CALIFORNIA WATER SERVICE GROUP 1999 ANNUAL REPORT

the right PLACE | *the right* TIME | *the right* COMPANY

corporate PROFILE

California Water Service Group (the Company) provides high-quality water utility services to 1.5 million people through its three subsidiaries: California Water Service Company (Cal Water), Washington Water Service Company (Washington Water) and CWS Utility Services.

Regulated by state utility commissions, Cal Water and Washington Water provide water utility services to customers in 60 communities. Formed in 1926, Cal Water is the largest investor-owned water utility west of the Mississippi River and the fourth largest in the nation, with 21 district offices located throughout California. The Company's newest subsidiary, Washington Water, is the largest investor-owned water utility in the state of Washington, with operations near Olympia and Tacoma.

CWS Utility Services conducts the Company's non-regulated business, which includes providing billing and meter reading services, as well as full-system water operations, for cities and companies in California, Washington and New Mexico.

Known for its dedicated workforce, excellent customer service and efficient operations, California Water Service Group is committed to being *the* industry leader in providing communities and customers with traditional and innovative utility services.

On the cover: The Tacoma Narrows Bridge leads to Gig Harbor, one of the communities served by the Company's newest subsidiary, Washington Water.

financial HIGHLIGHTS

	1999	1998	1997	1996	1995
Book value	$ 13.70	$ 13.27	$ 12.84	$ 12.10	$ 11.58
Market price	30.31	31.31	29.53	21.00	16.38
Earnings per share	1.53	1.45	1.82	1.49	1.16
Dividends per share	1.085	1.07	1.055	1.04	1.02
Revenue (in thousands)	206,440	189,659	198,347	185,553	167,616
Net income (in thousands)	19,919	18,936	23,736	19,419	15,015

At the dawn of this new century, we have an opportunity to see our Company from a unique perspective. Considering all that we have achieved since our formation in 1926—particularly our accomplishments in the past two years—we believe that we are well positioned for growth in the 21st century. Hence, the theme for this year's report: *the right place, the right time, the right company*. To us, that means whether you are a stockholder, a customer, an employee or a partner to whom we provide contract services, you have a winner with Cal Water.

From a financial perspective, 1999 was another good year for the Company. Operating revenues rose nine percent to $206.4 million, and net income climbed five percent to $19.9 million. Earnings per share increased to $1.53, compared to $1.45 in 1998, and dividends were paid for the 55th consecutive year, increasing 1.5 cents to $1.085 per share. Earnings were positively impacted by higher sales, customer growth and rate increases authorized by the California Public Utilities Commission (CPUC). Dry weather conditions boosted sales, as did the addition of customers inside and outside of our existing service areas. In fact, in absolute terms, 1999 was our best year of internal growth since 1990, as developer-financed main extensions added a total of 3,264 new service connections in our existing districts.

Our strategy for continued financial success is twofold. We focus on operating efficiently while taking a deliberate and disciplined approach to growth. In evaluating growth opportunities, we consider several factors. Will the transaction increase stockholder value? Will it result in greater efficiency and better customer service? Will it enhance our ability to compete for other growth opportunities? And, is it a good fit culturally and operationally? Applying this rigorous test to potential acquisitions helps us identify and pursue opportunities that give us a strategic advantage.

Our acquisitions of Harbor Water and South Sound Utility in Washington are good examples of growth targets that pass this test. Washington Water Service Company, the largest investor-owned water utility in Washington, is our newest subsidiary. Its formation will enable us to capitalize on future growth opportunities in a state that is characterized by a favorable regulatory environment and an abundance of water systems. We owe much of our success in Washington to the efforts of our first Pacific Northwest Marketing Manager, Steve Toovey, who passed away unexpectedly in 1999. Steve will be sorely missed by all. To ensure that his good work is continued, we have appointed James Smith, a 25-year Company veteran, to this key role. Prior to this appointment, Jim managed our Salinas District.

pictured left to right:

PETER C. NELSON
President and Chief Executive Officer

ROBERT W. FOY
Chairman of the Board

In 1999, we also purchased the assets of the Olcese Water District, located adjacent to our existing operations in Bakersfield. Although a smaller transaction, the Olcese purchase expands our presence in a city that is projected to triple in size over the next 45 years. Cal Water also entered into a short-term agreement to operate a small investor-owned water system serving 1,100 customers contiguous to our Visalia District. The agreement is a prelude to our acquisition of the system, which is expected to close in mid-2000 after CPUC approval. This transaction is the type of "in-fill" acquisition that frequently comes our way because of our geographic dispersion throughout California.

And, the largest transaction in the Company's history, the merger with Dominguez Services Corporation will enable us to operate more efficiently and compete more aggressively for growth opportunities in the Los Angeles area. Dominguez also brings with it expertise in the water rights brokering market and a proven strategy for acquiring and operating smaller systems. Because this is the largest merger of California-based investor-owned water utilities in the state's history, and the first large-scale transaction affected by legislation allowing the

CPUC to consider fair market value in establishing rates, the CPUC has taken longer to consider our application than first expected. Dominguez and Cal Water management teams have worked diligently with CPUC staff during its deliberation, winning support for the merger from the Ratepayer Representation Branch of the CPUC in early December. We expect to receive final approval in the first quarter of 2000.

Clearly, these acquisitions make sense for the Company because they increase stockholder value and enhance our ability to compete in an increasingly competitive industry. More important, they establish the Company as a leading consolidator in the western United States.

We also increased our non-regulated business in 1999, securing billing service contracts with the California cities of Vista and El Segundo and an operations and maintenance agreement for the Rural North Vacaville Water District in Solano County, California. Additionally, marking our entry into a third western state, we made an investment in a firm that provides meter reading services in New Mexico. In total, we now provide billing, meter reading and operational services to an additional 170,000 people through 78 service contracts in California, Washington and New Mexico.

Like regulated acquisitions, non-regulated business opportunities undergo intense scrutiny, which is why all of our service contracts add to the bottom line. Financial gain isn't the only driver for our partnerships with cities and companies; we also look for opportunities that result in better customer service, increased efficiency and mutual benefit for our partners. Our partners know they can depend on us to provide friendly, reliable and cost-effective services, which is why all existing service contracts have always been renewed.

To ensure provision of the highest levels of customer service, we have conducted research to determine what our customers expect and value in their water service. The results have been summarized and distributed to every single employee. But it doesn't end there. We have also made these expectations the basis for an ongoing continuous improvement process, enabling all employees to identify and complete projects that enhance customer service and improve efficiency.

As you can appreciate, a process like this could not work without a dedicated and able group of employees. At Cal Water, we have the best. From our well-trained and committed field crews, to our dedicated and friendly office staff, to our experienced and highly-qualified management team, we simply have the best.

Yes, we accomplished much in 1999. In addition to integrating our new companies, working with the CPUC on the Dominguez merger, securing our new service contracts and implementing numerous continuous improvement projects, we installed a new integrated accounting software package, started construction on a desalination facility in southern California and completed the design of a new water system for the Rural North Vacaville Water District. We also completed our reincorporation in the state of Delaware. We commend our hard-working team of employees for achieving all this while continuing to provide excellent water service to our customers and partners.

We also thank our Directors for their invaluable leadership. We are pleased to report that in January 2000, the Board voted to raise the dividend on common stock from $1.085 to $1.10 per share, marking the 33rd consecutive annual dividend increase.

An increasingly competitive environment, stricter water-quality standards and higher customer expectations will continue to challenge us to be *the* leader in providing traditional and innovative utility services, as expressed in our vision statement. We believe we have the strategy and the expertise to meet this challenge, and that for us, this *is* the right place, the right time and the right company.

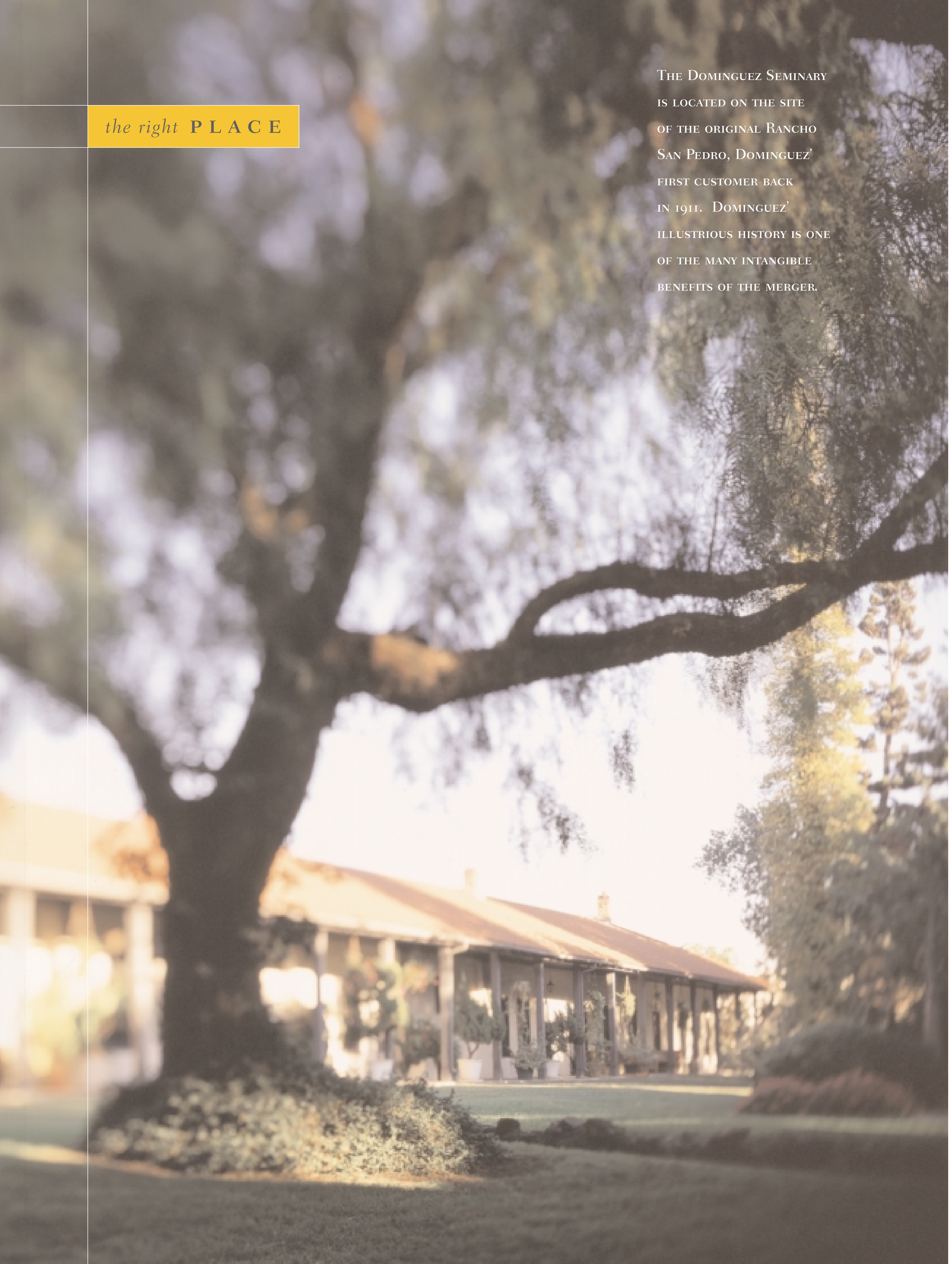
We thank you for your continued confidence and investment in California Water Service Group.

