

California Water Service Group  
2014 Annual Report

# ON PURPOSE

We believe that like good people, good companies have a purpose. Our purpose is to improve the quality of life for our customers, communities, stockholders, and employees. It's why we get up in the morning. It's what motivates us to do our very best. It's our true north.

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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.



Lewis Carroll's Cheshire Cat said to Alice in Wonderland, "If you don't know where you're going, any road will take you there." This might have confused poor Alice, but it's crystal clear to us: the first step in getting where you need to be is knowing where you need to be. Then, you follow the strategic roadmap that will get you there.



**Our Promise.** The road to fulfilling our purpose starts with our brand promise: Quality. Service. Value. We know, it's pretty simple. Heck, it doesn't even rhyme. But remember, we're not a slick Wall Street firm with a Madison Avenue ad agency feeding us clever slogans. Instead, we're a company that succeeds by fulfilling our promise to deliver quality, service, and value in everything we do. And that's the way we like it; we don't mind leaving the rhyming to someone else.



**Our Core Values.** Pointing us in the right direction, our core values are like rules of the road. Think of your morning commute: if your fellow drivers weren't following the rules of the road, you might have a difficult time reaching your destination safely. Our core values – integrity, service, value, health and safety, corporate citizenship, and respect and collaboration – drive how we do business. Just as you wouldn't go 75 miles per hour in a school zone, we wouldn't operate in a way that is inconsistent with our core values.



**Our Goals.** So, we know where we're headed, we know where to start, and we know the rules of the road. But how do we get there? We get there by achieving our goals: affordable, excellent service; enhanced stockholder value; high-quality water and wastewater service; outstanding reputation; and employees who are our best advocates.



**Affordable, excellent service. On Purpose.** It would be easy to keep water rates low if you stopped investing in your water systems, ignored increasingly stringent water quality standards, and hired untrained, non-certified people to serve your customers. But that's not what we do. Instead, we work hard to keep rates as low as possible while making the investments necessary to provide a reliable, safe water supply and top-notch, responsive service. In 2014, we invested in our water systems, conducted more than 440,000 water quality tests, and surpassed customer service expectations. And we did it in nearly all of our service areas for less than a penny per gallon.



**Enhanced stockholder value. On Purpose.** You've heard the adage, "buy low, sell high," but that's not really how it works for our stockholders. Our stockholders invest over the long term because we provide an irreplaceable, valuable service and we have a track record of delivering reliable, steady results. In order to provide value to stockholders, we must invest diligently in infrastructure and work effectively with our regulatory commissions to ensure that rates accurately reflect the costs of providing service. We did both in 2014, investing \$132 million in capital projects that ensure customers receive safe and reliable water service, and working with our regulatory commissions to obtain approval to increase rates by \$45 million.






**High-quality water and wastewater. On Purpose.** We've said it before and we'll say it again: health and safety are our highest priorities. That's why our dedicated water quality team rigorously monitors the quality of water we deliver to our customers. In addition to testing the water for the presence of more than 100 constituents in 2014, we continued to improve our cross-connection control program, which prevents substances from the customer's property from entering the water system. On the wastewater side, the emphasis is on treating the water to be discharged in a manner that is safe for the environment, and in 2014, we met or surpassed all wastewater discharge standards.



**Outstanding reputation. On Purpose.** Over the years, we have earned a reputation for being a good corporate citizen. And we want to keep it, so we put our money where our mouth is. In 2014, we implemented a hardship grant program for customers, introduced a scholarship program for students in our service areas, and offered a new, activity-based conservation program to our schools. Going forward, we will continue to build our reputation by contributing to our communities, taking care of the environment, and demonstrating leadership in water conservation.



**Employees as our best advocates. On Purpose.** Every single one of our employees plays a part in helping us achieve our purpose. Roadblocks may present themselves, but it is our employees' ingenuity and dedication that enable us to navigate around them. In 2014, we conducted a company-wide survey to measure employee engagement, and we couldn't be more pleased with the results; we scored extremely well, outperforming the industry benchmark in nearly every category. Even better: for the third consecutive year, we were named one of the Top 100 Workplaces in the San Francisco Bay Area.

## Financial Highlights

Year ended December 31	2014	2013	2012	2011	2010
Market price at year-end	<b>\$24.61</b>	\$23.07	\$18.35	\$ 18.26	\$18.64
Book value per share	<b>\$13.11</b>	\$12.54	\$11.30	\$10.76	\$10.45
Earnings per share (diluted)	<b>\$1.19</b>	\$1.02	\$1.17	\$0.90	\$0.90
Dividend per share	<b>\$0.650</b>	\$0.640	\$0.630	\$0.615	\$0.595
Revenue*	<b>\$ 597,499</b>	\$584,103	\$559,966	\$501,814	\$460,399
Net income*	<b>\$56,738</b>	\$47,254	\$ 48,828	\$ 37,712	\$37,656

\*Dollars in thousands

**Q1**

Cal Water implements a new injury reporting management system for employees that reduces Total Case Incident Rate by 26%

Company finalizes its cyber-security incident response plan

Officer Paul G. Townsley testifies before two key legislative committees about affordability and low-income customer assistance programs

**Q2**

Cal Water is named a Top 100 Workplace in the Bay Area by Bay Area News Group

Hawaii Water receives approval to increase rates in Waikoloa Resort system to cover increased costs

**Q3**

Cal Water receives top conservation honor from Kern County's Kern Green, as well as the Corporate Leadership Award from the Carson Chamber of Commerce

