $3.

SJW Corp. does not foresee material changes to its gross uncertain tax liability due to the lapse of the statute of limitations within the next 12 months following December 31, 2015.

In the second quarter of 2014, SJW Corp. recorded $880 in State of California enterprise zone sales and use tax credits related to tax years 2008 through 2012. SJW Corp. is currently undergoing an income tax examination by The California Franchise Tax Board for refund claims for fiscal years 2008 through 2012.

SJW Corp. applied for the accounting method changes required to comply with the Tangible Property Regulations with its 2014 tax returns. As of December 31, 2015, the 2015 federal and state repairs and maintenance deduction under the new methodology was $18,820, resulting in an estimated $6,587 federal deferred tax liability and a state income tax benefit of $1,081.

On September 13, 2013, the Department of Treasury and the Internal Revenue Service issued final tangible property regulations under provisions that generally are intended to simplify, clarify and make more administrable the 2011 temporary and proposed tangible property regulations. These regulations broadly apply to amounts to acquire, produce or improve tangible property, as well as dispositions of such property and provide criteria for determining whether such amounts can be deducted or should be capitalized as part of the asset. The final regulations generally are effective for tax years beginning on or after January 1, 2014. During the third quarter of 2014, management completed its evaluation of the capitalization elections under the new regulations in order to establish their method of complying with the new regulations and record the impact in the consolidated financial statements. To comply with the new regulations, SJW Corp. applied the accounting method change in the 2014 tax returns for the expensing of certain utility asset improvement costs for tax purposes as of December 31, 2013 that were previously being capitalized for book and tax purposes. As of December 31, 2014, the 2014 federal and state repairs and maintenance deduction under the new methodology was $11,221, resulting in an estimated $3,927 federal deferred tax liability and a state income tax benefit of $645. During the year ended December 31, 2014, SJW Corp. also completed a detailed analysis of the repairs and maintenance deduction related to 2013 and prior years, and recorded the estimated federal and state impact in the consolidated financial statements as of December 31, 2014. SJW Corp.'s Internal Revenue Code (“IRC”) §481(a) adjustment for Federal purposes was $35,912 and resulted in a $12,569 deferred tax liability as of December 31, 2014. SJW Corp.'s IRC §481(a) adjustment for state purposes was $77,999 and resulted in a $4,482 reduction to state income tax expense for the year ended December 31, 2014.

SJW Corp. files U.S. federal income tax returns and income tax returns in various states. The Company is no longer subject to tax examination for fiscal years prior to 2012 for federal purposes and 2010 for state purposes. The open tax years for the jurisdictions in which SJW Corp. files are as follows:

Jurisdiction	Years Open
Federal	2012 - 2014
California	2010 - 2014
Arizona	2011 - 2014
Connecticut	2012 - 2014
Florida	2012
Tennessee	2012 - 2014
Texas	2011 - 2014

Note 6. Intangible Assets

Intangible assets consist of a concession fee paid to the City of Cupertino of $6,800 for operating the City of Cupertino municipal water system and other intangibles of $15,875. Other intangibles consists of $12,059 which was paid for service area and water rights related to our subsidiaries in Texas, $2,352 of Depreciable Plant and Equipment for infrastructure related to the Cupertino service concession arrangement (See Note 1 of Notes to Consolidated Financial Statements), $1,040 incurred in conjunction with SCVWD water contracts related to the operation of San Jose Water Company and $424 in other miscellaneous intangibles. All intangible assets are recorded at cost and all, except for TWA water rights, are being amortized using the straight-line method over the legal or estimated economic life of the asset ranging from 5 to 70 years. TWA water rights are not being amortized as they have been determined to have an indefinite useful life.

Amortization expense for the intangible assets was $453, $364 and $354 for the years ended December 31, 2015, 2014 and 2013, respectively. Amortization expense for 2016, 2017, 2018, 2019 and 2020 is anticipated to be $453 per year.

The costs of intangible assets as of December 31, 2015 and 2014 are as follows:

	2015	2014
Concession fees	$6,800	6,800
Other intangibles	15,875	12,533
Intangible assets	22,675	19,333
Less: Accumulated amortization		
Concession fees	4,964	4,692
Other intangibles	2,153	860
Net intangible assets	$15,558	13,781

Note 7. Commitments

San Jose Water Company purchases water from SCVWD under terms of a master contract expiring in 2051. Delivery schedules for purchased water are based on a contract year beginning July 1, and are negotiated every three years under terms of the master contract with SCVWD. For the years ended December 31, 2015, 2014 and 2013, San Jose Water Company purchased from SCVWD 18,482 million gallons ($52,553), 17,782 million gallons ($44,444) and 22,700 million gallons ($52,500), respectively, of contract water. In accordance with the reduction of treated water deliveries approved by the SCVWD Board of Directors on November 25, 2015, the contractual delivery schedule was reduced by 20% through June 30, 2016. Based on current prices and estimated deliveries, San Jose Water Company is committed to purchase from SCVWD a minimum of 90% of the reduced delivery schedule, or 19,360 million gallons ($59,060) of water at the current contract water rate of $3.1 per million gallons in the year ending December 31, 2016. Additionally, San Jose Water Company purchases non-contract water from SCVWD on an “as needed” basis if the water supply is available.

In 1997, San Jose Water Company entered into a 25-year contract agreement with the City of Cupertino to operate the City's municipal water system. San Jose Water Company paid a one-time, up-front concession fee of $6,800 to the City of Cupertino which is amortized over the contract term. Under the terms of the contract agreement, San Jose

Water Company assumed responsibility for all maintenance and operating costs, while receiving all payments for water service. Water service rates are generally subject to approval by the Cupertino City Council.

San Jose Water Company has remaining commitments of $46,900 with one vendor related to Phase 2 upgrades to the Montevina Water Treatment Plant. This amount is expected to be spent during 2016 and 2017.

CLWSC has long-term contracts with the GBRA. The terms of the agreements expire in 2037, 2040, 2044 and 2050. The agreements, which are take-or-pay contracts, provide CLWSC with 6,900 acre-feet per year of water supply from Canyon Lake. The water rate may be adjusted by GBRA at any time, provided they give CLWSC a 60-day written notice on the proposed adjustment.

TWA has entered into approximately 180 water leases with property owners for certain real property rights for the development, production, transportation and use of groundwater in and under their property. In accordance with the water leases, TWA is committed to pay between $1,000 and $1,300 per year from 2016 to 2020. TWA may terminate the water leases at any time during the pre-production phase, upon two years prior written notice.

As of December 31, 2015, San Jose Water Company had 357 employees, of whom 122 were executive, administrative or supervisory personnel, and of whom 235 were members of unions. In November 2013, San Jose Water Company reached a three-year collective bargaining agreement with the Utility Workers of America, representing the majority of all employees, and the International Union of Operating Engineers, representing certain employees in the engineering department, covering the period from January 1, 2014 through December 31, 2016. The agreements include a 2% wage increase in 2014, 2% in 2015 and 3% in 2016 for union workers as well as increases in medical co-pays and employee cost-sharing.

Note 8. Contingencies

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

Note 9. Partnership Interest

In September 1999, SJW Land Company formed 444 West Santa Clara Street, L.P., a limited partnership, with a real estate development firm whereby SJW Land Company contributed real property in exchange for a 70% limited partnership interest. A commercial building was constructed on the partnership property and is leased to an unrelated international real estate firm under a long-term lease expiring in August 2019.