Sincerely,

ROBERT W. FOY
Chairman of the Board

PETER C. NELSON
President and Chief Executive Officer

the right PLACE



The Dominguez Seminary is located on the site of the original Rancho San Pedro, Dominguez' first customer back in 1911. Dominguez' illustrious history is one of the many intangible benefits of the merger.

Everybody knows the importance of being at the right place at the right time. But how do we know the Company is in the right place? First, consider California. The Golden State boasts a diversified economy and the highest Gross State Product in the nation. Californians need our product — whether they are refining oil, growing lettuce, producing computer chips, making movies or raising a family. Additionally, there are more Californians to serve every day; the state gains about 450,000 new residents per year. Having operations throughout the state, and an established reputation for excellence, we are well positioned to serve this thriving state, where only 15 to 20 percent of the population is served by investor-owned water utility companies. The Olcese acquisition and Dominguez merger further strengthen our California position, located as they are in key regions of growth. Opportunities also abound in the state of Washington, where the regulatory climate is favorable and smaller systems needing additional resources are plentiful. Washingtonians face some of the same challenges we have met in California, such as new water-quality issues and higher costs of service. Having operated successfully in California for over 70 years, Cal Water brings valuable expertise to its newest service area.

The Company is well positioned to grow from existing operations, having 23 efficient, locally managed districts in California and Washington. With the Dominguez, Olcese and Washington acquisitions, we will be even better able to capitalize on the unique growth opportunities in each region.

Not too long ago, the water utility industry was known as the "silent service." It was considered staid. Boring. Predictable. That time has passed. Today, water is an exciting, competitive business where the larger firms grow and the smaller ones are acquired. Increasingly strict water-quality standards, higher customer expectations and competition are driving consolidation in the industry. Small water providers do not have the resources to make necessary infrastructure upgrades, and cities are looking for ways to make money, not spend it. So this is a time of extraordinary opportunity for a company such as ours, which has a distinguished reputation for service and the resources to meet these new challenges. As party to the largest merger of California-based investor-owned water utilities in the state's history, and having recently become the largest investor-owned water utility in the state of Washington, the Company has emerged as a leading consolidator in the western states. To ensure continued success, we intend to pursue a disciplined and deliberate approach to growth through acquisitions and mutually beneficial partnerships, surpassing the competition for targeted opportunities by providing friendly, high-quality water service at a fair price.

Increasingly strict water-quality standards, higher customer expectations and new competition have spurred consolidation in the industry. As the fourth largest investor-owned water utility in the country, we have the resources and the growth strategy to become the leading consolidator in the western United States.

the right TIME

Management at the Company's San Jose headquarters meets to review a growth opportunity.

the right COMPANY

Certified Pump Operator Ray Dillingham draws a sample at the Hawthorne Treatment Plant.

What makes the California Water Service Group the right company? Certainly our financial strength, our ability to meet the cost and service needs of our partners and our well-developed growth strategy are all critical to our continued success. But it is our 700 dedicated employees and their commitment to excellence that really distinguish us from our competition. This commitment is evidenced by the success of our continuous improvement process, an ongoing effort by every employee to identify opportunities to enhance customer service and improve efficiency. The projects vary in scope and size. Note these examples of recent achievements: In Bakersfield, our team identified the need for enhanced treatment on one well; installation of the treatment resulted in a significant and measurable improvement in the taste and odor of the water. A team in Stockton tackled the problem of cleaning out valve casings in older systems, so difficult to access once they are excavated. The result: we invested in a Vactor, which vacuums water and mud out of the way, reducing water loss and injuries that occur when it is necessary to shovel in confined spaces. And, at the recommendation of a team in Los Altos, we installed large safety arrow lights on our trucks, protecting employees while they make repairs in streets. These are but a few of our many continuous improvement process accomplishments in 1999. By providing excellent customer service, our employees enable us to grow and prosper in an increasingly competitive industry.

Our employees' commitment to being *the* leader in providing communities and customers with traditional and innovative utility services is evidenced by their successful efforts to improve customer service and increase efficiency.

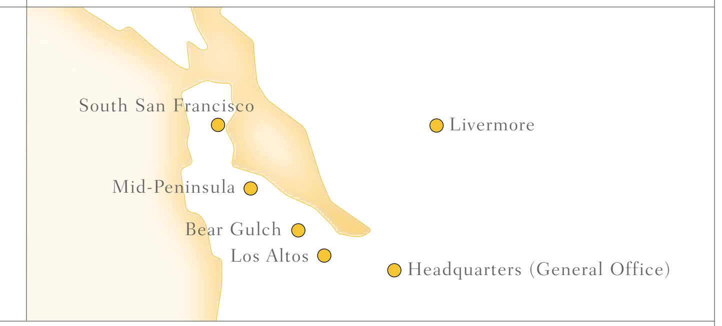
DISTRICT NAME	INCLUDING	REGULATED	NON-REGULATED
CALIFORNIA			
Bakersfield	O&M contracts for the City of Bakersfield and Spicer City and Rancho Verdugo MWC	56,700	24,900
Bear Gulch	Atherton, Woodside, Portola Valley, portions of Menlo Park and City of Menlo Park service contract	17,500	4,000
Chico†	Hamilton City	22,800	
Dixon		2,800	
East Los Angeles	O&M contracts for cities of Commerce and Montebello	26,400	2,700
Hawthorne	15-year lease — full service water operations		6,100
Hermosa-Redondo†	a portion of Torrance	25,400	
King City†		2,200	
Livermore	O&M contracts for Castlewood Country Club and Crane Ridge MWC	16,500	400
Los Altos	portions of Cupertino, Los Altos Hills, Mountain View and Sunnyvale	18,300	
Marysville†		3,700	
Mid-Peninsula	San Mateo and San Carlos	35,700	
Oroville		3,500	
Palos Verdes†	Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates and Rolling Hills	23,700	
Salinas	O&M contracts for Country Meadows MWC and Spreckels Water Co.	25,600	300
Selma		5,100	
South San Francisco	Colma and Broadmoor	16,200	
Stockton		41,600	
Visalia†	four O&M contracts	28,600	1,100
Westlake	a portion of Thousand Oaks	6,900	
Willows†		2,300	
	SUBTOTAL	381,500	39,500
WASHINGTON			
Harbor	numerous O&M contracts	9,300	1,700
South Sound	numerous O&M contracts	2,700	1,100
	SUBTOTAL	12,000	2,800
	CURRENT TOTAL	393,500	42,300
DOMINGUEZ*			
Antelope Valley	Fremont Valley, Lake Hughes, Lancaster and Leona Valley	1,300	300
Dominguez	Carson and portions of Compton, Harbor City, Long Beach and Torrance	32,500	
Kern River Valley	Bodfish, Kernville, Lakeland, Mountain Shadows, Onyx, Squirrel Valley, South Lake and Wofford Heights	4,100	700
Redwood Valley	Lucerne, Duncans Mills and Guerneville	1,900	
	SUBTOTAL	39,800	1,000
	TOTAL WITH DOMINGUEZ	433,300	43,300

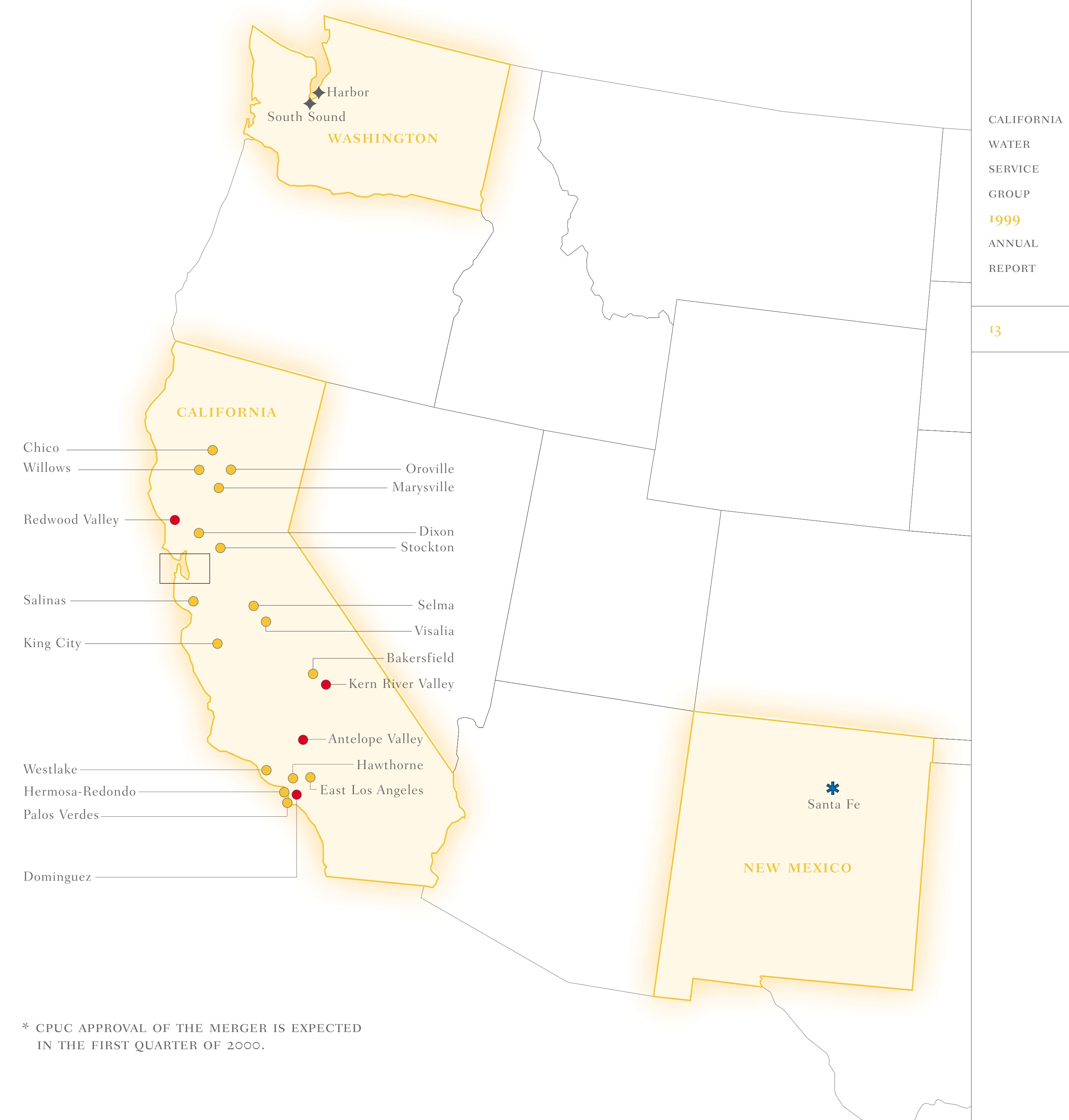
MWC = MUTUAL WATER COMPANY | O&M = OPERATIONS AND MAINTENANCE | † = INDICATES BILLING CONTRACT

