



## **California Water Service Group**

**California Water Service Company, Hawaii Water Service Company,  
New Mexico Water Service Company, Washington Water Service  
Company, CWS Utility Services, and HWS Utility Services**

**1720 North First Street  
San Jose, CA 95112-4598  
(408) 367-8200**

April 13, 2012

Dear Fellow Stockholder:

You are cordially invited to attend our Annual Meeting of Stockholders at 9:30 a.m. on May 22, 2012, at the executive offices of California Water Service Group, located at 1720 North First Street in San Jose, California.

Enclosed are a notice of matters to be voted on at the meeting, our Proxy Statement, a proxy card and our 2011 Annual Report.

Whether or not you plan to attend, your vote is important. Please vote your shares, as soon as possible, in one of three ways: Internet, telephone or mail. Instructions regarding Internet and telephone voting are included on the proxy card or voting instruction card. If you choose to vote by mail, please follow the instructions on the proxy card or voting instruction card.

In a continuing effort to reduce costs and conserve natural resources, we produced a summary annual report again this year, opting not to duplicate the financial information that continues to be provided in our Form 10-K filed with the Securities and Exchange Commission. We care about what you think of the report. Please send your feedback to [annualreport@calwater.com](mailto:annualreport@calwater.com).

Thank you for your investment in the California Water Service Group.

Sincerely,

/s/ ROBERT W. FOY

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ROBERT W. FOY  
*CHAIRMAN OF THE BOARD*

**2012 ANNUAL MEETING OF STOCKHOLDERS**  
**NOTICE OF ANNUAL MEETING AND PROXY STATEMENT**

**TABLE OF CONTENTS**

This Proxy Statement, dated April 13, 2012, relates to the solicitation of proxies by the Board of Directors of California Water Service Group for use at our 2012 Annual Meeting of Stockholders, which is scheduled to be held on May 22, 2012. We expect to begin mailing this Proxy Statement to stockholders on or about April 13, 2012.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS . . . . .	1
QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING . . . . .	2
BOARD STRUCTURE . . . . .	7
PROPOSAL NO. 1—ELECTION OF DIRECTORS . . . . .	14
STOCK OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS . . . . .	18
COMPENSATION DISCUSSION AND ANALYSIS . . . . .	19
REPORT OF THE ORGANIZATION AND COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION . . . . .	35
ORGANIZATION AND COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION . . . . .	35
PROPOSAL NO. 2—ADVISORY VOTE ON EXECUTIVE COMPENSATION . . . . .	36
REPORT OF THE AUDIT COMMITTEE . . . . .	37
RELATIONSHIP WITH THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM . . . . .	38
PROPOSAL NO. 3—RATIFICATION OF SELECTION OF DELOITTE & TOUCHE LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2012 . . . . .	38
OTHER MATTERS . . . . .	39

For directions to the Annual Meeting, please refer to page 41 of this Proxy Statement.

# **CALIFORNIA WATER SERVICE GROUP**

## **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

The 2012 Annual Meeting of Stockholders (Annual Meeting) of California Water Service Group (Group) will be held on Tuesday, May 22, 2012, at 9:30 a.m., at the executive offices of California Water Service Group, located at 1720 North First Street in San Jose, California. At the meeting, stockholders will consider and vote on the following matters:

1. Election of the nine directors named in the proxy statement;
2. An advisory vote to approve executive compensation;
3. Ratification of the selection of Deloitte & Touche LLP as the Group's independent registered public accounting firm for 2012; and
4. Such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 30, 2012, as the record date for the determination of holders of common stock entitled to notice of and to vote at the Annual Meeting.

Please submit a proxy as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. You may submit your proxy: (a) by Internet, (b) by telephone, or (c) by USPS mail. You may revoke your proxy at any time prior to the vote at the Annual Meeting. Of course, in lieu of submitting a proxy, you may vote in person at the Annual Meeting; provided, however, that if you hold your shares in street name, you must request a legal proxy from your stockbroker in order to do so. For specific instructions, please refer to "Questions and Answers About the Proxy Materials and the Annual Meeting" in this Proxy Statement and the instructions on the proxy card.

**By Order of the Board of Directors**

**LYNNE P. MCGHEE, Esq.**  
*Corporate Secretary*

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
STOCKHOLDERS MEETING TO BE HELD ON MAY 22, 2012**

Electronic copies of the Group's 10-K, including exhibits, and this Proxy Statement will be available on the Group's website at: <http://www.calwatergroup.com>.

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING**

**What am I voting on?**

- Election of nine directors to serve until the 2013 Annual Meeting;
- An advisory vote to approve executive compensation;
- Ratification of the selection of Deloitte & Touche LLP as the Group's independent registered public accounting firm for 2012;

Those elected to serve as directors of the California Water Service Group, which we refer to in this Proxy Statement as "the Group", will also serve as the directors of California Water Service Company and CWS Utility Services, two of the Group's wholly-owned operating subsidiaries.

**Who may attend the Annual Meeting?**

All stockholders of the Group may attend.

**Who is entitled to vote?**

Stockholders of record on the record date. The Board has fixed March 30, 2012 as the record date (Record Date) for stockholders entitled to notice of, and to vote at, the Annual Meeting.

**How many votes do I get?**

Each share of common stock is entitled to one vote.

**What constitutes a quorum?**

A majority of the outstanding shares—present at the Annual Meeting or represented by persons holding valid proxies—constitutes a quorum. If you submit a valid proxy card, your shares will be considered in determining whether a quorum is present.

Without a quorum, no business may be transacted at the Annual Meeting. However, whether or not a quorum exists, a majority of the voting power of those present at the Annual Meeting may adjourn the Annual Meeting to another date, time and place.

At the Record Date, there were 2,404 stockholders of record. There were 41,907,012 shares of our common stock outstanding and entitled to vote at the Annual Meeting.

**Can I still use cumulative voting for the election of directors?**

No. Stockholders previously approved an amendment to the Group's Certificate of Incorporation to eliminate cumulative voting in order to adopt majority voting in uncontested director elections.

**How are the directors elected?**

Pursuant to a stockholder vote last year, our bylaws now provide a majority voting standard for the election of directors in uncontested elections. Under this majority voting standard, each director must be elected by the affirmative vote of a majority of the votes cast with respect to the director. A majority of the votes cast means that the number of votes cast "FOR" a candidate for director exceeds the number of

votes cast “AGAINST” that candidate for director. As a result, abstentions will not be counted in determining which nominees receive a majority of votes cast since abstentions do not represent votes cast for or against a candidate. If you hold your shares through a stockbroker (or other nominee), the stockbroker does not have authority to vote your shares in the election of directors without instructions from you. Shares that your stockbroker does not vote (“broker non-votes”) are not considered votes cast for or against a candidate, and they will not be counted in determining which nominees receive a majority of votes cast. In accordance with our director resignation policy, the Nominating/Corporate Governance Committee has established procedures for an incumbent candidate for director who does not receive the required votes for re-election to tender his or her resignation. The Nominating/Corporate Governance Committee will recommend to the board whether to accept or reject the offer, or whether other action should be taken. The board will act on the Nominating/Corporate Governance Committee’s recommendation within 90 days after certification of the election results. We will promptly publicly disclose the board’s decision regarding the resignation offer, including the rationale for rejecting the resignation offer, if applicable.

**Who are the Board’s nominees?**

The nominees are Douglas M. Brown, Edwin A. Guiles, Bonnie G. Hill, Thomas M. Krummel, M.D., Richard P. Magnuson, Linda R. Meier, Peter C. Nelson, Lester A. Snow, and George A. Vera. All the nominees are current Board members. See “Proposal No. 1—Election of Directors” for biographical information and qualifications, including the nominees’ current directorships in other publicly held companies.

**What are the Board’s voting recommendations?**

“FOR” each of the nominees to the Board (Proposal No. 1);

“FOR” the proposal regarding an advisory vote to approve executive compensation (Proposal No. 2);

“FOR” the ratification of the selection of Deloitte & Touche LLP as the Group’s independent registered public accounting firm for 2012 (Proposal No. 3);

**How do I vote?**

If you are a stockholder of record (that is, you hold your shares in your own name), you may vote on the Internet, by telephone, by mail, or in person at the meeting. Different rules apply if your stockbroker or another nominee holds your shares for you (see below).

*You may vote on the Internet.*

You do this by following the “Vote by Internet” instructions on the proxy card. If you vote on the Internet, you do not have to mail in your proxy card.

*You may vote by telephone.*

You do this by following the “Vote by Telephone” instructions on the proxy card. If you vote by telephone, you do not have to mail in your proxy card. You must have a Touch-Tone phone to vote by telephone.

*You may vote by mail.*

You do this by signing the proxy card and mailing it in the enclosed, prepaid and addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct.

*You may vote in person at the meeting.*

We will hand out written ballots to anyone who wants to vote at the meeting. If you hold your shares in street name, you must request a legal proxy from your stockbroker in order to vote at the meeting.

If you return a signed card but do not provide voting instructions, your shares will be voted:

- For the nine named director nominees;
- For the advisory vote to approve executive compensation;
- For the ratification of the selection of Deloitte & Touche LLP as the Group's independent registered public accounting firm for 2012;

We have been advised by legal counsel that these Internet and telephone voting procedures comply with Delaware law.

**What if I change my mind after I return my proxy?**

You may revoke your proxy and/or change your vote at any time before the polls close at the Annual Meeting. You may do this by:

- Signing another proxy with a later date;
- Voting on the Internet or by telephone (your latest Internet or telephone proxy is counted);
- Voting again at the meeting; or
- Notifying the Corporate Secretary, in writing, that you wish to revoke your previous proxy. We must receive your notice prior to the vote at the Annual Meeting.

**Will my shares be voted if I do not return my proxy?**

If you are a stockholder of record, and you do not return your proxy, your shares will not be voted unless you attend the meeting and vote in person.

**What happens if my shares are held by my stockbroker (or other nominee)?**

If your shares are held by a stockbroker (or other nominee), you will receive a voting instruction card so that you can instruct your stockbroker on how to vote your shares. If you do not return your voting instruction card, then your stockbroker, under certain circumstances, may vote your shares.

Specifically, stockbrokers have authority under exchange regulations to vote your uninstructed shares on certain "routine" matters. For "non-routine" matters, no votes will be cast on your behalf if you do not instruct your stockbroker on how to vote. If you wish to change the voting instructions that you gave to your stockbroker, you must ask your stockbroker how to do so.

If you do not give your stockbroker voting instructions, the stockbroker may either:

- Proceed to vote your shares on routine matters and refrain from voting on non-routine matters; or
- Leave your shares entirely unvoted.

Shares that your stockbroker does not vote (broker non-votes) will count towards the quorum only. We encourage you to provide your voting instructions to your stockbroker. This ensures that your shares will be voted at the meeting.

**As to my stockbroker voting, which proposals are considered “routine” or “non-routine”?**

The ratification of the selection of Deloitte & Touche LLP as the Group’s independent registered public accounting firm for 2012 (Proposal No. 3) is routine. A stockbroker may generally vote on routine matters if the stockbroker has not received voting instructions from you with respect to such matters.

The election of directors (Proposal No. 1) and the advisory vote to approve executive compensation (Proposal No. 2) are matters considered “non-routine” under applicable rules. A stockbroker cannot vote without your instructions on non-routine matters.

**What is the voting requirement to approve each of the proposals?**

<u>Proposal</u>	<u>Vote Required</u>
Proposal 1—Election of nine directors	Majority of Votes Cast
Proposal 2—Advisory vote to approve executive compensation	Majority of Shares Present in Person or Represented by Proxy and Entitled to Vote
Proposal 3—Ratify the selection of Deloitte & Touche LLP as the Group’s independent registered public accounting firm for 2012	Majority of Shares Present in Person or Represented by Proxy and Entitled to Vote

**How are broker non-votes and abstentions treated?**

Broker non-votes and abstentions are counted for purposes of determining whether a quorum is present. Only “FOR” and “AGAINST” votes are counted for purposes of determining the votes received in connection with the proposal relating to the election of directors (Proposal No. 1), and therefore broker non-votes and abstentions have no effect on that proposal. The affirmative vote of the majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting is required to approve Proposal No. 2 and Proposal No. 3. Abstentions have the effect of a vote “AGAINST” both of these proposals. Stockbrokers may vote your shares on Proposal No. 3 (but not on Proposal No. 2) without instructions from you. Shares resulting in broker non-votes, if any, are not entitled to vote and will have no effect on the outcome of these proposals.

**Who will count the vote?**

Representatives of Broadridge Financial Services, Proxy Services, will serve as the inspector of elections and count the votes.

**What does it mean if I get more than one proxy card?**

It means that you have multiple accounts at the transfer agent and/or with stockbrokers. Please sign and return all proxy cards to ensure that all your shares are voted.

**What percentage of stock do the directors and executive officers own?**

Together, they own one percent of our common stock. See “Stock Ownership of Management and Certain Beneficial Owners” for more details elsewhere in this Proxy Statement.