The consolidated financial statements of SJW Corp. at December 31, 2015 and 2014 include the operating results of 444 West Santa Clara Street, L.P. Intercompany balances and transactions have been eliminated. Results of operations and balances of the non-controlling interest are not material to the consolidated financial statements.

Note 10. Benefit Plans

Pension Plans

San Jose Water Company sponsors a noncontributory defined benefit pension plan (the “Pension Plan”) for its eligible employees. Employees hired before March 31, 2008 are entitled to receive retirement benefits using a formula based on the employee's three highest years of compensation (whether or not consecutive). For employees hired on or after March 31, 2008, benefits are determined using a cash balance formula based upon compensation credits and interest credits for each employee.

The Pension Plan is administered by a committee that is composed of an equal number of company and union representatives (the “Committee”). The Committee has retained an investment consultant, Wells Fargo Advisors Financial Network, LLC, to assist it with, among other things, asset allocation strategy, investment policy advice, performance monitoring, and investment manager due diligence. Individual investment decisions have been delegated by the Committee to the investment managers who are monitored by the investment consultant. Investment guidelines provided in the Investment Policy Statement require that at least 25% of plan assets be invested in fixed income securities. As of December 31, 2015, the plan assets consist of approximately 35% bonds, 9% cash equivalents, and 56% equities. Furthermore, equities are to be diversified by industry groups and selected to achieve a balance of long-term growth and income combined with a goal of long-term preservation of capital. Except as provided for in the prospectus of any co-mingled investments, investment managers may not invest in commodities and futures contracts,

private placements, options, letter stock, speculative securities, nor may they hold more than 5% of assets of any one private corporation. Except as provided for in the prospectus of any co-mingled investments, fixed income assets may only be invested in bonds, commercial paper, and money market funds with acceptable ratings by Moody's or Standard & Poor's as defined by the Investment Policy Statement. The investment managers performance is reviewed regularly by the investment consultant who provides semi-annual reports to the Committee for review.
Plan assets are marked to market at each measurement date, resulting in unrealized actuarial gains or losses. Unrealized actuarial gains and losses on pension assets are amortized over the expected future working lifetime of participants of 12.36

years for actuarial expense calculation purposes. Market losses in 2014 increased pension expense by approximately $3,473 in 2015 and market gains in 2013 decreased pension expense by approximately $790 in 2014.

For the past 10 years, the plan has achieved a 5.91% return on its investments while the applicable benchmark was 5.95% for the same period. The applicable benchmark is a weighted-average of returns for those benchmarks shown in the table below. For the past five years, the investment managers, following the required investment guidelines, achieved a 7.41% return on their investments, while the applicable benchmark was 7.13% for the same period. Generally, it is expected of the investment managers that the performance of the assets held in the Pension Plan, computed on a total annual rate of return basis, should meet or exceed specific performance standards over a three-to-five-year period and/or full market cycle. These standards include specific absolute and risk-adjusted performance standards over a three-to-five-year period and/or full market cycle.

San Jose Water Company calculates the market-related value of the defined benefit pension plan assets, which is defined under FASB ASC Topic 715—"Compensation—Retirement Benefits" as a balance used to calculate the expected return on plan assets, using fair value. Fair value for San Jose Water Company is based on quoted prices in active markets for identical assets and significant observable inputs.

Officers hired before March 31, 2008 are eligible to receive additional retirement benefits under San Jose Water Company's Executive Supplemental Retirement Plan, and officers hired on or after March 31, 2008 are eligible to receive additional retirement benefits under San Jose Water Company's Cash Balance Executive Supplemental Retirement Plan. Both of the plans are non-qualified plans in which only officers and other designated members of management may participate. The annual cost of the plans has been included in the determination of the net periodic benefit cost shown below. The plans, which are unfunded, had a projected benefit obligation of $16,566 and $15,806 as of December 31, 2015 and 2014, respectively, and net periodic pension cost of $1,542, $1,300 and $1,248 for 2015, 2014 and 2013, respectively.

Other Postretirement Benefits

In addition to providing pension and savings benefits, San Jose Water Company also provides health care and life insurance benefits for retired employees under the San Jose Water Company Social Welfare Plan. The plan is a flat dollar plan which is unaffected by variations in health care costs.

Flexible Spending Plan

Effective February 1, 2004, San Jose Water Company established a Flexible Spending Account for its employees for the purpose of providing eligible employees with the opportunity to choose from among the fringe benefits available under the plan. The flexible spending plan is intended to qualify as a cafeteria plan under the provisions of the Internal Revenue Code Section 125. The flexible spending plan allows employees to save pre-tax income in a Health Care Spending Account ("HCSA") and/or a Dependent Care Spending Account ("DCSA") to help defray the cost of out-of-pocket medical and dependent care expenses. The annual maximum limit under the HCSA and DCSA plans is $2.5 and $5, respectively.

Deferral Plan

San Jose Water Company sponsors a salary deferral plan that allows employees to defer and contribute a portion of their earnings to the plan. Contributions, not to exceed set limits, are matched by San Jose Water Company. San Jose Water Company contributions were $1,149, $1,101 and $1,087 in 2015, 2014 and 2013, respectively.

Special Deferral Election Plan and Deferral Election Program

SJW Corp. maintains a Special Deferral Election Plan allowing certain executives and a Deferral Election Program allowing non-employee directors to defer a portion of their earnings each year and to realize an investment return on those funds during the deferral period. Executives and non-employee directors have to make an election on the deferral and distribution method of the deferrals before services are rendered. Executives and non-employee directors had deferred $4,073, $3,463 and $3,203 under the plans as of December 31, 2015, 2014 and 2013, respectively.

Assumptions Utilized on Actuarial Calculations

Net periodic cost for the defined benefit plans and other postretirement benefits was calculated using the following weighted-average assumptions:

	Pension Benefits			Other Benefits		
	2015	2014	2013	2015	2014	2013
	%	%	%	%	%	%
Discount rate	3.88	4.82	3.92	3.80	4.70	3.80
Expected return on plan assets	7.00	7.00	7.00	7.00	7.00	7.00
Rate of compensation increase	4.00	4.00	4.00	N/A	N/A	N/A

The expected rate of return on plan assets was determined based on a review of historical returns, both for the Pension Plan and for medium- to large-sized defined benefit pension funds with similar asset allocations. This review generated separate expected returns for each asset class. These expected future returns were then blended based on the Pension Plan's target asset allocation.

Benefit obligations for the defined benefit plans and other postretirement benefits were calculated using the following weighted-average assumptions as of December 31:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
	%	%	%	%
Discount rate	4.24	3.88	4.10	3.80
Rate of compensation increase	4.00	4.00	N/A	N/A

San Jose Water Company utilized each plan's projected benefit stream in conjunction with the Citigroup Pension Discount Curve in determining the discount rate used in calculating the pension and other postretirement benefits liabilities at the measurement date.

In 2014, San Jose Water Company adopted the Society of Actuaries newly issued RP-2014 Mortality Tables and Mortality Improvement Scale MP-2014 to determine mortality assumptions. The newly issued tables and scales reflect increasing life expectancies of participants in the United States. See also “Reconciliation of Funded Status” below.