Cal Water converts last flat-rate customers in Chico and Willows to metered service to encourage water conservation

Cal Water launches scholarship and hardship grant programs

Cal Water receives approval on its 2012 General Rate Case

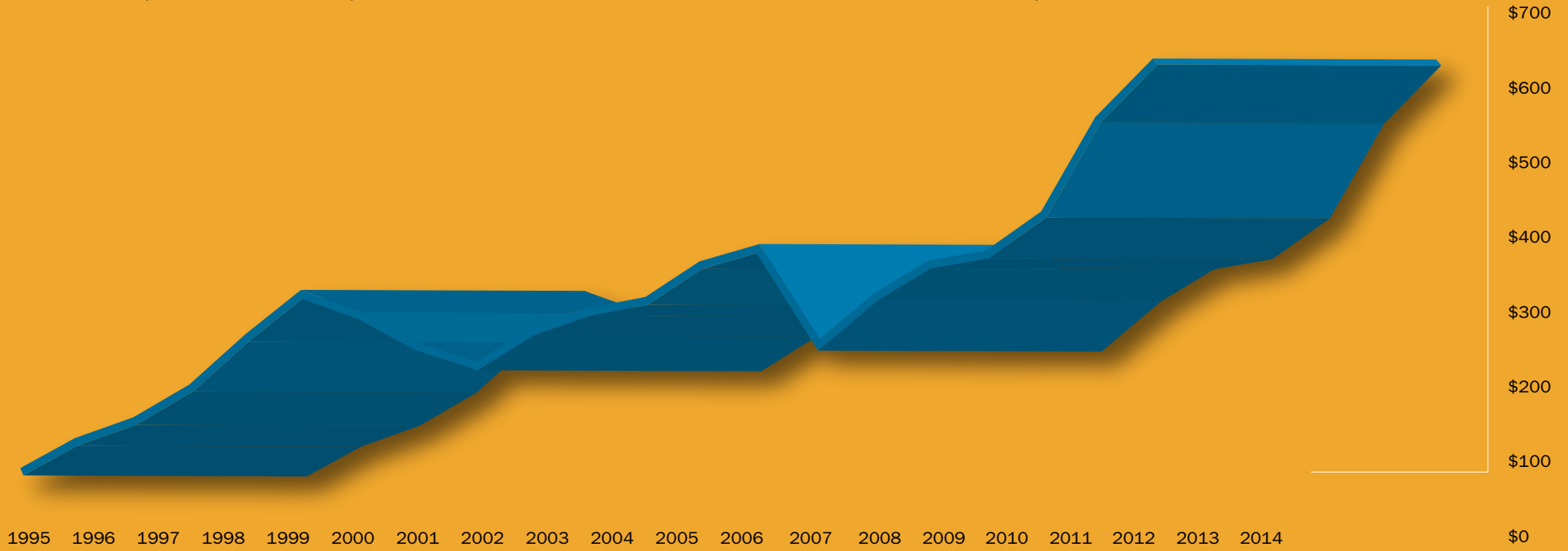
**Q4**

Company contributes \$136,000 to make the holidays brighter for the needy, plus \$1,000 more to replace toys stolen from the Salvation Army in Marysville

Company provides specialized safety training to all wastewater employees

Company implements new, comprehensive IT Security Policy

### CWT 20-Year Total Return on Investment (On \$100 of stock purchased on December 31, 1994, with dividends reinvested)



20-Year Total Return 2014



Dear Fellow Stockholder:

If you've been with us for any length of time, you know that each year we take this opportunity to communicate highlights of our performance, and invariably, we focus on our customers, communities, stockholders, and employees. This, as you can see from our strategic roadmap, is no accident.

Everything we do goes back to our purpose: to enhance the quality of life for our customers, communities, stockholders, and employees. We realize that may sound a bit lofty for a water and wastewater utility, but if you think about it, doesn't having a clean, safe, reliable water supply delivered right to the tap make our customers' lives better? Whether we are contributing to charitable community organizations that help those in need, paying our 279th consecutive quarterly dividend to stockholders, or supporting our employees' professional development, we are improving quality of life.

We are proud to have such an important purpose, and we are pleased to report our progress in following our strategic roadmap in 2014.

**Martin A. Kropelnicki**  
President and Chief Executive Officer  
(Right)

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

**Goal: Enhanced Stockholder Value**

In 2014, net income was \$56.7 million and earnings per share was \$1.19. The annual dividend of \$0.65 was increased for the 47th consecutive year and paid for the 279th consecutive quarter. The share price at year-end was \$24.61.

Our financial results were better than expected this year, primarily because we received authorization to increase rates by \$45 million in 2014, operated within budget, invested \$132 million in capital projects to benefit our communities, and continued to focus on tax planning.

These three areas are key to our success going forward: operating efficiently, investing responsibly in water system improvements that enable us to provide safe, reliable water service to our customers, and progressively managing regulatory affairs.

In its decision on Cal Water's 2012 General Rate Case, the California Public Utilities Commission authorized us to spend \$449 million on projects that will improve service and reliability for our customers. Our engineering and district personnel are working diligently to complete these important improvements on time and on budget.

We are currently preparing to file our next GRC in California, which we are required to submit in 2015 for a scheduled decision in 2017. We have also developed rate case plans for our other subsidiaries to ensure that rates accurately reflect the costs of providing safe, reliable water service and allow us to earn a reasonable return on our investments in infrastructure.