KEY

- CALIFORNIA WATER SERVICE COMPANY
- DOMINGUEZ SERVICES CORPORATION*
- WASHINGTON WATER SERVICE COMPANY
- OTHER CONTRACT

DETAIL SAN FRANCISCO BAY AREA





* CPUC APPROVAL OF THE MERGER IS EXPECTED IN THE FIRST QUARTER OF 2000.

financial SECTION

ten-year FINANCIAL REVIEW

Dollars in thousands, except common share data

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Summary of Operations:										
Operating revenue										
Residential	$150,326	$139,018	$146,246	$136,747	$122,275	$117,032	$113,445	$103,644	$ 89,108	$ 91,595
Business	34,219	31,591	32,916	30,924	28,230	27,023	25,247	23,670	20,759	20,910
Industrial	6,947	6,239	6,282	6,150	5,836	5,478	5,123	4,925	4,490	5,145
Public authorities	9,501	8,368	9,636	9,023	8,149	7,995	7,397	6,892	5,734	6,412
Other	5,447	4,443	3,267	2,709	3,126	2,087	2,475	2,525	8,676	1,782
Total operating revenue	206,440	189,659	198,347	185,553	167,616	159,615	153,687	141,656	128,767	125,844
Operating expenses	175,830	159,120	163,431	154,849	141,950	133,821	125,729	117,646	104,372	102,350
Interest expense, other income and expenses, net	10,691	11,603	11,180	11,285	10,651	11,091	12,386	11,276	10,204	8,963
Net income	$ 19,919	$ 18,936	$ 23,736	$ 19,419	$ 15,015	$ 14,703	$ 15,572	$ 12,734	$ 14,191	$ 14,531
Common Share Data*										
Earnings per share	$ 1.53	$ 1.45	$ 1.82	$ 1.49	$ 1.16	$ 1.21	$ 1.32	$ 1.08	$ 1.20	$ 1.23
Dividends declared	$ 1.085	$ 1.07	$ 1.055	$ 1.04	$ 1.02	$ 0.99	$ 0.96	$ 0.93	$ 0.90	$ 0.87
Dividend payout ratio	71%	74%	58%	70%	88%	82%	73%	86%	75%	71%
Book value	$ 13.70	$ 13.27	$ 12.84	$ 12.10	$ 11.58	$ 11.36	$ 10.68	$ 10.31	$ 10.16	$ 9.83
Market price at year-end	30.31	31.31	29.53	21.00	16.38	16.00	20.00	16.50	14.00	13.38
Common shares outstanding at year-end (in thousands)	12,936	12,936	12,936	12,936	12,855	12,811	11,694	11,694	11,694	11,694
Return on average common stockholders' equity	11.4%	11.3%	14.7%	12.8%	10.3%	10.8%	12.3%	10.5%	11.8%	12.5%
Long-term debt interest coverage	3.5	3.5	4.1	3.6	3.1	3.2	3.1	3.0	3.2	3.6
Balance Sheet Data										
Net utility plant	$515,354	$489,017	$469,897	$452,441	$430,636	$415,747	$399,088	$381,683	$356,172	$331,352
Utility plant expenditures	44,493	35,878	33,931	36,820	28,409	29,117	29,445	36,275	34,994	27,402
Total assets	587,618	560,508	542,783	522,870	507,732	471,855	455,055	411,479	400,698	375,746
Long-term debt including current portion	159,223	141,401	142,013	143,840	147,062	130,983	131,199	123,445	104,494	105,948
Capitalization ratios:										
Common stockholders' equity	52.1%	54.2%	53.3%	51.5%	49.7%	52.0%	48.1%	48.7%	52.4%	51.3%
Preferred stock	1.0%	1.1%	1.1%	1.1%	1.2%	1.2%	1.3%	1.4%	1.5%	1.5%
Long-term debt	46.9%	44.7%	45.6%	47.4%	49.1%	46.8%	50.6%	49.9%	46.1%	47.2%
Other Data										
Water production *(million gallons)*										
Wells	57,934	51,139	57,652	54,457	50,688	51,352	48,012	52,909	49,692	52,272
Purchased	52,340	49,436	53,190	51,700	49,068	49,300	48,089	40,426	36,686	45,431
Total water production	110,274	100,575	110,842	106,157	99,756	100,652	96,101	93,335	86,378	97,703
Metered customers	322,478	317,178	312,732	308,455	298,730	295,831	290,513	286,465	282,377	278,639
Flat-rate customers	77,091	77,340	77,649	77,961	78,099	79,103	81,360	82,566	82,979	81,721
Customers at year-end	399,569	394,518	390,381	386,416	376,829	374,934	371,873	369,031	365,356	360,360
New customers added	5,051	4,137	3,965	9,587	1,895	3,061	2,842	3,675	4,996	1,251
Revenue per customer	517	481	508	480	445	426	413	384	352	349
Utility plant per customer	1,845	1,764	1,694	1,633	1,582	1,520	1,460	1,399	1,320	1,247
Employees at year-end	708	689	679	663	660	653	642	637	618	605

**Common share data is restated to reflect the effective two-for-one stock split on December 31, 1997.*

California Water Service Group (Company) is a holding company with three operating subsidiaries, California Water Service Company (Cal Water), CWS Utility Services (Services) and Washington Water Service Company (Washington Water). Cal Water and Washington Water are regulated public utilities. Their assets and operating revenues currently make up the majority of the Company's assets and revenues. Services provides non-regulated water operations and related services to other private companies and municipalities. The following discussion and analysis provides information regarding the Company and its assets, operations and financial condition.

Forward-Looking Statements

This annual report, including the Letter to Stockholders, Management's Discussion and Analysis and other sections, contains forward-looking statements within the meaning of the federal securities laws. Such statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the Company, the water utility industry and general economic conditions. Such words as expects, intends, plans, believes, estimates, anticipates or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. Actual results may vary materially from what is contained in a forward-looking statement. Factors which may cause a result different than expected or anticipated include regulatory commission decisions, new legislation, increases in suppliers' prices, changes in environmental compliance requirements, acquisitions, changes in customer water use patterns and the impact of weather on operating results. The Company assumes no obligation to provide public updates on forward-looking statements.

Business

Cal Water is a public utility supplying water service to 387,600 customers in 60 California communities through 21 separate water systems or districts. Cal Water's 20 regulated systems, which are subject to regulation by the California Public Utilities Commission (CPUC), serve 381,500 customers as shown on the enclosed map. An additional 6,100 customers receive service through a lease of the City of Hawthorne's water system, which is not subject to CPUC regulation. Cal Water derives non-regulated income from contracts with other private companies and municipalities to operate water systems and provide billing services to 33,400 customers. It also leases communication antenna sites and operates two reclaimed water systems.

Washington Water's utility operations are regulated by the Washington Utilities and Transportation Commission (WUTC). Washington Water provides domestic water service to 12,000 customers through two operating districts near Tacoma and Olympia. An additional 2,800 customers are served under operating agreements with private owners. Refer to the separate section titled "Washington Acquisitions" for further information concerning Washington Water.

Rates and operations for regulated customers are subject to the jurisdiction of the respective state's regulatory commission. The commissions require that water rates for each regulated district be independently determined. Rates for the City of Hawthorne system are established in accordance with an operating agreement and are subject to ratification by the City Council. Fees for other operating agreements are based on contracts negotiated among the parties.

Results of Operation

Restatement During 1999, the Company issued 316,472 shares of common stock in exchange for all of the outstanding shares of Harbor Water Company and South Sound Utility Company. Both acquisitions were accounted for as poolings of interests. Financial statements for the current and prior periods have been restated to include the accounts of both companies.

Earnings and Dividends Net income in 1999 was $19,919,000, compared to $18,936,000 in 1998 and $23,736,000 in 1997. Earnings per common share were $1.53 in 1999, $1.45 in 1998 and $1.82 in 1997. Net income and earnings per share in 1997 were the highest levels ever achieved by the Company. The weighted average number of common shares outstanding in each of the three years was 12,936,000.

At its January 1999 meeting, the Board of Directors increased the common stock dividend rate for the 32nd consecutive year. 1999 also marked the 55th consecutive year that a dividend had been paid on the Company's common stock. The annual dividend paid in 1999 was $1.085, an increase of 1.4% over the 1998 rate of $1.07 per share, which in turn was an increase of 1.4% from the 1997 dividend of $1.055 per share. The dividend increases were based on projections that the higher dividend could be sustained while still providing the Company with adequate financial flexibility. Earnings not paid as dividends are reinvested in the business. The dividend payout ratio was 71% in 1999, 74% in 1998 and 58% in 1997, an average of 67% for the three-year period.