Net Periodic Pension Costs

Net periodic costs for the defined benefit plans and other postretirement benefits for the years ended December 31 was as follows:

	Pension Benefits			Other Benefits		
	2015	2014	2013	2015	2014	2013
Components of net periodic benefit cost						
Service cost	$5,072	3,938	4,594	$379	284	361
Interest cost	6,342	6,098	5,393	504	508	508
Expected return on assets	(6,984)	(6,414)	(5,289)	(283)	(268)	(230)
Amortization of prior service cost	376	376	394	197	197	197
Recognized actuarial loss	4,005	1,879	4,052	188	59	189
Net periodic benefit cost	$8,811	5,877	9,144	$985	780	1,025

Reconciliation of Funded Status

For the defined benefit plans and other postretirement benefits, the benefit obligation is the projected benefit obligation and the accumulated benefit obligation, respectively. The projected benefit obligations and the funded status of San Jose Water Company's defined benefit pension and other postretirement plans as of December 31 were as follows:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Change in benefit obligation				
Benefit obligation at beginning of year	$165,304	128,699	$13,714	10,976
Service cost	5,072	3,938	379	284
Interest cost	6,342	6,098	504	508
Actuarial (gain)/loss	(7,436)	31,161	2,231	2,322
Benefits paid	(5,014)	(4,592)	(408)	(376)
Benefit obligation at end of year	$164,268	165,304	$16,420	13,714
Change in plan assets				
Fair value of assets at beginning of year	$99,628	91,358	$4,251	3,995
Actual return on plan assets	965	6,392	79	119
Employer contributions	9,374	6,470	468	434
Benefits paid	(5,014)	(4,592)	(336)	(297)
Fair value of plan assets at end of year	104,953	99,628	4,462	4,251
Funded status at end of year	$(59,315)	(65,676)	$(11,958)	(9,463)

The amounts recognized on the balance sheet as of December 31 were as follows:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Current liabilities	$957	883	$86	69
Noncurrent liabilities	58,358	64,793	11,872	9,394
	$59,315	65,676	$11,958	9,463

San Jose Water Company recorded a regulatory asset, including a gross-up for taxes, on the projected benefit obligation of the postretirement benefit plans as follows:

	2015	2014
Funded status of obligation	$71,273	75,139
Accrued benefit cost	(6,587)	(6,704)
Amount to be recovered in future rates	64,686	68,435
Tax gross-up	44,482	47,059
Regulatory asset	$109,168	115,494

The estimated amortization for the year ended December 31, 2016 is as follows:

	Pension Benefits	Other Benefits
Amortization of prior service cost	$3,440	197
Amortization of loss	376	188
Total	$3,816	385

Plan Assets

Plan assets for the years ended December 31 were as follows:

	Pension Benefits				Other Benefits			
	2015		2014		2015		2014	
Fair value of assets at end of year:								
Debt securities	$37,088		35,034		$1,527		1,401	
	35	%	35	%	34	%	33	%
Equity securities	58,958		58,286		2,343		2,347	
	56	%	59	%	53	%	55	%
Cash and equivalents	8,907		6,308		592		503	
	9	%	6	%	13	%	12	%
Total	$104,953		99,628		$4,462		4,251	

The following tables summarize the fair values of plan assets by major categories as of December 31, 2015 and 2014:

			Fair Value Measurements at December 31, 2015		
Asset Category	Benchmark	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents		$9,500	$ 9,500	$ —	$ —
Actively Managed (a):					
All Cap Equity	Russell 3000 Value	4,067	4,041	26	—
U.S. Large Cap Equity	Russell 1000, Russell 1000 Growth, Russell 1000 Value	36,010	36,010	—	—
U.S. Mid Cap Equity	Russell Mid Cap, Russell Mid Cap Growth, Russell Mid Cap Value	5,886	5,886	—	—
U.S. Small Cap Equity	Russell 2000, Russell 2000 Growth, Russell 2000 Value, Russell 2500	5,188	5,188	—	—
Non-U.S. Large Cap Equity	MSCI EAFE	4,804	4,804	—	—
REIT	NAREIT—Equity REIT's	5,346	—	5,346	—
Fixed Income (b)	(b)	38,614	—	38,614	—
Total		$109,415	$ 65,429	$ 43,986	$ —

The Plan has a current target allocation of 55% invested in a diversified array of equity securities to provide long-term capital appreciation and 45% invested in a diversified array of fixed income securities to provide preservation of capital plus generation of income.

(a) Actively managed portfolio of securities with the goal to exceed the stated benchmark performance.

(b) Actively managed portfolio of fixed income securities with the goal to exceed the Barclays 1-5 Year Government/Credit, Barclays Intermediate Government/Credit, and Merrill Lynch Preferred Stock Fixed Rate.

			Fair Value Measurements at December 31, 2014		
Asset Category	Benchmark	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents		$6,811	$ 6,811	$ —	$ —
Actively Managed (a):					
All Cap Equity	Russell 3000 Value	4,266	4,237	29	—
U.S. Large Cap Equity	Russell 1000, Russell 1000 Growth, Russell 1000 Value	35,489	35,489	—	—
U.S. Mid Cap Equity	Russell Mid Cap, Russell Mid Cap Growth, Russell Mid Cap Value	6,069	6,069	—	—
U.S. Small Cap Equity	Russell 2000, Russell 2000 Growth, Russell 2000 Value	4,982	4,982	—	—
Non-U.S. Large Cap Equity	MSCI EAFE	4,758	4,758	—	—
REIT	NAREIT—Equity REIT's	5,069	—	5,069	—
Fixed Income (b)	(b)	36,435	—	36,435	—
Total		$103,879	$ 62,346	$ 41,533	$ —

The Plan has a current target allocation of 55% invested in a diversified array of equity securities to provide long-term capital appreciation and 45% invested in a diversified array of fixed income securities to provide preservation of capital plus generation of income.

(a) Actively managed portfolio of securities with the goal to exceed the stated benchmark performance.

(b) Actively managed portfolio of fixed income securities with the goal to exceed the Barclays 1-5 Year Government/Credit, Barclays Intermediate Government/Credit, and Merrill Lynch Preferred Stock Fixed Rate.

In 2016, San Jose Water Company expects to make required and discretionary cash contributions of up to $8,200 to the pension plan and other postretirement benefit plan.

Benefits expected to be paid in the next five years and in the aggregate for the five years thereafter are:

	Pension Plan	Other Postretirement Benefit Plan
2016	$5,879	$660
2017	6,169	697
2018	6,546	734
2019	6,743	767
2020	7,191	795
2021 - 2025	42,464	3,705

Note 11. Equity Plans

Common Stock

SJW Corp. has a Long-Term Stock Incentive Plan (the “Plan”), which has 1,800,000 shares of common stock reserved for issuance. The Plan was initially adopted by the Board of Directors on March 6, 2002. On January 30, 2013, the amended and restated Plan was adopted by the Board and became effective on April 24, 2013. The Plan was subsequently amended and the amended and restated Plan was adopted by the Board on July 29, 2015.

The Plan allows SJW Corp. to provide employees, non-employee Board members or the board of directors of any parent or subsidiary, consultants, and other independent advisors who provide services to the Company or any parent or subsidiary the opportunity to acquire an equity interest in SJW Corp.