And, as always, we will maintain the strong balance sheet that has earned us an A+ Stable rating from Standard & Poor's through prudent fiscal management, diligent risk mitigation, and a disciplined approach to growth.

### **Goal: Affordable, Excellent Service**

Let's begin with affordability. There's no avoiding the fact that the costs of providing high-quality water and wastewater utility services are increasing for myriad reasons, not the least of which include the need to invest in water system infrastructure and meet new water quality and environmental standards. In fact, water rates throughout the nation are increasing at a rate that significantly outpaces inflation. We recognize that this poses difficulties for our customers. That's why we approach the challenge from two angles: we look for ways to reduce costs and increase efficiencies, and we provide a helping hand to those who need it most.



First, our Continuous Improvement approach to business makes every employee responsible for improving efficiency. Beyond the many innovative Continuous Improvement projects completed in 2014, we:

- Deployed our mobile workforce system in our East Los Angeles, Rancho Dominguez, and Bayshore Districts, reducing windshield time and increasing the number of service calls that can be handled each day.
- Analyzed and adjusted our pumping schedules to use energy when it is least expensive.
- Pilot-tested smart-meter technology to identify additional time-of-use savings opportunities for power usage and identify and replace less efficient pumps more quickly.
- Used correlators and data loggers to pinpoint water main leaks more precisely, thereby reducing the time and materials required for repairs.
- Purchased analytical equipment for our state-certified water quality laboratory in San Jose that will reduce costs of water quality testing at outside laboratories.
- Researched and identified the most cost-effective approaches for meeting the new chromium-6 standard in California.

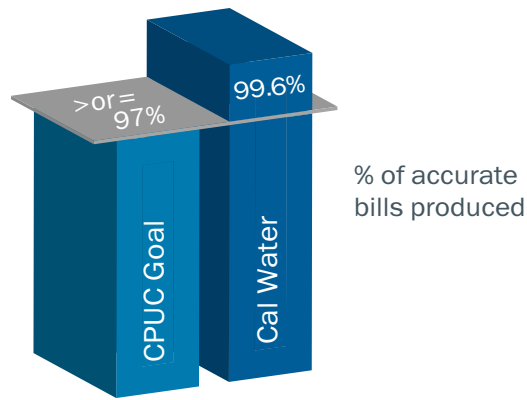
Despite our best efforts, some customers still have difficulty paying for water service, especially in areas where water rates are relatively high because there are fewer customers to share the costs of securing an adequate water supply and providing necessary treatment.

For these service areas, we provide a discount through our Rate Support Fund, which is a first in California's regulated water utility industry. And in 2014, we received approval from the California Public Utilities Commission to increase this discount as part of our 2012 General Rate Case.

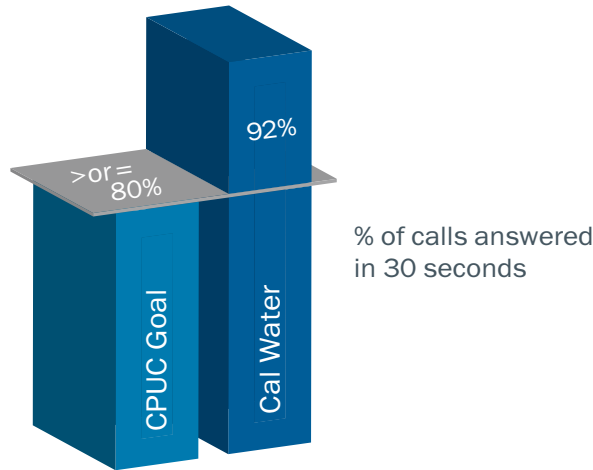
Customers in Lucerne, California receive this discount, but their rates are still high. So when the Lucerne system required an investment in pumping equipment in 2014, we worked diligently to secure a grant from the State of California. Rather than making the investment and earning a return on it, we chose to put time and effort into the grant process in order to make the necessary modifications without impacting Lucerne customers' rates.

Similarly, we were extremely concerned about the impact that the new chromium-6 standard would have on rates in a few of our California districts, despite the work we had done to identify the lowest-cost treatment method. We were thrilled to announce in February 2015 that we were successful in securing two grants that will significantly reduce the rate impact in our Willows District. The first is a \$5 million grant from the State of California, and the second is a \$175,000 grant from a nationally recognized water research foundation.

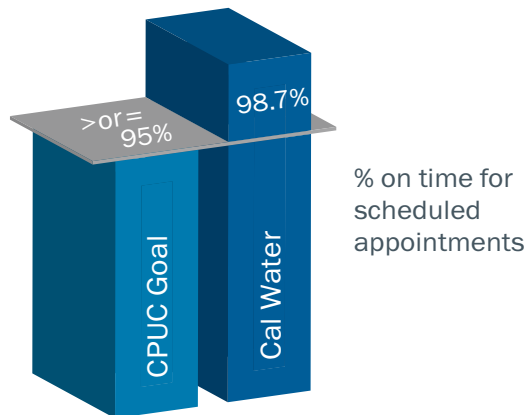
Customer Service Performance Measures



% of accurate bills produced



% of calls answered in 30 seconds



% on time for scheduled appointments

Even in the majority of our service areas where water rates account for a small fraction of the total household budget, there are still customers who need help. To complement our Low-Income Rate Assistance Program, we introduced another program in 2014: our Cal Water Cares Hardship Grant Program. The new program is intended to help customers who have experienced a catastrophe, such as loss of a job or serious illness, and need help paying their bill.