Operating Revenue Operating revenue, including revenue from City of Hawthorne customers, was $206.4 million, $16.8 million or 9% more than the $189.7 million recorded last year. Revenue in 1997 was $198.3 million. Operating revenue exceeded $200 million for the first time in 1999. The source of changes in operating revenue were:

	Dollars in millions		
	1999	1998	1997
Customer water usage	$ 11.8	$ (12.6)	$ 3.9
General and step rate increases	3.0	1.9	6.4
Offset rate increases – water production costs	0.2	0.2	0.2
Usage by new customers	1.8	1.9	2.3
Net change	$ 16.8	$ (8.6)	$ 12.8
Average revenue per customer	$ 517	$ 481	$ 508
Average metered customer usage (ccf)	305	284	315
New customers added	5,000	4,100	4,000

Weather in the first half of 1999 was normal, while in the prior year it was cool and wet; as a result, customer usage and revenue were higher this year. Third-quarter weather in both years was normal. Fourth-quarter 1999 weather was mild and drier than 1998, causing an increase in customer usage and an increase in revenue. The year-end customer count was 399,600, an increase of 1.3%.

During the first half of 1998, weather in our service areas was wet and cool, very much the reverse of 1997's favorable weather pattern. Weather in the second half of 1998 returned to a more normal pattern. However, the wet, cool weather in the early part of the year resulted in an overall 9% decrease in 1998 water usage, negatively impacting revenue. The year-end customer count in 1998 was 394,500, a 1.1% increase.

Rainfall for the 1996-97 season was concentrated in December 1996 and January 1997, then virtually ceased. Average consumption per metered account reached a record level due to dry and warm summer months. The customer count in 1997 increased 1.0% to 390,400.

Operating and Interest Expenses Operating expenses, including those for the Hawthorne operation, were $175.8 million in 1999, $159.1 million in 1998 and $163.4 million in 1997.

Wells provided 52.4% of water requirements in 1999 and purchased water provided 47.2%, with 0.4% obtained from a surface supply. In 1998, the corresponding percentages were 50.6%, 48.9% and 0.5%, and in 1997, 51.8%, 47.8% and 0.4%. The table below provides information regarding water production costs, which includes purchased water, purchased power and pump taxes:

	Dollars in millions		
	1999	1998	1997
Purchased water	$ 58.1	$ 50.4	$ 52.2
Purchased power	13.0	11.4	12.7
Pump taxes	4.5	3.8	4.3
Total water production costs	$ 75.6	$ 65.6	$ 69.2
Change from prior year	15%	(5)%	2%
Water production (billion gallons)	110	101	111
Change from prior year	10%	(9)%	5%

The year-to-year water production cost changes were influenced by each year's predominant weather pattern. In each of the three years, purchased water expense, the largest component of annual operating expense, was affected by wholesale suppliers' rate increases. Water production costs in 1999 reflect an increase in customer usage and significant purchased water price increases for the San Francisco Peninsula districts, where the wholesale supplier's rates increased 37%.

Production levels in 1998 decreased from 1997 due to lower customer usage in response to weather conditions. Despite some wholesaler price increases, overall water production expenses declined. Well production decreased due to the decline in water sales and because several wells were out of service for maintenance. With reduced well production, purchased power and pump tax expenses declined.

In 1997, nonrecurring refunds totaling $2.5 million received from two wholesale water suppliers reduced purchased water expense. Well production increased 6% in 1997 because of increased demand, causing an increase in pump taxes and purchased power costs.

Employee payroll and benefits charged to operations and maintenance expense was $38.4 million in 1999, $34.9 million in 1998 and $34.1 million in 1997. The increases in payroll and related benefits are attributable to wage increases effective at the start of each year and additional hours worked. At year-end 1999, 1998 and 1997, there were 708, 689 and 679 employees.

Income tax expense was $12.2 million in 1999, $10.8 million in 1998 and $14.1 million in 1997. The changes in taxes are generally due to variations in taxable income. There is no state income tax in Washington.

Long-term debt interest expense increased $1.0 million in 1999 because of the issuance of Series B, 6.77% senior notes in March. Long-term interest costs decreased $0.4 million in 1998 and $0.3 million in 1997 due to the retirement of Series K bonds in November 1996 and Series L bonds in November 1997, annual sinking fund payments each year and the absence of new long-term financing.

Interest expense from short-term bank borrowings in 1999 decreased $0.4 million. Short-term borrowings were reduced after the issue of the Series B senior notes and by strong cash flow from operations. In 1998, short-term interest expense was $0.7 million greater than in 1997. In 1997, short-term interest expense was $0.3 million more than in the prior year. Interest coverage of long-term debt before income taxes was 3.5 times in 1999 and 1998, and 4.1 times in 1997. There was $13.5 million in short-term borrowings at the end of 1999, and $22.5 million at the end of 1998.

Other Income Other income is derived from management contracts by which the Company operates private and municipally-owned water systems, agreements for operation of two reclaimed water systems, contracts for meter reading and billing services to various cities, leases of communication antenna sites, surplus property sales, other nonutility sources and interest on short-term investments. Total other income was $2.7 million in 1999, $1.3 million in 1998 and $1.4 million in 1997. During 1999, $1.3 million in pretax revenues were realized as part of the Real Estate Program that is described in more detail in "Liquidity and Capital Resources." Income from the various operating and billing contracts, excluding short-term interest income, was $2.5 million in 1999 and $1.3 million in 1998 and 1997.

Rates and Regulation

The Company's regulatory staff completed a review of 14 Cal Water districts that were eligible for general rate application filings in 1999. Based on current earnings levels, projected expense increases and expected capital expenditures, a determination was made that no general rate increase applications were necessary. During 2000, eligible districts will again be reviewed. It is anticipated that general rate application filings will be made in mid-year with CPUC decisions expected in late spring 2001.

In May 1999, the CPUC authorized rate increases in four districts serving about 25% of Cal Water's total customers. The applications were filed in July 1998. Subsequently, the Company and CPUC staff agreed to a stipulated settlement. The decision is estimated to generate $4,095,000 in new revenue during the twelve months following its mid-June effective date. The decision authorized a 9.55% return on equity, providing $1.9 million in additional revenue. In addition, the decision provided another $2.2 million in revenue for environmental compliance, specific capital budget expenditures and recovery of General Office expenses. The $2.2 million is not reflected in the 9.55% return on equity calculation.

CPUC decisions were received in July 1998 for the general rate applications filed in July 1997. Additional annual revenue from these decisions is expected to total $299,000 in 1998, $267,000 in 1999 and $121,000 in the years 2000 and 2001. In a variance from its past practice, future rate increases for operating costs and capital requirements over the next five years in the Oroville and Selma districts are tied to changes in a price index. The decision maintained the ROE at 10.35%.

In 1997, the CPUC's general rate application decisions granted an ROE of 10.35% and additional revenue of $2.4 million.

No rate applications were filed for the Washington operations during 1999. The most recent authorized rate of return was 11.1%, granted in a 1998 decision. General rate application filings for both districts are expected in 2000.

Water Supply

The Company's source of supply varies among its operating districts. Certain districts obtain all of their supply from wells, some districts purchase all of their supply from wholesale suppliers and other districts obtain their supply from a combination of wells and purchased sources. Historically, about half of the water is provided from wells and about half is purchased.

Generally, between mid-spring and mid-fall, little precipitation falls in the California service areas. The Washington service areas receive precipitation in all seasons. Water demand is highest during the warm summers and lowest in the cool winters. Rain and snow during the winter months replenish underground water basins and fill reservoirs, providing the water supply for subsequent delivery to customers. To date, snow and rainfall accumulation during the 1999-2000 water year has been less than normal, but the prior four years exceeded normal levels. Water storage in state reservoirs at the end of 1999 exceeds historic amounts. The Company believes that its supply from both underground aquifers and purchased sources should be adequate to meet customer demand during 2000.

Environmental Matters

The Company is subject to regulations of the United States Environmental Protection Agency (EPA), state health service departments and various local health departments concerning water quality matters. It is also subject to the jurisdiction of various state and local regulatory agencies relating to environmental matters, including handling and disposal of hazardous materials. The Company believes it is in compliance with all requirements set forth by the various agencies.

The Safe Drinking Water Act was amended in 1996 to provide a new process for the EPA to select and regulate waterborne contaminants. The EPA can now regulate only contaminants that are known or likely to occur at levels that would pose a risk to public health when such regulation would provide a meaningful opportunity to reduce a health risk. New drinking water regulations will be based primarily on risk assessment and measurement of cost/benefit considerations for minimizing overall health risk. Over 90 contaminants for possible regulation have been listed by the EPA and the list must be updated every five years. Also, every five years the EPA must select at least five listed contaminants and determine if they should be regulated.

The Company has an established water supply monitoring program to test for contaminants as mandated by the EPA. As necessary or required, water treatment is added to provide disinfection for water extracted from underground sources. The Company also owns and operates three surface water treatment plants. The cost of treatment is being recovered in customer rates as authorized by the regulatory authorities. Water purchased from wholesale suppliers is treated before delivery to the Company's systems.

Enforcement of the EPA standards is the responsibility of individual states, which could impose more stringent regulation. In addition to the EPA's requirements, various regulatory agencies could require increased monitoring and possibly additional treatment of water supplies. The Company intends to request recovery for any additional treatment costs through the ratemaking process.

Liquidity and Capital Resources

Liquidity The Company's liquidity is provided by bank lines of credit and internally generated funds. The Company and Cal Water have a $50 million bank line of credit. The Company's portion is $20 million and Cal Water's portion is $30 million. The Company's $20 million portion may be drawn on for use by the Company, including funding operations of either of its two California subsidiaries. Cal Water's $30 million portion can be used solely for purposes of the regulated utility. Washington Water has loan commitments from two banks to meet its operating and capital equipment purchase requirements. Generally, short-term borrowings under the commitments are converted annually to long-term borrowings with repayment terms tied to system and equipment acquisitions. Additional information regarding the bank borrowings is presented in Note 6 to the Consolidated Financial Statements. Internally generated funds come from retention of earnings not paid out as dividends, depreciation and deferred income taxes.