A participant in the Plan generally may not receive Plan awards covering an aggregate of more than 600,000 shares of common stock in any calendar year. Additionally, awards granted under the Plan may be conditioned upon the attainment of specified Company performance goals. The types of awards included in the Plan are restricted stock awards, restricted stock

units, performance shares, or other share-based awards. In addition, shares were issued to employees under the Employee Stock Purchase Plan ("ESPP"). The last offering period under the ESPP ended on July 31, 2014. A 2014 Employee Stock Purchase Plan ("2014 ESPP") was approved by Company shareholders in April 2014. The initial offering period under the 2014 ESPP commenced on August 1, 2014 with a January 30, 2015 purchase date. SJW Corp. also had a Dividend Reinvestment and Stock Purchase Plan ("DRSPP") which allowed eligible participants to buy shares and reinvest cash dividends in SJW Corp. common stock. The DRSPP was terminated effective as of April 14, 2014.

As of December 31, 2015, 2014 and 2013, 516,956, 429,352 and 341,914 shares have been issued pursuant to the Plan, and 245,976, 296,831 and 307,919 shares are issuable upon the exercise of outstanding options, restricted stock units, and deferred restricted stock units for the years ended 2015, 2014 and 2013, respectively. The remaining shares available for issuance under the Plan are 1,037,068 as of December 31, 2015. The compensation costs charged to income is recognized on a straight-line basis over the requisite service period.

A summary of compensation costs charged to income, proceeds from the exercise of stock options and similar instruments and the tax benefit realized from stock options and similar instruments exercised, that are recorded to additional paid-in capital and common stock, by award type, are presented below for the years ended December 31:

	2015	2014	2013
Compensation costs charged to income:			
ESPP	$158	148	128
Restricted stock and deferred restricted stock	1,445	883	784
Total compensation costs charged to income	$1,603	1,031	912
Proceeds from the exercise of stock options and similar instruments:			
Stock options	$—	1,044	198
ESPP	895	839	722
DRSPP	—	34	84
Total proceeds from the exercise of stock options and similar instruments	$895	1,917	1,004
Excess tax benefits realized from share options exercised and stock issuance:			
Stock options	$—	213	(69)
Restricted stock and deferred restricted stock	634	249	97
Total excess tax benefits realized from share options exercised and stock issuance	$634	462	28

Stock Options

SJW Corp. applies FASB ASC Topic 718—"Compensation—Stock Compensation," for all existing and new share-based compensation plans. To estimate the fair value of options at grant date as the basis for the share-based compensation awards, SJW Corp. utilizes the Black-Scholes option-pricing model, which requires the use of subjective assumptions. Further, as required under ASC Topic 718, SJW Corp. estimates forfeitures for the share-based awards that are not expected to vest. Changes in these inputs and assumptions can affect the measure of estimated fair value of our share-based compensation and the amount and timing of expense recognition.

Awards in the form of stock options under the Plan allow executives to purchase common shares at a specified price. Options are granted at an exercise price that is not less than the per share market price on the date of the grant. Options vest at a 25% rate on each annual date over four years and have a contractual term of 10 years.

As of December 31, 2015, there are no outstanding options and no option award activity during the year ended December 31, 2015.

The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013, was $0, $581, and $179, respectively.

As of December 31, 2015, there are no unrecognized compensation costs related to stock options.

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Restricted Stock and Deferred Restricted Stock

Under SJW Corp.'s Amended and Restated Deferred Restricted Stock Program (the "Deferred Restricted Stock Program"), SJW Corp. granted deferred restricted stock units to non-employee Board members. This program was amended effective January 1, 2008. As a result of that amendment, no new awards of deferred restricted stock units will be made under the Deferred Restricted Stock Program with respect to Board service after December 31, 2007.

On January 27, 2015, certain officers of SJW Corp. were granted performance-based restricted stock units covering an aggregate target number of SJW Corp.'s shares of common stock equal to 3,252 that will vest based on the actual attainment of specified performance goals measured for the 2015 calendar year and continued service through December 31, 2015. The number of shares issuable under the awards, ranging between 0% to 150% of the target number of shares, is based on the level of actual attainment of specified performance goals. The units do not include dividend equivalent rights. The awards have no market conditions and the share-based compensation expense of $34.36 per unit which is based on the award grant date fair value is being recognized. As of December 31, 2015, the specified performance goals and service requirement were met and 150% of the target number of shares is expected to vest February 29, 2016 upon approval of the Executive Compensation Committee of the Board on February 22, 2016.

On January 27, 2015, a key employee of SJW Corp. was granted performance-based restricted stock units covering a number of SJW Corp.'s shares of common stock equal to 6,639 that will vest based on the actual attainment of a specified performance goal measured over the 2015 calendar year and continued service through December 31, 2015. The units do not include dividend equivalent rights. The award has no market conditions and the share-based compensation expense of $34.36 per unit which is based on the award grant date fair value is being recognized. As of December 31, 2015, the specified performance goal and service requirement were met and the award is expected to vest February 29, 2016 upon approval of the Executive Compensation Committee of the Board on February 22, 2016.

On April 29, 2015, an officer of SJW Corp. was granted performance-based restricted stock units covering a target number of SJW Corp.'s shares of common stock equal to 501 that will vest based on the actual attainment of specified performance goals measured for the 2015 calendar year and continued service through December 31, 2015. The number of shares issuable under the award, ranging between 0% to 150% of the target number of shares, is based on the level of actual attainment of specified performance goals. The units do not include dividend equivalent rights. The award has no market conditions and the share-based compensation expense of $29.37 per unit which is based on the award grant date fair value is being recognized assuming the performance goal will be attained. As of December 31, 2015, the specified performance goals and service requirement were met and 150% of the target number of shares is expected to vest February 29, 2016 upon approval of the Executive Compensation Committee of the Board on February 22, 2016.

A summary of SJW Corp.'s restricted and deferred restricted stock awards as of December 31, 2015, and changes during the year ended December 31, 2015, are presented below:

	Units	Weighted-Average Grant-Date Fair Value
Outstanding as of January 1, 2015	259,807	$18.56
Issued	32,516	$30.98
Vested	(83,086)	$32.79
Forfeited or expired	—	$—
Outstanding as of December 31, 2015	209,237	$21.49
Shares vested as of December 31, 2015	115,693	$16.52

A summary of the status of SJW Corp.'s nonvested restricted and deferred restricted stock awards as of December 31, 2015, and changes during the year ended December 31, 2015, are presented below:

	Units	Weighted-Average Grant-Date Fair Value
Nonvested as of January 1, 2015	130,467	$20.75

Granted	32,516	$30.98
Vested	(69,439)	$16.28
Forfeited	—	$—
Nonvested as of December 31, 2015	93,544	$27.63

As of December 31, 2015, the total unrecognized compensation costs related to restricted and deferred restricted stock plans amounted to $1,231. This cost is expected to be recognized over a weighted-average period of 0.83 years.

Dividend Equivalent Rights

Under the Plan, certain holders of options, restricted stock and deferred restricted stock awards may have the right to receive dividend equivalent rights (“DERs”) each time a dividend is paid on common stock after the grant date. Stock compensation on DERs is recognized as a liability and recorded against retained earnings on the date dividends are issued.