As for service, in 2014, we surpassed all nine of the California Public Utilities Commission’s customer service performance measures, which set goals for customer calls, billing, payment processing, meter reading, service appointments, and complaints. Although the numbers are important to us, they pale in comparison to notes like this one from a customer in Westlake: “With Bill, you have a real professional on your hands. His customer service and work were excellent.” Or this one, from New Mexico: “It is rare today to find any entity that delivers true customer service.

Thank you for truly caring about the people in the communities you serve.” Or this one, from Washington: “Brian has the welfare of his customers as his top priority, and we benefitted greatly from his prompt and knowledgeable support.”

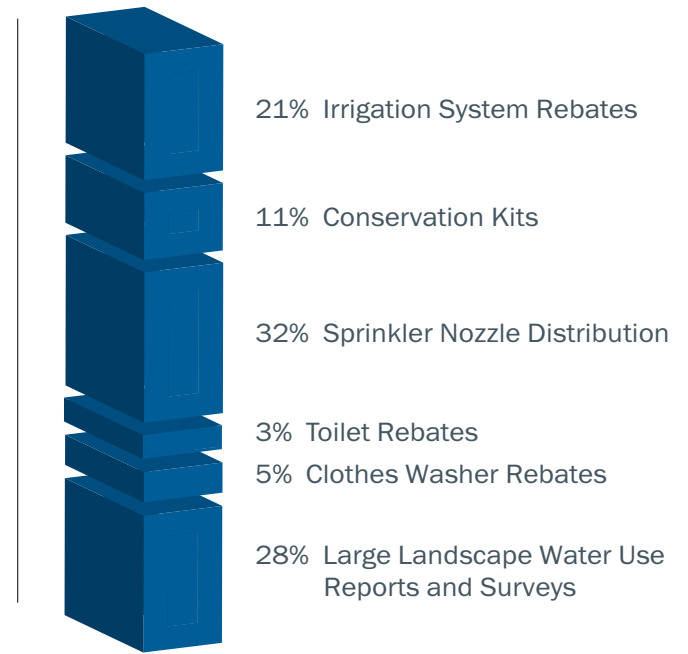
But it takes more than great people to provide excellent service; in 2014, we also invested diligently in water systems in order to deliver a reliable water supply, particularly in the face of historic drought conditions.

2014 water system improvements included:

- About 60,000 feet of new water mains
- Four new wells and rehabilitation of four existing wells
- Seven new storage tanks
- Two new water treatment facilities
- 12 emergency power generators

Although December 2014 brought significant rainfall, California is facing a fourth year of drought. Many believe that extended dry periods are the “new normal” for the state. Cal Water has been working diligently for many years to ensure that our water supplies are reliable and that our customers use water wisely. In fact, our customers are taking advantage of our industry-leading water conservation programs, and in many areas have already achieved the state goal of 20% per capita water use reduction by the year 2020.

Conservation Programs



8,619,084,801 Gallons Saved

As we look to 2015, we are closely monitoring our sources of supply, augmenting and optimizing groundwater resources where available, and preparing to meet mandated water use reductions if required by either state regulatory agencies or the wholesale agencies that provide us with surface water from outside of our service areas. In the long term, we are considering how continuing drought, climate change, and an ever-increasing population will affect water supplies and water rates throughout the state. It is clear that all California water providers will need to take further steps to optimize water resources, including water conservation, conjunctive use (the coordinated management of surface and groundwater supplies), recycled water, and desalinated water, to meet future challenges.

### **Goal: High-Quality Water and Wastewater Service**

Really a component of excellent service, providing high-quality water and wastewater service is a foundation of our business. As for our drinking water operations, in 2014, our San Jose laboratory once again earned certification by the Environmental Laboratory Accreditation Program, a rigorous process that requires all of our scientists to pass blind-study proficiency tests each year for every water quality test performed. Our state-of-the-art lab, which is certified to conduct analyses in microbiology, inorganic chemistry, toxic chemical elements, organic chemistry, and radio chemistry, currently tests our water supplies for 109 contaminants.

On the wastewater side of the business, we recruited an experienced, highly qualified Wastewater Manager to oversee wastewater operations. Under his leadership, our team conducted an audit of all of our wastewater plants, developed standard operating procedures, and prepared quick reference guides for each facility, all of which ensures that the facilities are operated optimally.

