



Safety First

California Water Service Group 2013 Annual Report

*We're not daredevils  
and we're not risk-takers.*



## Table of Contents

Safety First	1
Letter to Stockholders	8
Service Area Maps	24
Eight-Year Financial Review	27
Board of Directors	29
Corporate Officers	30
Corporate Information	32

**California Water Service Group (NYSE: CWT)** is the third largest investor-owned water utility in the United States, providing high-quality utility services to approximately two million people in more than 100 communities through six subsidiaries: California Water Service Company (Cal Water), Hawaii Water Service Company, Inc. (Hawaii Water), New Mexico Water Service Company (New Mexico Water), Washington Water Service Company (Washington Water), CWS Utility Services (CWSUS), and HWS Utility Services (HWSUS). Cal Water, Hawaii Water, New Mexico Water, and Washington Water provide regulated water and wastewater utility services, while CWSUS and HWSUS conduct the Company's non-regulated business, which includes providing billing, water quality testing, and water and wastewater system operations and management services to cities and other companies.



## At California Water Service Group, we take the adage “Safety First” to heart.

Sure, it might be exhilarating to barrel down the road without a helmet or climb up the mountain without a harness. But that’s not how we do business. We consider safety in everything we do: Is it a safe investment for our stockholders? A safe water treatment process for our customers? A safe workplace for our employees? A safe practice for our environment? We’re not daredevils and we’re not risk-takers. We recognize that “safety first” might not be a thrill-a-minute, but it is what’s best for our customers, employees, communities, and stockholders.



Safety First	8	24	27	29	30	32
1 SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

*Rock climbing may be risky,  
but drinking your tap water shouldn't be.*

## Our Customers

Although our customer may choose to take a chance on the hot dog vendor outside her office building, she sure doesn't want to take a chance on the water she mixes with her kids' lemonade. That's why we put safety first when it comes to the quality of the water we deliver. We have a rigorous water quality monitoring, testing, and treatment program in place. The result: We conducted more than 464,500 water quality tests and met every health and safety standard for water quality in 2013. We also ramped up our cross-connection control program, which ensures that activities on individual customers' properties don't contaminate the community's water supply. Because public health and safety is our highest priority, our customers get the high-quality water they need to keep their families healthy and happy.



Safety First	8	24	27	29	30	32	
2	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION



*Like the safety-minded cyclist, our employees wear protective head gear and eye wear.*

## Our Employees

It's all there on paper — the Injury and Illness Prevention Plan, the Code of Safe Practices, the Individual Job Safety Analyses. But it takes more than words to make a workplace safe. It takes regular training. It takes personal protective equipment. It takes individual commitment. It takes a culture of safety. For us, the job isn't done right unless it's done safely. So when our employee lowers himself into a meter vault, he follows safe practices for working in confined spaces. When he needs to work in the street, he sets up the appropriate traffic control. When he climbs to the top of a tank, he uses a harness to protect himself from falling. Because he knows that safety comes first. Not just for customers, but for employees too.

*Unfortunately, Mother Nature doesn't wear shoulder pads. That's why we make protecting her a priority.*

## Our Environment

As he taps down the soil around his newly planted drought-tolerant garden, the customer may be unaware of the part he is playing in our greatest environmental effort. Sure, we can and do drive hybrid vehicles, use alternative energy sources, recycle water and materials, and reduce waste whenever possible. We even constructed a screen and weir in our Bear Gulch District to help fish pass through our facilities safely. But the most significant way we protect the environment is by reducing the use of water, our most precious natural resource. In California, our Conservation Master Plans provide a roadmap for meeting the state-mandated per capita water use reduction of 20% by 2020. And our conservation program is working: Since 2007, Cal Water customers have reduced their average per capita water use by 15%.



Safety First	8	24	27	29	30	32	
4	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION



*The mask and lame protect the fencer from the tip of her opponent's saber; a well-maintained water system provides protection from fire and from water outages.*

### **Our Communities**

The mayor has a lot on her mind. Are there enough police on the streets? Do the libraries have sufficient resources? Is the senior center providing the right services? What's not keeping her up at night: whether her city has adequate fire protection and enough water to meet the needs of local residents and businesses. That's because she can count on us. We recognize that our communities need reliable water systems. That's why we invest in back-up power generation, multiple sources of supply, adequate water storage facilities, and strategic maintenance and replacement practices. In 2013 alone, we installed five stand-by generators, replaced 65,294 feet of water main, constructed two back-up interconnections, and constructed six new wells. Why do we put so much emphasis on ensuring the integrity of our infrastructure and availability of water supplies? Because the safety and well-being of our communities depend on it.

*If only there were a chest protector and headgear to protect the cautious investor. There isn't, but the next best thing is a conservative, fiscally responsible, highly regulated business.*

## Our Stockholders

Before he decided to retire, this stockholder took a good look at his investments. What he saw in California Water Service Group was a company with a solid track record. Granted, it wasn't a company that had made him an instant millionaire, but rather a company with a solid balance sheet, a strong dividend growth history, and a proven commitment to prudent fiscal management. His investment in California Water Service Group hadn't made him part of the next "it" product, but it had made him part of life's most essential ingredient. At this stage of the game, that's what he wants. No thrills, no excitement... just the feeling that comes from knowing that his hard-earned dollars are invested in a company that cares about keeping them safe.



Safety First	8	24	27	29	30	32	
<b>6</b>	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION



## Financial Highlights

<i>Year ended December 31</i>	2013	2012	2011	2010	2009
Market price at year-end	\$ 23.07	\$ 18.35	\$ 18.26	\$ 18.64	\$ 18.41
Book value per share	12.54	11.30	10.76	10.45	10.13
Earnings per share (diluted)	1.02	1.17	0.90	0.90	0.98
Dividend per share	0.640	0.630	0.615	0.595	0.590
Revenue*	584,103	559,966	501,814	460,399	449,372
Net income*	47,254	48,828	37,712	37,656	40,554

*\*Dollars in thousands*

## Letter to our Stockholders



*Martin A. Kropelnicki*  
President and  
Chief Executive Officer

*Peter C. Nelson*  
Chairman of the Board

Letter 8	1 SAFETY FIRST	LETTER TO STOCKHOLDERS	24 SERVICE AREA MAPS	27 EIGHT-YEAR FINANCIAL REVIEW	29 BOARD OF DIRECTORS	30 CORPORATE OFFICERS	32 CORPORATE INFORMATION
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## Dear Fellow Stockholder:

You wouldn't want to scale a sheer rock face without a protective harness or step up to the plate without a batting helmet. Because as much as you might want the thrill of climbing or the excitement of being in the game, you wouldn't want to jeopardize your safety for it. At California Water Service Group, we understand how important safety is. That's why it comes first.

What does that mean for our stockholders? It means that we work hard to safeguard their investment by seeking fair regulatory treatment, investing diligently in our infrastructure and employees, managing our business responsibly, and identifying and mitigating risks that could affect our long-term business continuity.