The Deferred Restricted Stock and Deferral Election Programs for non-employee Board members were amended effective January 1, 2008, to allow the DERs' with respect to the deferred shares to remain in effect only through December 31, 2017. Accordingly, the last DERs' conversion into deferred restricted stock units will occur on the first business day in January 2018. Previously, no such time limitation was placed in the Deferred Restricted Stock and Deferral Election Program.

As of December 31, 2015, 2014 and 2013, a cumulative of 70,691, 66,458 and 61,733 dividend equivalent rights were converted, since inception, to deferred restricted stock awards, respectively. For the years ended December 31, 2015, 2014 and 2013, $114, $122 and $128, respectively, related to dividend equivalent rights were recorded against retained earnings and were accrued as a liability.

Employee Stock Purchase Plan

The 2014 ESPP allows eligible employees to purchase shares of SJW Corp.'s common stock at 85% of the fair value of shares on the purchase date. Under the 2014 ESPP, employees can designate up to a maximum of 10% of their base compensation for the purchase of shares of common stock, subject to certain restrictions. A total of 400,000 shares of SJW Corp.'s common stock have been reserved for issuance under the 2014 ESPP.

As of December 31, 2015, the 2014 ESPP had two purchase intervals since its inception. As of December 31, 2015, a total of 33,318 shares were issued under the 2014 ESPP. Prior to the inception of the 2014 ESPP plan, the ESPP had nineteen purchase intervals. As of December 31, 2014 and 2013, a total of 35,682 and 30,869 shares, respectively, were issued under the prior ESPP. Both plans have no look-back provisions. For the years ended December 31, 2015, 2014 and 2013, cash received from employees towards the 2014 ESPP and ESPP amounted to $916, $854 and $796, respectively.

After considering estimated employee terminations or withdrawals from the plan before the purchase date, for the years ended December 31, 2015, 2014 and 2013, SJW Corp.'s recorded expenses were $162, $151 and $140 related to the 2014 ESPP and the prior ESPP.

The total unrecognized compensation costs related to the semi-annual offering period that ended January 29, 2016 for the 2014 ESPP is approximately $64. This cost is expected to be recognized during the first quarter of 2016.

Dividend Reinvestment and Stock Purchase Plan

SJW Corp. adopted the DRSPP effective April 19, 2011. The DRSPP offered shareholders the ability to reinvest cash dividends in SJW Corp. common stock and also purchase additional shares of SJW Corp. common stock. A total of 3,000,000 shares of common stock were reserved for issuance under the DRSPP. SJW Corp. terminated the DRSPP effective as of April 14, 2014. For the years ended December 31 2014 and 2013, 829 and 3,487 shares, respectively, were issued under the DRSPP.

Note 12. Segment and Non-Tariffed Businesses Reporting

SJW Corp. is a holding company with five subsidiaries: (i) San Jose Water Company, a water utility operation with both regulated and non-tariffed businesses, (ii) SJW Land Company and its consolidated variable interest entity, 444 West Santa Clara Street, L.P., operate commercial building rentals, (iii) SJWTX, Inc. which is doing business as Canyon Lake Water Service Company, a regulated water utility located in Canyon Lake, Texas, and its consolidated non-tariffed variable interest entity, Acequia Water Supply Corporation, (iv) Texas Water Alliance Limited, a non-tariffed water utility operation which is undertaking activities that are necessary to develop a water supply project in Texas, and (v) SJW Group, Inc., a Delaware corporation formed in March 2015 for the sole purpose of effectuating a change in the state of incorporation of SJW Corp. from California to Delaware. Any future reincorporation is subject to CPUC approval. In accordance with FASB ASC Topic 280—“Segment Reporting,” SJW Corp. has determined that it

has two reportable business segments. The first segment is that of providing water utility and utility-related services to its customers through SJW Corp.'s subsidiaries, San Jose Water Company, Canyon Lake Water Service Company and Texas Water Alliance, together referred to as “Water Utility Services.” The second segment is property management and investment activity conducted by SJW Land Company, referred to as “Real Estate Services.”

SJW Corp.'s reportable segments have been determined based on information used by the chief operating decision maker. SJW Corp.'s chief operating decision maker is its senior staff which includes the Chairman, President and Chief Executive Officer, Chief Financial Officer and Treasurer, Chief Operating Officer, Chief Administrative Officer, and Senior Vice President of Regulatory Affairs. The senior staff reviews financial information presented on a consolidated basis that is accompanied by disaggregated information about operating revenue, net income and total assets, by subsidiaries.

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

	For year ended December 31, 2015						
	Water Utility Services		Real Estate Services	All Other (1)	SJW Corp.		
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	291,949	6,145	6,988	—	291,949	13,133	305,082
Operating expense	214,538	4,149	4,079	2,356	214,538	10,584	225,122
Operating income (loss)	77,411	1,996	2,909	(2,356)	77,411	2,549	79,960
Net income (loss)	38,402	882	953	(2,355)	38,402	(520)	37,882
Depreciation and amortization	38,742	434	1,564	—	38,742	1,998	40,740
Senior note, mortgage and other interest expense	18,935	—	1,019	2,232	18,935	3,251	22,186
Income tax expense (benefit) in net income	23,802	730	513	(1,773)	23,802	(530)	23,272
Assets	1,253,785	18,106	65,622	3,450	1,253,785	87,178	1,340,963

	For year ended December 31, 2014						
	Water Utility Services		Real Estate Services	All Other (1)	SJW Corp.		
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	306,474	6,175	7,019	—	306,474	13,194	319,668
Operating expense	216,914	4,686	4,193	997	216,914	9,876	226,790
Operating income (loss)	89,560	1,489	2,826	(997)	89,560	3,318	92,878
Net income (loss)	50,612	668	1,050	(524)	50,612	1,194	51,806
Depreciation and amortization	35,926	359	1,620	—	35,926	1,979	37,905
Senior note, mortgage and other interest expense	17,555	—	1,022	2,211	17,555	3,233	20,788
Income tax expense (benefit) in net income	24,210	471	542	(252)	24,210	761	24,971
Assets	1,180,583	18,071	65,847	4,803	1,180,583	88,721	1,269,304

	For year ended December 31, 2013						
	Water Utility Services		Real Estate Services	All Other (1)	SJW Corp.		
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	264,782	5,882	6,205	—	264,782	12,087	276,869
Operating expense	212,761	5,683	4,000	1,018	212,761	10,701	223,462
Operating income (loss)	52,021	199	2,205	(1,018)	52,021	1,386	53,407
Net income (loss)	23,273	(208)	920	(1,601)	23,273	(889)	22,384
Depreciation and amortization	33,067	360	1,612	—	33,067	1,972	35,039
Senior note, mortgage and other interest expense	16,616	—	1,120	2,186	16,616	3,306	19,922
Income tax expense (benefit) in net income	14,446	124	768	(1,203)	14,446	(311)	14,135
Assets	1,013,229	16,163	71,779	8,815	1,013,229	96,757	1,109,986

(1) For the year ended December 31, 2015, the “All Other” category includes the accounts of SJW Corp. on a stand-alone basis and SJW Group, Inc. As of December 31, 2015, SJW Group, Inc. had no revenue or expenses recorded and as of December 31, 2015 held no assets. For the years ended December 31, 2014 and 2013, the “All Other” category includes the accounts of SJW Corp. on a stand-alone basis.