### **Goal: Outstanding Reputation as a Good Corporate Citizen**

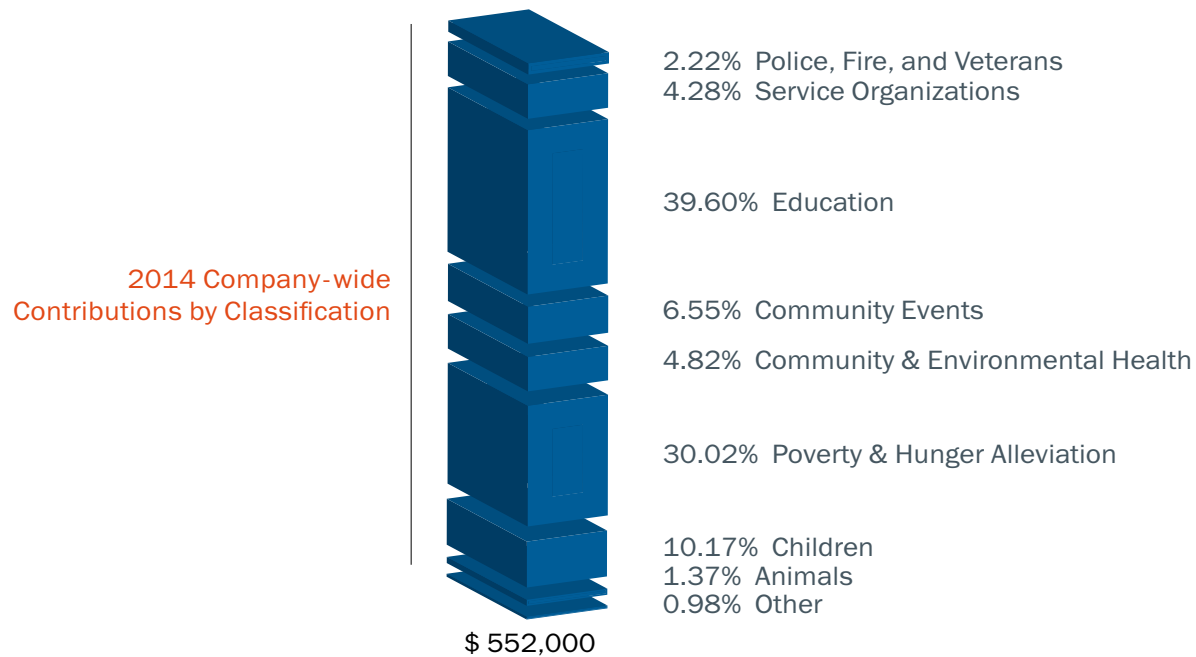
Our commitment to making lives better is evidenced by our support for our communities. We have a long history of contributing time and resources to worthwhile charitable organizations, and in 2014, we contributed more than \$550,000 to feed the hungry, comfort the sick, and care for the children in our California, Washington, Hawaii, and New Mexico service areas. Because we are active in our communities, we are able to respond when needs arise, as was the case when we stepped in to help renovate and reopen four parks in Marysville; offered assistance to King City customers who lost their homes to a devastating fire; and played Santa to kids in Yuba and Sutter Counties after thieves stole Christmas toys from the regional Salvation Army.

In addition to our ongoing efforts to support our communities, in 2014, Cal Water introduced a scholarship program for students in its service areas. Thirty-one students were awarded scholarships ranging from \$1,000 to \$10,000 for college, technical, or vocational schools, based upon their financial need, scholastic achievement, and community service. Their response was gratifying. As one student said, “Your generosity has inspired me to help others and give back to the community. I hope one day I will be able to help students achieve their goals just as you’ve helped me.”

Another new initiative for 2014: a five-year pledge to the Tower Foundation of San Jose State University in support of student and faculty activities and programs of the Charles W. Davidson College of Engineering. The contribution will allow Professor Juneseok Lee, his students, and Cal Water technical staff to work collaboratively on issues facing the water industry. This joint effort will provide information and solutions that will improve efficiency and service to our customers.

Another aspect of corporate citizenship that contributes to a solid reputation: environmental stewardship and conservation leadership. In 2014, we undertook numerous “green” initiatives, most of which relate to increasing energy efficiency, recycling, and minimizing the impact of our operations on wildlife and air quality. Though these are important, we make the greatest positive impact through our water supply management and conservation efforts, particularly in light of historic drought conditions in California.

In 2014, landmark legislation was passed in California to mandate the management of groundwater basins, with a goal of preventing overdraft. Most of the groundwater we pump comes from legally or collaboratively managed sources. In some of our service areas, court-appointed watermasters or groundwater management authorities are responsible for regulating pumping and managing recharge efforts. In others, we partner with other organizations on regional groundwater recharge efforts, as is the case in both the San Francisco Bay Area and surrounding valleys. In severe droughts, our groundwater supplies are like savings banks that help to meet our needs when surface water supplies are limited; however, careful monitoring and recharge are critical to ensure long-term reliability.



Recycled water use is another important part of integrated water supply management. We currently provide recycled water to customers in our Rancho Dominguez and Westlake Districts. We also reuse treated waste-water in Hawaii to reduce potable water demand.

Water conservation is the centerpiece of our environmental stewardship, and we're proud of our industry-leading program. In 2014, we:

- Provided \$281,925 in rebates on high-efficiency clothes washers, for an annual water savings of 7,846,512 gallons.
- Distributed 50,026 sprinkler nozzles, which will save 52,147,102 gallons per year.
- Provided 1,437 high-efficiency toilets through our direct-install and rebate programs, for an annual savings of 5,222,567 gallons.

We also introduced an exciting new project-based school education program, called the Cal Water H2O Challenge, which enables fourth- through sixth-grade classes in our service areas to complete science-based, water-related projects and compete for an educational field trip to the Channel Islands. A companion program, Cal Water Town, is an interactive tool on our web site that enables kids and their parents to learn about conservation.

As you can imagine, the drought has caused us to step up our outreach, and we continue to see a response from our California customers, who saved a collective 8,619,084,801 gallons in 2014.

### **Goal: Employees Who Are Our Best Advocates**

Employees have always been key to our success, but what do we mean when we say we want our employees to be our best advocates? To go back to the strategic roadmap metaphor, we want them in the car, driving with us toward our shared purpose. That means taking pride in what we stand for, living our core values, and helping us achieve our objectives. And they're doing just that.

In 2014, we surveyed all employees to measure engagement levels and identify any opportunities for improvement. Overall, our results were excellent, surpassing our industry benchmark in nearly every category. One thing that was clear from the results is that our employees care. They care about our customers. They care about each other. And they care about doing what's right.