Because of the seasonal nature of the water business, the need for short-term borrowings under the line of credit generally increases during the first six months of the year when water sales are lower. With greater summer usage and increased billings comes increased cash flow from operations, allowing bank borrowings to be repaid.

The Company believes that long-term financing is available to it through equity and debt markets. Standard & Poor's and Moody's have maintained their ratings of the Cal Water's first mortgage bonds at AA- and Aa3. Long-term financing, which includes common stock, first mortgage bonds, senior notes and other debt securities, has been used to replace short-term borrowings and fund construction. Developer contributions in aid of construction and refundable advances for construction are also sources of funds for various construction projects.

In March 1999, Cal Water completed its first long-term financing in four years when Series B, 6.77%, 30-year senior notes were issued. Prior to the Series B issue, operating and capital requirements were met by borrowings under the bank short-term line of credit and by internally generated funds.

In 1998, the Company introduced a Dividend Reinvestment and Stock Purchase Plan (Plan), replacing the existing plan. Under the Plan, stockholders may reinvest dividends to purchase additional Company common stock. The Plan also allows existing stockholders and other interested investors to purchase Company common stock through the transfer agent. Shares required for the Plan may be purchased on the open market or newly issued shares. Therefore, the Plan will provide the Company with an alternative means of developing additional equity if new shares are issued. During 1999 and 1998, shares required by the Plan were purchased on the open market. At this time, the Company intends to continue purchasing shares required for the Plan on the open market. However, if new shares were issued to satisfy future Plan requirements, the impact on earnings per share could be dilutive because of the added shares outstanding. Also, stockholders not participating in the Plan may experience dilution of their ownership percentage.

Capital Requirements Capital requirements consist primarily of new construction expenditures for expanding and replacing the Company's utility plant facilities, and the acquisition of new water properties. They also include refunds of advances for construction and retirement of bonds.

During 1999, total utility plant expenditures were $44.5 million. For 1998, utility plant expenditures totaled $35.9 million, compared to $33.9 million in 1997. Expenditures in 1999 included $31.5 million provided by Company funds and $13.0 million received from developers through contributions in aid of construction and refundable advances for construction. Company projects were funded by internally generated funds, borrowings under bank credit lines and commitments, and issuance of the $20 million Series B senior notes.

The Company's 2000 construction program is authorized for $35.7 million. The funds for this program are expected to be provided by cash from operations, bank borrowings and long-term debt financing. New subdivision construction generally will be financed by developers' contributions and refundable advances. Company-funded construction budgets over the next five years are projected to be about $175 million.

Capital Structure Common stockholders' equity increased by the amount of earnings not paid out for dividends. No new equity was issued in the past three years. The long-term debt portion of the capital structure increased due to the issuance of Series B senior notes. It was reduced by first mortgage bond sinking fund payments.

The Company's total capitalization at December 31, 1999 was $337.2 million, compared to $313.9 million at the end of 1998. Capital ratios were:

	1999	1998
Common equity	52.1%	54.2%
Preferred stock	1.0%	1.1%
Long-term debt	46.9%	44.7%

The 1999 return on average common equity was 11.4%, compared with 11.3% in 1998 and 14.7% in 1997. Refer to the discussion of authorized return on equity in the "RATES AND REGULATION" section.

Real Estate Program The Company's subsidiaries own more than 900 real estate parcels. Certain parcels are not necessary for or used in water utility operations. A program has been developed to realize the value of certain surplus properties through sale or lease of those properties. Most surplus properties have a low cost basis. The program, which commenced in 1999, will be ongoing for a period of several years. During the next four years, the Company estimates that gross property transactions totaling over six million dollars could be completed.

Stockholder Rights Plan As explained in Note 5 to the Consolidated Financial Statements, in January 1998, the Board of Directors adopted a Stockholder Rights Plan (Plan). In connection with the Plan, a dividend distribution of one right for each common share to purchase preferred stock under certain circumstances was also authorized. The Plan is designed to protect stockholders and maximize stockholder value in the event of an unsolicited takeover proposal by encouraging a prospective acquirer to negotiate with the Board.

DOMINGUEZ MERGER

On November 13, 1998, the boards of the Company and Dominguez Services Corporation (Dominguez) agreed to the merger of the two companies. The agreement was subsequently amended on March 22, 1999.

Dominguez is a utility holding company whose subsidiaries provide water service to about 40,000 customers in 20 California communities. Its primary subsidiary, Dominguez Water Company, is a regulated water utility with its largest operation serving over 32,000 accounts in the South Bay area of Los Angeles County adjacent to Cal Water's Hermosa Redondo and Palos Verdes districts. Dominguez also has operations in Kern County east of Cal Water's Bakersfield district serving over 4,100 accounts, in the Antelope Valley area serving about 1,300 accounts and in an area north of San Francisco serving about 1,900 customers.

Dominguez' 1998 operating revenue was $25.3 million. Its net utility plant was $44.8 million and it had total assets of $52.6 million.

The amended agreement provides that each outstanding Dominguez common share will be exchanged for between 1.25 and 1.49 shares of Company common stock. The precise conversion ratio will depend upon the average closing price of Company common stock for a twenty-day period preceding the transaction's closing date. The conversion ratio is designed to yield Dominguez shareholders a $33.75 value for each Dominguez share. At December 31, 1998, there were 1,561,000 shares of Dominguez common stock outstanding. The Company also expects to assume approximately $12 million of outstanding Dominguez debt.

Dominguez shareholders approved the merger at a meeting in May 1999. Necessary approvals from federal agencies, including the Securities and Exchange Commission and Federal Trade Commission, have been received. Final approval of the CPUC is now anticipated in March 2000.

WASHINGTON ACQUISITIONS

During the fourth quarter of 1999, the Company completed the acquisitions of Harbor Water Company near Tacoma and South Sound Utility Company near Olympia. The two companies, which serve 14,800 customers, were merged into a new subsidiary, Washington Water Service Company. The transactions were completed through tax-free exchanges of 316,472 Company common shares, valued at $8.5 million for all of the shares of the two companies. The Company also assumed $3 million in outstanding debt. Both transactions were accounted for on a pooling of interest basis.

NEW ACCOUNTING STANDARD

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." The statement establishes new accounting and reporting standards for derivative financial instruments and hedging activities. The Company expects to adopt the standard in 2000. Its adoption is not anticipated to have a material impact on the Company's results of operations or financial position.

YEAR 2000 UPDATE

Readiness The Company successfully transitioned from 1999 to 2000 without technology or customer service disruptions as a result of preparation efforts by our employees in the districts and at the corporate office. A Year 2000 (Y2K) Transition Team was assembled to ensure the Company's Y2K preparedness.

Computer applications are currently processed on a mainframe-based system and a local area network (LAN) computer system. Most billing applications are processed on the mainframe computer. The information systems department (IS) inventoried software programs and modified them to be Y2K ready. A Y2K compatible accounting, purchasing and human resources software package was installed and operated on the LAN during 1999 as scheduled. The Company identified non-computer equipment and operating systems that potentially contained embedded date-sensitive chips. Steps were taken to make the equipment and systems Y2K ready. The Company continues to monitor its computer-based systems for possible Y2K disruptions and is ready to respond in the event of a Y2K related problem.

Suppliers and vendors with whom the Company has material business relationships were contacted throughout 1998 and 1999 to assess their Y2K preparedness. Those contacted included water wholesalers, power supply companies, chemical vendors, fuel suppliers, banks and the stock registrar. Operating units continue in 2000 to work with suppliers and vendors to assure availability of necessary products and supplies.

The Company's water systems operate independent of each other. Each system is unique as to its operating requirements. Each operating district prepared a Y2K readiness and response plan. The plans were continually reviewed and updated as testing was completed and new information received that could affect the Y2K transition.

CALIFORNIA WATER SERVICE GROUP 1999 ANNUAL REPORT

Costs The estimated remediation cost for Y2K preparedness was about $500,000. This includes the cost of an outside consultant, vendors and computer programming time. The costs of a new computer system and software package are not included since their selection and installation were not Y2K driven. No IS projects were deferred as a result of the Y2K efforts. The Company did accelerate the acquisition of several portable boosters for use in moving water in the event of a power outage, with a capitalized cost of about $400,000.

Risks In a worst case scenario, the Company could have been unable to deliver water to some or all of its customers if wholesale suppliers had not provided water or power supplies. Additionally, it could have been impossible to produce customer bills or maintain accounting functions if power sources were not available or computer billing programs did not properly function. Insurance coverage was reviewed and the Company and its broker believed that the policies afforded Y2K coverage.

Contingency Plans Each district maintains an emergency response plan that is reviewed and updated on a regular basis. These plans are designed to provide for alternative operating plans and procedures in the event normal operations are interrupted. The emergency plans were the basis for developing separate Y2K service interruption preparedness and response plans.

Fixed site and portable auxiliary power generators are located throughout the service territories. These generators are designed to produce electric power for wells and pumps to supply water to customers in the event power companies experience outages. Emergency water connections are maintained between the Company's water systems and those of adjacent purveyors to provide an emergency water supply.