**Who are the largest common stockholders?**

As of December 31, 2011, the largest principal stockholder was Lazard Asset Management LLC, which held 3,204,790 shares of common stock, representing 7.66% of our aggregate outstanding stock. BlackRock, Inc held 2,507,783 shares of common stock, representing 6.00% of our aggregate outstanding stock as of such date. The Vanguard Group, Inc. held 2,247,336 shares of common stock, representing

5.37% of our aggregate outstanding stock as of such date. To the best of our knowledge, no other stockholders held over 5% of our common shares as of such date.

**What is the deadline for submitting stockholder proposals for the Group's proxy materials for next year's Annual Meeting?**

Any proposals that stockholders intend to submit for inclusion in the Group's 2012 proxy materials must be received by the Corporate Secretary of the Group by December 26, 2012. A proposal and any supporting statement together may not exceed 500 words. Please submit the proposal to the Corporate Secretary, California Water Service Group, 1720 North First Street, San Jose, California 95112-4598.

**How can a stockholder propose a nominee for the Board or other business for consideration at a stockholders' meeting?**

Any stockholder of record who is entitled to vote at a stockholders' meeting may propose a nominee for the Board or propose other business for consideration at the meeting. The bylaws contain the requirements for doing so. Contact the Corporate Secretary to request a copy of the full bylaw requirements. Briefly, a stockholder must give timely prior notice of the matter to the Group. The notice must be received by the Corporate Secretary at the Group's principal place of business by the 150th day before the first anniversary of the prior year's Annual Meeting. For the 2012 Annual Meeting, to be timely, notice must be received by the Corporate Secretary by December 26, 2012. If we move the date of the meeting by more than thirty days before or more than sixty days after the date of the previous meeting, notice is due by the 150th day before the Annual Meeting or the 10th day after we publicly announce the holding of the meeting. If the Group's Corporate Secretary receives notice of a matter after the applicable deadline, the notice will be considered untimely, and the persons named as proxies may exercise their discretion in voting with respect to the matter when and if it is raised at the meeting.

The bylaws specify what the notice must contain. Stockholders must comply with applicable law with respect to matters submitted in accordance with the bylaws. The bylaws do not affect any stockholder's right to request inclusion of proposals in the Group's Proxy Statement under the rules of the Securities and Exchange Commission (SEC).

**How can a stockholder or other interested party contact the independent directors, the director who chairs the Board's executive sessions or the full Board?**

Stockholders or other interested parties may address inquiries to any of the Group's directors, to the director who chairs the Board's executive sessions, or to the full Board, by writing to the Corporate Secretary, California Water Service Group, 1720 North First Street, San Jose, California 95112-4598. All such communications are sent directly to the intended recipient.

**Can I make comments and/or ask questions during the Annual Meeting?**

Yes, most certainly. Stockholders wishing to address the meeting are welcome to do so by adhering to the following guidelines:

1. Stockholders may address the meeting when recognized by the Chairman or President and Chief Executive Officer (CEO).
2. Each stockholder, when recognized, should stand and identify himself or herself.
3. Stockholder remarks must be limited to matters before the meeting and may not exceed two minutes in duration per speaker.

No cameras, video or recording equipment will be permitted at the meeting.



## **Where and when will I be able to find the results of the voting?**

Preliminary results will be announced at the Annual Meeting. We will publish the final results in a current report on Form 8-K to be filed with the SEC within four business days of the Annual Meeting.

## **BOARD STRUCTURE**

This section briefly describes the structure of the Board and the functions of the principal committees of the Board. The Board has adopted Corporate Governance Guidelines that, along with the charters of the Board committees, provide a framework for the governance of the Group. The Corporate Governance Guidelines and the charters for the Audit, Organization and Compensation, Finance and Risk Management, Nominating/Corporate Governance and Executive committees are posted on the Group's website at <http://www.calwatergroup.com>. Physical copies of these documents are also available upon request to the Corporate Secretary, California Water Service Group, 1720 North First Street, San Jose, California 95112-4598.

The Group's policy is that all directors must be able to devote the required time to carry out director responsibilities and should attend all meetings of the Board and of committees on which they sit.

### **Leadership Structure**

Historically, the roles of chairman of the Board and CEO have been separate, and the Corporate Governance Guidelines reflect this practice. Robert W. Foy has served as chairman of the Board since January 1, 1996, and he served as an executive officer in his position as chairman until retiring as an executive officer at the 2007 Annual Meeting. The Board believes that this leadership structure has worked well for the Group by fostering clear accountability and effective decision-making and helping to provide proper risk oversight for the Group. Moreover, while serving as chairman of the Board, Mr. Foy brought to the Board a thorough understanding of the Group's business gained during his service with the Group.

In addition, the Board has established the position of lead director because the Board believes that strong, independent Board leadership is a critical aspect of effective corporate governance. The lead director is an independent director who is elected by the independent directors to serve for a period of at least one year. Mr. Douglas M. Brown has served as lead director for the past several years. As set forth in the Corporate Governance Guidelines, the lead director's responsibilities and authority include:

- Presiding over executive sessions of the non-management and independent directors and having the authority to call executive sessions;
- Presiding at meetings of the Board in the absence of the Chairman of the Board;
- Approving Board meeting agendas and schedules;
- Approving information sent to the Board;
- Serving as liaison between the Chairman of the Board and the independent directors; and
- Being available for consultation and communication with major stockholders upon request.

Mr. Foy will not stand for re-election at the Annual Meeting, in accordance with the Group's mandatory retirement age for directors. In advance of Mr. Foy's retirement, the Nominating/Corporate Governance Committee and the Board actively considered and discussed the appropriate leadership structure for the Board going forward, taking into account numerous factors bearing upon the issue, including the Board's historical practice, its assessment of the Group's leadership, the robust nature of the lead director's role and the Board's view that this role has been effective in providing independent leadership for the Board, and the Group's current and anticipated needs. Based on this, the Board determined that appointing a single leader to serve as chairman of the Board and CEO, and continuing the Board's current practice of having an independent lead director, is the most appropriate leadership

structure for the Board following Mr. Foy's retirement. Accordingly, the Board determined to appoint Peter C. Nelson, the Group's president and CEO, as chairman of the Board upon Mr. Foy's retirement. Mr. Brown will continue to serve as lead director as he has for the last several years.

The Board believes that this leadership structure will best serve the Group and its stockholders for several reasons. The Board believes that one reason for the historical success of its leadership model is that the chairman of the Board has had significant experience as part of the Group's senior management. With Mr. Nelson's fifteen-plus years of service as president and CEO of the Group and his additional background in the public utility industry, the Board believes that the Group and its stockholders will benefit from having a single leader who is deeply knowledgeable about the operation of the Group's business and the highly regulated industry in which the Group operates. In addition, a combined chairman/CEO structure will provide the Group with a single representative who can speak authoritatively on behalf of the Group with regulators, legislators, stockholders and other stakeholders about the range of issues facing the Group in the current environment. The Board also believes that this structure is appropriate because the CEO is the individual charged with leading implementation of the Group's business strategy and with directing the work of other senior management in implementing this strategy. For this reason, the Board believes that Mr. Nelson's strong record of strategic and operational leadership make him best positioned to lead the Board as it oversees and monitors implementation of the Group's business strategy, considers risks related to strategy and business decisions, and performs its oversight function with respect to other core areas of the Group's operations. At the same time, the Board will continue to have a lead director with a meaningful role in order to provide independent leadership for the Board.

### **Risk Oversight**

Under the Corporate Governance Guidelines, the full Board oversees the Group's processes for assessing and managing risk. The Board does not view risk in isolation but considers risk as part of its regular consideration of business decisions and business strategy. The Board exercises its risk oversight function through the Board as a whole and through its committees. Each of the Board committees considers the risks within its areas of responsibility and identified in its charter. The Finance and Risk Management Committee reviews the Group's major risk exposures and the steps management has taken and proposes to take to monitor and control such exposures. The Audit Committee reviews with management risks related to financial reporting and internal controls. At least annually, the Finance and Risk Management Committee discusses the Group's risk assessment and risk management with the Audit Committee. The Organization and Compensation Committee reviews enterprise risks to see that our compensation plans and programs do not encourage management to take unreasonable risks relating to our business. The Nominating/Corporate Governance Committee oversees risks related to matters of corporate governance, including director independence and Board performance.

The Group has a management level Enterprise Risk Management Committee (ERMC) which reports directly to the Finance and Risk Management Committee. The ERMC is chaired by the Group's chief financial officer (CFO), and five other officers from various functions are members. The ERMC identifies and prioritizes key risks and recommends the implementation of appropriate mitigation measures, as needed. The ERMC meets at least semi-annually and reports regularly to the Finance and Risk Management Committee and the CEO. The ERMC reports to the Audit Committee no less frequently than annually. Further review or reporting on risks is conducted as needed or as requested by the Board or committee.

### **Committees**

*AUDIT:* Reviews the Group's auditing, accounting, financial reporting and internal audit functions. Also, the Audit Committee is directly responsible for the appointment, compensation and oversight of the independent registered public accounting firm, although stockholders are asked to ratify the Audit Committee's selection of this firm. All members are independent as defined in the listing standards of the

New York Stock Exchange and meet the additional independence requirements for audit committee members imposed by the Sarbanes-Oxley Act and the rules of the SEC thereunder.

The Board has determined that George A. Vera, chair of the Audit Committee, is an audit committee financial expert and is independent as defined in the rules of the SEC and in the listing standards of the New York Stock Exchange. This means that the Board believes Mr. Vera has:

- (i) An understanding of generally accepted accounting principles and financial statements;
- (ii) The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (iii) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Group's financial statements, or experience actively supervising one or more persons engaged in such activities;
- (iv) An understanding of internal control over financial reporting; and
- (v) An understanding of Audit Committee functions.

Designation of a person as an audit committee financial expert does not result in the person being deemed an expert for any purpose, including under Section 11 of the Securities Act of 1933. The designation does not impose on the person any duties, obligations or liability greater than those imposed on any other audit committee member or any other Director and does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

*ORGANIZATION AND COMPENSATION:* Reviews the Group's executive compensation, employee benefit plans and programs, including their establishment, modification and administration. All members are independent as defined in the listing standards of the New York Stock Exchange. The Organization and Compensation Committee has taken steps to analyze the current risk profile of the Group's executive and broad-based compensation programs. In its evaluation, the Organization and Compensation Committee review took into account the fact that the Group does not provide for cash-based annual incentive compensation and that Group operates in a highly regulated environment and thus maintains strong internal controls, which factors tend to mitigate against undue risk.

As a result of this evaluation, the Group does not believe that the Group's compensation practices and programs create risks that are reasonably likely to have a material adverse effect on the Group, nor does it believe that the Group's executive compensation practices and programs are designed to promote risk taking.

For a description of the processes and procedures used by the Organization and Compensation Committee for the consideration and determination of executive and director compensation, see "Compensation Discussion & Analysis" elsewhere in this Proxy Statement.

More information on the committee and related charter can be found on the Group's website at <http://www.calwatergroup.com> in the corporate governance section.

*FINANCE AND RISK MANAGEMENT:* Assists the Board in reviewing the Group's financial policies, risk management strategies and capital structure. All members are independent as defined in the listing standards of the New York Stock Exchange.

*NOMINATING/CORPORATE GOVERNANCE:* Reviews the Group's director compensation and assists the Board by (i) identifying candidates and nominating individuals qualified to become Board members and (ii) developing and recommending a set of corporate governance principles applicable to the Group. All members are independent as defined in the listing standards of the New York Stock Exchange.

*EXECUTIVE:* Has limited powers to act on behalf of the Board whenever it is not in session. This committee meets only as needed. The committee consists of a majority of independent directors.

During 2011, there were nine regular meetings of the Board, four meetings of the Audit Committee, two meetings of the Organization and Compensation Committee, two meetings of the Finance and Risk Management Committee, and two meetings of the Nominating/Corporate Governance Committee. The incumbent directors attended at least 92% of all Board and applicable committee meetings. Collectively, all of the directors attended an average of 99% of all of the Board and applicable committee meetings.

### **Independence of Directors**

As discussed in the Group's Corporate Governance Guidelines, a substantial majority of the Board is made up of independent directors. Currently, the Group's independent directors are Douglas M. Brown, Edwin A. Guiles, Bonnie G. Hill, Thomas M. Krummel, M.D., Richard P. Magnuson, Linda R. Meier, Lester A. Snow, and George A. Vera. Under the listing standards of the New York Stock Exchange, a director is independent if he or she has no material relationship, whether commercial, industrial, banking, consulting, accounting, legal, charitable or familial, with the Group, either directly or indirectly as a partner, stockholder or officer of an entity that has a material relationship with the Group. The Board makes an affirmative determination regarding the independence of each director annually, based on the recommendation of the Nominating/Corporate Governance Committee. The Board has adopted standards to assist it in assessing the independence of directors, which are set forth in the Corporate Governance Guidelines. Under these standards, the Board has determined that a director is not independent if:

- The director has a material relationship (including, among others, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships) with companies that comprise the Group;
- The director is, or has been within the last three years, an employee of any company that comprises the Group or an immediate family member is, or has been within the last three years, an executive officer of any company that comprises the Group;
- The director or any immediate family member has received personally during any twelve-month period within the past three years more than \$120,000 in direct compensation from companies that comprise the Group, other than director or committee fees and pension or other forms of deferred compensation for prior service (compensation received by an immediate family member for service as an employee, other than an executive officer, of the Group is not considered for purposes of this standard);
- The director or an immediate family member is a current partner of the Group's internal or external auditor; the director is a current employee of such a firm; the director's immediate family member is a current employee of such a firm who works personally on the Group's audit or the director or an immediate family member was in the last three years a partner or employee of such a firm and personally worked on the Group's audit within that time;
- Employment of the director or of an immediate family member within the last three years as an executive officer of a company whose Organization and Compensation Committee includes or included at the same time an executive officer of the Group;
- Being an employee or having an immediate family member who is an executive officer of a customer or vendor or other party that has made payments to or received payments from companies that comprise the Group for property or services in an amount that exceeded the greater of \$1 million or 2% of the party's consolidated gross revenues, in any of the past three years; or
- The director, or the director's spouse, is an executive officer of a non-profit organization to which the Group makes, or in the past three years has made, payments that, in any single fiscal year,

exceeded the greater of \$1 million or 2% of the non-profit organization's consolidated gross revenues.