Note 13. California Water Service Group Stock

SJW Corp. classifies its investment in California Water Service Group as available-for-sale. On June 30, 2014, SJW Corp. sold 125,969 shares of California Water Service Group for $3,056, before fees of $10. SJW Corp. recognized a gain on the sale of the stock of approximately $2,017, tax expense of approximately $822, for a net gain of $1,195. The unrealized holding gain associated with the shares sold, that was reclassified out of accumulated other comprehensive income was $1,171 and was based on the fair value of the stock as of March 31, 2014. As of December 31, 2015, SJW Corp. held 259,151 shares of California Water Service Group. The stock is carried at quoted market price with changes in unrealized gain or loss reported, net of tax, as a component of other comprehensive income.

As of December 31, 2015 and 2014, fair value of the Company's investment in California Water Service Group was $6,030 and $6,378, respectively, and would be categorized as Level 1 of the fair value hierarchy.

Note 14. Subsequent Event

On February 22, 2016, SJW Corp. entered into a purchase and sale agreement with the GBRA, pursuant to which the Company agreed to sell all of its equity interests in its wholly-owned subsidiary Texas Water Alliance Limited to GBRA for $31,000 in cash. Pursuant to the purchase and sale agreement, (i) upon closing of the transaction, GBRA will hold back $3,000 in the payment of the total purchase price and (ii) such holdback amount, subject to reductions under certain circumstances, shall be paid to SJW Corp. four years following the closing. The purchase and sale agreement is subject to specified closing conditions, including without limitation the completion of a financing by GBRA to fund the purchase price.

Note 15. Unaudited Quarterly Financial Data

Summarized quarterly financial data is as follows:

	2015 Quarter Ended			
	March	June	September	December
Operating revenue	$62,112	72,402	82,955	87,613
Operating income	12,805	17,210	18,260	31,685
Net income	4,695	7,461	9,534	16,192
Comprehensive income	4,680	7,206	9,422	16,368
Earnings per share:				
—Basic	0.23	0.37	0.47	0.79
—Diluted	0.23	0.36	0.46	0.79
Market price range of stock:				
—High	35.60	31.68	31.36	33.68
—Low	30.09	28.68	27.73	27.64
Dividend per share	0.20	0.19	0.20	0.19

	2014 Quarter Ended			
	March	June	September	December
Operating revenue	$54,596	70,356	125,430	69,286
Operating income	6,054	12,121	59,114	15,589
Net income	906	6,846	38,366	5,688
Comprehensive income	1,104	5,716	38,095	6,021
Earnings per share:				
—Basic	0.04	0.34	1.90	0.28
—Diluted	0.04	0.34	1.88	0.28
Market price range of stock:				
—High	30.40	29.51	28.25	32.87
—Low	27.84	25.87	25.64	26.77
Dividend per share	0.19	0.19	0.19	0.19

SJW CORP.
FINANCIAL STATEMENT SCHEDULE
Schedule II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
Years ended December 31, 2015, 2014 and 2013
(in thousands)

Description	2015	2014	2013
Allowance for doubtful accounts:			
Balance, beginning of period	$150	170	225
Charged to expense	392	321	442
Accounts written off	(528)	(489)	(620)
Recoveries of accounts written off	186	148	123
Balance, end of period	$200	150	170
Reserve for litigation and claims:			
Balance, beginning of period	$133	136	281
Charged to expense	213	71	220
Revision to accrual, due to settlements	(16)	(5)	(105)
Payments	(67)	(69)	(260)
Balance, end of period	$263	133	136

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.

Item 9A. Controls and Procedures
Evaluation of Disclosure Control and Procedures
SJW Corp.'s management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of SJW Corp.'s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the “Exchange Act”), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that SJW Corp.'s disclosure controls and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by SJW Corp. in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. SJW Corp. believes that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.
Management's Report on Internal Control over Financial Reporting
SJW Corp.'s management is responsible for establishing and maintaining an adequate internal control structure over financial reporting and for an assessment of the effectiveness of internal control over financial reporting, as such items are defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act.
Management has utilized the criteria established in “Internal Control-Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of internal control over financial reporting.
SJW Corp.'s management has performed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2015. Based on this assessment, management has concluded SJW Corp.'s internal control over financial reporting as of December 31, 2015 is effective.

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KPMG LLP has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. Its report is included in Item 8 of this report.

Changes in Internal Controls

There has been no change in internal control over financial reporting during the fourth fiscal quarter of 2015 that has materially affected, or is reasonably likely to materially affect, the internal controls over financial reporting of SJW Corp.

Item 9B. Other Information

SJW Corp. intends to post information about the operating and financial performance of SJW Corp. and its subsidiaries on its web sites at www.sjwater.com and www.sjwcorp.com from time to time.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is contained in part under the caption “Officers of the Registrant” in Part I, Item 1, of this report, and in SJW Corp.'s Proxy Statement for its 2016 Annual Meeting of Shareholders to be held on April 27, 2016 (the “2016 Proxy Statement”) under the captions “Proposal 1—Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance,” and is incorporated herein by reference.

Code of Ethics

SJW Corp. has adopted a code of ethics that applies to SJW Corp.'s Chief Executive Officer, Chief Financial Officer, Controller and all other officers. The text of the code of ethics is available, free of charge, at the Company's website at http://www.sjwcorp.com. SJW Corp. intends to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, a provision of its code of ethics by posting such information on its website.

Corporate Governance Policies and Board Committee Charters

The Corporate Governance Policies and the charters for the board committees—the Audit Committee, Executive Compensation Committee, Real Estate Committee, and Nominating & Governance Committee—are available at the Company's website at http://www.sjwcorp.com. Shareholders may also request a free hard copy of the Corporate Governance Policies and the charters from the following address and phone number:

SJW Corp.
110 West Taylor Street
San Jose, CA 95110
Attn: Corporate Secretary
Phone: 800-250-5147

Item 11. Executive Compensation

The information required by this item is contained in the 2016 Proxy Statement under the captions “Compensation of Directors,” “Executive Compensation and Related Information,” “Compensation Committee Interlocks and Insider Participation,” and “Committee Reports” and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is contained in the 2016 Proxy Statement under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Securities Authorized for Issuance under Equity Compensation Plans” and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is contained in the 2016 Proxy Statement under the caption “Certain Relationships and Related Transactions” and “Independent Directors” and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item is contained in the 2016 Proxy Statement under the caption “Principal Independent Accountants' Fees and Services” and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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All other schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

(a)(3) Exhibits required to be filed by Item 601 of Regulation S-K.

See Exhibit Index located immediately following this Item 15.