Each district has identified high-profile water users, such as hospitals, and developed contingency plans for continued service in the event of a service disruption. Detailed Y2K plans included the following: establishing a timeline to ascertain vendors' ability to provide crucial products and services; informing employees of Y2K efforts and responsibilities; scheduling maintenance so that water delivery facilities were on line at year-end; arranging for alternate water and power supplies; conducting "what if" exercises to develop responses to loss of water or power outages from normal sources and preparing for manual water system operations if necessary; identifying plans to provide water service to critical vendors, such as hospitals; assuring that measures were in place to maintain water quality and that water testing alternatives were available; arranging for equipment needs and supplies should Y2K problems develop; and scheduling employees to be on duty or available for duty as needed.

consolidated BALANCE SHEET

December 31, 1999 and 1998

	In thousands	
	1999	1998
ASSETS		
Utility plant:		
Land	$ 9,424	$ 8,221
Depreciable plant and equipment	704,009	667,902
Construction work in progress	13,740	10,829
Intangible assets	10,179	8,807
Total utility plant	737,352	695,759
Less depreciation and amortization	221,998	206,742
Net utility plant	515,354	489,017
Current assets:		
Cash and cash equivalents	1,437	1,051
Receivables:		
Customers	12,533	10,700
Other	3,041	3,436
Unbilled revenue	7,145	5,958
Materials and supplies at average cost	2,229	2,235
Taxes and other prepaid expenses	4,437	4,512
Total current assets	30,822	27,892
Other assets:		
Regulatory assets	36,458	39,538
Unamortized debt premium and expense	3,503	3,556
Other	1,481	505
Total other assets	41,442	43,599
	$ 587,618	$ 560,508
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $.01 par value; 25,000 share authorized, 12,936 shares outstanding	$ 129	$ 129
Additional paid-in capital	44,881	44,881
Retained earnings	132,689	126,687
Accumulated other comprehensive loss	(517)	—
Total common stockholders' equity	177,182	171,697
Preferred stock without mandatory redemption provision, $25 par value; 380 shares authorized, 139 shares outstanding	3,475	3,475
Long-term debt, less current maturities	156,572	138,758
Total capitalization	337,229	313,930
Current liabilities:		
Current maturities of long-term debt	2,651	2,643
Short-term borrowings	13,599	22,500
Accounts payable	23,707	16,010
Accrued taxes	3,556	4,726
Accrued interest	2,092	1,944
Other accrued liabilities	9,906	9,428
Total current liabilities	55,511	57,251
Unamortized investment tax credits	2,842	2,937
Deferred income taxes	21,427	27,200
Regulatory and other liabilities	18,001	12,697
Advances for construction	99,991	95,917
Contributions in aid of construction	52,617	50,576
	$ 587,618	$ 560,508

See accompanying notes to consolidated financial statements.

consolidated statement OF INCOME

For the years ended December 31, 1999, 1998 and 1997

	In thousands, except per share data		
	1999	1998	1997
Operating revenue	$ 206,440	$ 189,659	$ 198,347
Operating expenses:			
Operations:			
Purchased water	58,132	50,378	52,155
Purchased power	13,033	11,389	12,679
Pump taxes	4,537	3,850	4,302
Administrative and general	27,987	25,418	24,566
Other	26,425	25,065	24,505
Maintenance	9,183	9,164	9,445
Depreciation and amortization	15,802	14,870	13,959
Income taxes	12,176	10,808	14,057
Property and other taxes	8,555	8,178	7,763
Total operating expenses	175,830	159,120	163,431
Net operating income	30,610	30,539	34,916
Other income and expenses, net	2,510	1,094	949
Income before interest expense	33,120	31,633	35,865
Interest expense:			
Long-term debt interest	12,144	11,259	11,405
Other interest	1,057	1,438	724
Total interest expense	13,201	12,697	12,129
Net income	$ 19,919	$ 18,936	$ 23,736
Basic earnings per share of common stock	$ 1.53	$ 1.45	$ 1.82
Average number of common shares outstanding	12,936	12,936	12,936

See accompanying notes to consolidated financial statements.

consolidated statement OF COMMON STOCKHOLDERS' EQUITY

For the years ended December 31, 1999, 1998 and 1997

	In thousands				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 1996	$ 129	$ 44,881	$ 111,137	$ —	$ 156,147
Net income			23,736		23,736
Dividends paid:					
Preferred stock			153		153
Common stock			13,313		13,313
Total dividends paid			13,466		13,466
Income reinvested in business			10,270		10,270
Balance at December 31, 1997	129	44,881	121,407	—	166,417
Net income			18,936		18,936
Dividends paid:					
Preferred stock			153		153
Common stock			13,503		13,503
Total dividends paid			13,656		13,656
Income reinvested in business			5,280		5,280
Balance at December 31, 1998	129	44,881	126,687	—	171,697
Net income			19,919		19,919
Dividends paid:					
Preferred stock			153		153
Common stock			13,764		13,764
Total dividends paid			13,917		13,917
Income reinvested in business			6,002		6,002
Comprehensive loss				(517)	(517)
Balance at December 31, 1999	$ 129	$ 44,881	$ 132,689	$ (517)	$ 177,182

See accompanying notes to consolidated financial statements.

For the years ended December 31, 1999, 1998 and 1997

	In thousands		
	1999	1998	1997
Operating activities			
Net income	$ 19,919	$ 18,936	$ 23,736
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,802	14,870	13,959
Deferred income taxes, investment tax credits, and regulatory assets and liabilities, net	1,056	273	1,072
Changes in operating assets and liabilities:			
Receivables	(1,438)	1,013	(1,855)
Unbilled revenue	(1,187)	(780)	399
Accounts payable	7,697	374	739
Other current liabilities	(544)	2,726	365
Other changes, net	1,352	805	1,507
Net adjustments	22,738	19,281	16,186
Net cash provided by operating activities	42,657	38,217	39,922
Investing activities:			
Utility plant expenditures:			
Company funded	(31,509)	(30,780)	(26,153)
Developer advances and contributions in aid of construction	(12,984)	(5,098)	(7,778)
Net cash used in investing activities	(44,493)	(35,878)	(33,931)
Financing activities:			
Net short-term borrowings	(8,901)	8,000	6,900
Issuance of long-term debt	20,062	—	—
Advances for construction	7,435	3,737	4,559
Refunds of advances for construction	(3,902)	(3,760)	(3,701)
Contributions in aid of construction	3,685	2,746	2,770
Retirement of long-term debt	(2,240)	(733)	(2,324)
Dividends paid	(13,917)	(13,656)	(13,466)
Net cash provided (used) in financing activities	2,222	(3,666)	(5,262)
Change in cash and cash equivalents	386	(1,327)	729
Cash and cash equivalents at beginning of year	1,051	2,378	1,649
Cash and cash equivalents at end of year	$ 1,437	$ 1,051	$ 2,378
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ 12,900	$ 11,319	$ 11,976
Income taxes	10,849	8,851	14,666

See accompanying notes to consolidated financial statements.

December 31, 1999, 1998, and 1997

Note 1. Organization And Operations

California Water Service Group (Company) is a holding company and through its wholly owned subsidiaries provides water utility and other related services in California and Washington. During 1999, the Company reincorporated as a Delaware corporation. California Water Service Company and Washington Water Service Company provide regulated utility services under the rules and regulations of their respective regulatory commissions (jointly referred to as Commissions). CWS Utility Services provides non-regulated water utility and related utility services.

The Company operates primarily in one business segment, providing water and related utility services.

Note 2. Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The financial statements give retroactive effect to acquisitions, which were accounted for as poolings of interests. Intercompany transactions and balances have been eliminated.

The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the Commissions. Certain prior years' amounts have been reclassified, where necessary, to conform to the current presentation.

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Revenue consists of monthly cycle customer billings for regulated water service at rates authorized by the Commissions and billings to certain non-regulated customers. Revenue from metered accounts includes unbilled amounts based on the estimated usage from the latest meter reading to the end of the accounting period. Flat-rate accounts, which are billed at the beginning of the service period, are included in revenue on a pro rata basis for the portion applicable to the current accounting period.

Utility Plant Utility plant is carried at original cost when first constructed or purchased, except for certain minor units of property recorded at estimated fair values at dates of acquisition. Cost of depreciable plant retired is eliminated from utility plant accounts and such costs are charged against accumulated depreciation. Maintenance of utility plant is charged primarily to operation expenses. Interest is capitalized on plant expenditures during the construction period and amounted to $324,000 in 1999, $224,000 in 1998, and $267,000 in 1997.

Intangible assets acquired as part of water systems purchased are stated at amounts as prescribed by the Commissions. All other intangibles have been recorded at cost. Included in intangible assets is $6,500,000 paid to the City of Hawthorne to lease the city's water system and associated water rights. The lease payment is being amortized on a straight-line basis over the 15-year life of the lease. The Company continually evaluates the recoverability of utility plant by assessing whether the amortization of the balance over the remaining life can be recovered through the expected and undiscounted future cash flows.

Depreciation Depreciation of utility plant for financial statement purposes is computed on the straight-line remaining life method at rates based on the estimated useful lives of the assets, ranging from 5 to 65 years. The provision for depreciation expressed as a percentage of the aggregate depreciable asset balances was 2.6% in 1999, 1998, and 1997. For income tax purposes, as applicable, the Company computes depreciation using the accelerated methods allowed by the respective taxing authorities. Plant additions since June 1996 are depreciated on a straight-line basis for tax purposes.

Cash Equivalents Cash equivalents include highly liquid investments, primarily U.S. Treasury and U.S. Government agency interest bearing securities, stated at cost with original maturities of three months or less.

Long-Term Debt Premium, Discount and Expense The discount and expense on long-term debt is being amortized over the original lives of the related debt issues. Premiums paid on the early redemption of certain debt issues and unamortized original issue discount and expense of such issues are amortized over the life of new debt issued in conjunction with the early redemption.

Accumulated Other Comprehensive Loss The Company has an unfunded Supplemental Executive Retirement Plan. The unfunded accumulated benefit obligation of the plan exceeds the accrued benefit cost. This amount exceeds the unrecognized prior service cost, therefore accumulated other comprehensive loss has been recorded as a separate component of Stockholders' Equity.

Advances for Construction Advances for Construction consist of payments received from developers for installation of water production and distribution facilities to serve new developments. Advances are excluded from rate base. Such payments are refundable to the developer without interest over a 20-year or 40-year period. Refund amounts under the 20-year contracts are based on annual revenues from the extensions. Unrefunded balances at the end of the contract period are credited to Contributions in Aid of Construction and are no longer refundable. Refunds on contracts entered into since 1982 are made in equal annual amounts over 40 years. At December 31, 1999, the amounts refundable under the 20-year contracts were $7,664,000 and under 40-year contracts $92,327,000. Estimated refunds for 2000 for all water main extension contracts are $4,100,000.

Contributions in Aid of Construction Contributions in Aid of Construction represent payments received from developers, primarily for fire protection purposes, which are not subject to refunds. Facilities funded by contributions are included in utility plant, but excluded from rate base. Depreciation related to contributions is charged to Contributions in Aid of Construction.

Income Taxes The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Measurement of the deferred tax assets and liabilities is at enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

It is anticipated that future rate action by the Commissions will reflect revenue requirements for the tax effects of temporary differences recognized, which have previously been flowed through to customers.