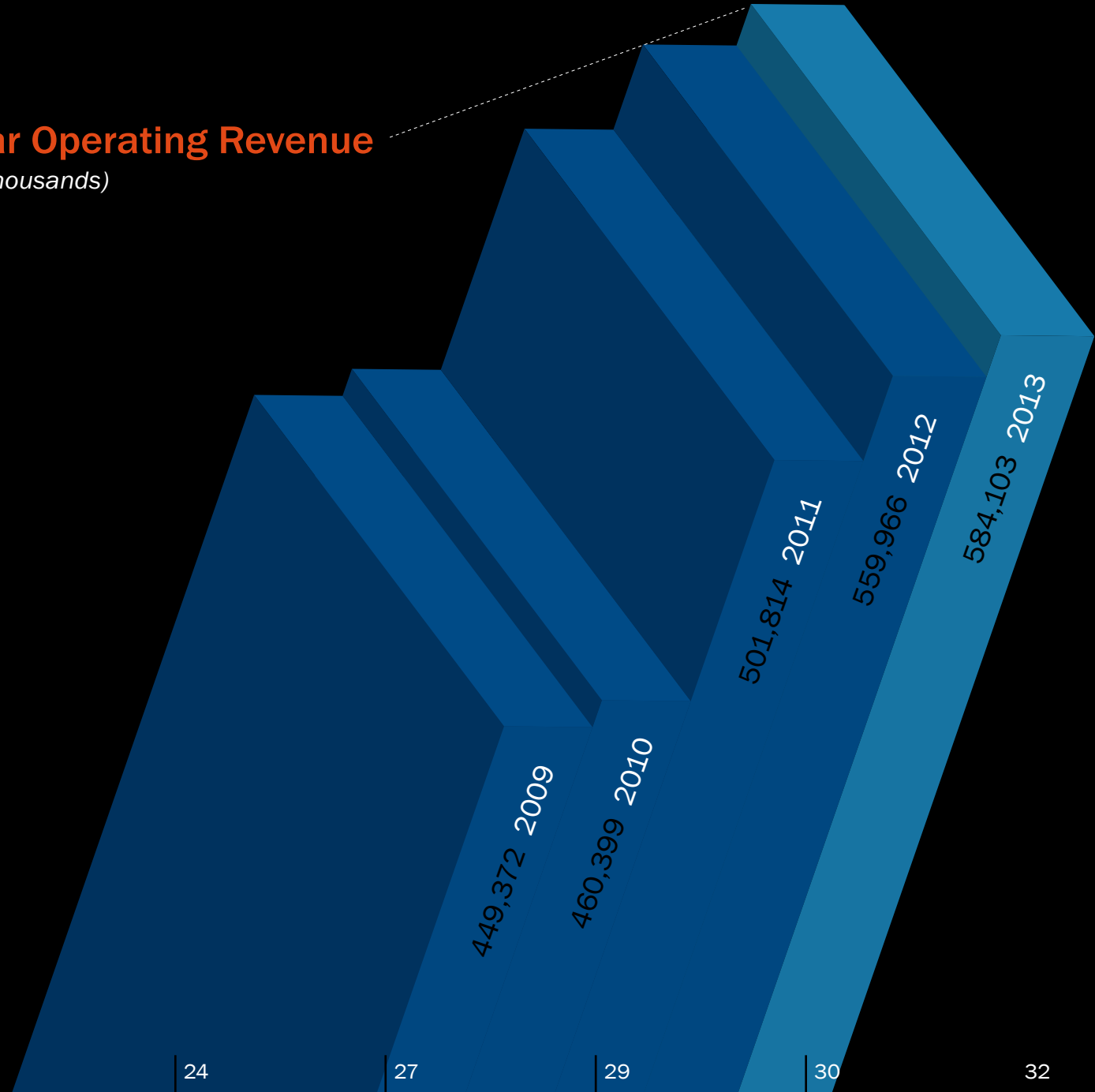
Our 2013 results were in line with our expectations, given the fact that it was the third year in the three-year rate case cycle for our largest subsidiary, California Water Service Company (Cal Water), when lagging cost recovery is at its most extreme. Also tempering results was a reduction in our authorized return on equity resulting from the California Public Utilities Commission's cost of capital adjustment mechanism, which correlates return on investment to changes in the Moody AA utility bond index. However, we met our internal budget goals and continued to invest in our water and wastewater systems to optimize results and enhance our water system infrastructure.

In 2013, net income was \$47.3 million and earnings per share was \$1.02. Earnings were spread over a greater number of shares of stock outstanding, given our issuance of 5.75 million shares in March 2013.

Letter	1		24	27	29	30	32
9	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

## Five-Year Operating Revenue

(Dollars in thousands)



We were gratified by the global interest in the equity offering, which was significantly over-subscribed. Revenues increased to \$584.1 million. In 2014, the annual dividend, paid for 69 consecutive years, increased to \$0.65 per share.

The most significant development in 2013 was our ability to reach a settlement agreement on Cal Water's 2012 General Rate Case with the California Public Utilities Commission's Office of Ratepayer Advocates staff and other parties to the case. This was no small undertaking, but it was worth the effort, because fair and timely rate relief is foundational to our safety-first approach, which benefits not only stockholders, but also customers, communities, our environment, and employees.

We don't yet know if the Commission will approve the all-party settlement agreement as submitted, but if it does, Cal Water will be authorized to invest \$447 million in its water system infrastructure over three years throughout California in order to continue providing a safe and reliable water supply to our customers.

Under the terms of the settlement, we would be authorized to increase rates by approximately \$45 million in 2014, \$10 million in 2015, \$10 million in 2016, and up to \$19 million upon completion and approval of specific projects that will be considered outside of the General Rate Case process. Although the Commission's final decision has been delayed, Cal Water will be allowed to recover additional revenues retroactively to January 1, 2014.

The settlement agreement also addresses the risks posed by increases in health care costs by establishing a health care balancing account that will track changes in employee health care costs and allow for effective recovery of changes during the three-year rate case cycle.

Letter	1		24	27	29	30	32
<b>11</b>	SAFETY FIRST	<i>LETTER TO STOCKHOLDERS</i>	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

As you may recall, in mid-2012, we completed an in-depth enterprise risk assessment to identify, prioritize, and mitigate risks that could affect our long-term business continuity. In 2013, we continued to address risks to our supplies, water systems, and water quality, investing more than \$33 million in safety-related projects, including seismic assessment of an earthen dam in our Bear Gulch District; seismic assessments and removal or reinforcement of elevated water storage tanks in Stockton, King City, Hamilton City, Bakersfield, Visalia, Dixon, Willows, Marysville, and Chico; programmatic pipeline replacements based upon risk and criticality; and updated emergency response plans for many of our service areas.

## Safety First for Customers

Clearly, in the context of safety, there is a great deal of overlap between customers and stockholders, both of whom rely on us to operate our water systems in a safe and responsible manner. For customers, safety boils down to reliability, quality, and affordability.