The Board has determined that none of the following relationships, in itself, is a material relationship that would impair a director's independence:

- Being a residential customer of any subsidiary of the Group;
- Being an executive officer or employee, or being otherwise affiliated with, a commercial customer from which the Group's consolidated gross revenues in any of the last three years are or were not more than the greater of (i) 1% of the Group's consolidated gross revenues for the year or (ii) \$500,000;
- Being an executive officer or employee of a supplier or vendor that has or had consolidated gross revenues from the Group in any of the last three years of not more than the lesser of (i) 1% of the Group's consolidated gross revenues for the year or (ii) \$500,000;
- Having a 5% or greater ownership interest or similar financial interest in a supplier or vendor that has or had consolidated gross revenues from the Group in any of the last three years of not more than the lesser of (i) 1% of the Group's consolidated gross revenues for such year or (ii) \$500,000; and
- Being a director of any of the Group's subsidiaries.

Directors inform the Board as to their relationships with the Group and provide other pertinent information pursuant to questionnaires that they complete, sign and certify on an annual basis. The Board reviews such relationships to identify impairments to director independence and in connection with disclosure obligations. For those directors who reside in a service territory of California Water Service Company and are customers, the Board determined that it is not a material relationship that would impair their independence under the above-standards.

### **Director Qualifications and Diversity**

The Board believes that the Board, as a whole, should possess a combination of skills, professional experience, and diversity of backgrounds necessary to oversee the Group's business. In addition, the Board believes that there are certain attributes that every director should possess, as reflected in the Board's membership criteria. Accordingly, the Board and the Nominating/Corporate Governance Committee consider the qualifications of directors and director candidates individually and in the broader context of the Board's overall composition and the Group's current and future business and operations.

The Nominating/Corporate Governance Committee is responsible for developing and recommending Board membership criteria to the Board for approval. The Board and the Nominating/Corporate Governance Committee seek a variety of occupational and personal backgrounds on the Board in order to obtain a range of viewpoints and perspectives and to enhance the diversity of the Board. This annual evaluation of the Board's composition enables the Board and Nominating/Corporate Governance Committee to update the skills and experience they seek in the Board as a whole, and in individual directors, as the Group's needs evolve and change over time and to assess diversity. In identifying director candidates from time to time, the Board and the Nominating/Corporate Governance Committee may identify specific skills and experience that it believes the Group should seek in order to constitute a balanced and effective board.

The Group seeks directors having the following specific qualifications:

- Evidence of leadership in his or her particular field;
- Broad experience and sound business judgment;

- Expertise in an area of importance to the Group and its subsidiaries;
- The ability to work in a collegial Board environment;
- High personal and professional ethics and integrity;
- The ability to devote the required time to carry out director responsibilities;
- The ability and willingness to contribute special competencies to Board activities, including appointment to Board committees;
- Freedom from conflicts of interest which would interfere with serving and acting in the best interests of the Group and its stockholders; and
- Evidence of being a high caliber individual who has achieved a level of prominence in his or her career; for example, a CEO or highest level financial officer of a sizeable organization, a director of a major corporation, a prominent civic or academic leader, etc.

Additionally, Section 2.8 of the Group’s bylaws contains requirements that a person must meet to avoid conflicts of interest that would disqualify that person from serving as a director.

Board membership should reflect diversity in its broadest sense. The Group seeks directors who represent a diversity of backgrounds and experiences that will enhance the quality of the Board’s deliberations and decisions. The Board, as a whole, should possess a combination of skills, professional experience and backgrounds necessary to oversee the Group’s business. The Board assesses the diversity of skills, experience and backgrounds represented on the board as part of the annual board self-evaluation process.

#### **Identification of Director Nominees**

The Group identifies new director candidates through a variety of sources. The Nominating/Corporate Governance Committee will consider director candidates recommended by stockholders in the same manner it considers other candidates, as described in “Board Structure—Director Qualifications and Diversity” elsewhere in this Proxy Statement. Stockholders seeking to recommend candidates for consideration by the Nominating/Corporate Governance Committee should submit a recommendation in writing describing the candidate’s qualifications and other relevant biographical information and provide confirmation of the candidate’s consent to serve as director. Please submit this information to the Corporate Secretary, California Water Service Group, 1720 North First Street, San Jose, California 95112-4598.

Stockholders may also propose director nominees by adhering to the advance notice procedure described under “Questions and Answers About the Proxy Materials and the Annual Meeting—How can a stockholder propose a nominee for the Board or other business for consideration at a stockholders’ meeting?” elsewhere in this Proxy Statement.

#### **Executive Sessions of the Board**

Under the Group’s Corporate Governance Guidelines, the non-management directors meet at least four times each year in executive session without management present, and the independent directors meet in executive session at least once a year. The lead director, Mr. Douglas M. Brown, chairs these sessions. The lead director performs other responsibilities that are described in the Group’s Corporate Governance Guidelines.

#### **Retirement Age of Directors**

The Group has established a mandatory retirement age for directors. A director must retire no later than the Annual Meeting that follows the date of the director’s 75th birthday. An employee director must

retire as an employee no later than the Annual Meeting that follows the date of his or her 70th birthday, but may remain on the Board at the discretion of the Board.

### Annual Meeting Attendance

All directors are expected to attend each Annual Meeting of the Group's stockholders, unless attendance is prevented by an emergency. All of the Group's directors who were in office at that time attended the Group's 2011 Annual Meeting.

Our directors as of March 30, 2012, are as follows:

Name	Age	Position	Current Term Expires	Director Since
Douglas M. Brown <sup>(1)(2)(3)(8)(11)(12)</sup>	74	Lead Director	2012	2001
Robert W. Foy <sup>(10)</sup>	75	Chairman of the Board and Director	2012	1977
Edwin A. Guiles <sup>(2)(3)(4)(12)</sup>	62	Director	2012	2008
Bonnie G. Hill <sup>(5)(7)(12)</sup>	70	Director	2012	2003
Thomas M. Krummel, M.D. <sup>(4)(5)(12)</sup>	60	Director	2012	2010
Richard P. Magnuson <sup>(1)(2)(3)(4)(9)(12)</sup>	56	Director	2012	1996
Linda R. Meier <sup>(1)(2)(3)(5)(12)</sup>	71	Director	2012	1994
Peter C. Nelson <sup>(1)</sup>	64	President, Chief Executive Officer and Director	2012	1996
Lester A. Snow <sup>(5)(12)</sup>	60	Director	2012	2011
George A. Vera <sup>(4)(5)(6)(12)</sup>	68	Director	2012	1998

- (1) Member of the Executive Committee
- (2) Member of the Audit Committee
- (3) Member of the Organization and Compensation Committee
- (4) Member of the Finance and Risk Management Committee
- (5) Member of the Nominating/Corporate Governance Committee
- (6) Chair of the Audit Committee
- (7) Chair of the Organization and Compensation Committee
- (8) Chair of the Finance and Risk Management Committee
- (9) Chair of the Nominating/Corporate Governance Committee
- (10) Chair of the Executive Committee
- (11) Chair of the Board's Executive Sessions
- (12) Independent director

## PROPOSAL NO. 1—ELECTION OF DIRECTORS

Upon the recommendation of the Nominating/Corporate Governance Committee, the Board has nominated for election at the 2012 Annual Meeting of Stockholders a slate of nine nominees. All of the nominees have served as directors since the last Annual Meeting. Mr. Foy will not stand for re-election at the Annual Meeting, in accordance with the Group's mandatory retirement age for directors. The Board has reduced the number of directors to nine effective immediately prior to the commencement of the Annual Meeting. All directors are elected annually to serve until the next annual meeting or until their respective successors are elected.

### Nominee Qualifications

When an incumbent director is up for re-election, the Nominating/Corporate Governance Committee reviews the performance, skills and characteristics of such incumbent director before making a determination to recommend that the Board nominate him or her for re-election. The Board's membership criteria, which are set forth in the Corporate Governance Guidelines, include leadership in a particular field, broad experience and sound business judgment, expertise in areas of importance to the Group, ability to work in a collegial board environment, the highest personal and professional ethics and integrity, ability to devote required time to carrying out director responsibilities, ability and willingness to contribute special competencies to Board and committee activities, freedom from conflicts of interest that would interfere with serving and acting in the best interests of the Group and its stockholders, and achievement of prominence in a career.

The Nominating/Corporate Governance Committee believes that all of the nine director nominees listed below are highly qualified and have the skills and experience required for membership on our Board. A description of the specific experience, qualifications, attributes and skills that led our Board to conclude that each of the nominees should serve as a director follows the biographical information of each nominee below.

### Vote Required

Each director must be elected by the affirmative vote of a majority of the votes cast by the shares present in person or represented by proxy and entitled to vote. A majority of the votes cast means that the number of votes cast "FOR" a candidate for director exceeds the number of votes cast "AGAINST" that candidate for director.

### Recommendation of the Board

Our Board of Directors unanimously recommends that you vote "FOR" the election of each of the following nominees:

#### **Douglas M. Brown**

Director since 2001

Age 74

*Mr. Brown* is lead director and a resident of the State of New Mexico. He is the dean of the University of New Mexico's Anderson School of Management. He is the former Treasurer for the State of New Mexico. From 1999 to 2005, he was president and CEO of Tuition Plan Consortium and from 1990 to 1999, he was president and CEO of Talbot Financial Services. He is also a former trustee of Stanford University and former regent of the University of New Mexico. Previously, he spent 28 years in commercial banking, most of it with Wells Fargo Bank.

With his diverse professional background, Mr. Brown brings to the Board economic and public policy expertise as well as financial acumen. He is a former CEO of a publicly traded company and has demonstrated leadership capabilities that position him well to serve as lead director. In addition,



Mr. Brown brings valuable insight to the Board from the perspective of the Group's subsidiary operations in New Mexico.

**Edwin A. Guiles**

Director since March, 2008

Age 62

*Mr. Guiles* has been a director of Cubic Corporation since 2008. He was formerly executive vice-president of corporate development at Sempra Energy. From 2000 to 2006, he was chairman and CEO of San Diego Gas & Electric (SDG&E) and Southern California Gas Company (SoCal Gas), Sempra Energy's California regulated utilities. He held a variety of management positions at SDG&E since joining that company in 1972. Mr. Guiles is also a director and past chairman of the California Chamber of Commerce.

Mr. Guiles is a former CEO with a strong public utility background. He has corporate governance experience through his service on the boards of SDG&E, SoCal Gas and Cubic Corporation, a public company. He brings to the Board valuable senior management and operational expertise from his years at Sempra Energy, SDG&E and SoCal Gas. Additionally, Mr. Guiles' in-depth knowledge of public utility regulation provides the Board with crucial insight.

**Bonnie G. Hill**

Director since 2003

Age 70

*Ms. Hill* is the president of B. Hill Enterprises, LLC, a consulting firm specializing in corporate governance and board organization. She is also co-founder of Icon Blue, a brand marketing company. From 1997 to 2001, she was president and CEO of Times Mirror Foundation and senior vice president, communications and public affairs, of The Los Angeles Times. She is a director of AK Steel Holdings Corp., Home Depot, Inc. and Yum Brands, Inc. She was formerly a director of Hershey Foods Corporation. She is a member of the Investors Advisory Group of the Public Company Accounting Oversight Board and a trustee of the RAND Corporation.

Through her experience as a former chair of the SEC's Consumer Affairs Advisory Committee, and as a former director of the National Association of Securities Dealers Regulation Board, Ms. Hill brings to the Board significant public policy, regulatory and governance expertise. Her business experience as well as her service on the boards of a variety of public companies over the past 20 years demonstrates her extensive knowledge of the complex financial and operational issues that public companies face.

**Thomas M. Krummel, M.D.**

Director since July, 2010

Age 60

*Dr. Krummel* is the Susan B. Ford Surgeon-in-Chief at the Lucile Packard Children's Hospital and the Emile Holman Professor and Chair of the Department of Surgery at Stanford University School of Medicine. A leader in his field, he has been honored with the Henry J. Kaiser Family Foundation Award for Excellence in Clinical Teaching; the John Austin Collins, M.D. Memorial Award for Outstanding Teaching and Dedication to Resident Training; and the Lucile Packard Children's Hospital Recognition of Service Excellence.