The Commissions have granted the Company customer rate increases to reflect the normalization of the tax benefits of the federal accelerated methods and available investment tax credits (ITC) for all assets placed in service after 1980. ITC are deferred and amortized over the lives of the related properties for book purposes.

Advances for Construction and Contributions in Aid of Construction received from developers subsequent to 1986 were taxable for federal income tax purposes and subsequent to 1991 were subject to California income tax. In 1996 the federal tax law, and in 1997 the California tax law, changed and the major portion of future advances and contributions are nontaxable.

Earnings per Share Basic earnings per share (EPS) is calculated using income available to common stockholders divided by the weighted average shares outstanding during the year. The Company has no dilutive securities; accordingly, diluted EPS is not shown.

Note 3. Acquisitions

The Company acquired all of the outstanding stock of Harbor Water Company and South Sound Utility Company, which form the operations of Washington Water Service Company, serving 14,800 regulated and non-regulated customers. The acquisitions, which were completed in 1999, were accounted for as poolings of interests in exchange for 316,472 shares of Company stock and assumption of long-term debt of $2,959,000. The results of operations previously reported by the separate entities and included in the accompanying financial statements are not significant.

Note 4. Preferred Stock

As of December 31, 1999 and 1998, 380,000 shares of preferred stock were authorized. Dividends on outstanding shares are payable quarterly at a fixed rate before any dividends can be paid on common stock. Preferred shares are entitled to sixteen votes, each with the right to cumulative votes at any election of directors.

The outstanding 139,000 shares of $25 par value cumulative, 4.4% Series C preferred shares are not convertible to common stock. A premium of $243,250 would be due upon voluntary liquidation of Series C. There is no premium in the event of an involuntary liquidation.

Note 5. Common Stockholders' Equity

The Company is authorized to issue 25,000,000 shares of $.01 par value common stock. As of December 31, 1999 and 1998, 12,935,612 shares of common stock were issued and outstanding. All shares of common stock are eligible to participate in the Company's dividend reinvestment plan. Approximately 10% of stockholders participate in the plan.

Stockholder Rights Plan In January 1998, the Board of Directors adopted a Stockholder Rights Plan (the Plan) and authorized a dividend distribution of one right (Right) to purchase 1/100th share of Series D Preferred Stock for each outstanding share of Common Stock. The Rights became effective in February 1998 and expire in February 2008. The Plan is designed to provide stockholders protection and to maximize stockholder value by encouraging a prospective acquirer to negotiate with the Board.

Each Right represents a right to purchase 1/100th share of Series D Preferred Stock at the price of $120, subject to adjustment (the Purchase Price). Each share of Series D Preferred Stock is entitled to receive a dividend equal to 100 times any dividend paid on common stock and 100 votes per share in any stockholder election. The Rights become exercisable upon occurrence of a Distribution Date. A Distribution Date event occurs if (a) any person accumulates 15% of the then outstanding Common Stock, (b) any person presents a tender offer which causes the person's ownership level to exceed 15% and the Board determines the tender offer not to be fair to the Company's stockholders, or (c) the Board determines that a stockholder maintaining a 10% interest in the Common Stock could have an adverse impact on the Company or could attempt to pressure the Company to repurchase the holder's shares at a premium.

Until the occurrence of a Distribution Date, each Right trades with the Common Stock and is not separately transferable. When a Distribution Date occurs: (a) the Company would distribute separate Rights Certificates to Common Stockholders and the Rights would subsequently trade separate from the Common Stock; and (b) each holder of a Right, other than the Acquiring Person (whose Rights will thereafter be void), will have the right to receive upon exercise at its then current Purchase Price that number of shares of Common Stock having a market value of two times the Purchase Price of the Right. If the Company merges into the acquiring person or enters into any transaction that unfairly favors the acquiring person or disfavors the Company's other stockholders, the Right becomes a right to purchase Common Stock of the acquiring person having a market value of two times the Purchase Price.

The Board may determine that in certain circumstances a proposal that would cause a distribution date is in the Company stockholders' best interest. Therefore, the Board may, at its option, redeem the Rights at a redemption price of $.001 per Right.

Note 6. Short-Term Borrowings

As of December 31, 1999, the Company maintained a bank line of credit providing unsecured borrowings of up to $20,000,000 at the prime lending rate or lower rates as quoted by the bank. Cal Water maintained a bank line of credit for an additional $30,000,000 on the same terms as the Company. The line of credit agreements, which expire April 2001, do not require minimum or specific compensating balances. The following table represents borrowings under these bank lines of credit.

	Dollars in Thousands		
	1999	1998	1997
Maximum short-term borrowings	$ 24,000	$ 24,000	$ 14,500
Average amount outstanding	9,084	15,750	5,164
Weighted average interest rate	6.52%	7.09%	7.22%
Interest rate at December 31	7.11%	6.97%	7.29%

Note 7. Long-Term Debt

As of December 31, 1999 and 1998, long-term debt outstanding was:

				In Thousands	
				1999	1998
First Mortgage Bonds:	Series P	7.875%	due 2002	$ 2,595	$ 2,610
	Series S	8.50%	due 2003	2,610	2,625
	Series BB	9.48%	due 2008	14,940	16,650
	Series CC	9.86%	due 2020	18,700	18,800
	Series DD	8.63%	due 2022	19,300	19,400
	Series EE	7.90%	due 2023	19,400	19,500
	Series FF	6.95%	due 2023	19,400	19,500
	Series GG	6.98%	due 2023	19,400	19,500
				116,345	118,585
Senior Notes:	Series A	7.28%	due 2025	20,000	20,000
	Series B	6.77%	due 2028	20,000	—
Other long-term debt				2,878	2,816
Total long-term debt				159,223	141,401
Less current maturities				2,651	2,643
				$ 156,572	$ 138,758

The first mortgage bonds are held by institutional investors and secured by substantially all of Cal Water's utility plant. The senior notes are held by institutional investors and are unsecured and require interest-only payments until maturity. Other long-term debt is primarily equipment financing arrangements with other financial institutions. Aggregate maturities and sinking fund requirements for each of the succeeding five years (2000 through 2004) are $2,651,000, $2,613,000, $5,072,000, $5,265,000, and $2,373,000.

Note 8. Income Taxes

Income tax expense consists of the following:

		In Thousands		
		Federal	State	Total
1999	Current	$ 7,476	$ 2,351	$ 9,827
	Deferred	2,524	(175)	2,349
	Total	$ 10,000	$ 2,176	$ 12,176
1998	Current	$ 6,368	$ 2,281	$ 8,649
	Deferred	2,515	(356)	2,159
	Total	$ 8,883	$ 1,925	$ 10,808
1997	Current	$ 9,118	$ 2,894	$ 12,012
	Deferred	2,239	(194)	2,045
	Total	$ 11,357	$ 2,700	$ 14,057

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Income tax expense computed by applying the current federal tax rate of 35% tax rate to pretax book income differs from the amount shown in the Consolidated Statement of Income. The difference is reconciled in the table below:

	In Thousands		
	1999	1998	1997
Computed "expected" tax expense	$ 11,233	$ 10,410	$ 13,228
Increase (reduction) in taxes due to:			
State income taxes net of federal tax benefit	1,414	1,251	1,755
Investment tax credits	(173)	(156)	(152)
Other	(298)	(697)	(774)
Total income tax	$ 12,176	$ 10,808	$ 14,057

The components of deferred income tax expense were:

	In Thousands		
	1999	1998	1997
Depreciation	$ 2,629	$ 2,691	$ 2,457
Developer advances and contributions	(749)	(798)	(334)
Bond redemption premiums	(62)	(62)	(62)
Investment tax credits	(94)	(93)	(93)
Other	625	421	77
Total deferred income tax expense	$ 2,349	$ 2,159	$ 2,045

The tax effects of differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1999 and 1998 are presented in the following table:

	In Thousands	
	1999	1998
Deferred tax assets:		
Developer deposits for extension agreements and contributions in aid of construction	$ 40,595	$ 42,251
Federal benefit of state tax deductions	6,040	2,524
Book plant cost reduction for future deferred ITC amortization	1,679	1,727
Insurance loss provisions	821	271
Other	2,856	1,365
Total deferred tax assets	51,991	48,138
Deferred tax liabilities:		
Utility plant, principally due to depreciation differences	72,327	74,186
Premium on early retirement of bonds	1,091	1,152
Total deferred tax liabilities	73,418	75,338
Net deferred tax liabilities	$ (21,427)	$ (27,200)

A valuation allowance was not required during 1999 and 1998. Based on historic taxable income and future taxable income projections over the period in which the deferred assets are deductible, management believes it is more likely than not that the Company will realize the benefits of the deductible differences.

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Note 9. Employee Benefit Plans

Pension Plan The Company provides a qualified defined benefit, non-contributory pension plan for substantially all employees. The cost of the plan was charged to expense and utility plant. The Company makes annual contributions to fund the amounts accrued for pension cost. Plan assets are invested in mutual funds, pooled equity, bonds and short-term investment accounts. The data below includes the unfunded, non-qualified, supplemental executive retirement plan.

Savings Plan The Company sponsors a 401(k) qualified, defined contribution savings plan that allows participants to contribute up to 15% of pre-tax compensation. The Company matched fifty cents for each dollar contributed by the employee up to a maximum Company match of 4.0%. Company contributions were $1,126,000, $1,078,000, and $1,045,000, for the years 1999, 1998 and 1997.

Other Postretirement Plans The Company provides substantially all active employees with medical, dental and vision benefits through a self-insured plan. Employees retiring at or after age 58 with 10 or more years of service are offered, along with their spouses and dependents, continued participation in the plan by payment of a premium. Retired employees are also provided with a $5,000 life insurance benefit. Plan assets are invested in a mutual fund, short-term money market instruments and commercial paper.

The Company records the costs of postretirement benefits during the employees' years of active service. The Commissions have issued decisions that authorize rate recovery of tax deductible funding of postretirement benefits and permit recording of a regulatory asset for the portion of costs that will be recoverable in future rates.