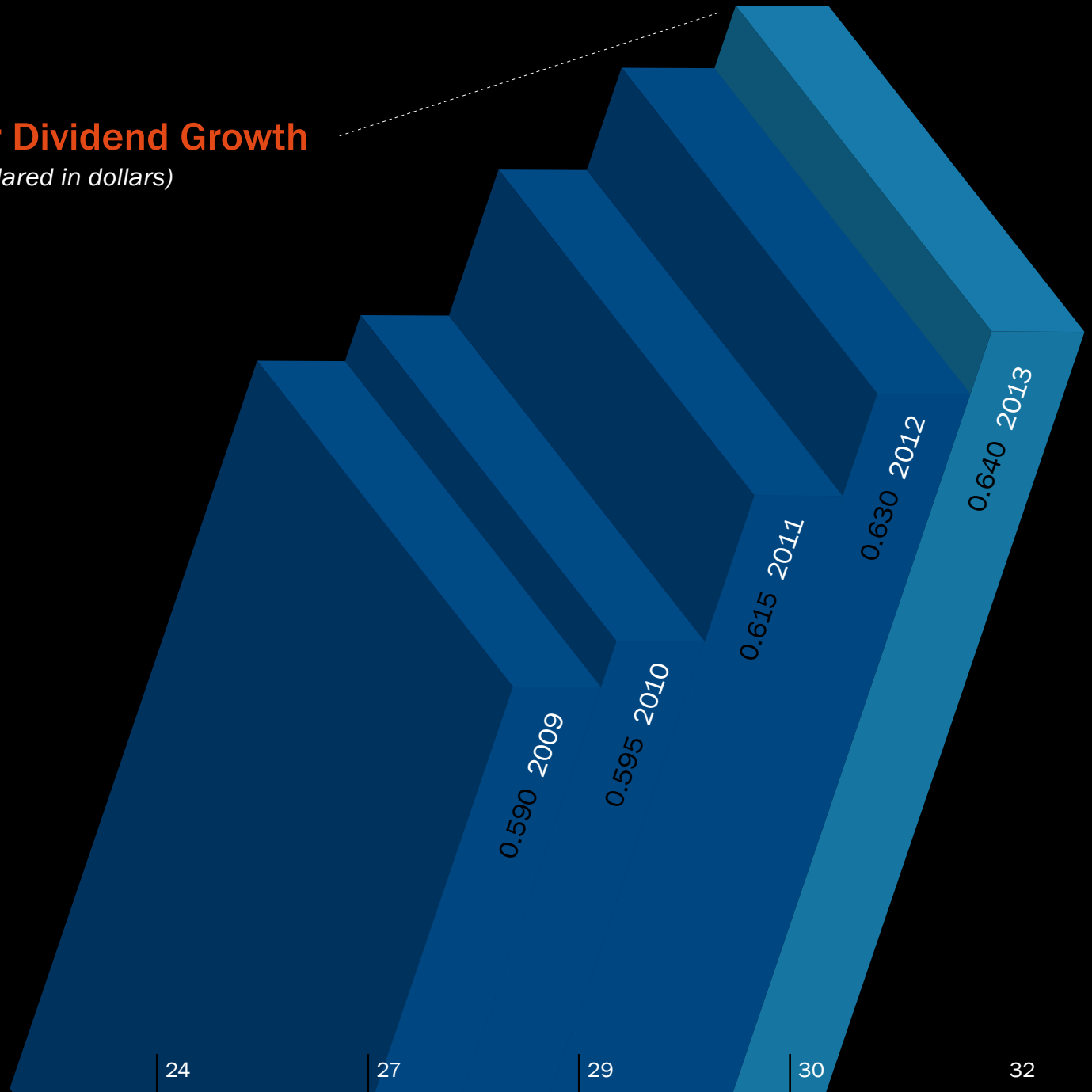
In nearly every service area, we deliver a reliable, high-quality water supply to our customers' taps for less than one penny per gallon; at that rate, it costs less than \$1 for 100 gallons, or less than \$2.39 for a ton of clean, fresh water.

Facing drought conditions in California, we are closely monitoring our supplies. Our long-range Water Supply Master Plans include drought scenario planning, which in most cases involves increasing the diversity of our supplies. This type of planning isn't something we undertake when the rain stops falling; it is something we do on a regular basis to plan and prepare for inevitable dry periods.

Letter	1		24	27	29	30	32
12	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

## Five-Year Dividend Growth

(Dividend declared in dollars)



For example, over the past few decades, we have worked to complement our groundwater supplies in Bakersfield with surface water supplies from not one source, but two. And in service areas that rely on wholesale water supplies from outside their districts, such as South San Francisco, Los Altos, East Los Angeles, and Carson, we have been working to construct groundwater wells to lessen our dependence on purchased wholesale supplies. As a result of this preparation, we currently anticipate having adequate supplies through 2014 without the need for mandatory rationing.



There's nothing better than a hot shower after a long day, but by using one of our low-flow showerheads and shortening daily showers by five minutes, the conscientious customer can save 5,475 gallons of water per year.

Having said that, water conservation is without question our most affordable source of supply, which means that it is far more cost-effective to reduce water demand than to increase water supplies. That's why we are encouraging our customers to continue their water conservation efforts and reminding them of the wealth of conservation programs and rebates we offer.

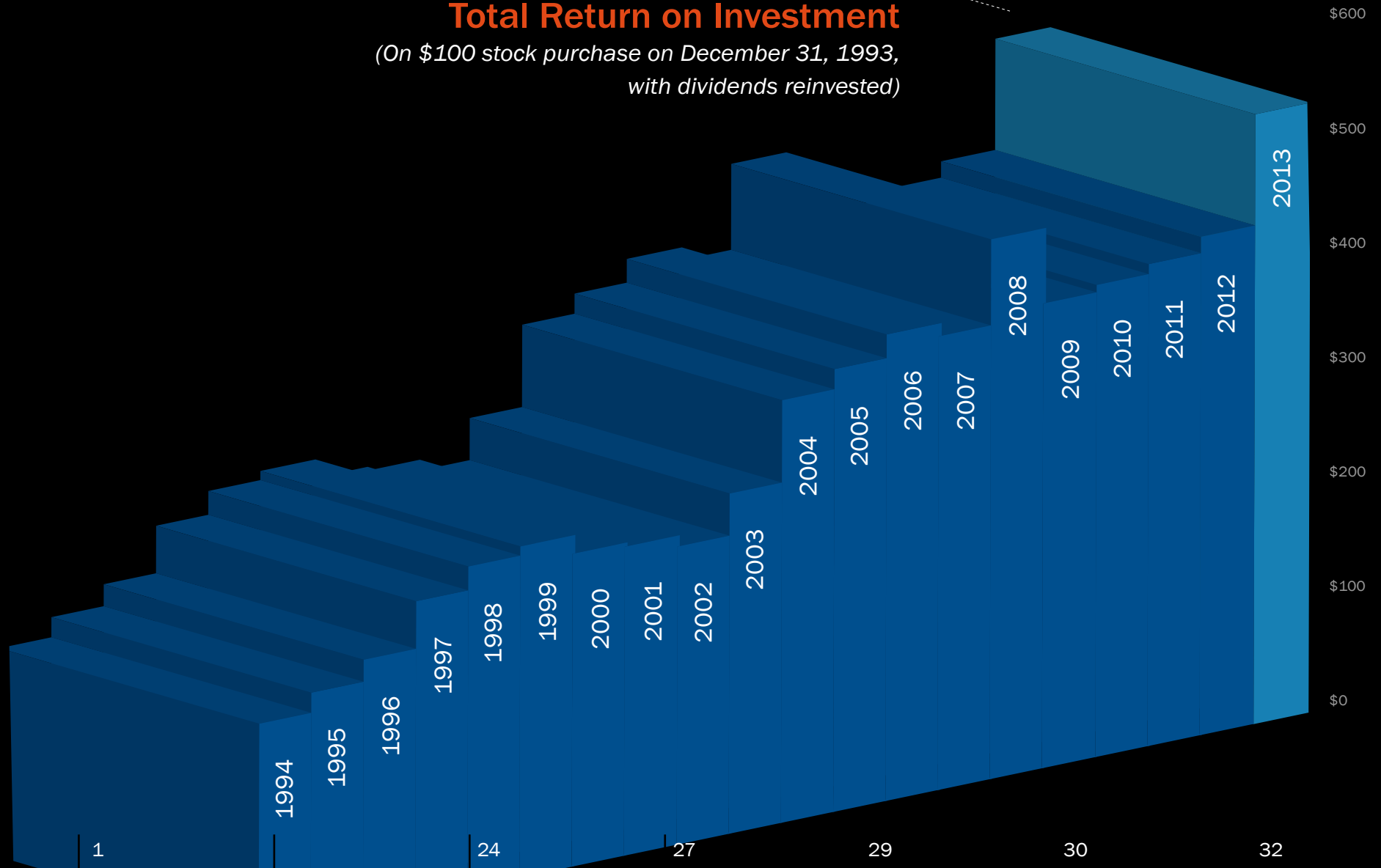
To review, in 2013, we:

- Distributed 2,580 conservation kits, including high-efficiency showerheads and shut-off hose nozzles, for an annual savings of 11,352,000 gallons.
- Provided \$383,875 in rebates on high-efficiency clothes washers, which will save 13,700,700 gallons per year.
- Distributed 57,402 sprinkler nozzles, for an annual savings of 59,812,884 gallons.
- Provided 12,869 high-efficiency toilets through our direct installation and rebate programs, which will conserve 156,648,295 gallons annually.