Dr. Krummel brings to the Board experience with professional training and development as well as a familiarity with medical, public health, and science issues. He offers the Board unique insight on public health matters, including healthcare policy and legislation, drinking water quality, and employee health.

**Richard P. Magnuson**

Director since 1996

Age 56

*Mr. Magnuson* is a private venture capitalist. Mr. Magnuson holds a law degree and a master's degree in business administration from Stanford University. From 1984 to 1996, he was a general partner of Menlo Ventures, a venture capital firm. He has served on the boards of the following public companies: Rogue Wave Software (acquired by Quovadx), IKOS Systems, Inc. (acquired by Mentor Graphics) and OrCAD, Inc. (acquired by Cadence Design Systems). He is currently a director of one privately held company and has also served on the boards of several other privately held companies in the past.

With his legal and venture capital backgrounds, Mr. Magnuson brings valuable financial and business strategy expertise to the Board. His past experience on the boards of other public companies, and his insight on financial and operational matters, adds value to the Board. His past and current board service also provides insight on corporate governance practices.

**Linda R. Meier**

Director since 1994

Age 71

*Ms. Meier* is a member of the National Board of the Institute of International Education and the Board of Trustees of the World Affairs Council of Northern California. She was co-chair of the "The Stanford Challenge" and chair of outreach programs from 2005-2011. She is a former director of Greater Bay Bancorp and chaired its Marketing Committee. Previously, she was a founding board member of the University National Bank and Trust Company, where she chaired the Compensation Committee. From 1992-1997, Ms. Meier was chair of the Stanford University Hospital Board of Directors. From 1984-1994, she was a trustee of Stanford University and vice-president from 1991-1994.

Ms. Meier has demonstrated management capabilities and knowledge of operational issues facing large organizations. Her years of philanthropic and non-profit experience provide an important perspective to the Board and a valuable link to our community. Her past experience on the boards of other public companies, including her chairmanship of marketing and compensation committees, adds value to the Board as well.

**Peter C. Nelson**

Director since 1996

Age 64

*Mr. Nelson* is president and CEO of the Group and its subsidiaries. Before joining the Group in 1996, he was vice president, division operations (1994-1995) and region vice president (1989-1994) of Pacific Gas & Electric Company (PG&E). He is a director of the California Chamber of Commerce, chair of the Chamber's Water Resources Committee and a past president of the National Association of Water Companies (NAWC).

Mr. Nelson is well positioned to lead our management team and provide guidance and insight to the Board. Mr. Nelson has a strong record of operational and strategic leadership in the public utility business. An engineer by training with a graduate degree in business administration, he gained extensive senior executive experience at PG&E. He has a vast understanding of the water industry from his fourteen-plus years of experience as president and CEO of the Group and from his leadership roles representing the water profession nationally at NAWC as well as in California at the state chamber.

**Lester A. Snow**

Director since March, 2011

Age 60

*Mr. Snow* has served as Secretary of the California Natural Resources Agency, Director of the California Department of Water Resources, Regional Director of the U.S. Bureau of Reclamation, Executive Director of the CALFED Bay-Delta Program, and General Manager of the San Diego County Water Authority. He currently is a staff member of the Resources Law Group which operates in coordination with the Resources Legacy Fund and Foundation. He holds a Master of Science degree in Water Resources Administration from the University of Arizona and a Bachelor of Science degree in Earth Sciences from Pennsylvania State University.

Mr. Snow brings more than thirty years of water and natural resource management experience to the Board. His distinguished public service career enables him to assist the Board in addressing water and environmental issues as well as regulatory and public policy matters. Additionally, his executive experience in the public sector provides the Board with critical insight on a variety of operational and financial matters.

**George A. Vera**

Director since 1998

Age 68

*Mr. Vera* retired in May, 2011 as vice president and chief financial officer of the David and Lucile Packard Foundation. Until 1997, he was an audit partner at Arthur Andersen, LLP. He is now employed as the principal executive officer with the Carroll Investment Company.

Mr. Vera is an experienced financial leader with the skills necessary to chair our Audit Committee. He brings many years of accounting experience as a former audit partner that is critical to the Board. His former position with the David and Lucile Packard Foundation provides him with extensive knowledge in dealing with financial and accounting matters. His current position with Carroll Investment Company continues to build his experience in dealing with investment and financial matters.

## STOCK OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

### Ownership of Directors and Executive Officers

The Board of Directors strongly encourages stock ownership by directors. Pursuant to the Group's Corporate Governance Guidelines, available on the Group's website at <http://www.calwatergroup.com>, beneficial ownership of an aggregate amount of shares having a value of four times the amount of the annual director retainer is strongly encouraged.

The following table shows the common stock ownership of our directors and officers as of March 9, 2012. All directors and executive officers have sole voting and investment power over their shares (or share such powers with their spouses).

<u>Name</u>	<u>Common Stock Beneficially Owned(*)</u>
Douglas M. Brown . . . . . Director	21,013
Paul G. Ekstrom . . . . . Executive Officer	43,678
Francis S. Ferraro . . . . . Executive Officer	46,035
Robert W. Foy . . . . . Director	53,382
Edwin A. Guiles . . . . . Director	13,812
Robert R. Guzzetta . . . . . Executive Officer	50,530
Bonnie G. Hill . . . . . Director	14,614
Martin A. Kropelnicki . . . . . Executive Officer	43,734
Thomas M. Krummel, M.D. . . . . Director	7,304
Richard P. Magnuson . . . . . Director	55,323
Linda R. Meier . . . . . Director	21,729
Peter C. Nelson . . . . . Director and Executive Officer	195,097
Lester A. Snow . . . . . Director	5,399
George A. Vera . . . . . Director	22,847
All directors and executive officers as a group . . . . .	594,497

\* To the knowledge of the Group, as of March 30, 2012, all directors and executive officers together beneficially owned an aggregate of approximately 1% of the Group's outstanding common shares. No one director or officer beneficially owns more than 1% of the Group's outstanding common shares.

## Ownership of Largest Principal Stockholders

As of December 31, 2011, the Group's records and other information available from outside sources indicated that the following stockholder was the beneficial owner of more than five percent of the outstanding shares of our common stock.

The information below is as reported in filings made by third parties with the SEC. Based solely on the review of our stockholder records and public filings made by the third parties with the SEC, the Group is not aware of any other beneficial owners of more than five percent of the common stock.

Class	Beneficial Owner	Number of Shares of Common Stock	Percent of Class
Common . . . . .	Lazard Asset Management LLC <sup>(1)</sup> 30 Rockefeller Plaza New York, NY 10112-6300	3,204,790	7.66%
Common . . . . .	BlackRock, Inc. <sup>(2)</sup> 40 East 52 <sup>nd</sup> Street New York, NY 10022	2,507,783	6.00%
Common . . . . .	The Vanguard Group, Inc. <sup>(3)</sup> 100 Vanguard Blvd. Malvern, PA 19355	2,247,336	5.37%

(1) Lazard Asset Management LLC has sole voting power over 2,759,390 shares and sole investment power over 3,204,790 shares as of December 31, 2011, as reported on SEC Schedule 13G.

(2) BlackRock, Inc. has sole voting power over 2,507,783 shares and sole investment power over 2,507,783 shares as of December 31, 2011 as filed on SEC Schedule 13G.

(3) The Vanguard Group, Inc. has sole voting power over 60,062 shares and sole investment power over 2,247,336 shares as of December 31, 2011 as filed on SEC Schedule 13G.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, requires our directors, certain officers, and holders of more than 10% of our common stock to file with the SEC reports regarding their ownership, and changes in ownership of our securities.

Based solely on its review of the copies of forms furnished to the Group, or written representations that no annual forms (SEC Form 5) were required, the Group believes that during the fiscal year ended December 31, 2011, our directors, certain officers and holders of more than 10% of our common stock filed all reports on a timely basis, except that Robert R. Guzzetta made one late filing relating to a transfer out of the Group's California Water company stock fund to another fund within the Group's 401(k) plan.

## COMPENSATION DISCUSSION AND ANALYSIS

The Organization and Compensation Committee (Committee) administers the Group's compensation plans and programs for board members and executive officers. After a review of compensation levels, the Committee recommends to the full Board of Directors compensation levels, including the equity incentive plan awards for board members and executive officers for the 12-month period beginning January 1st of each year. The Committee starts its planning and review process in September of each preceding year and typically concludes its process in November. The Group's principal executive officer, principal financial

officer, and three other most highly compensated executive officers in a particular year are referred to herein as “executive officers” or “executives.”

### **Compensation Philosophy for Executive Officers**

The Group’s overall philosophy is to provide compensation that attracts, retains, and motivates talented executives, rewards excellent job performance and overall leadership, and provides for fair, reasonable, and competitive total compensation. The Committee believes that compensating executives using these criteria is a benefit to both stockholders and customers.

### **Best Practices**

The Committee believes that the following compensation practices demonstrate the Committee’s commitment to good corporate governance with respect to executive compensation:

- *No Employment Agreements:* None of the executive officers are party to individual employment or severance agreements other than change in control benefit described below.
- *No Single Trigger Change in Control Benefits:* The Group does not provide for single trigger change in control benefits. The Group’s Executive Severance Plan provides for change in control severance benefits only upon a termination of employment following a change in control. In addition, the Group’s equity incentive plan provides for the option of additional vesting of equity awards in the event of a termination of employment following a change in control though neither the Stock Appreciation Rights (SARs) nor the Restricted Stock Award (RSA) grants to date have included this option.
- *No Tax Gross-Ups on Perquisites:* None of the executive officers are entitled to tax gross-ups for perquisites or other personal benefits.
- *Limited Perquisites:* As detailed below, the Group provides the executive officers with only limited perquisites consisting of a company car and related insurance.

### **Results of “Say-on-Pay” Advisory Vote [include discussion of last year’s say-on-pay results and how it affected comp decisions.**

The Group provided stockholders a “say-on-pay” advisory vote to approve its executive compensation in 2011 under recently adopted rules under Section 14A of the Securities Exchange Act of 1934, as amended (Exchange Act). At the 2011 Annual Meeting, stockholders expressed substantial support for the compensation of the Group’s named executive officers, with almost 94% of the votes cast for approval of the “say-on-pay” advisory vote. The Committee carefully evaluated the results of the 2011 advisory vote in connection with its evaluation of the Company’s executive compensation programs more generally. Taking into account the results of the say-on-pay vote, along with other factors such as the Company’s achievement of corporate goals and the Committee’s review of peer group data (both as discussed in more detail below), the Committee did not make any material changes to the Company’s executive compensation program and policies as a result of the 2011 “say-on-pay” vote.

### **Elements of Compensation**

The material elements of the Group’s executive compensation program include:

- Salary;
- Equity Compensation;
- Basic and Supplemental Pension Plan Benefits;
- Deferred Compensation Plan Benefits; and

- Limited Perquisites.

Historically, the Group has not used annual bonuses as a compensation mechanism and did not use annual bonuses for the 2011 fiscal year. The Committee is mindful that as a holding company for a California regulated utility, the Group’s financial performance is substantially dependent upon the California Public Utilities Commission (CPUC) plus other factors, which to a large extent are beyond the control of the executives. Therefore, the Committee’s decisions regarding overall compensation are determined largely by evaluation of factors that are within the executives’ control and its comparisons with peer groups.

**Salary**

The Group provides a significant portion of executive officers’ total compensation in the form of base salaries. Base salaries provide executive officers compensation for performance of primary roles and responsibilities. The Committee reviews base salaries for executive officers annually and determines whether or not to recommend adjustments. To assist the Committee in this review, the Group’s CEO provides an assessment of performance and makes recommendations regarding base salary adjustments to the Committee for each of the executive officers other than himself based on the competitive data and the other factors described below under “Determining Executive Compensation.”

As noted below under “Determining Executive Compensation,” the Committee targets base salaries for each executive that are appropriate for the skills, capabilities, and performance each individual contributes for the executive’s position as established by reference to the competitive data described below. As noted above, the Group does not pay annual cash incentive compensation. However, because annual incentives are a common component of executive compensation in the surveys included in the competitive data, the Group compares base salary levels for the executives to the actual target total cash compensation (base salary plus actual target bonus) for similar positions within the competitive data (rather than comparing the executive’s base salaries to the base salaries within the competitive data). Each of the executives’ base salaries for 2011 were within the competitive range (defined as plus or minus 20% from the median compensation level) of actual target total cash compensation, except Mr. Ferraro whose base salary was above the competitive range for his position because of his long tenure with the Group, his unique expertise and continued contributions in regulatory matters, and his corporate development responsibilities, each of which is greater than those usually afforded to executives in his position with other public utilities.

Each year Officers of the Group establish a number of corporate goals and objectives for the Group. The compensation of the CEO and the named executive officers is based on progress against certain of these key corporate goals by the Group. For 2011 the following corporate goals of the Group were used to evaluate 2012 compensation for the CEO and the named executive officers:

1. **Group Operating Results**—Achieve planned operating results as defined in the 2011 Corporate Goals and Objectives. In particular, manage the controllable elements of administration and general, other operations, and maintenance expenses within budget.