In 2014, Marty had the opportunity to hear directly from many employees as he visited nearly every district. He continues to make it a priority to communicate with all employees, making more district visits in the first quarter of 2015.

The company also had the opportunity to address employee concerns during the labor negotiation process. Working with the Utility Workers Union of America and the International Federation of Professional and Technical Engineers, we reached a six-year labor agreement in January 2015 that addressed the highest priorities of all involved. This was the first time that Ronald D. Webb, our new Vice President of Human Resources, led the negotiation process, and he was, in his own words, “extraordinarily impressed by the collaborative and productive relationship the Company has with its unions.”

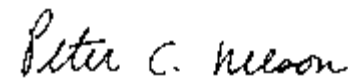
Ron wasn't the only newcomer to our officer team; in December, the Board elected Shannon C. Dean as Vice President, Corporate Communications & Community Affairs, and Michelle R. Mortensen as Corporate Secretary. It also promoted David B. Healey to Vice President, Controller, and Lynne P. McGhee to Vice President, General Counsel. We said goodbye to Robert R. Guzzetta, who retired as Vice President, Engineering & Water Quality after 37 years of service, and Helen R. Del Grosso, who retired as Vice President, Human Resources after 6 years of service.

At the board level, we welcomed incoming Director Terry P. Bayer. As Chief Operating Officer of Molina Healthcare, Inc., Terry has an excellent track record as the top operating executive at a large company, and she brings more than 30 years of healthcare management experience to the position.

We all look forward to working together in the coming year to fulfill our purpose and improve the quality of life for our customers, communities, employees, and stockholders. As always, we thank you for your continued investment and wish you the very best in the coming year.



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

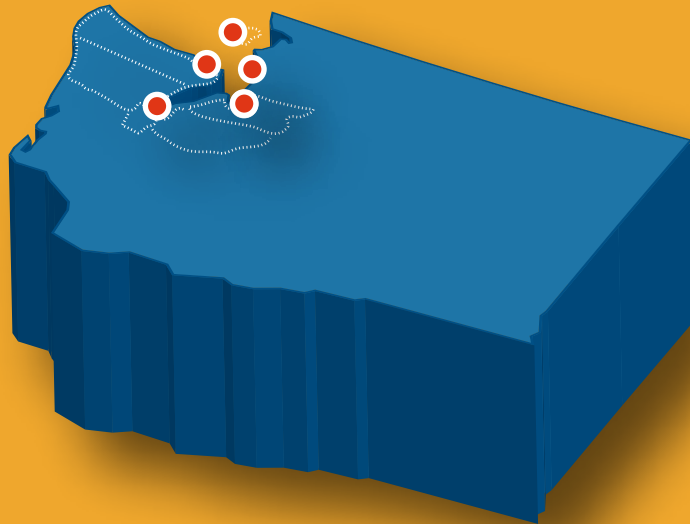


**Peter C. Nelson**  
Chairman of the Board

### 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

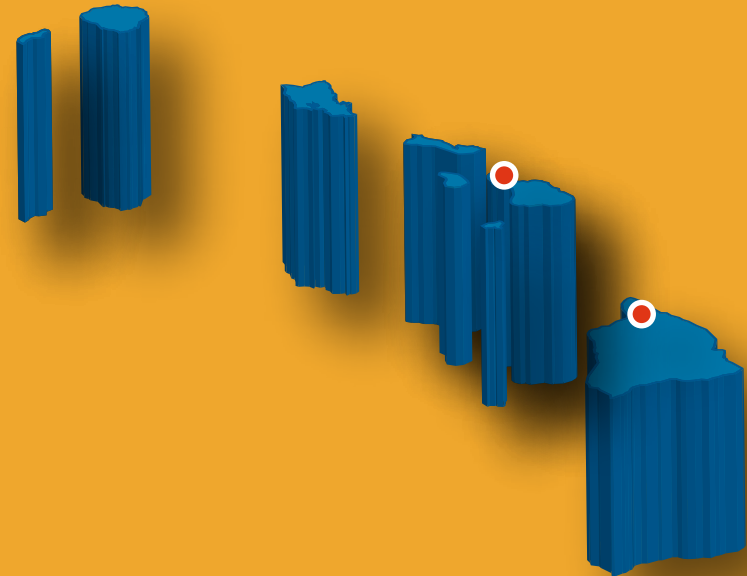
16,000 2013

16,300 2014

### Hawaii

#### Operations/Customer Centers

(Maui) Ka'anapali • (Hawaii) Waikoloa



Serving the communities of Ka'anapali, Pukalani, Waikoloa, and Kukio on the islands of Maui and Hawaii.