Letter	1		24	27	29	30	32
14	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION



**CWT 20-Year  
Total Return on Investment**  
(On \$100 stock purchase on December 31, 1993,  
with dividends reinvested)



We have invested millions of dollars in our conservation programs, which have helped our customers reduce their per capita water usage by an average of 15% since 2007. Clearly, we are well on our way toward meeting the state mandate to reduce per capita water use by 20% by 2020.

But really, when customers think of safety, they probably don't even concern themselves with reliability, because they are so accustomed to getting water every time they turn on their faucets. They do, however, think about water quality.



In our state-certified water quality laboratory, certain constituents can be detected at levels as low as one part per trillion, which is equivalent to one grain of salt in an Olympic-size pool or one inch in 33 trips to the moon and back.

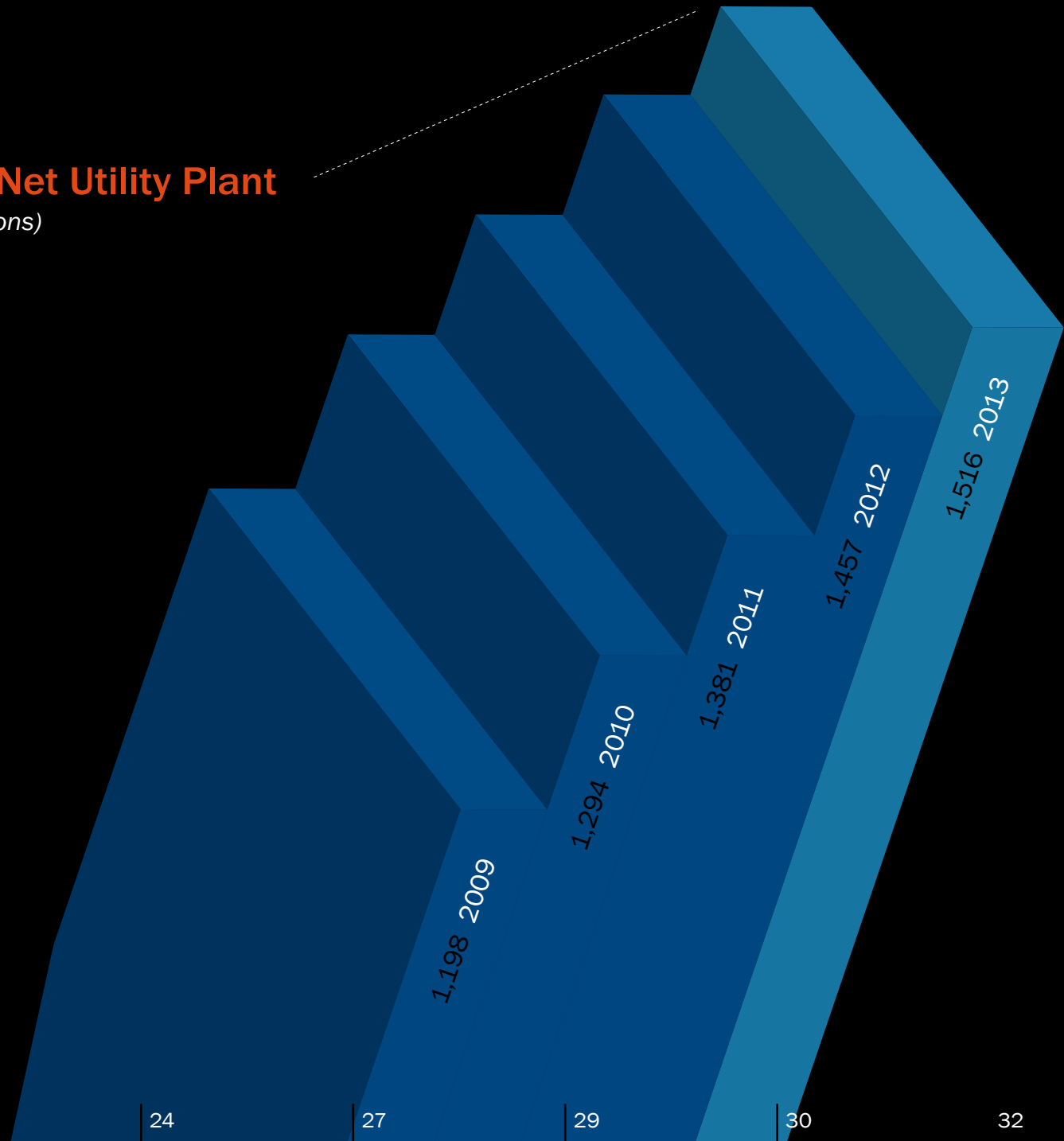
“Safety first” is the highest priority for our water quality team, which consists of scientists, chemists, and water treatment experts who are committed to meeting all water quality standards, every day, in every service area. The most obvious indication of this commitment is the fact that in 2013, we met all water quality standards set to protect public health and safety. We also ramped up our cross-connection control program, which helps ensure that public water supplies are not contaminated by activities on individual customers’ properties. As a result of our efforts, more than 99% of the cross-connection control devices in our systems were tested in 2013 and certified to be operating properly.

Our water quality team also made significant contributions to our efforts to keep water affordable for our customers.

Its first major 2013 endeavor relates to the new state standard for Chromium-6, which is expected to become effective as early as April of 2014. California is the first state to set a standard for Chromium-6, a subset of Total Chromium already regulated by both state and federal standards.

Letter	1		24	27	29	30	32
16	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

## Five-Year Net Utility Plant (Dollars in millions)



Two of Cal Water’s districts, Willows and Dixon, will need additional treatment to meet the anticipated standard–treatment that will impact water rates significantly. To reduce that rate impact, Cal Water’s water quality team is conducting two pilot studies that are the first of their kind in the industry. The first will determine whether bicarbonate can be used to regenerate the filter media, which would enable us to use a less costly treatment methodology. The second study tests hydraulic loading levels to determine the amount of water that can be run through the treatment process without degrading removal; it will establish the most cost-effective flow rate.

A second endeavor is more local in nature, and relates to the discharge at the Rancho Dominguez District’s treatment plant in the city of Hawthorne. To bring the discharge water from the plant into environmental compliance without costly outside engineering assistance, a local team engineered its own solution using repurposed materials already onsite. The result: discharge water that meets all environmental standards at no additional cost to customers.

And a third: the water quality laboratory invested in a new gas chromatography – mass spectrometry system that will enable our chemists to conduct additional water quality testing in-house, which is expected to result in an annual cost savings of \$100,000 in outside laboratory analysis fees.

Affordability was also a key issue in Cal Water’s General Rate Case. If the proposed settlement agreement between Cal Water, the Commission staff, and other involved parties is approved, Cal Water will be allowed to increase the discount that is currently provided to eligible customers as part of its Low-Income Rate Assistance program, as well as the discount provided through Cal Water’s Rate Support Fund to customers residing in economically disadvantaged, higher-cost service areas. The settlement agreement also allows Cal Water to set up a balanced payment program, which allows participating customers to average their water rates throughout the year, eliminating highs and lows from seasonal usage variations.