The exhibits filed herewith are attached hereto (except as noted) and those indicated on the Exhibit Index which are not filed herewith were previously filed with the Securities and Exchange Commission as indicated.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Articles of Incorporation of SJW Corp. Incorporated by reference to Exhibit 3.1 to Form 10-K for year ended December 31, 2001.
3.2	Certificate of Amendment of the Restated Articles of Incorporation of SJW Corp., as filed with the Secretary of State of the State of California on February 22, 2006. Incorporated by reference to Exhibit 3.1 to Form 8-K filed on February 27, 2006.
3.3	By-Laws of SJW Corp., as amended on July 28, 2010. Incorporated by reference to Exhibit 3.1 to Form 8-K filed on July 29, 2010.
3.4	Amended and Restated By-Laws of SJW Corp. effective as of January 28, 2015. Incorporated by reference to Exhibit 3.1 to Form 8-K filed on January 30, 2015.
4	Instruments Defining the Rights of Security Holders, including Indentures: No current issue of the registrant's long-term debt exceeds 10 percent of its total assets. SJW Corp. hereby agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of unregistered senior and subordinated debt of the Company.
4.1	Indenture dated as of June 1, 2010 between San Jose Water Company and Wells Fargo Bank, National Association. Incorporated by reference to Exhibit 4.1 to Form 10-Q for the quarter ended June 30, 2010.
4.2	4.35% Senior Notes due June 30, 2021. SJW Corp. agrees to furnish a copy of such Senior Notes to the Commission upon request.
10.1	Water Supply Contract dated January 27, 1981, between San Jose Water Works and the Santa Clara Valley Water District, as amended. Incorporated by reference to Exhibit 10.1 to Form 10-K for the year ended December 31, 2001.
10.2	Limited Partnership Agreement of 444 West Santa Clara Street, L.P., entered into as of September 2, 1999, between SJW Land Company and Toeniskoetter & Breeding, Inc. Development. Incorporated by reference to Exhibit 10.18 to Form 10-Q for the quarter ended September 30, 1999.
10.3	Grantor Trust Agreement by and between San Jose Water Company and Wells Fargo Bank, National Association dated November 2, 2012. Incorporated by reference as Exhibit 10.4 to Form 10-K for the year ended December 31, 2012.
10.4	Credit Agreement dated March 1, 2012 by and between SJW Corp., SJW Land Company and Wells Fargo Bank, National Association and Promissory Note dated March 1, 2012. Incorporated by reference as Exhibit 10.1 to Form 8-K filed on March 7, 2012.
10.5	First Amendment to Credit Agreement by and between SJW Corp., SJW Land Company and Wells Fargo Bank, National Association dated January 11, 2013. Incorporated by reference as Exhibit 10.10

	to Form 10-K for the year ended December 31, 2012.
10.6	Second Amendment to Credit Agreement dated as of June 23, 2014 between SJW Corp., SJW Land Company and Wells Fargo Bank, National Association, and Revolving Line of Credit Note dated June 23, 2014. Incorporated by reference as Exhibit 10.2 to Form 8-K filed on June 25, 2014.
10.7	Third Amendment to Credit Agreement dated as of August 1, 2014 between SJW Corp., SJW Land Company and Wells Fargo Bank, National Association. Incorporated by reference as Exhibit 10.4 to Form 10-Q filed for the quarter ended June 30, 2014.
10.8	Credit Agreement dated March 1, 2012 by and between San Jose Water Company and Wells Fargo Bank, National Association and Promissory Note dated March 1, 2012. Incorporated by reference as Exhibit 10.2 to Form 8-K filed on March 7, 2012.
10.9	First Amendment to Credit Agreement by and between San Jose Water Company and Wells Fargo Bank, National Association dated January 11, 2013. Incorporated by reference as Exhibit 10.16 to Form 10-K for the year ended December 31, 2012.

10.10	Second Amendment to Credit Agreement dated as of June 23, 2014 between San Jose Water Company and Wells Fargo Bank, National Association, and Revolving Line of Credit Note dated June 23, 2014. Incorporated by reference as Exhibit 10.1 to Form 8-K filed on June 25, 2014.
10.11	Third Amendment to Credit Agreement dated as of August 1, 2014 between San Jose Water Company and Wells Fargo Bank, National Association. Incorporated by reference as Exhibit 10.2 to Form 10-Q filed for the quarter ended June 30, 2014.
10.12	Loan Agreement dated as of June 1, 2010 between the California Pollution Control Financing Authority and San Jose Water Company. Incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended June 30, 2010.
10.13	Bond Purchase agreement dated June 9, 2010 among Goldman, Sachs & Co., the Treasurer of the State of California and the California Pollution Control Financing Authority and approved by San Jose Water Company. Incorporated by reference to Exhibit 10.4 to Form 10-Q for the quarter ended June 30, 2010.
10.14	Note Agreement between SJW Corp. and the Prudential Insurance Company of America, dated June 30, 2011. Incorporated by reference as Exhibit 10.3 to Form 8-K filed on July 7, 2011.
10.15	Note Agreement between San Jose Water Company and John Hancock Life Insurance Company (U.S.A.) and its affiliate, dated January 24, 2014. Incorporated by reference as Exhibit 10.1 to Form 8-K filed on January 29, 2014.
10.16	Form of Letter Amendment to SJW Corp. Director Pension Plan. Incorporated by reference as Exhibit 10.25 to Form 10-K for the year ended December 31, 2007. (2)
10.17	San Jose Water Company Executive Supplemental Retirement Plan, as amended and restated effective January 1, 2012. Incorporated by reference as Exhibit 10.20 to Form 10-K for the year ended December 31, 2011. (2)
10.18	San Jose Water Company Cash Balance Executive Supplemental Retirement Plan as amended and restated effective January 1, 2012. Incorporated by reference as Exhibit 10.23 to Form 10-K for the year ended December 31, 2011. (2)
10.19	First Amendment to San Jose Water Company's Cash Balance Executive Supplemental Retirement Plan effective as of October 30, 2013. Incorporated by reference as Exhibit 10.15 to Form 10-K for the year ended December 31, 2013. (2)
10.20	Second Amendment to San Jose Water Company's Cash Balance Executive Supplemental Retirement Plan effective as of January 31, 2014. Incorporated by reference as Exhibit 10.2 to Form 8-K filed on January 30, 2014. (2)
10.21	SJW Corp. Long-Term Incentive Plan, as amended and restated on January 30, 2013 effective as of April 24, 2013. Incorporated by reference as Exhibit 10.2 to Form 10-Q for the quarter ended June 30, 2013. (2)
10.22	SJW Corp. Long-Term Incentive Plan, as amended and restated on July 29, 2015. Incorporated by reference as Exhibit 10.1 to Form 10-Q filed for the quarter ended September 30, 2015. (2)

10.23	Chief Executive Officer Employment Agreement amended and restated, effective January 1, 2008. Incorporated by reference to Exhibit 10.9 to Form 10-K for the year ended December 31, 2008. (2)
10.24	First Amendment, effective as of January 1, 2010, to the Chief Executive Officer Employment Agreement amended and restated effective January 1, 2008. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 18, 2009. (2)
10.25	Second Amendment dated January 26, 2010 to the Chief Executive Officer Employment Agreement amended and restated effective January 1, 2008. Incorporated by reference to Exhibit 10.11 to Form 10-K for the year ended December 31, 2009. (2)
10.26	Amendment, effective as of July 30, 2014, to the Amended and Restated Employment Agreement of W. Richard Roth, together with Exhibit A (Form of Restricted Stock Unit Issuance Agreement - Service Award), Exhibit B (Form of Restricted Stock Unit Issuance Agreement - TSR Award), and Exhibit C (Form of Restricted Stock Unit Issuance Agreement - ROE Award). Incorporated by reference as Exhibit 10.1 to Form 8-K filed on August 1, 2014. (2)