#### Regulated Customer Connections

4,200 2013

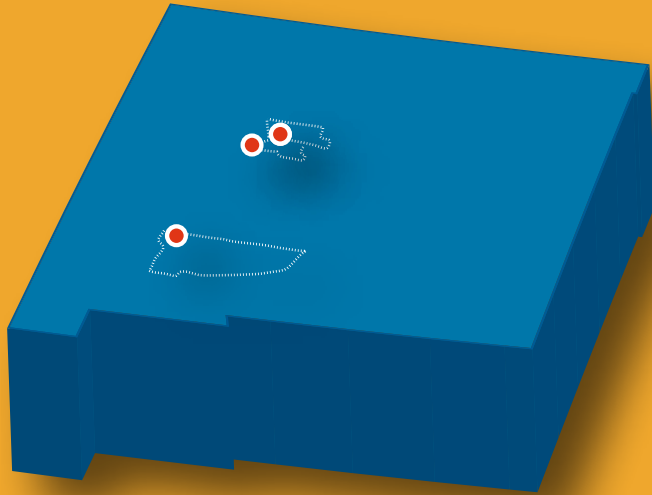
4,300 2014



### New Mexico

#### Operations /Customer Centers

Elephant Butte • Rio Communities



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

#### Regulated Customer Connections

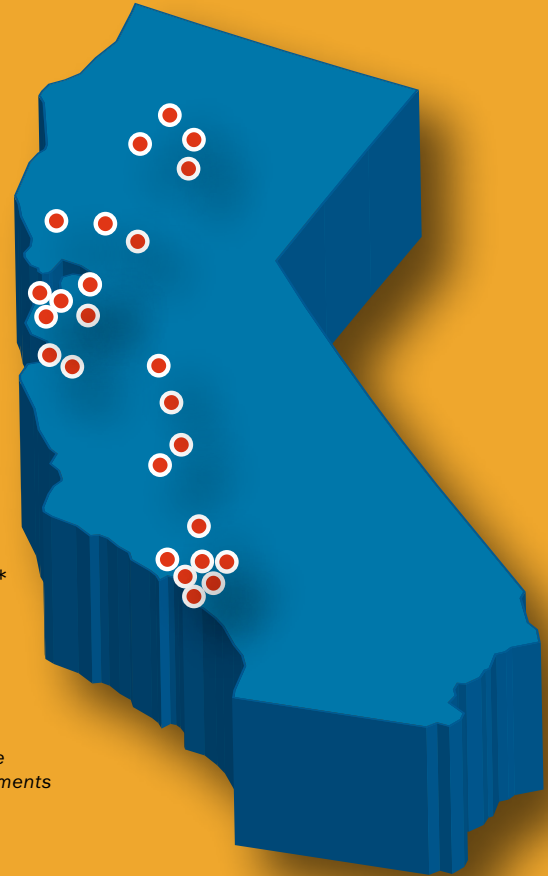
7,600 2013

7,600 2014

### 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\*

475,100 2013

477,900 2014

*\* Numbers include Hawthorne and Commerce lease agreements*

## California Districts & Communities

	2014	2013
Antelope Valley • Fremont Valley, Lake Hughes, Lancaster & Leona Valley	1,400	1,400
Bakersfield	70,100	69,600
Bayshore • South San Francisco, Colma, Broadmoor, San Mateo & San Carlos	53,500	53,300
Bear Gulch • Atherton, Woodside, Portola Valley & a portion of Menlo Park	18,900	18,800
Chico • Hamilton City	28,700	28,400
Dixon	2,900	2,900
Dominguez • Carson & portions of Compton, Harbor City, Long Beach, Los Angeles County & Torrance	34,000	33,900
East Los Angeles • Portions of Montebello, Commerce, Monterey Park & Vernon	26,800	26,700
Hawthorne & Commerce (lease agreements)	7,600	7,500
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	4,100	4,200
King City	2,600	2,500
Livermore	18,500	18,400
Los Altos • Portions of Cupertino, Los Altos Hills, Mountain View & Sunnyvale	18,900	18,800
Marysville	3,700	3,700
Oroville	3,600	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	1,900
Salinas	28,400	28,300
Selma	6,300	6,300
Stockton	43,300	43,000
Visalia	42,400	41,700
Westlake • Westlake Village & a portion of Thousand Oaks	7,100	7,100
Willows	2,400	2,400

## Eight-Year Financial Review Years 2011-2014

(Dollars in thousands, except common share and other data)

	2014	2013	2012	2011
<b>Summary of Operations</b>				
Operating revenue	\$597,499	\$584,103	\$559,966	\$501,814
Operating expenses	\$515,652	\$510,098	\$486,123	\$434,647
Interest expense, other income and expenses, net	\$25,109	\$26,751	\$25,015	\$29,455
Net income	\$56,738	\$47,254	\$48,828	\$37,712

### Common Share Data

Earnings per share - diluted	\$1.19	\$1.02	\$1.17	\$0.90
Dividend declared	\$0.650	\$0.640	\$0.630	\$0.615
Dividend payout ratio	55%	63%54%	68%	66%
Book value	\$13.11	\$12.54	\$11.30	\$10.76
Market price at year-end	\$24.61	\$23.07	\$18.35	\$18.26
Common shares outstanding at year-end (in thousands)	47,806	47,741	41,908	41,817
Return on average common stockholders' equity	9.3%	8.8%	10.6%	8.5%
Long-term debt interest coverage	4.29	3.42	3.45	3.11

### Balance Sheet Data

Net utility plant	\$1,590,431	\$1,515,831	\$1,457,056	\$1,381,119
Total assets	\$2,187,351	\$1,959,855	\$1,995,924	\$1,854,587
Long-term debt, including current portion	\$425,840	\$434,050	\$481,250	\$488,165
Capitalization ratios:				
Common stockholders' equity	59.5%	58.0%	49.6%	48.0%
Preferred stock	0.0%	0.0%	0.0%	0.0%
Long-term debt	40.5%	42.0%	50.4%	52.0%

### Other Data

Water production (million gallons)	118,282	126,363	125,892	120,353
Customers at year-end, including Hawthorne and Commerce	506,100	502,900	500,700	499,500
New customers added	3,200	2,200	1,200	1,600
Revenue per customer	\$1,181	\$1,161	\$1,118	\$1,005
Utility plant per customer	4,628	4,401	4,187	3,925
Employees at year-end	1,105	1,125	1,131	1,132