Letter	1		24	27	29	30	32
<b>18</b>	SAFETY FIRST	<i>LETTER TO STOCKHOLDERS</i>	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

Recognizing that life can throw a curve ball every now and then, we have also established the Cal Water Cares Customer Grant program. Through the program, customers facing hardship will be eligible to receive one-time grants of up to \$200 to pay their water bills. We plan to begin accepting grant applications in the second quarter of 2014.

## Safety First for Our Communities and Environment

Our philanthropy also provides a safety net for our communities. Throughout 2013, the Company made charitable contributions of nearly \$700,000 to a range of local organizations that provide critical – and in some cases, life-saving – services, such as food banks, homeless shelters, public safety/first responder organizations, and youth programs. Even our four-legged friends got a new “leash on life” through our partnership with the City of Selma, which brought a new dog shelter to one of our properties in town. Not only do we contribute financial resources, we also give of our time. As an example, Scott Bailey, our Visalia and Selma District Manager, wakes up at 4 a.m. every day to care for the dogs in the Selma shelter before beginning his Cal Water work day.

Beyond contributing time and resources to make our communities safer, we also diligently upgrade and maintain the water systems that our communities need for fire protection and uninterrupted water supplies. In 2013, we invested \$116 million in water system infrastructure, which included more than 12 miles of water mains, six new wells, and two emergency interconnections, all of which increase reliability.

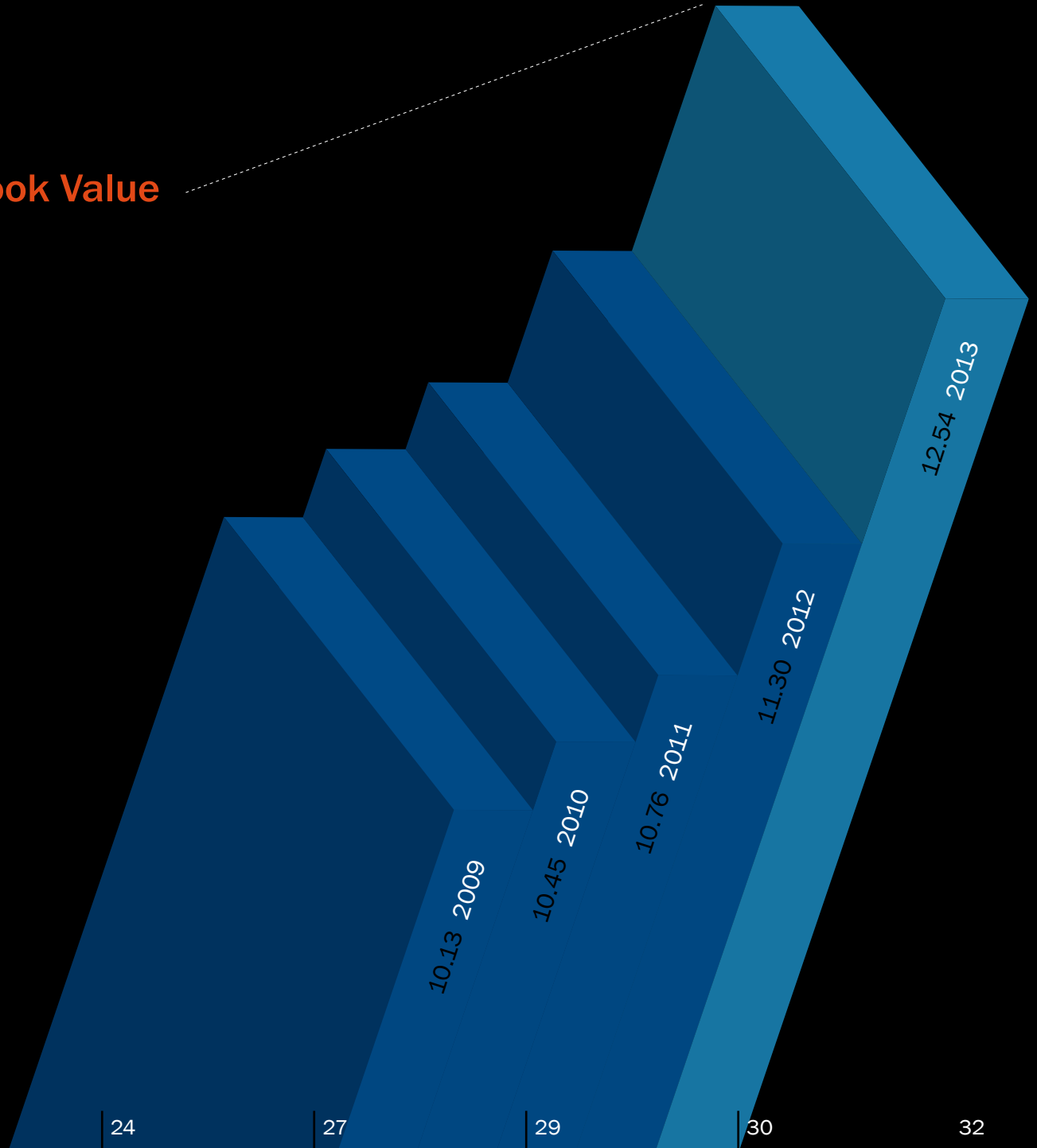


We partner with local fire agencies to ensure that fire hydrants in our districts are regularly maintained to ensure that they are easily seen, readily accessible, and functioning properly at all times.

Letter	1		24	27	29	30	32
19	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

## Five-Year Book Value

(Dollars per share)



Fire protection is always a priority for us. In fact, in Los Altos, California, we are currently partnering with the Los Altos Hills County Fire District to invest \$1 million in water system improvements to enhance fire protection, including new, larger water mains to improve flow, new boosters to increase pumping capacity, and auxiliary power sources. The bottom line is that our community leaders don't need to concern themselves about the integrity of the water system, which frees them up to focus on other critical community services such as law enforcement, libraries, and parks. Our community leaders can also rest assured that we operate our systems in an environmentally responsible manner.



Our watershed in San Mateo County is home to the largest standing redwood tree on the San Francisco Peninsula. The mammoth "Methuselah" measures about 45-feet in circumference and is estimated to be 1,800 years old.

Of course, we strive to be environmentally conscious in everything we do. Beyond the typical efforts, such as recycling paper and other materials, driving hybrid vehicles when possible, and using energy efficiently, we have undertaken a few unique environmental efforts.

One is our collaboration with the California Department of Fish and Wildlife and the National Marine Fisheries Service on fish protection projects in our Bear Gulch District. The first project includes a screen and concrete weir to enable steelhead trout to safely pass a pumping system. We are now working on a fish ladder, which will consist of a series of ascending pools to help the fish get safely past a diversion dam and into spawning areas.

Another is our Mobile Workforce Project, which enables our field crews to operate more efficiently and reduce fuel consumption by receiving work orders on laptop computers in their vehicles. Customers can also reduce their fuel consumption by taking advantage of our new web site portal, which allows them to conduct their business with us online rather than in our Customer Centers.

Letter	1		24	27	29	30	32
21	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

And although we've said it before, it bears repeating: The greatest positive impact we can make on our environment is helping our customers conserve water. That's why we have developed an industry-leading conservation program that has helped our customers save 1.7 billion gallons since 2011. Looking ahead, in 2014 and 2015, we will be updating our Conservation Master Plans and will address challenges related to climate change.

## Safety First for Our Employees

We rely on our employees to put the safety of our stockholders, customers, communities, and environment first. But we are equally committed to protecting the safety of our employees.