The following table reconciles the funded status of the plans with the accrued pension liability and the net postretirement benefit liability as of December 31, 1999 and 1998:

	In Thousands			
	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
Change in benefit obligation:				
Beginning of year	$ 49,934	$ 44,576	$ 9,221	$ 8,230
Service cost	2,339	1,899	456	370
Interest cost	3,149	3,011	646	577
Assumption change	(6,669)	2,313	(929)	303
Plan amendment	744	—	—	1,101
Experience (gain) or loss	(2,378)	220	507	(872)
Benefits paid	(2,204)	(2,085)	(368)	(488)
End of year	$ 44,915	$ 49,934	$ 9,533	$ 9,221
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 44,946	$ 42,390	$ 1,214	$ 936
Actual return on plan assets	5,110	2,433	136	131
Employer contributions	177	2,208	—	635
Retiree contributions	—	—	343	357
Benefits paid	(2,204)	(2,085)	(711)	(845)
Fair value of plan assets at end of year	$ 48,029	$ 44,946	$ 982	$ 1,214
Funded status	$ 3,114	$ (4,988)	$ (8,551)	$ (8,007)
Unrecognized actuarial (gain) or loss	(12,332)	(1,708)	964	1,485
Unrecognized prior service cost	4,828	4,758	959	1,030
Unrecognized transition obligation	—	—	3,228	3,476
Unrecognized net initial asset	572	858	—	—
Net amount recognized	$ (3,818)	$ (1,080)	$ (3,400)	$ (2,016)

Amounts recognized on the balance sheet consist of:

	In Thousands			
	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
Accrued benefit costs	$ (3,818)	$ (1,080)	$ (3,400)	$ (2,016)
Additional minimum liability	(1,460)	—	—	—
Intangible asset	943	—	—	—
Accumulated other comprehensive loss	517	—	—	—
Net amount recognized	$ (3,818)	$ (1,080)	$ (3,400)	$ (2,016)

	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
Weighted-average assumptions as of December 31:				
Discount rate	7.50%	6.75%	7.50%	6.75%
Long-term rate of return on plan assets	8.0%	8.0%	8.0%	8.0%
Rate of compensation increases	4.5%	4.5%	—	—

Net periodic benefit costs for the pension and other postretirement plans for the years ending December 31, 1999, 1998 and 1997 included the following components:

	In Thousands					
	Pension Plan			Other Benefits		
	1999	1998	1997	1999	1998	1997
Service cost	$ 2,339	$ 1,899	$ 1,545	$ 456	$ 370	$ 280
Interest cost	3,149	3,011	2,805	646	577	549
Expected return on plan assets	(3,542)	(3,320)	(2,876)	(107)	(83)	(52)
Net amortization and deferral	969	823	768	389	346	338
Net periodic benefit cost	$ 2,915	$ 2,413	$ 2,242	$ 1,384	$ 1,210	$ 1,115

Postretirement benefit expense recorded in 1999, 1998, and 1997 was $680,000, $635,000, and $581,000. $3,400,000, which is recoverable through future customer rates, is recorded as a regulatory asset. The Company intends to make annual contributions to the plan up to the amount deductible for tax purposes.

For 1999 measurement purposes, a 5.5% annual rate of increase in the per capita cost of covered benefits was assumed; the rate was assumed to decrease gradually to 5% in the year 2000 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. A one-percentage point change in assumed health care cost trends would have the following effect:

	In Thousands	
	1-percentage Point Increase	1-percentage Point Decrease
Effect on total service and interest costs	$ 250	$ (166)
Effect on accumulated postretirement benefit obligation	$ 1,378	$ (1,121)

Note 10. Agreement Of Merger With Dominguez Services Corporation

On November 13, 1998, the Boards of Directors of the Company and Dominguez Services Corporation (Dominguez) agreed to a merger of the two companies. Dominguez is a utility holding company whose wholly owned subsidiaries provide water service to about 40,000 accounts in 20 California communities. Dominguez' 1998 operating revenue was $25.3 million, net income was $0.9 million and basic earnings per share was $0.61. At December 31, 1998, its net utility plant was $44.8 million and its total assets were $52.6 million.

The merger agreement provides that each outstanding Dominguez common share will be exchanged on a tax-free basis for Company common shares yielding an equivalent value of $33.75 per Dominguez share. At December 31, 1999, there were 1,506,512 shares of Dominguez common stock outstanding. The Company also expects to assume approximately $12.0 million of Dominguez' long-term debt. The transaction is expected to be accounted for as a pooling of interests.

The only approval the Company has yet to receive is that of the CPUC. The CPUC's approval of the merger is expected in March of 2000.

Note 11. Fair Value Of Financial Instruments

For those financial instruments for which it is practicable to estimate a fair value the following methods and assumptions were used. **For cash equivalents**, the carrying amount approximates fair value because of the short-term maturity of the instruments. The fair value of the Company's **long-term debt** is estimated at $175,700,000 as of December 31, 1999, and $153,900,000 as of December 31, 1998, using a discounted cash flow analysis, based on the current rates available to the Company for debt of similar maturities. The fair value of **advances for construction** contracts is estimated at $31,000,000 as of December 31, 1999, and $30,000,000 as of December 31, 1998, based on data provided by brokers.

Note 12. Quarterly Financial And Common Stock Market Data (Unaudited)

The Company's common stock is traded on the New York Stock Exchange under the symbol "CWT." There were approximately 11,000 holders of common stock at December 31, 1999. Quarterly dividends have been paid on common stock for 220 consecutive quarters and the quarterly rate has been increased each year since 1968.

	1999 - in thousands except per share amounts			
	FIRST	SECOND	THIRD	FOURTH
Operating revenue	$ 39,853	$ 52,112	$ 64,021	$ 50,454
Net operating income	4,862	8,062	11,051	6,635
Net income	2,621	5,649	8,020	3,629
Basic earnings per share	.20	.43	.62	.28
Common stock market price range:				
High	31.25	27.63	31.88	32.00
Low	23.38	22.69	25.88	24.13
Dividends paid	.27125	.27125	.27125	.27125

	1998 - in thousands except per share amounts			
	FIRST	SECOND	THIRD	FOURTH
Operating revenue	$ 35,920	$ 45,275	$ 63,380	$ 45,084
Net operating income	4,598	6,660	12,273	7,008
Net income	1,709	3,638	9,662	3,927
Basic earnings per share	.13	.28	.74	.30
Common stock market price range:				
High	33.75	30.19	27.69	33.13
Low	24.31	21.50	20.75	21.25
Dividends paid	.2675	.2675	.2675	.2675

The Stockholders and Board of Directors
California Water Service Group:

We have audited the accompanying consolidated balance sheet of California Water Service Group and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, common stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of California Water Service Group and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

Mountain View, California
January 21, 2000

corporate information

Stock Transfer, Dividend Disbursing and Reinvestment Agent

The First National Bank of Boston
(Boston EquiServe)
P.O. Box 644
Boston, MA 02102-0644
800.736.3001

To Transfer Stock

A change of ownership of shares (such as when stock is sold or gifted or when owners are deleted from or added to stock certificates) requires a transfer of stock. To transfer stock, the owner must complete the assignment on the back of the certificate and sign it exactly as his or her name appears on the front. This signature must be guaranteed by an eligible guarantor institution (banks, stock brokers, savings and loan associations and credit unions with membership in approved signature medallion programs) pursuant to SEC Rule 17AD-15. A notary's acknowledgement is not acceptable. This certificate should then be sent to Boston EquiServe, Stockholder Services, by registered or certified mail with complete transfer instructions.

Bond Registrar

US Bank Trust, N.A.
One California Street
San Francisco, CA 94111-5402
415.273.4580

Executive Office

California Water Service Group
1720 North First Street
San Jose, CA 95112-4598
408.367.8200

Annual Meeting

The Annual Meeting of Stockholders will be held on Wednesday, April 19, 2000 at 10 a.m. at the Company's Executive Office, located at 1720 North First Street in San Jose, California. Details of the business to be transacted during the meeting will be contained in the proxy material, which will be mailed to stockholders on or about March 17, 2000.

Annual Report for 1999 on Form 10-K

A copy of the Company's report for 1999 filed with the Securities and Exchange Commission on Form 10-K will be available in April 2000 and can be obtained by any stockholder at no charge upon written request to the address below.

Stockholder Information

California Water Service Group
Attn: Stockholder Relations
1720 North First Street
San Jose, CA 95112-4598
408.367.8200 or 800.750.8200
http://www.calwater.com

board of directors

California Water Service Group, California Water Service Company, CWS Utility Services

Peter C. Nelson*
President and Chief Executive Officer

Robert W. Foy*
Chairman of the Board

C.H. Stump*‡
Former Chairman of the Board and former CEO of California Water Service Company

Linda R. Meier†‡
Member, National Advisory Board, Haas Public Service Center; Member of the Board of Directors, Comerica Bank-California

George A. Vera†
Chief Financial Officer, the David & Lucile Packard Foundation

J.W. Weinhardt†*
Chairman of SJW Corp. and Chairman of its subsidiary, San Jose Water Company

Edward D. Harris, Jr., M.D.†*
George DeForest Barnett Professor of Medicine, Stanford University Medical Center

Richard P. Magnuson‡
Private Venture Capital Investor

Robert K. Jaedicke†‡
Professor Emeritus of Accounting and former Dean, Stanford Graduate School of Business

officers

California Water Service Company

Robert W. Foy (1,2,3)
Chairman of the Board

Peter C. Nelson (1,2,3)
President and Chief Executive Officer

Gerald F. Feeney (1,2,3)
Vice President, Chief Financial Officer and Treasurer

Francis S. Ferraro
Vice President, Regulatory Matters

James L. Good (2)
Vice President, Corporate Communications and Marketing

Robert R. Guzzetta (2)
Vice President, Engineering and Water Quality

Christine L. McFarlane
Vice President, Human Resources

Raymond H. Taylor
Vice President, Operations

Raymond L. Worrell
Vice President, Chief Information Officer

Calvin L. Breed (1)
Controller, Assistant Secretary and Assistant Treasurer

Paul G. Ekstrom (1,2,3)
Corporate Secretary

John S. Simpson
Assistant Secretary, Manager of New Business

Washington Water Service Company

Michael P. Ireland
President

† *Member of the Audit Committee*
‡ *Member of the Compensation Committee*
* *Member of the Executive Committee*

1 *Holds the same position with California Water Service Group*
2 *Holds the same position with CWS Utility Services*
3 *Also an officer of Washington Water Service Company*

California Water Service Group

1720 North First Street

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