### Eight-Year Review 2014

## Eight-Year Financial Review Years 2007-2010 (compared to 2014)

(Dollars in thousands, except common share and other data)	2014	2010	2009	2008	2007
<b>Summary of Operations</b>					
Operating revenue	\$597,499	\$460,399	\$449,372	\$410,312	\$367,082
Operating expenses	\$515,652	\$398,586	\$391,253	\$352,843	\$322,912
Interest expense, other income and expenses, net	\$25,109	\$24,157	\$17,565	\$17,664	\$13,011
Net income	\$56,738	\$37,656	\$40,554	\$39,805	\$31,159
<b>Common Share Data</b>					
Earnings per share - diluted	\$1.19	\$0.90	\$0.98	\$0.95	\$0.75
Dividend declared	\$0.650	\$0.595	\$0.590	\$0.585	\$0.580
Dividend payout ratio	55%	66%	61%	62%	77%
Book value	\$13.11	\$10.45	\$10.13	\$9.72	\$9.33
Market price at year-end	\$24.61	\$18.64	\$18.41	\$23.22	\$18.51
Common shares outstanding at year-end (in thousands)	47,806	41,667	41,531	41,446	41,332
Return on average common stockholders' equity	9.3%	9.0%	9.8%	10.2%	8.1%
Long-term debt interest coverage	4.29	3.59	4.04	4.72	3.70
<b>Balance Sheet Data</b>					
Net utility plant	\$1,590,431	\$1,294,297	\$1,198,077	\$1,112,367	\$1,010,196
Total assets	\$2,187,351	\$1,692,066	\$1,525,581	\$1,418,107	\$1,184,499
Long-term debt, including current portion	\$425,840	\$481,561	\$387,222	\$290,316	\$291,921
Capitalization ratios:					
Common stockholders' equity	59.5%	47.5%	52.1%	58.1%	56.9%
Preferred stock	0.0%	0.0%	0.0%	0.0%	0.5%
Long-term debt	40.5%	52.5%	47.9%	41.9%	42.6%
<b>Other Data</b>					
Water production (million gallons)	118,282	121,942	131,558	137,757	141,238
Customers at year-end, including Hawthorne and Commerce	506,100	497,900	494,700	490,493	487,555
New customers added	3,200	3,200	4,207	2,938	3,662
Revenue per customer	\$1,181	\$925	\$908	\$837	\$753
Utility plant per customer	4,628	3,706	3,455	3,228	2,968
Employees at year-end	1,105	1,127	1,013	929	891

### Eight-Year Review 2014

## Board of Directors

### Martin A. Kropelnicki

**President and Chief Executive Officer**

19 months served as a Board Member.



### Linda R. Meier

**Member of the National Board of the Institute of International Education**

21 years served as a Board Member.

*Member of the following Committees:* Audit, Organization/Compensation, and Nominating/Corporate Governance.



### Peter C. Nelson

**Chairman of the Board**

19 years served as a Board Member.



### Terry P. Bayer

**Chief Operating Officer, Molina Healthcare, Inc.**

13 months served as a Board Member.

*Member of the following Committee:* Organization/Compensation



### Edwin A. Guiles

**Former Executive Vice President of Corporate Development, Sempra Energy**

7 years served as a Board Member.

*Member of the following Committees:* Audit, Finance/Risk Management, and Organization/Compensation.



### George A. Vera

**Former Vice President and Chief Financial Officer, the David and Lucile Packard Foundation**

17 years served as a Board Member.

*Member of the following Committees:* Audit, Finance/Risk Management, and Nominating/Corporate Governance.



### Richard P. Magnuson

**Lead Director and Private Venture Capital Investor**

19 years served as a Board Member.

*Member of the following Committees:* Audit, Finance/Risk Management, and Nominating/Corporate Governance.



### Bonnie G. Hill

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

12 years served as a Board Member.

*Member of the following Committees:* Organization/Compensation and Nominating/Corporate Governance.



### Thomas M. Krummel

**Professor and Chair, Surgery Department, Stanford University School of Medicine**

5 years served as a Board Member.

*Member of the following Committees:* Organization/Compensation and Nominating/Corporate Governance.



### Lester A. Snow

**Former Director of the California Department of Water Resources**

4 years served as a Board Member.

*Member of the following Committees:* Finance/Risk Management and Organization/Compensation.

## Corporate Officers



Listed from left to right

**David B. Healey**  
 Vice President,  
 Controller

**Lynne P. McGhee**  
 Vice President,  
 General Counsel

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

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

**Michelle R. Mortensen**  
 Corporate Secretary

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

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

**Ronald D. Webb**  
 Vice President,  
 Human Resources

**Francis S. Ferraro**  
 Vice President,  
 Corporate Development

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

**Shannon C. Dean**  
 Vice President,  
 Corporate Communications  
 and Community Affairs

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



## Corporate Information

### American Stock Transfer & Trust Company

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 17 Ad -15. A notary's acknowledgement 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 Wednesday, May 27, 2015, 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 15, 2015.

### Anticipated Dividend Dates For 2015

Quarter	Declaration	Record Date	Payment Date
First	January 28	February 9	February 20
Second	April 29	May 11	May 22
Third	July 29	August 10	August 21
Fourth	October 28	November 9	November 20

### Annual Report For 2014 On Form 10-K

A copy of the Company's report for 2014 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

[www.calwatergroup.com](http://www.calwatergroup.com)



## California Water Service Group



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San Jose, California 95112-4598  
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NYSE: **CWT**