In 2013, we conducted individual job safety analyses to identify potential hazards and ensure that employees have the right tools and personal protective equipment to do their jobs safely. We also reviewed and updated our Injury and Illness Prevention Plan, our Code of Safe Practices, and our Hazard Awareness Program. This updated information will be made available to employees on our new, interactive intranet, which will enable employees to easily access and share safety-related information. And, in 2014, we will be augmenting our monthly safety meetings and periodic cardiac pulmonary resuscitation (CPR) training with additional safety training.

Further adding to our culture of safety, we have worked to ensure that workplaces are safe, using best ergonomic practices and modifying Customer Centers to protect employees responsible for handling cash.

We believe our employees are our best ambassadors and our most important asset, and we strive to provide a safe, fulfilling workplace and be the employer of choice in our industry; we are pleased that in 2013, for the second consecutive year, our Bay Area employees voted us a Top Workplace as part of the Bay Area Newsgroup's Top Workplace program.

Letter	1		24	27	29	30	32
<b>22</b>	SAFETY FIRST	<i>LETTER TO STOCKHOLDERS</i>	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION



Leading our highly valued team of employees is a well-rounded and experienced group of officers. Since our last report, we said goodbye to two well-respected officers with the retirement of David R. Karraker and Christine L. McFarlane. Although they will be dearly missed, we are fortunate to have added Timothy D. Treloar as Vice President of Operations and Michael B. Luu as Vice President of Customer Service and Information Technology. In addition, officers Robert R. Guzzetta and Michael J. Rossi have assumed new responsibilities--Guzzetta as Vice President of Engineering and Water Quality, and Rossi as Vice President of Continuous Improvement. And, at the board level, we are pleased to welcome Terry P. Bayer, Chief Operating Officer of Molina Healthcare, Inc. We believe that her experience as the top operating executive at a large public company will serve us well, and we are confident that her unique understanding of health care management and the importance of excellent customer service will be a valuable asset to the team.

We wish you the very best in the coming year and thank you for your continued investment in California Water Service Group.



*Martin A. Kropelnicki*  
President and  
Chief Executive Officer



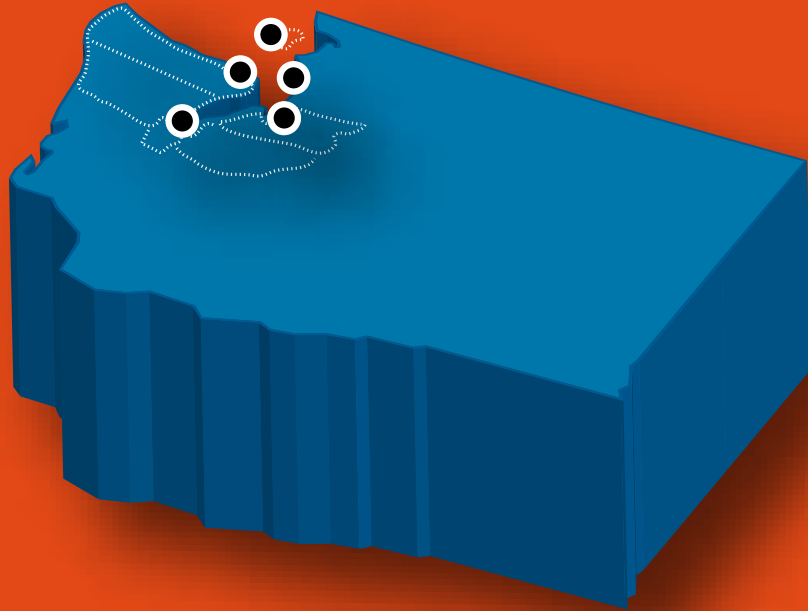
*Peter C. Nelson*  
Chairman of the Board

Letter	1		24	27	29	30	32
23	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

# Washington

Operations/Customer Centers

- Olympia (S.W.Regional Office) •
- Gig Harbor (N.W. Regional Office and Customer Center) • Sequim • Issaquah •
- Orcas Island (Field Offices)



Serving more than 425 neighborhoods and small communities in the counties of Clallam, Jefferson, Kitsap, Mason, Pierce, King, San Juan, and Thurston.

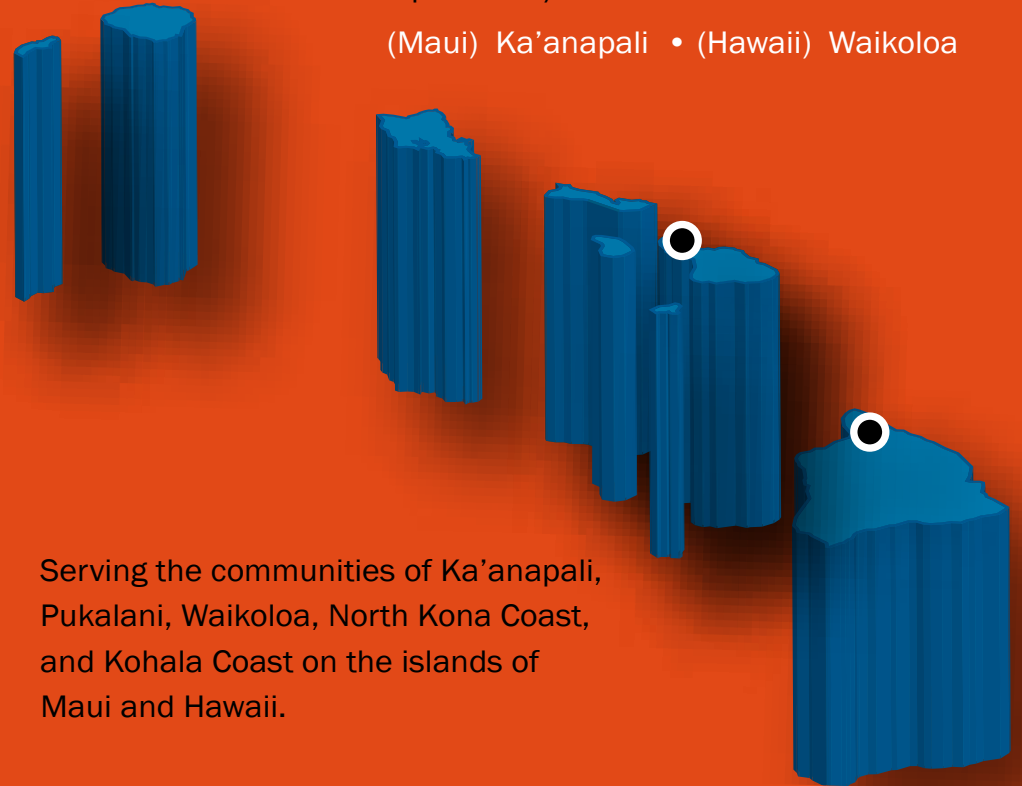
### Regulated Customer Connections

15,800 2012  
16,000 2013

# Hawaii

Operations/Customer Centers

- (Maui) Ka'anapali • (Hawaii) Waikoloa



Serving the communities of Ka'anapali, Pukalani, Waikoloa, North Kona Coast, and Kohala Coast on the islands of Maui and Hawaii.

### Regulated Customer Connections

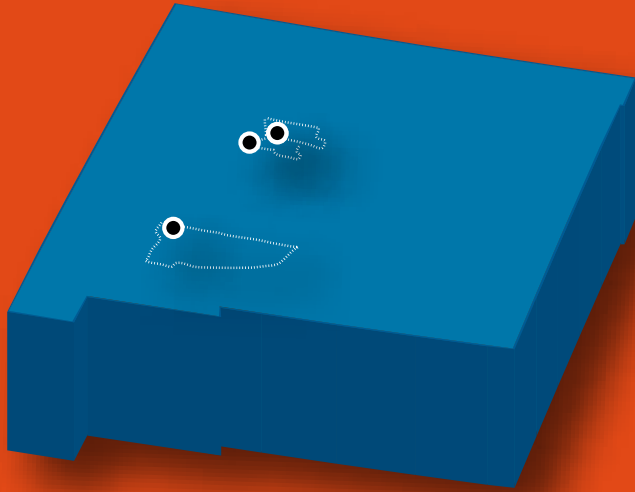
4,200 2012  
4,200 2013

Area Maps	1	8	27	29	30	32	
<b>24</b>	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

# New Mexico

## Operations/Customer Centers

- Elephant Butte • Rio Communities
- Cedar Crest



Serving the communities of Meadow Lake, Cypress Gardens, Rio Communities, Rio Del Oro, Elephant Butte, Sandia Knolls, and Cedar Crest in the counties of Sierra, Valencia, and Bernalillo.