**Achieved Results for Group Operating Results**—During 2011, the Company achieved the majority of its goals of maintaining operations while keeping controllable costs within budget. Administrative and general expenses did experience a large increase primarily driven by increased pension and healthcare costs.

	<u>2011 Budget</u>	<u>2011 Actual</u>
Admin & General Expense: . . . . .	\$77.6 million	\$85.5 million
Other Operations Expense: . . . . .	\$69.1 million	\$54.7 million
Maintenance Expense: . . . . .	\$21.3 million	\$20.6 million

2. **Stockholder Value**—The following major objectives were set for 2011:

- Achieve budgeted earnings per share and authorized return of equity
- Complete the implementation of the new Procure-to-Pay system
- Utilize the new budget platform to perform quarterly budget reviews by district and general office departments

**Achieved Results for Stockholder Value**—For 2011 the Group achieved the following results for the major objectives in this category:

- Earnings per share of \$0.90, or 85% of target, which represents a return on equity of 8.5%
- The completed Procure-to-Pay system went live May 2, 2011
- In the first quarter of 2011, the Group implanted monthly and quarterly reviews using the Company's new budget system

The Committee gave consideration to factors that affected the Group's operating results which are described in the Group's annual report on Form 10-K.

3. **Regulation**—Implement the 2009 General Rate Case tariffs for California effective January 1, 2011. File on time, a fully supported Cost of Capital filing for the California utility.

**Achieved Results for Regulation**—The 2009 General Rate Case Tariffs were implemented on time and effective for the first billing cycle of 2011. In addition, the Group filed its 2011 Cost of Capital filing with the California Public Utilities Commission on time, July 1, 2011.

4. **Capital Program Management**—Improve the capital program planning, budgeting, and project management process. Achieve the 2011 capital budget target and place \$125 million of capital in service.

**Achieved Results for the Capital Program Management Process**—During 2011, the Group closed and put into service \$125 million of new capital. Of this amount, \$110 million was funded by the Group and \$15 million was funded by developer contributions.

5. **Excellent Customer Service**—Provide every customer with excellent customer service and support. Continue to invest in technology that improves the efficiency of operations and enhances service delivery.

**Achieved Results for Excellent Customer Service**—During 2011, the Group met the goals for customer service, including the following key initiatives:

- Completed the mobile workforce rollout in Stockton, California;
- Implemented automated emergency response notification system in California;
- Converted Hawaii Water Service Company's billing system to the Group's enterprise billing system; and
- Increased the number of customers on eBilling to 20%.

Once the Committee's assessment has been completed, the Committee then reviews and discusses the overall performance of each executive and the competitive data provided by Towers Watson. Once reviewed and overall agreed upon, the Committee recommends to the full Board of Directors the base



salaries for the executive officers (including the CEO). The following table shows the base salaries for each executive for 2010, 2011 and 2012:

<u>Name</u>	<u>2010 Base Salary</u>	<u>2011 Base Salary</u>	<u>2012 Base Salary</u>
Peter C. Nelson . . . . .	\$910,000	\$965,000	\$995,000
Martin A. Kropelnicki . . . . .	\$425,000	\$460,000	\$485,000
Francis S. Ferraro . . . . .	\$381,000	\$396,000	\$401,000
Robert R. Guzzetta . . . . .	\$300,000	\$318,000	\$334,000
Paul G. Ekstrom . . . . .	\$270,000	\$292,000	\$310,000

Included in the chart above are the base salary increases for 2010, 2011 and 2012 for senior management approved by the Committee. These increases are intended to compensate the individuals for job performance and overall leadership while being competitive with market data for similar positions.

***Equity Compensation***

The purpose of the Group’s long-term equity incentive compensation program has been to align executive compensation with stockholder interests, to create incentives for executive recruiting and retention, to encourage long-term performance by the Group’s executive officers, and to promote stock ownership and therefore alignment with shareholder interests. As with base salaries, the Committee reviews the competitive range of long-term equity compensation and total direct compensation (long-term equity compensation plus base salary and annual bonus) for similar positions within the competitive data in making decisions regarding long-term equity compensation awards for 2011. However, the Committee also believes that, in the interest of fostering the Group’s One-Team approach, the annual equity incentive awards granted to each of the Group’s executive officers (other than the CEO) should be the same for each. The Committee recommended awarding the CEO a greater value of equity awards than the other executive officers because of his substantially greater level of responsibility and ability to influence the Group’s operational results. In addition, for both the CEO and the other executives, the grant values for 2011 were increased over the grant values for 2010 as a result of the Committee’s review of the competitive data and its desire to bring long-term equity incentive compensation values within the competitive range for similar positions.

Each year the Committee establishes the total value of the equity compensation awards to be granted to the CEO and the other executive officers. For 2011 these values were \$350,000 and \$80,000, respectively, vesting over four years, in the form of RSAs.

In November of 2011, the Committee, after reviewing competitive data for each executive, approved the total value of the equity compensation awards to be granted to the CEO and the other executive officers for 2012. These values were \$400,000 (CEO) and \$90,000 (other executive officers). On March 6, 2012, the Committee granted to the CEO 21,530 shares; and each of the executive officers other than the CEO, 4,845 shares in the form of RSAs.

***Basic and Supplemental Pension Plan Benefits***

In addition to the tax-qualified defined benefit plan that covers virtually all union and non-union employees, Group provides supplemental retirement benefits to executive officers under the Supplemental Executive Retirement Plan (SERP). The SERP is an unfunded, unsecured obligation of the Group and is designed to assist in attracting and retaining key executives while providing a competitive, total compensation program. Since Group does not provide a significant amount of total compensation in the form of equity incentives, SERP benefits provide executive officers with retirement security. Furthermore, the plan is designed, in part, to make up for limitations imposed by the Internal Revenue Code on allocations and benefits that may be paid to executive officers under the Group’s tax-qualified plan. Because the tax code restricts benefits under the tax-qualified plan, executives otherwise would not be

eligible to receive the retirement benefits that are proportional to the benefits received by our employees that generally are based on compensation.

#### ***Deferred Compensation Plan***

The Group maintains a deferred compensation plan for its directors, officers, and qualified managers. The plan is intended to promote retention by providing eligible employees, including the executive officers, with a long-term savings opportunity on an income tax-deferred basis. This plan is voluntary and funded by the individuals who elect to participate in the program. There are no company matching contributions.

#### ***401(k) Plan***

All employees satisfying the eligibility requirements are entitled to participate in our 401(k) plan and receive matching contributions from the Group. Pursuant to the plan, executive officers are entitled to contribute up to the statutory limit set by the Internal Revenue Service and the Group matches 75 percent for each dollar contributed up to a maximum company match of six percent of each such executive officer's base salary.

#### ***Limited Perquisites***

As part of the Group's automobile policy, the Group's executive officers have the use of a company-owned automobile, including excess liability insurance. The Committee believes that the provision of a company-owned automobile allows the executive officers to work more efficiently because many of the geographic areas served by the Group are most effectively reached by automobile as opposed to other forms of transportation, such as airlines. Any personal mileage incurred by the executive is taxed as additional compensation in accordance with IRS regulations. Other than this automobile benefit, the Committee's general philosophy is not to provide perquisites and other personal benefits of substantial value to the executive officers.

#### **Severance Arrangements**

None of the executive officers is a party to an individual employment agreement with the Group that provides for severance benefits. In addition, we do not provide executive officers with single-triggered change in control benefits.

Consistent with the Group's compensation philosophy, the Committee believes that the interests of stockholders are best served if the interests of senior management are aligned with those of the Group's stockholders. To this end, the Group provides change in control severance benefits to executive officers under the Group's Executive Severance Plan to reduce any reluctance of the executive officers to pursue or support potential change in control transactions that would be beneficial to stockholders. Group adopted the plan in 1998, and its purpose is to promote the continued employment and dedication of executives without distraction in the face of a potential change in control transaction. The Executive Severance Plan provides severance pay equal to three times base salary to each of the executive officers if their employment is terminated without good cause or they resign for good reason during the two-year period following a change in control.

In the event of a termination not in connection with a change in control, each executive officer is covered by the Group's general severance policy stating that each non-union employee of Group whose employment is terminated without cause is entitled to severance pay of either one week's pay after completing two years of service or two weeks' pay after completing five or more years of service, provided in each case that at least two weeks' notice is given. Under the Group's policies, all executive officers are entitled to a pay-out of six weeks of vacation time upon termination of employment.

## Determining Executive Compensation

Each year the Committee reviews, assesses, and recommends to the Board of Directors all compensation for executive officers after determining that the compensation for these individuals is competitive relative to companies of comparable size, complexity, location and business nature (see below for additional discussion of this comparison). In addition, the Committee approves the retention, fees, and termination of any compensation consultant or compensation consulting firm used to assist in the evaluation of director and executive compensation. With respect to 2011 compensation decisions, the Committee retained the services of an independent compensation consultant, Towers Watson, for investigation into and advice on compensation for executive officers. The Committee believes that having an independent evaluation of compensation is a valuable tool for the Committee, the Group and stockholders. Towers Watson is not engaged to perform any additional work for the Group.

The Committee retained Towers Watson for a number of purposes, including:

- Constructing and reviewing compensation comparisons from readily available published survey and public filings data; and
- Performing a competitive assessment of the Group's compensation programs, practices, and levels for its directors, executive officers and other senior officers.

The Committee made a number of compensation recommendations, including those pertaining to the executive officers that were based on the competitive assessments provided by and through consultation with Towers Watson. The Committee's recommendations were made, however, entirely by the Committee, using its sole discretion.

Total compensation level for executives is based on one or more of the following factors:

- The individual's duties and responsibilities within the Group;
- The individual's experience and expertise;
- The compensation levels for the individual's peers within the Group;
- Compensation levels for similar positions based on a review of published compensation surveys; and
- The levels of compensation necessary to recruit, retain, and motivate executives.

In order to determine competitive compensation practices for 2011, the Committee relied, in part, on published compensation data from the following sources:

- Towers Watson Data Services—Top Management Database;
- Towers Watson Compensation Data Bank—Energy Services; and
- Mercer Human Resources Consulting—Executive Benchmark Database

The Committee also reviewed proxy data for individual companies in making compensation decisions. The individual companies are referred to in this proxy statement as the "Peer Group". The 11 companies comprising the Peer Group are generally either gas, water or multi-utility based organizations that are one-half to two times the annual revenue size of the Company. On September 29, 2010, the Committee

approved the following companies for inclusion in the Peer Group for fiscal 2011 for determining competitive compensation levels:

American States Water Co.	Northwestern Corp.
Aqua America Inc.	SJW Corp.
Black Hills Corp.	South Jersey Industries, Inc.
CH Energy Group Inc.	Southwest Gas Corp.
Chesapeake Utilities Corp.	Star Gas Partners LP
Northwest Natural Gas Co.	

Towers Watson utilized the data from these sources (competitive data) to compile the competitive pay information comparing each officer's compensation to market levels for the executive officer's position.

After consideration of the competitive data, the Committee makes decisions regarding each individual executive's target total compensation opportunities based on Group and individual performance and the need to attract, motivate, and retain an experienced and effective management team. The Committee examined the relationship of each executive's base salary, long-term equity incentives and total compensation (base salary plus long-term equity incentives) to the competitive data from several perspectives by reviewing the following:

- The combined market for target and actual values granted at the 25th, median and 75th percentiles for the executive's position within the competitive data;
- A comparable range around the market percentiles of plus or minus 20%; and
- The market value given the lower risk profile of the Group's total compensation package, achieved by valuing the market bonus as 50% of annual incentive target to reflect risk adjustment for the Group's philosophy of providing all fixed cash pay.

In making compensation recommendations for the 2011 fiscal year for the executive officers, the Committee's general objective was to set total compensation within a "competitive range" for each executive's position based on the competitive data. The Committee considers the "competitive range" to mean that compensation levels are within plus or minus 20% of the median compensation levels as determined by reference to the competitive data. Actual compensation decisions for the executive officers were, however, influenced by a variety of additional factors, including considerations of each individual's experience, expertise, performance and leadership, the Group's performance, and internal equity among the executive officers. With respect to 2012 compensation planning, the Committee again retained the services of Towers Watson as independent compensation consultant.

#### **Tax and Other Compensation Policies**

When designing compensation policies and setting compensation levels, the Group considers the potential tax treatment of the compensation, but the primary factor influencing program design is the support of business objectives. The Committee has reviewed the Group's compensation structure in light of Section 162(m) of the Internal Revenue Code (Section 162(m)), which limits the amount of compensation that the Group may deduct for federal income tax purposes for any year to \$1,000,000 for our CEO and each of our next four highest compensated officers. There are certain exceptions to this limit, one of which is for "performance-based compensation," as defined under Section 162(m). RSAs granted by the Group do not qualify as "performance-based compensation," and thus do count against the \$1,000,000 deductibility limit. In 2011, no executive officer's compensation exceeded the limitation set by Section 162(m) except for the CEO, whose compensation was \$1,632,346. Except to the extent that the CEO's compensation exceeded \$1,000,000, all compensation paid to the non-CEO executive officers in 2011 was tax-deductible.

