

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (date of earliest event reported): **February 24, 2016**

CALIFORNIA WATER SERVICE GROUP

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

1-13883
(Commission file number)

77-0448994
(I.R.S. Employer
Identification Number)

1720 North First Street
San Jose, California
(Address of principal executive offices)

95112
(Zip Code)

(408) 367-8200
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On February 24, 2016, California Water Service Group (the "Company") issued a press release announcing its financial results for the fourth quarter and year-end of 2015, ended December 31, 2015. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

As announced, the Company will host a conference call and webcast on Thursday, February 25, 2016 at 11:00 am EST to discuss financial results and management's business outlook. The financial results announcement contains information about how to access the conference call and webcast. A slide presentation, which includes supplemental information relating to the Company, will be used by management during the conference call and webcast. A copy of the slide presentation is attached hereto as Exhibit 99.2 and is incorporated by reference herein. The Exhibits will be posted on the Company's website at www.calwatergroup.com under the "Investor Relations" tab.

The information furnished pursuant to Item 2.02 of this Current Report shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 7.01. Regulation FD Disclosure.

The information included in the Exhibits to this report is incorporated by reference in response to this Item 7.01.

The information furnished pursuant to Item 7.01 of this Current Report shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act, or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

We hereby furnish the following exhibits, which shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act, with this report:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued February 24, 2016
99.2	Slide presentation relating to conference call and webcast

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CALIFORNIA WATER SERVICE GROUP

Date: February 25, 2016

By: /s/ Thomas F. Smegal
Name: Thomas F. Smegal
Title: Vice President, Chief Financial Officer and Treasurer



NEWS RELEASE
CALIFORNIA WATER SERVICE GROUP



1720 North First Street
San Jose, CA 95112-4598

February 24, 2016
for immediate release

Contact: Tom Smegal (408) 367-8200 (analysts)
Shannon Dean (310) 257-1435 (media)

**CALIFORNIA WATER SERVICE GROUP ANNOUNCES REVENUES
AND EARNINGS FOR YEAR-END AND FOURTH QUARTER 2015**

SAN JOSE, CA — California Water Service Group (NYSE: CWT) today announced net income of \$45.0 million and diluted earnings per share of \$0.94 for 2015, compared to net income of \$56.7 million and earnings per share of \$1.19 in 2014.

The decrease in net income was largely attributable to a decrease of \$4.9 million in estimated unbilled revenue in 2015 net of taxes, a non-recurring \$4.8 million tax benefit in 2014, and drought-related expenses that the Company expects to recover in rates after regulatory review.

Total revenue decreased 1.5% to \$588.4 million in 2015, compared to revenue of \$597.5 million in 2014, primarily due to significant reductions in customers' water usage, which affected both the water revenue decoupling mechanisms and estimated unbilled revenue. (The revenue decoupling mechanisms are the California water revenue adjustment mechanism [WRAM] and modified cost balancing account [MCBA]). The decrease to revenue was partially offset by rate increases of \$5.8 million and rate increases of \$17.7 million related to increased water production cost.

1

“Responding to California’s historic drought and helping our customers achieve the required 25% water-use reduction was our primary focus in 2015. Overall, our customers did an excellent job conserving water, and the company achieved a 28.6% total reduction through December 2015 as compared to the same period in 2013. Further, the company invested \$176.8 million in capital improvements during 2015, an increase of 34% over 2014. This investment in rate base enables us to continue supplying high quality, reliable water service for our customers.” said President and Chief Executive Officer Martin A. Kropelnicki.

Total operating expenses increased slightly to \$517.2 million in 2015 compared to the prior year.

Water production expenses decreased \$16.0 million, or 7.2%, to \$207.9 million in 2015, primarily due to the reduction in customer water use associated with the California drought. As designed, the California revenue decoupling mechanisms record a reduction to revenue equal to the reduction in California water production costs.