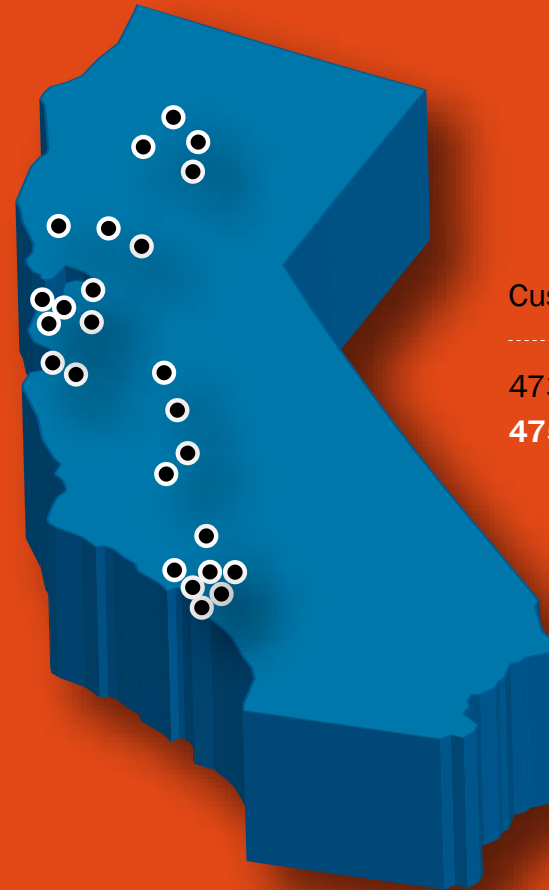
## Regulated Customer Connections

7,600 2012  
**7,600 2013**

# California

## Districts

- Antelope Valley • Bakersfield • Bayshore • Bear Gulch • Chico • Commerce • Dixon • Dominguez • East Los Angeles • Hawthorne • Hermosa-Redondo • Kern River Valley • King City • Livermore • Los Altos • Marysville • Oroville • Palos Verdes • Redwood Valley • Salinas • Selma • Stockton • Visalia • Westlake • Willows



## Customer Connections\*

473,100 2012  
**475,100 2013**

\* Numbers include Hawthorne and Commerce lease agreements

Area Maps	1	8	27	29	30	32	
<b>25</b>	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

## California Districts & Communities

	2013	2012
Antelope Valley • Fremont Valley, Lake Hughes, Lancaster & Leona Valley	1,400	1,400
Bakersfield	69,600	69,100
Bayshore • South San Francisco, Colma, Broadmoor, San Mateo & San Carlos	53,300	53,200
Bear Gulch • Atherton, Woodside, Portola Valley & a portion of Menlo Park	18,800	18,800
Chico • Hamilton City	28,400	28,100
Commerce (lease agreement)	1,200	1,200
Dixon	2,900	2,900
Dominguez • Carson & portions of Compton, Harbor City, Long Beach, Los Angeles County & Torrance	33,900	33,900
East Los Angeles • Portions of Montebello, Commerce, Monterey Park & Vernon	26,700	26,700
Hawthorne (lease agreement)	6,300	6,200
Hermosa-Redondo • Hermosa Beach, Redondo Beach & a portion of Torrance	26,700	26,700
Kern River Valley • Bodfish, Kernville, Lakeland, Mountain Shadows, Onyx, Squirrel Valley, South Lake & Wofford Heights	4,200	4,200
King City	2,600	2,500
Livermore	18,400	18,800
Los Altos • Portions of Cupertino, Los Altos Hills, Mountain View & Sunnyvale	18,800	18,400
Marysville	3,700	3,700
Oroville	3,500	3,500
Palos Verdes • Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills & Rolling Hills Estates	24,100	24,100
Redwood Valley • Lucerne & portions of Duncans Mills, Guerneville, Dillon Beach, Noel Heights & Santa Rosa	1,900	2,000
Salinas	28,300	28,300
Selma	6,300	6,200
Stockton	43,000	42,700
Visalia	41,700	41,200
Westlake • Westlake Village & a portion of Thousand Oaks	7,100	7,000
Willows	2,400	2,400

Area Maps	1	8		27	29	30	32
26	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

## Eight-Year Financial Review (Years 2010-2013)

<i>(Dollars in thousands, except common share and other data)</i>	2013	2012	2011	2010
<b>Summary of Operations</b>				
Operating revenue	\$584,103	\$559,966	\$501,814	\$460,399
Operating expenses	\$510,098	\$486,123	\$434,647	\$398,586
Interest expense, other income and expenses, net	\$26,751	\$25,015	\$29,455	\$24,157
Net income	\$47,254	\$48,828	\$37,712	\$37,656
<b>Common Share Data</b>				
Earnings per share-diluted	\$1.02	\$1.17	\$0.90	\$0.90
Dividend declared	\$0.640	\$0.630	\$0.615	\$0.595
Dividend payout ratio	63%	54%	68%	66%
Book value per share	\$12.54	\$11.30	\$10.76	\$10.45
Market price at year-end	\$23.07	\$18.35	\$18.26	\$18.64
Common shares outstanding at year-end (in thousands)	47,741	41,908	41,817	41,667
Return on average common stockholders' equity	8.8%	10.6%	8.5%	9.0%
Long-term debt interest coverage	3.42	3.45	3.11	3.59
<b>Balance Sheet Data</b>				
Net utility plant	\$1,515,831	\$1,457,056	\$1,381,119	\$1,294,297
Long-term debt, including current portion	\$434,050	\$481,250	\$488,165	\$481,561
<b>Capitalization ratios:</b>				
Common stockholders' equity	58.0%	49.6%	48.0%	47.5%
Preferred stock	0.0%	0.0%	0.0%	0.0%
Long-term debt	42.0%	50.4%	52.0%	52.5%
<b>Other Data</b>				
Water production (million gallons)	126,363	125,892	120,353	121,942
Customers at year-end, including Hawthorne and Commerce	502,900	500,700	499,500	497,900
New customers added	2,200	1,200	1,600	3,200
Revenue per customer	\$1,161	\$1,118	\$1,005	\$925
Utility plant per customer	4,401	4,187	3,925	3,706
Employees at year-end	1,125	1,131	1,132	1,127