10.27	Offer Letter to Mr. James P. Lynch dated September 22, 2010 and accepted September 27, 2010. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on October 1, 2010. (2)
10.28	Offer Letter to Andrew F. Walters. Incorporated by reference as Exhibit 10.1 to Form 8-K filed on January 30, 2014. (2)
10.29	Offer Letter to Mr. Andrew Gere. Incorporated by reference as Exhibit 10.1 to the Form 10-Q filed for the quarter ended June 30, 2015. (2)
10.30	Standard Form of Stock Option Agreement, as adopted by SJW Corp. Board of Directors on April 29, 2003. Incorporated by reference to Exhibit 10.22 to Form 10-Q for the quarter ended June 30, 2003. (2)
10.31	SJW Corp. Executive Officer Short-Term Incentive Plan, as amended and restated on January 30, 2013 effective as of April 24, 2013. Incorporated by reference as Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2013. (2)
10.32	SJW Corp. Executive Severance Plan, as amended and restated, effective January 1, 2010 and amended effective October 26, 2010. Incorporated by reference as Exhibit 10.23 to Form 10-K for the year ended December 31, 2010. (2)
10.33	San Jose Water Company Special Deferral Election Plan, as amended and restated, effective January 1, 2013. Incorporated by reference as Exhibit 10.36 to Form 10-K for the year ended December 31, 2012. (2)
10.34	SJW Corp. Amended and Restated Deferred Restricted Stock Program, effective January 1, 2008. Incorporated by reference as Exhibit 10.1 to Form 10-Q for the quarter ended March 31, 2008. (2)
10.35	SJW Corp. Deferral Election Program for Non-Employee Board Members, as amended and restated effective October 30, 2013. Incorporated by reference as Exhibit 10.32 to Form 10-K for the year ended December 31, 2013. (2)
10.36	Form of Restricted Stock Unit Award Agreement for non-employee Board Members. Incorporated by reference as Exhibit 10.3 to Form 10-Q for the quarter ended June 30, 2013. (2)
10.37	Formulaic Equity Award Program for Non-Employee Board Members. Incorporated by reference as Exhibit 10.34 to Form 10-K for the year ended December 31, 2013. (2)
10.38	SJW Corp. Director Compensation and Expense Reimbursement Policies, amended and restated effective January 1, 2014. Incorporated by reference as Exhibit 10.36 to Form 10-K for the year ended December 31, 2013. (2)
10.39	Restricted Stock Unit Issuance Agreement, amended and restated, effective as of July 1, 2008. Incorporated by reference as Exhibit 10.2 to Form 10-Q for the quarter ended September 30, 2008. (2)
10.40	Deferred Restricted Stock Award Agreement, amended and restated, as of October 22, 2008. Incorporated by reference as Exhibit 10.21 to Form 10-K for the year ended December 31, 2008. (2)
10.41	Chief Executive Officer Restricted Stock Unit Issuance Agreement, amended and restated effective October 22, 2008. Incorporated by reference as Exhibit 10.25 to Form 10-K for the year ended

	December 31, 2008. (2)
10.42	Form of Chief Executive Officer Restricted Stock Unit Issuance Agreement. Incorporated by reference as Exhibit 10.30 to Form 10-K for the year ended December 31, 2009. (2)
10.43	Form of Chief Executive Officer Restricted Stock Unit Issuance Agreement. Incorporated by reference as Exhibit 10.31 to Form 10-K for the year ended December 31, 2009. (2)
10.44	Form of Chief Executive Officer Restricted Stock Unit Issuance Agreement. Incorporated by reference as Exhibit 10.49 to Form 10-K for the year ended December 31, 2011. (2)
10.45	Form of Restricted Stock Unit Issuance Agreement. Incorporated by reference as Exhibit 10.34 to Form 10-K for the year ended December 31, 2009. (2)
10.46	Form of Restricted Stock Unit Issuance Agreement. Incorporated by reference as Exhibit 10.53 to Form 10-K for the year ended December 31, 2011. (2)

10.47	Form of Restricted Stock Unit Issuance Agreement (ROE Goal). Incorporated by reference as Exhibit 10.52 to Form 10-K filed for the year ended December 31, 2014. (2)
10.48	Performance Goals for the Chief Executive Officer 2013 Fiscal Year Bonus. Incorporated by reference as Exhibit 10.61 to Form 10-K for the year ended December 31, 2012. (2)
10.49	Performance Goals for the Chief Executive Officer 2014 Fiscal Year Bonus. Incorporated by reference as Exhibit 10.58 to Form 10-K for the year ended December 31, 2013. (2)
10.50	Performance Goals for the Chief Executive Officer 2015 Fiscal Year Bonus. Incorporated by reference as Exhibit 10.55 to Form 10-K for the fiscal year ended December 31, 2014. (2)
10.51	Performance Goals for the Chief Executive Officer 2016 Fiscal Year Bonus. (1)(2)
10.52	Form of Indemnification Agreement between SJW Corp. and officers. Incorporated by reference as Exhibit 10.37 to Form 10-K for the year ended December 31, 2009. (2)
10.53	Form of Indemnification Agreement between SJW Corp. and Board members. Incorporated by reference as Exhibit 10.38 to Form 10-K for the year ended December 31, 2009. (2)
21.1	Subsidiaries of SJW Corp. filed as Exhibit 21.1 to Form 10-K for the year ended December 31, 2009.
23	Consent of Independent Registered Public Accounting Firm. (1)
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) by President and Chief Executive Officer. (1)
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chief Financial Officer and Treasurer. (1)
32.1	Certification Pursuant to 18 U.S.C. Section 1350 by President and Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)
32.2	Certification Pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer and Treasurer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Filed currently herewith.
(2) Management contract or compensatory plan or agreement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SJW CORP.

Date: February 25, 2016

By /s/ W. Richard Roth
W. RICHARD ROTH,
President, Chief Executive Officer
and Chairman of the Board
(Principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 25, 2016

By /s/ W. Richard Roth
W. RICHARD ROTH,
President, Chief Executive Officer
and Chairman of the Board
(Principal executive officer)

Date: February 25, 2016

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

Date: February 25, 2016

By /s/ Wendy Avila-Walker
WENDY AVILA-WALKER,
Controller
(Principal accounting officer)

Date: February 25, 2016

By /s/ Katharine Armstrong
KATHARINE ARMSTRONG,
Member, Board of Directors

Date: February 25, 2016

By /s/ Walter J. Bishop
WALTER J. BISHOP,
Member, Board of Directors

Date: February 25, 2016

By /s/ Mark L. Cali
MARK L. CALI,
Member, Board of Directors

Date: February 25, 2016

By /s/ Douglas R. King
DOUGLAS R. KING,
Member, Board of Directors

Date: February 25, 2016

By /s/ Daniel B. More
DANIEL B. MORE,
Member, Board of Directors

Date: February 25, 2016	By /s/ Ronald B. Moskovitz RONALD B. MOSKOVITZ, Member, Board of Directors
Date: February 25, 2016	By /s/ George E. Moss GEORGE E. MOSS, Member, Board of Directors
Date: February 25, 2016	By /s/ Robert A. Van Valer ROBERT A. VAN VALER, Member, Board of Directors