Administrative & general and other operations expenses increased \$17.2 million, or 10.5%, to \$180.4 million in 2015, primarily due to increases in employee wage and pension benefit costs, drought-related expenses, and water conservation program costs. These cost increases were partially offset by decreases in employee medical costs, lower amounts of uninsured loss, and reduced outside services costs. Changes in employee pension benefits, employee and retiree medical costs, and water conservation program costs for regulated California operations generally do not affect earnings, as the Company is allowed by the California Public Utilities Commission (CPUC) to record these costs in balancing accounts for future recovery, creating a corresponding change to revenue.

2

Incremental California drought program operating expenses were approximately \$4.4 million in 2015 and \$0.5 million in 2014. These costs are expensed in the quarter and included in administrative & general, other operations, and maintenance expenses. Further, all incremental drought costs are recorded in a CPUC-authorized memorandum account for which the Company will request recovery later in 2016. Incremental drought costs are recoverable from customers in rates after review and approval of the CPUC.

Maintenance expenses increased \$1.6 million, or 8.1%, to \$21.5 million in 2015, due to increased costs for repairs of transmission and distribution mains.

Income taxes decreased \$2.2 million, or 8.2%, to \$24.5 million in 2015, due primarily to a decrease in net operating income, which was partially offset by non-recurring tax benefits of \$4.8 million in 2014.

Other income, net of income taxes, decreased \$0.7 million in 2015, due primarily to an unrealized loss associated with our nonqualified benefit plan.

“2015 was a challenging year. We led the industry with our customer-first approach to the drought while doing two things that will benefit the Company in the longer term: filing our 2015 General Rate Case in California and continuing to invest in capital improvements needed to provide a safe and reliable water supply to our customers,” Kropelnicki said.

Fourth Quarter 2015 Results

For the fourth quarter of 2015, net income decreased \$2.9 million, or 25.6%, to \$8.5 million, and diluted earnings per share decreased \$0.06, or 25.0%, to \$0.18 per diluted share compared to the fourth quarter of 2014. The decrease in net income was due primarily to a decrease in estimated unbilled revenue and increases in employee wage, drought-related, and maintenance costs which were partially offset by reductions in water treatment and uninsured loss costs. Net other income decreased \$0.3 million to \$0.9 million in 2015.

3

Revenue for the fourth quarter increased \$1.0 million, or 0.8%, to \$138.4 million mostly due to rate increases and changes to various balancing accounts. Total operating expenses for the quarter increased \$2.6 million, or 2.2%, to \$123.5 million. Water production expenses decreased \$0.4 million due to a reduction in customer water

consumption. Administrative & general and other operations expenses increased \$1.7 million, or 3.9%, to \$44.1 million due to increase in employee wage and pension benefits costs as well as drought-related expenses. These expenses were partially offset by a decrease in employee health care and water treatment costs. Maintenance expense increased \$0.7 million, or 13.2%, to \$5.7 million due mostly to repairs of mains and services. Other income, net of income taxes, decreased \$0.3 million, or 25%, to \$0.9 million. Net interest expense increased \$1.0 million, or 15.6%, to \$7.4 million.

The under-collected net receivable balance in the WRAM and MCBA mechanism was \$40.6 million as of December 31, 2015, a decrease of 10.2%, or \$4.6 million, from the balance of \$45.2 million as of December 31, 2014.

Regulatory Update

On July 9, 2015, Cal Water filed a GRC application seeking rate increases in all regulated operating districts in California beginning January 1, 2017. The 2015 GRC application requested increased revenues of \$94.8 million for 2017, \$23.0 million for 2018, and \$22.6 million for 2019. In addition to the CPUC's Office of Ratepayer Advocates (ORA), several other entities representing various districts intervened in the case to become active parties.

4

In the application, Cal Water also requested approval to invest \$693.0 million in districts throughout California over the three-year period from January 1, 2016 through December 31, 2018.