## Eight-Year Financial Review (Years 2006-2009)

<i>(Dollars in thousands, except common share and other data)</i>	2013	2009	2008	2007	2006
<b>Summary of Operations</b>					
Operating revenue	\$584,103	\$449,372	\$410,312	\$367,082	\$334,717
Operating expenses	\$510,098	\$391,253	\$352,843	\$322,912	\$294,411
Interest expense, other income and expenses, net	\$26,751	\$17,565	\$17,664	\$13,011	\$14,726
Net income	\$47,254	\$40,554	\$39,805	\$31,159	\$25,580
<b>Common Share Data</b>					
Earnings per share-diluted	\$1.02	\$0.98	\$0.95	\$0.75	\$0.67
Dividend declared	\$0.640	\$0.590	\$0.585	\$0.580	\$0.575
Dividend payout ratio	63%	61%	62%	77%	86%
Book value per share	\$12.54	\$10.13	\$9.72	\$9.33	\$9.16
Market price at year-end	\$23.07	\$18.41	\$23.22	\$18.51	\$20.20
Common shares outstanding at year-end (in thousands)	47,741	41,531	41,446	41,332	41,314
Return on average common stockholders' equity	8.8%	9.8%	10.2%	8.1%	8.2%
Long-term debt interest coverage	3.42	4.04	4.72	3.70	3.17
<b>Balance Sheet Data</b>					
Net utility plant	\$1,515,831	\$1,198,077	\$1,112,367	\$1,010,196	\$941,475
Long-term debt, including current portion	\$434,050	\$387,222	\$290,316	\$291,921	\$293,592
<b>Capitalization ratios:</b>					
Common stockholders' equity	58.0%	52.1%	58.1%	56.9%	56.0%
Preferred stock	0.0%	0.0%	0.0%	0.5%	0.5%
Long-term debt	42.0%	47.9%	41.9%	42.6%	43.5%
<b>Other Data</b>					
Water production (million gallons)	126,363	131,558	137,757	141,238	132,414
Customers at year-end, including Hawthorne and Commerce	502,900	494,700	490,493	487,555	483,893
New customers added	2,200	4,207	2,938	3,662	4,892
Revenue per customer	\$1,161	\$908	\$837	\$753	\$692
Utility plant per customer	4,401	3,455	3,228	2,968	2,778
Employees at year-end	1,125	1,013	929	891	869

# Board of Directors

**Martin A. Kropelnicki**  
President and Chief Executive Officer

7 months served as a Board Member.

**Bonnie G. Hill**  
President of B. Hill Enterprises, L.L.C.

11 years served as a Board Member. Member of the following Committees: Organization/Compensation and Nominating/Corporate Governance.

**Peter C. Nelson**  
Chairman of the Board

18 years served as a Board Member.

**Richard P. Magnuson**  
Lead Director and Private Venture Capital Investor

18 years served as a Board Member. Member of the following Committees: Audit, Finance/Risk Management, and Nominating/Corporate Governance.



**George A. Vera**  
Former Vice President and Chief Financial Officer, the David and Lucile Packard Foundation

16 years served as a Board Member. Member of the following Committees: Audit, Finance/Risk Management, and Nominating/Corporate Governance.

**Lester A. Snow**  
Former Director of the California Department of Water Resources

3 years served as a Board Member. Member of the following Committees: Organization/Compensation, Finance/Risk Management.

**Edwin A. Guiles**  
Former Executive Vice President of Corporate Development, Sempra Energy

6 years served as a Board Member. Member of the following Committees: Organization/Compensation, Finance/Risk Management, and Audit.

**Linda R. Meier**  
Member of the National Board of the Institute of International Education

20 years served as a Board Member. Member of the following Committees: Audit, Organization/Compensation, and Nominating/Corporate Governance.

**Thomas M. Krummel, M.D.**  
Professor and Chair, Surgery Department, Stanford University School of Medicine

4 years served as a Board Member. Member of the following Committees: Nominating/Corporate Governance and Organization/Compensation.

The Board	1	8	24	27	30	32	
29	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION

# Corporate Officers

Listed from left to right

**David B. Healey**  
Controller and  
Assistant Treasurer  
1, 2, 3

**Helen R. Del Grosso**  
Vice President,  
Human Resources  
1, 2, 3

**Michael J. Rossi**  
Vice President,  
Continuous  
Improvement  
1, 2

**Francis S. Ferraro**  
Vice President,  
Corporate  
Development  
1, 2, 3

**Robert R. Guzzetta**  
Vice President,  
Engineering and  
Water Quality  
1, 2

**Paul G. Townsley**  
Vice President,  
Regulatory Matters  
and Corporate  
Relations  
1, 2, 3

**Martin A. Kropelnicki**  
President and  
Chief Executive Officer  
1, 2, 3

**Lynne P. McGhee**  
Corporate Secretary  
1, 2, 3

**Thomas F. Smegal III**  
Vice President,  
Chief Financial Officer  
and Treasurer  
1, 2, 3

**Timothy D. Treloar**  
Vice President,  
Operations  
1, 2

**Michael B. Luu**  
Vice President,  
Customer Service  
and Information  
Technology  
1, 2



1 Holds the same position with California Water Service Company.

2 Also an officer of CWS Utility Services.

3 Also an officer of Washington Water Service Company, New Mexico Water Service Company, and Hawaii Water Service Company.

The Officers	1	8	24	27	29		32
30	SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION



A glass of water on a table with a blurred green background. The glass is filled with water and has a textured pattern. The background is a soft-focus green and blue bokeh.

# Safety First

Information

1

8

24

27

29

30

**31**

SAFETY FIRST

LETTER TO  
STOCKHOLDERS

SERVICE AREA  
MAPS

EIGHT-YEAR  
FINANCIAL REVIEW

BOARD OF  
DIRECTORS

CORPORATE  
OFFICERS

CORPORATE  
INFORMATION

## Stock Transfer, Dividend Disbursing, and Reinvestment Agent

6201 15th Avenue  
Brooklyn, NY 11219  
(800) 937-5449

### To Transfer Stock

A change of ownership of shares (such as when stock is sold or gifted or when owners are deleted from or added to stock certificates) requires a transfer of stock. To transfer stock, the owner must complete the assignment on the back of the certificate and sign it exactly as his or her name appears on the front. This signature must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations, and credit unions with membership in approved signature medallion programs) pursuant to SEC Rule 17Ad-15. A notary's acknowledgment is not acceptable. This certificate should then be sent to American Stock Transfer & Trust Company, by registered or certified mail with complete transfer instructions. Alternatively, the Direct Registration System can be utilized, which allows electronic share transactions between your broker or dealer and American Stock Transfer & Trust Company.

### Bond Registrar

US Bank Trust, N.A.  
One California Street, San Francisco, CA 94111-5402  
(415) 273-4580

### Annual Meeting

The Annual Meeting of Stockholders will be held on Tuesday, May 20, 2014, at 9:30 a.m. at the Company's Executive Office, located at 1720 North First Street in San Jose, California. Details of the business to be transacted during the meeting will be contained in the proxy material, which will be mailed to stockholders on or about April 14, 2014.

### Anticipated Dividend Dates For 2014

Quarter	Declaration	Record Date	Payment Date
First	January 29	February 10	February 21
Second	April 30	May 12	May 23
Third	July 30	August 11	August 22
Fourth	October 29	November 10	November 21

### Annual Report For 2013 On Form 10-K

A copy of the Company's report for 2013 filed with the Securities and Exchange Commission (SEC) on Form 10-K is available and can be obtained by any stockholder at no charge upon written request to the address below. The Company's filings with the SEC can be viewed via the link to the SEC's EDGAR system on the Company's web site.

### Executive Office and Stockholder Information

California Water Service Group  
Attn: Stockholder Relations  
1720 North First Street  
San Jose, CA 95112-4598  
(408) 367-8200 or (800) 750-8200  
<http://www.calwatergroup.com>

# California Water Service Group



1720 North First Street  
San Jose, California 95112-4598  
(408) 367-8200  
[www.calwatergroup.com](http://www.calwatergroup.com)  
NYSE: **CWT**

1	8	24	27	29	30	
SAFETY FIRST	LETTER TO STOCKHOLDERS	SERVICE AREA MAPS	EIGHT-YEAR FINANCIAL REVIEW	BOARD OF DIRECTORS	CORPORATE OFFICERS	CORPORATE INFORMATION