Historically, the Committee has not used equity awards as a significant portion of executive compensation. Thus, the Group currently does not have any formal stock ownership guidelines for its executive officers, nor does it require that executive officers own a specific number of shares.

### Summary Compensation Table

The table below summarizes the total compensation paid or earned by our CEO, CFO, and the three most highly compensated executive officers of the Group for the fiscal year ended December 31, 2011, 2010 and 2009.

(a) <u>Name and Principal Position</u>	(b) <u>Year</u>	(c) <u>Salary (\$)(1)</u>	(e) <u>Stock Awards (\$)(2)</u>	(f) <u>Option Grants (\$)(2)</u>	(h) <u>Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(3)</u>	(i) <u>All Other Compensation (\$)(4)</u>	(j) <u>Total (\$)</u>
Peter C. Nelson . . . . . <i>President and Chief Executive Officer</i>	2011	\$963,958	\$339,843	\$ —	\$1,675,620	\$25,148	\$3,004,569
	2010	\$909,462	\$307,824	\$ —	\$1,058,287	\$21,291	\$2,296,864
	2009	\$904,619	\$136,249	\$230,905	\$ 860,929	\$26,437	\$2,159,139
Martin A. Kropelnicki . . . . . <i>Vice President, Chief Financial Officer and Treasurer</i>	2011	\$472,895	\$ 77,690	\$ —	\$ 587,483	\$24,486	\$ 1,162,554
	2010	\$424,622	\$ 73,301	\$ —	\$ 279,477	\$24,174	\$ 801,574
	2009	\$412,549	\$ 34,158	\$ 57,726	\$ 164,651	\$21,737	\$ 690,821
Francis S. Ferraro . . . . . <i>Vice President, Corporate Development</i>	2011	\$395,722	\$ 77,690	\$ —	\$ 658,218	\$24,852	\$1,156,483
	2010	\$380,922	\$ 73,301	\$ —	\$ 390,579	\$24,930	\$ 869,732
	2009	\$387,677	\$ 34,158	\$ 57,726	\$ 349,202	\$15,623	\$ 844,386
Robert R. Guzzetta . . . . . <i>Vice President, Operations</i>	2011	\$317,665	\$ 77,690	\$ —	\$ 819,048	\$22,276	\$1,236,679
	2010	\$299,942	\$ 73,301	\$ —	\$ 461,215	\$23,273	\$ 857,731
	2009	\$305,603	\$ 34,158	\$ 57,726	\$ 383,951	\$16,868	\$ 798,306
Paul G. Ekstrom . . . . . <i>Vice President, Customer Service, Human Resources and Information Technology</i>	2011	\$291,588	\$ 77,690	\$ —	\$ 835,713	\$27,983	\$1,232,974
	2010	\$276,557	\$ 73,301	\$ —	\$ 485,753	\$27,404	\$ 863,015
	2009	\$268,751	\$ 34,158	\$ 57,726	\$ 380,435	\$20,839	\$ 761,909

- (1) The executive officers were not entitled to receive payments which would be characterized as “bonus” or “non-equity incentive plan compensation” payments for the fiscal year ended December 31, 2011, 2010 and 2009.
- (2) Amounts reflect the full grant date fair value of RSAs (“Stock Awards” column) and SARs (“Option Grants” column) granted in the years shown, calculated in accordance with FASB Accounting Standards Codification (ASC) Topic 718, disregarding estimates for forfeitures. Assumptions used in the calculation of these amounts are included in footnote 12 of Group’s annual report on Form 10-K filed with the SEC on March 1, 2012.
- (3) Amounts in this column reflect the actuarial increase in the present value of the executive officer’s benefits under the Group’s pension plan and Supplemental Executive Retirement Plan (SERP) determined using interest rate and mortality rate assumptions consistent with those used in the Group’s financial statements and includes amounts which the executive officers may not currently be entitled to receive because such amounts are not vested. Earnings on the nonqualified deferred compensation plan are noted on the Nonqualified Deferred Compensation table for those officers

participating in the plan. Earnings have been excluded from this table since earnings were not at above market or at preferential rates.

- (4) All other compensation is comprised of 401(k) matching contributions made by Group on behalf of the executive officer, the personal use of company-provided vehicles and insurance, and any miscellaneous reimbursed expenses that may be taxable. The value attributable to personal use of company-provided cars is included as compensation on the W-2 of each executive officer who receives such benefits. Each such officer is responsible for paying income tax on such amount.

**Grants of Plan-Based Awards**

**For Fiscal Year Ended 2011**

The table below sets forth certain information with respect to awards granted during the fiscal year ended December 31, 2011, to each of our executive officers.

Name (a)	Grant Date (b)	All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	Grant Date Fair Value of Stock and Options Awards (\$) (1) (l)
Peter C. Nelson <sup>(1)</sup> . . . . .	3/1/2011	19,492	\$339,843
Martin A. Kropelnicki <sup>(1)</sup> . . . . .	3/1/2011	4,456	\$ 77,690
Francis S. Ferraro <sup>(1)</sup> . . . . .	3/1/2011	4,456	\$ 77,690
Robert R. Guzzetta <sup>(1)</sup> . . . . .	3/1/2011	4,456	\$ 77,690
Paul G. Ekstrom <sup>(1)</sup> . . . . .	3/1/2011	4,456	\$ 77,690

(1) The RSAs granted to the executive officers on March 1, 2011 pursuant to the Incentive Plan vest over four years, with 25% of the RSAs vesting on the first anniversary of the grant date and the remaining RSAs vesting in equal monthly installments thereafter.

## Outstanding Equity Awards at Fiscal 2011 Year-End

Name (a)	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested \$(1) (h)
Peter C. Nelson <sup>(1)</sup> . . . . .	25,000	—	\$19.26	1/4/2016	—	—
	16,280	—	\$19.06	3/6/2017	—	—
	24,974	1,666 <sup>(2)</sup>	\$18.80	3/4/2018	280 <sup>(2)</sup>	\$ 5,113
	30,250	13,750 <sup>(3)</sup>	\$19.19	3/3/2019	2,220 <sup>(3)</sup>	\$ 40,537
	—	—	—	—	9,762 <sup>(4)</sup>	\$178,254
Martin A. Kropelnicki <sup>(1)</sup> . . . . .	—	—	—	—	19,492 <sup>(5)</sup>	\$355,924
	5,000	—	\$21.26	5/1/2016	—	—
	4,000	—	\$19.06	3/6/2017	—	—
	7,030	470 <sup>(2)</sup>	\$18.80	3/4/2018	80 <sup>(2)</sup>	\$ 1,461
	7,562	3,438 <sup>(3)</sup>	\$19.19	3/3/2019	558 <sup>(3)</sup>	\$ 10,189
Francis S. Ferraro <sup>(1)</sup> . . . . .	—	—	—	—	2,326 <sup>(4)</sup>	\$ 42,473
	—	—	—	—	4,456 <sup>(5)</sup>	\$ 81,367
	5,000	—	\$19.26	1/4/2016	—	—
	4,000	—	\$19.06	3/6/2017	—	—
	7,030	470 <sup>(2)</sup>	\$18.80	3/4/2018	80 <sup>(2)</sup>	\$ 1,461
Robert R. Guzzetta <sup>(1)</sup> . . . . .	7,562	3,438 <sup>(3)</sup>	\$19.19	3/3/2019	558 <sup>(3)</sup>	\$ 10,189
	—	—	—	—	2,326 <sup>(4)</sup>	\$ 42,473
	—	—	—	—	4,456 <sup>(5)</sup>	\$ 81,367
	5,000	—	\$19.26	1/4/2016	—	—
	4,000	—	\$19.06	3/6/2017	—	—
Paul G. Ekstrom <sup>(1)</sup> . . . . .	7,030	470 <sup>(2)</sup>	\$18.80	3/4/2018	80 <sup>(2)</sup>	\$ 1,461
	7,562	3,438 <sup>(3)</sup>	\$19.19	3/3/2019	558 <sup>(3)</sup>	\$ 10,189
	—	—	—	—	2,326 <sup>(4)</sup>	\$ 42,473
	—	—	—	—	4,456 <sup>(5)</sup>	\$ 81,367

- (1) The market value of the stock awards represents the product of the closing price for the Group's common stock on the New York Stock Exchange as of December 30, 2011, which was, \$18.26, and the number of shares underlying each such award.
- (2) Awards were granted on March 4, 2008, and vest ratably over 48 months.
- (3) Awards were granted on March 3, 2009, and vest ratably over 48 months.
- (4) Awards were granted on March 2, 2010, with 25% vesting on the first anniversary of the grant date and the remaining 75% vesting ratably over 36 months.
- (5) Awards were granted on March 1, 2011, with 25% vesting on the first anniversary of the grant date and the remaining 75% vesting ratably over 36 months.

**Option Exercises and Stock Vested**  
**For Fiscal Year Ended 2011**

Name of Executive Officer (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise (\$) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting (\$) (e)
Peter C. Nelson . . . . .	30,000	\$149,100	10,692	\$193,742
Martin A. Kropelnicki . . . . .	—	—	2,614	\$ 47,422
Francis S. Ferraro . . . . .	—	—	2,614	\$ 47,422
Robert R. Guzzetta . . . . .	—	—	2,614	\$ 47,422
Paul G. Ekstrom . . . . .	—	—	2,614	\$ 47,422

**Pension Benefits**

**For Fiscal Year Ended 2011**

The table below shows the present value of accumulated benefits payable to each of the executive officers, including the number of years of service credited to each executive officer under the California Water Service Pension Plan and the Supplemental Executive Retirement Plan, each of which is described elsewhere in this Proxy Statement.

Name (a)	Plan Name (b)	Number of Years Credited Service (#)(1) (c)	Present Value of Accumulated Benefit \$(2)(3) (d)
Peter C. Nelson . . . . . <i>President and Chief Executive Officer</i>	California Water Service Pension Plan	15.92	\$ 1,008,667
	Supplemental Executive Retirement Plan	15.00	\$10,016,557
Martin A. Kropelnicki . . . . . <i>Vice President, Chief Financial Officer and Treasurer</i>	California Water Service Pension Plan	5.80	\$ 279,790
	Supplemental Executive Retirement Plan	5.80	\$ 958,379
Francis S. Ferraro . . . . . <i>Vice President, Corporate Development</i>	California Water Service Pension Plan	22.42	\$ 1,442,142
	Supplemental Executive Retirement Plan	15.00	\$ 3,162,736
Robert R. Guzzetta . . . . . <i>Vice President, Operations</i>	California Water Service Pension Plan	34.58	\$ 2,255,739
	Supplemental Executive Retirement Plan	15.00	\$ 1,261,786
Paul G. Ekstrom . . . . . <i>Vice President, Customer Service, Human Resources and Information Technology</i>	California Water Service Pension Plan	35.00	\$ 2,488,472
	Supplemental Executive Retirement Plan	15.00	\$ 986,480

- (1) Assumptions used in the calculation of the present value are included in footnote 13 of Group's annual report on Form 10-K filed with the SEC on March 1, 2012.
- (2) Includes amounts which the named executive officer may not currently be entitled to receive because such amounts are not vested.

The benefits under the SERP are obtained by applying the benefit provisions of the California Water Service Pension Plan (the Pension Plan), a tax-qualified plan, to all compensation included under the Pension Plan, without regard to these limits, reduced by benefits actually accrued under the Pension Plan. Under the SERP, all eligible officers are fully vested after 15 years of service and at age 60. SERP



participants are eligible for early retirement starting at age 55 and would receive a reduced benefit ranging from 74% to 95% of their monthly SERP benefit upon early retirement between the ages of 55 and 60. Under the Pension Plan, all eligible employees, including officers, are fully vested after 35 years of service. None of the executive officers received any payments under the Pension Plan or SERP during 2011.

The combined maximum benefit payout under the SERP and Pension Plan achievable by an officer is 60% of the average, eligible compensation (including salary, bonus and car allowance) paid over the previous 36 months prior to retirement.

**Nonqualified Deferred Compensation  
For Fiscal Year Ended 2011**

Name (a)	Executive Contributions in Last FY (\$)(1) (b)	Aggregate Earnings in Last FY (\$)(1) (d)	Aggregate Withdrawals/ Distributions (\$) (e)	Aggregate Balance at Last FY (\$)(2) (f)
Peter C. Nelson . . . . .	\$ —	\$ —	—	\$ —
Martin A. Kropelnicki . . . . .	\$12,000	\$ (2,348)	\$(13,555)	\$ 32,717
Francis S. Ferraro . . . . .	\$60,000	\$(71,618)	—	\$1,055,023
Robert R. Guzzetta . . . . .	\$ —	\$ —	—	\$ —
Paul G. Ekstrom . . . . .	\$ —	\$ —	—	\$ —

- (1) All of the amounts reported under “Executive Contributions in Last FY” are included in the Summary Compensation Table for 2011. None of the amounts reported under “Aggregate Earnings in Last FY” are included in the Summary Compensation Table for 2011.
- (2) The amounts reported under “Aggregate Balance at Last FY” that were included in the Summary Compensation Table in years prior to 2011 are as follows: Mr. Kropelnicki (\$30,000) and Mr. Ferraro (\$582,000).

The Deferred Compensation Plan provides specified benefits to select group of management and highly compensated employees who contribute materially to the continued growth, development and future business success of the Group. The Deferred Compensation Plan permits the Group’s executives and eligible managers to defer up to 50% of their base salary. The Group does not make any contributions to the deferred compensation plan. The Deferred Compensation Plan’s investment options are similar, but not identical, to the Group’s tax-qualified 401(k) plan and are funded by a Rabbi trust created for the funding of such benefits. Benefits under the Deferred Compensation Plan are payable by the Group upon separation from service with the Group either in lump sum at separation, in monthly installments over five years following separation or in lump sum or installments commencing five years following separation.

**Potential Payments Upon Termination or Change in Control**

The information below describes certain compensation that would have become payable under existing plans and contractual arrangements assuming a termination of employment, or a change in control and termination of employment had occurred on December 31, 2011, given the executive officers’ compensation and service levels as of such date. In addition to the benefits described below, upon any termination of employment, each of the executive officers would also be entitled to the benefits described in the table of Pension Benefits for Fiscal Year 2011 above and the amount shown in the column labeled “Aggregate Balance at Last FY” of the table of Nonqualified Deferred Compensation for Fiscal Year 2011 above.

On December 16, 1998, the Group adopted the Executive Severance Plan. The Executive Severance Plan provides that if within 24 months following a change in control of the Group, the executive officer’s

employment is terminated for any reason other than good cause or by the executive for good reason, the Group will make a cash payment to the executive officer an amount equal to three times such executive officer's base salary on the date of the change in control or on the date that the officer's employment terminates, whichever is greater. The payments would be paid in three equal annual installments commencing on the first of the month following the month in which the officer's employment terminated and payable thereafter on the anniversary of the initial payment date.

Each officer's entitlement to the severance payment is conditioned upon execution of a release agreement. Additionally, the executive officer forfeits the right to receive the severance payment if he or she violates the non-solicitation and confidentiality provisions of the Executive Severance Plan.

For purposes of the Executive Severance Plan, the term "change in control" means the occurrence of (i) any merger or consolidation of the Group in which the Group is not the surviving organization, a majority of the capital stock of which is not owned by the stockholders of the Group immediately prior to such merger or consolidation; (ii) a transfer of all or substantially all of the assets of the Group; (iii) any other corporate reorganization in which there is a change in ownership of the outstanding shares of the Group wherein thirty percent (30%) or more of the outstanding shares of the Group are transferred to any person; (iv) the acquisition by or transfer to a person (including all affiliates or associates of such person) of beneficial ownership of capital stock of the Group if after such acquisition or transfer such person (and their affiliates or associates) is entitled to exercise thirty percent (30%) or more of the outstanding voting power of all capital stock of the Group entitled to vote in elections of directors; or (v) the election to the Board of Directors of the Group of candidates who were not recommended for election by the Board of Directors of the Group in office immediately prior to the election, if such candidates constitute a majority of those elected in that particular election.

For purposes of the Executive Severance Plan, "good cause" will be deemed to exist if (i) the applicable officer engages in acts or omissions that result in substantial harm to the business or property of the Group and that constitute dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing; or (ii) the applicable officer is convicted of a criminal violation involving fraud or dishonesty.

For purposes of the Executive Severance Plan, "good reason" will be deemed to exist if, without the applicable officer's consent, (i) there is a significant change in the nature or the scope of the applicable officer's authority or in his or her overall working environment; (ii) the applicable officer is assigned duties materially inconsistent with his or her present duties, responsibilities and status; (iii) there is a reduction in the applicable officer's rate of base salary or bonus; or (iv) the Group changes by 100 miles or more the principal location in which the applicable officer is required to perform services.

Had a change in control occurred during fiscal 2011 and had their employment been terminated on December 31, 2011, either without good cause or by the executive for good reason, the executive officers would have been eligible to receive the payments set forth below.

In addition to the Executive Severance Plan, each executive officer is covered by the Group's general severance policy. Under the severance policy, each non-union employee of Group whose employment is terminated without cause is entitled to severance pay of either one week's pay after completing two years of service or two weeks' pay after completing five or more years of service, provided at least two weeks' notice is given. In addition, all executive officers are entitled to a payout of six weeks of vacation time upon any termination of employment, which may be paid either in lump sum at termination or in installments over six weeks. In the absence of a change in control, had their employment been terminated on December 31, 2011, without cause, the executive officers would have been eligible to receive the payments set forth below.

## Potential Payments Upon Termination or Change in Control

<u>Name</u>	<u>Change in Control and Termination of Employment Severance Amount (\$)</u>	<u>Termination of Employment without a Change in Control Severance Amount (\$)</u>
Peter C. Nelson . . . . .	\$2,892,000	\$148,308
Martin A. Kropelnicki . . . . .	\$1,419,000	\$ 72,769
Francis S. Ferraro . . . . .	\$1,188,000	\$ 60,923
Robert R. Guzzetta . . . . .	\$ 954,000	\$ 48,923
Paul G. Ekstrom . . . . .	\$ 876,000	\$ 44,923

Please refer to the table of Outstanding Equity Awards at Fiscal Year-Ended 2011 above for more information regarding these awards.

### Director Compensation For Fiscal Year Ended 2011

The Group's non-employee directors receive cash retainers, meeting fees and equity awards for their service.

In 2011, non-employee directors received a \$30,000 annual Board retainer, except for the Chairman of the Board who received \$83,600. The Audit Committee chair received an additional \$9,000 retainer, and the Finance and Risk Management Committee chair received an additional \$4,000 retainer. The chairs of the Nominating/Corporate Governance Committee and Organization and Compensation Committee received an additional \$4,000 retainer, respectively. In addition, each Board member received \$2,300 for each Board meeting attended, and \$1,800 for each committee meeting attended. Further, each committee chair received an additional fee of \$3,600 for each committee meeting chaired.

In 2011, each non-employee director also received grants of restricted stock valued at \$48,856. The grants were made on March 1, 2011 and were fully vested on the first anniversary of the grant date.

In November of 2011, after performing its annual compensation review, the Nominating/Corporate Governance Committee approved increases to the foregoing amounts, effective January 1, 2012, as follows: non-employee directors will receive a \$32,500 annual Board retainer, except for the Chairman of the Board who will receive \$86,600, prorated for service through the annual meeting. Also effective January 1, 2012, the Finance and Risk Management Committee chair, Organization and Compensation Committee chair, and Nominating/Corporate Governance Committee chair will receive an additional \$5,000 retainer and the value of the annual restricted stock award to the non-employee directors will increase to \$55,000. The chair of the Audit Committee will receive an additional \$11,000 retainer. In addition, Board and committee meeting fees will remain unchanged.

The Board of Directors strongly encourages stock ownership by directors. Pursuant to the Group's Corporate Governance Guidelines, available on the Group's website at <http://www.calwatergroup.com>, beneficial ownership of an aggregate amount of shares having a value of four times the amount of the annual director retainer is desirable.

Directors may elect to defer cash compensation payable to them under the Group's deferred compensation plan in the same manner as applicable to the Group's executive officers as described above.

In addition, the Group maintains a Director Retirement Plan for the benefit of its non-employee directors. In December 2005, this plan was closed to new participants; however, each of the non-employee directors listed in the table below (except for Mr. Guiles, Mr. Snow and Dr. Krummel) were, at that time,

participants in the plan and thus continue to accrue benefits thereunder. Under the Director Retirement Plan, a director who participates in the plan and retires after serving on the Board for a total of five or more years will receive a retirement benefit equivalent to \$22,000 per year. This benefit will be paid for the number of years the director served on the Board, up to 10 years. No amounts were paid to directors under this program in fiscal 2011.

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards \$(1)(2) (c)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings \$(3) (f)	Total (\$) (h)
Robert W. Foy . . . . . <i>Chairman of the Board</i>	\$104,300	\$50,980	\$16,009	\$171,289
Douglas M. Brown . . . . . <i>Lead Director</i>	\$ 74,500	\$50,980	\$29,824	\$155,304
Edwin A. Guiles . . . . .	\$ 65,100	\$50,980	\$ —	\$116,080
Bonnie G. Hill . . . . .	\$ 65,500	\$50,980	\$27,195	\$143,675
Thomas M. Krummel, M.D. . . . .	\$ 53,800	\$50,980	\$ —	\$104,780
Richard P. Magnuson . . . . .	\$ 76,300	\$50,980	\$21,649	\$148,929
Linda R. Meier . . . . .	\$ 65,100	\$50,980	\$19,233	\$135,313
Lester A. Snow . . . . .	\$ 42,900	\$42,507	\$ —	\$ 85,407
George A. Vera . . . . .	\$ 81,300	\$50,980	\$28,263	\$160,543

- (1) Amounts reflect the full grant date fair value of each restricted stock award granted in 2011 to the non-employee directors, calculated in accordance with FASB ASC Topic 718, disregarding estimates for forfeitures. Assumptions used in the calculation of these amounts are included in footnote 12 of Group's annual report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2012.
- (2) At the end of 2011, the aggregate number of restricted stock awards held by each current non-employee director was as follows: Mr. Robert W. Foy, 13,496; Mr. Douglas Brown, 12,768; Mr. Edwin A. Guiles, 10,218; Ms. Bonnie G. Hill, 7,768; Dr. Thomas M. Krummel, 4,308; Mr. Richard P. Magnuson, 12,768; Ms. Linda R. Meier, 12,768; Lester A. Snow, 2,438; and Mr. George A. Vera, 12,768.
- (3) Amounts in this column represent the actuarial increase in the present value of the director benefits under the Group's Director Retirement Plan. In December 2005, this plan was closed to new participants; however, any director active in 2005 will continue to accrue benefits.

## **REPORT OF THE ORGANIZATION AND COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION**

The Organization and Compensation Committee of the Group's Board of Directors has submitted the following report for inclusion in this Proxy Statement:

The Organization and Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on our review of and the discussions with management with respect to the Compensation Discussion and Analysis, the Organization and Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in the Group's annual report on Form 10-K for the fiscal year ended December 31, 2011, for filing with the SEC.

The foregoing report is provided by the following directors, who constitute the Organization and Compensation Committee:

### **ORGANIZATION AND COMPENSATION COMMITTEE**

Bonnie G. Hill, Committee Chair  
Douglas M. Brown  
Edwin A. Guiles  
Richard P. Magnuson  
Linda R. Meier

### **ORGANIZATION AND COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

No member of the Organization and Compensation Committee was an officer or employee of the Group or any of its subsidiaries during 2011, nor was any such member previously an officer of the Group or any of its subsidiaries. No member of the Organization and Compensation Committee had any material interest in a transaction of the Group or a business relationship with, or any indebtedness to the Group, in each case that would require disclosure under "Procedures for Approval of Related Persons Transactions" included elsewhere in this Proxy Statement.

None of the officers of the Group have served on the board of directors or on the compensation committee of any other entity, any of whose officers served either on the Board of Directors or on the Organization and Compensation Committee of the Group.

### **Procedures for Approval of Related Persons Transactions**

The Board of Directors reviews transactions involving related persons on a case by case basis and approves these transactions as appropriate.

## **PROPOSAL NO. 2—ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION**

The Group is asking stockholders to vote on an advisory resolution to approve the Group's executive compensation programs as reported in this Proxy Statement in accordance with Section 14A of the Securities Exchange Act of 1934, as amended (Exchange Act), which was added under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). The Board has adopted a policy providing for an annual advisory vote to approve executive compensation. Stockholders previously indicated their preference that the advisory vote on named executive officer compensation occur once every year.

The Group's goal for its executive compensation programs is to attract, motivate and retain talented executives who will provide leadership for the Group. The Group seeks to accomplish this goal in a way that rewards performance and is aligned with the long-term interests of customers and stockholders. The Group believes that its executive compensation programs achieve this goal.

The "Compensation Discussion and Analysis", beginning above on page 19 of this Proxy Statement, describes the Group's executive compensation programs and the decisions made by the Organization and Compensation Committee in 2011 in more detail. Highlights of the programs include the following:

- *No Employment Agreements;*
- *No Single Trigger Change in Control Benefits;*
- *No Annual Bonuses;*
- *No Tax Gross-Ups on Perquisites;* and
- *Limited Perquisites.*

The Group is asking stockholders to support the named executive officer compensation as described in this Proxy Statement. The Organization and Compensation Committee and the Board believe that the policies and procedures articulated in the "Compensation Discussion and Analysis" are effective in achieving the Group's goals and that the compensation of the Group's named executive officers reported in this Proxy Statement has supported and contributed to the Group's success. Accordingly, the Group asks stockholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the stockholders of California Water Service Group approve, on an advisory basis, the compensation paid to California Water Service Group's named executive officers, as disclosed in this Proxy Statement pursuant to the SEC's compensation disclosure rules, including the Compensation Discussion and Analysis, the compensation tables and related narrative discussion."

This advisory resolution, commonly referred to as a "say-on-pay" resolution, is not binding upon the Group, the Organization and Compensation Committee or the Board. However, the Board and the Organization and Compensation Committee, which is responsible for designing and administering the Group's executive compensation programs, value the opinions expressed by stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for named executive officers. After consideration of the vote of stockholders at the 2011 Annual Meeting of Stockholders and other factors, the Board has decided to hold advisory votes on the approval of executive compensation annually until the next advisory vote on frequency occurs. Unless the Board modifies its policy on the frequency of future votes, the next advisory vote to approve executive compensation will be held at the 2013 Annual Meeting.

### **Vote Required**

Approval of Proposal No. 2 requires the affirmative vote of a majority of the shares present or represented by proxy and entitled to vote at the Annual Meeting.

### **Recommendation of the Board**

Our Board of Directors unanimously recommends that you vote "FOR" this proposal.

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Group's financial reporting process on behalf of the Board of Directors. The Audit Committee's purpose and responsibilities are set forth in the Audit Committee Charter. The current charter is available on the Group's website at <http://www.calwatergroup.com>. The Audit Committee consists of five members, each of whom meets the New York Stock Exchange standards for independence and the Sarbanes-Oxley Act independence standards for audit committee membership, and has at least one member meeting the requirements of an audit committee financial expert. During 2011, the Audit Committee met four times.

The Group's management has primary responsibility for preparing the Group's financial statements and the overall reporting process, including the Group's system of internal controls. Deloitte & Touche LLP, the Group's independent registered public accounting firm, audited the financial statements prepared by the Group and expressed their opinion that the financial statements fairly present the Group's financial position, results of operations and cash flows in conformity with generally accepted accounting principles. Deloitte & Touche LLP also expressed their opinion that the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011.

In connection with the December 31, 2011, financial statements, the Audit Committee:

(1) Reviewed and discussed the audited financial statements with management and Deloitte & Touche LLP;

(2) Discussed with Deloitte & Touche LLP the matters required to be discussed under the rules adopted by the Public Company Accounting Oversight Board;

(3) Received from Deloitte & Touche LLP the written disclosures and the letter required by applicable rules of the Public Company Accounting Oversight Board regarding the firm's communications with the Audit Committee concerning independence, and also discussed with Deloitte & Touche LLP the firm's independence, and considered whether the firm's provision of non-audit services and the fees and costs billed for those services are compatible with Deloitte & Touche LLP's independence; and

(4) Met privately with Deloitte & Touche LLP and the Group's internal auditors, each of whom has unrestricted access to the Audit Committee, without management present, and discussed their evaluations of the Group's internal controls and overall quality of the Group's financial reporting and accounting principles used in preparation of financial statements. The Committee also met privately with the Group's President and CEO, the Chief Financial Officer and the Controller to discuss the same issues.

Based upon these reviews and discussions, the Audit Committee recommended to the Board that the audited financial statements be included in the annual report on Form 10-K to be filed with the Securities and Exchange Commission.

### AUDIT COMMITTEE

George A. Vera, Committee Chair  
Douglas M. Brown  
Edwin A. Guiles  
Richard P. Magnuson  
Linda R. Meier

## RELATIONSHIP WITH THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected Deloitte & Touche LLP to serve as the Group's independent registered public accounting firm for the year ending December 31, 2012. The Committee's selection of Deloitte & Touche LLP as independent registered public accounting firm is being submitted for ratification by vote of the stockholders at this Annual Meeting.

The following fees relate to services provided by Deloitte & Touche LLP, the Group's independent registered public accounting firm for fiscal years 2010 and 2011.

<u>Category of Services</u>	<u>2010</u>	<u>2011</u>
Audit Fees <sup>(1)</sup> . . . . .	\$ 935,000	\$1,009,450
Audit-Related Fees <sup>(2)</sup> . . . . .	\$ 88,000	\$ 9,625
Tax Fees <sup>(3)</sup> . . . . .	\$ —	\$ —
Subtotal . . . . .	\$1,023,000	\$1,019,075
All Other Fees <sup>(4)</sup> . . . . .	\$ 45,000	\$ 68,500

- (1) The audit services included audits of the Group's annual financial statements for the years ended December 31, 2010 and 2011, and quarterly reviews of the Group's interim financial statements. Included also are fees related to the audit of the effectiveness of internal control over financial reporting.
- (2) Services include assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of the Group's financial statements and are not reported under "Audit Fees."
- (3) Services include tax compliance, tax advice, and tax planning.
- (4) Services include other services (and products) provided by the independent registered public accounting firm, other than the services reported above in this table.

Fees reported in the above table relate to that fiscal year and were incurred either during the fiscal year or in the quarter following the fiscal year end.

All audit and non-audit services provided by the independent registered public accounting firm are subject to preapproval by the Audit Committee, as described in the Audit Committee Charter, which is available on the Group's website at <http://www.calwatergroup.com>.

### PROPOSAL NO. 3—RATIFICATION OF SELECTION OF DELOITTE & TOUCHE LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2012

Stockholders will vote on the ratification of the selection of Deloitte & Touche LLP, independent registered public accounting firm, to audit the Group's books, records and accounts for the year ending December 31, 2012. Following the recommendation of the Audit Committee, the Board recommends a vote FOR the adoption of this proposal. Representatives of Deloitte & Touche LLP will be present at the meeting to answer questions and will have an opportunity to make a statement if they desire to do so. If the stockholders do not ratify this appointment, the Audit Committee will reconsider the selection of the independent registered public accounting firm.

#### Vote Required

Ratification of the selection of the independent registered public accounting firm for 2012 requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.



## **Recommendation of the Board**

Our Board of Directors unanimously recommends that you vote “FOR” this proposal.

## **OTHER MATTERS**

### **Adjournment**

Notice of adjournment need not be given if the date, time and place thereof are announced at the Annual Meeting at which the adjournment is taken. However, if the adjournment is for more than 30 days, or if a new record date is fixed for the adjourned Annual Meeting, a notice of the adjourned Annual Meeting will be given to each stockholder entitled to vote at the Annual Meeting. At adjourned annual meetings, any business may be transacted which might have been transacted at the original Annual Meeting.

### **Cost of Proxy Solicitation**

The Group will bear the entire cost of preparing, assembling, printing and mailing this Proxy Statement, the proxies and any additional materials which may be furnished by the Board to stockholders. The solicitation of proxies will be made by the use of the U.S. postal service and also may be made by telephone, or personally, by directors, officers and regular employees of the Group, who will receive no extra compensation for such services. Morrow & Company, LLC, 470 West Avenue, Stamford, CT 06902 was hired to assist in the distribution of proxy materials and solicitation of votes for \$8,500, plus out-of-pocket expenses. The Group will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders.

### **Other Matters**

The Board is not aware of any matters to come before the Annual Meeting other than the proposals for the election of directors, to hold an advisory vote to approve executive compensation, and to ratify the selection of Deloitte & Touche LLP as the Group’s independent registered public accounting firm for 2012. If any other matters should be brought before the meeting or any adjournment thereof, upon which a vote properly may be taken, the proxy holders will vote in their discretion unless otherwise provided in the proxies. The report of the Organization and Compensation Committee, the report of the Audit Committee, and the statement of independence of Audit Committee members referred to under “Board Structure—Committees: Audit” are not to be considered as incorporated by reference into any other filings which the Group makes with the SEC under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended. These portions of this Proxy Statement are not a part of any of those filings unless otherwise stated in those filings.

### **Code of Ethics**

The Group has adopted written codes of ethics for all directors, officers and employees. The codes are posted on the Group’s website at <http://www.calwatergroup.com>. The codes are also available in written form upon request to Corporate Secretary, California Water Service Group, 1720 North First Street, San Jose, California 95112-4598.

### **Stockholders Sharing an Address**

The SEC allows us to deliver a single proxy statement and annual report to an address shared by two or more of our stockholders. This delivery method, referred to as “householding,” can result in significant cost savings for us. In order to take advantage of this opportunity, banks and brokerage firms that hold shares for stockholders who are the beneficial owners, but not the record holders, of the Group’s shares,

have delivered only one proxy statement and annual report to multiple stockholders who share an address unless one or more of the stockholders has provided contrary instructions. For stockholders who are the record holders of the Group's shares, the Group may follow a similar process absent contrary instructions. The Group will deliver promptly, upon written or oral request, a separate copy of the proxy statement and annual report to a stockholder at a shared address to which a single copy of the documents was delivered. A stockholder who wishes to receive a separate copy of the proxy statement and annual report, now or in the future, may obtain one, without charge, by addressing a request to the Corporate Secretary, California Water Service Group, 1720 North First Street, San Jose, California 95112-4598 or calling (408) 367-8200. Stockholders of record sharing an address who are receiving multiple copies of proxy materials and annual reports and wish to receive a single copy of such materials in the future should submit their request by contacting us in the same manner. If you are the beneficial owner, but not the record holder, of the Group's shares and wish to receive only one copy of the proxy statement and annual report in the future, you will need to contact your broker, bank or other nominee to request that only a single copy of each document be mailed to all stockholders at the shared address in the future.

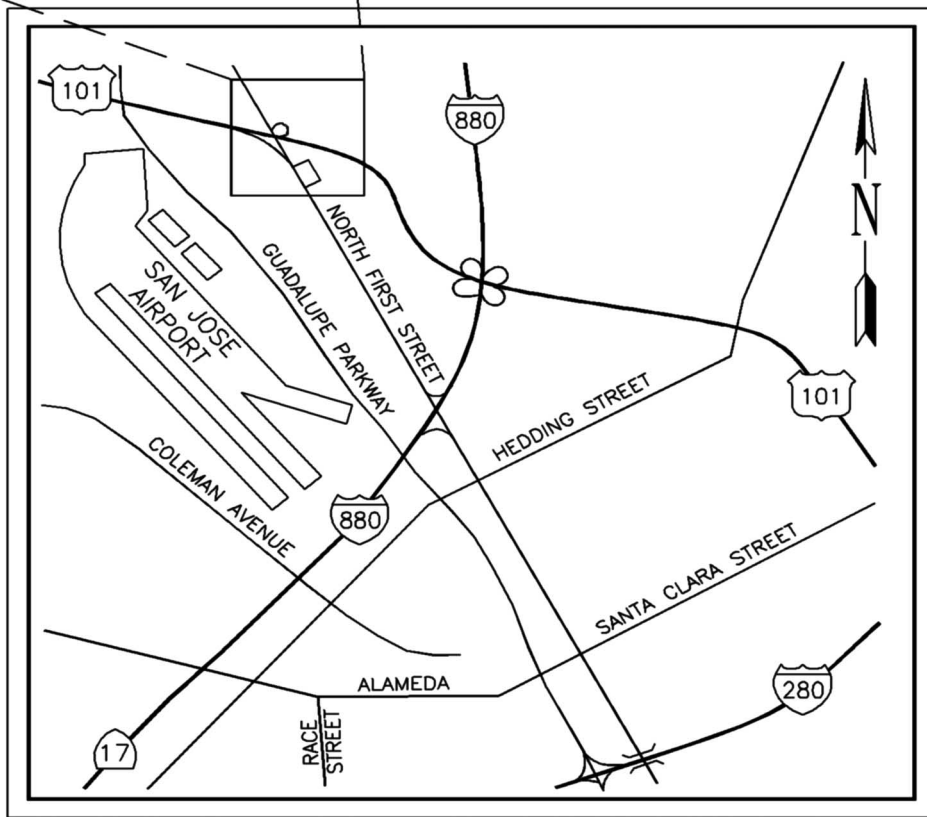
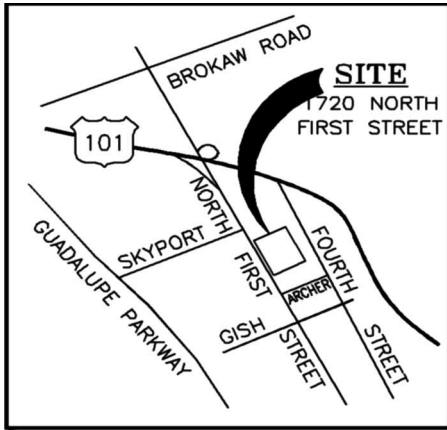
#### **Copies of Annual Report on Form 10-K**

The Group, upon request, will furnish to record and beneficial holders of its common stock, free of charge, a copy of its Annual Report on Form 10-K (including financial statements and schedules but without exhibits) for fiscal year 2011. Copies of exhibits to Form 10-K also will be furnished upon request for a payment of a fee of \$0.50 per page. All requests should be directed to Corporate Secretary, California Water Service Group, 1720 North First Street, San Jose, California 95112-4598.

Electronic copies of the Group's Form 10-K, including exhibits, and this Proxy Statement will be available on the Group's website at: <http://www.calwatergroup.com>.

#### **Disclaimer Regarding Website**

The information contained on the Group's website is not to be deemed included or incorporated by reference into this Proxy Statement.



California Water Service Group  
California Water Service Company,  
Hawaii Water Service Company,  
New Mexico Water Service Company,  
Washington Water Service Company,  
CWS Utility Services, and  
HWS Utility Services  
1720 North First Street  
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