Other Information

All stockholders and interested investors are invited to listen to the 2015 year-end and fourth quarter conference call on February 25, 2016 at 8:00 a.m. PST (11:00 a.m. EST) by dialing 1-888-461-2024 or 1-719-325-2376 and keying in ID #4899398. A replay of the call will be available from 11:00 a.m. PST (2:00 p.m. EST) on February 25, 2016 through April 25, 2016, at 1-888-203-1112 or 1-719-457-0820, ID #4899398. The replay will also be available under the investor relations tab at www.calwatergroup.com. Prior to the call, Cal Water will furnish a slide presentation on its website. The presentation may be found at www.calwatergroup.com/docs/earningslidesfebruary2016.pdf after 6:00 a.m. PST. The call will be hosted by President and Chief Executive Officer Martin A. Kropelnicki and Vice President and Chief Financial Officer Thomas F. Smegal III.

California Water Service Group is the parent company of California Water Service Company, Washington Water Service Company, New Mexico Water Service Company, Hawaii Water Service Company, Inc., CWS Utility Services, and HWS Utility Services, LLC. Together these companies provide regulated and non-regulated water service to approximately 2 million people in more than 100 California, Washington, New Mexico and Hawaii communities. Group's common stock trades on the New York Stock Exchange under the symbol "CWT." Additional information is available online at www.calwatergroup.com.

5

This news release contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 ("Act"). The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the Act. Forward-looking statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the Company, the water utility industry and general economic conditions. Such words as would, expects, intends, plans, believes, estimates, assumes, anticipates, projects, predicts, forecasts or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. They are subject to uncertainty and changes in circumstances. Actual results may vary materially from what is contained in a forward-looking statement. Factors that may cause a result different than expected or anticipated include, but are not limited to: governmental and regulatory commissions' decisions; consequences of eminent domain actions relating to our water systems; changes in regulatory commissions' policies and procedures; the timeliness of regulatory commissions' actions concerning rate relief; inability to renew leases to operate city water systems on beneficial terms; changes in California State Water Resources Control Board water quality standards; changes in environmental compliance and water quality requirements; electric power interruptions; changes in customer water use patterns and the effects of conservation; the impact of weather and climate on water availability, water sales and operating results; the unknown impact of contagious diseases, such as Zika, avian flu, H1N1 flu and severe acute respiratory syndrome, on the Company's operations; civil disturbances or terrorist threats or acts, or apprehension about the possible future occurrences of acts of this type; labor relations matters as we negotiate with the unions; restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends; and, other risks and unforeseen events. When considering forward-looking statements, you should keep in mind the cautionary statements included in this paragraph, as well as the annual 10-K, Quarterly 10-Q, and other reports filed from time-to-time with the Securities and Exchange Commission (SEC). The Company assumes no obligation to provide public updates of forward-looking statements.

###

6

CALIFORNIA WATER SERVICE GROUP CONDENSED CONSOLIDATED BALANCE SHEETS Unaudited

(In thousands, except per share data)

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
ASSETS		
Utility plant:		
Utility plant	\$ 2,506,946	\$ 2,342,471
Less accumulated depreciation and amortization	(805,178)	(752,040)
Net utility plant	<u>1,701,768</u>	<u>1,590,431</u>
Current assets:		
Cash and cash equivalents	8,837	19,587
Receivables: net of allowance for doubtful accounts of \$730 for 2015 and \$697 for 2014		
Customers	31,512	25,803
Regulatory balancing accounts	35,052	53,199
Other	14,760	14,136

Unbilled revenue	23,181	23,740
Materials and supplies at weighted average cost	6,339	6,041
Taxes, prepaid expenses, and other assets	7,897	11,618
Total current assets	127,578	154,124
Other assets:		
Regulatory assets	361,893	390,331
Goodwill	2,615	2,615
Other assets	52,241	49,850
Total other assets	416,749	442,796
	<u>\$ 2,246,095</u>	<u>\$ 2,187,351</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value	\$ 479	\$ 478
Additional paid-in capital	333,135	330,558
Retained earnings	308,541	295,590
Total common stockholders' equity	642,155	626,626
Long-term debt, less current maturities	512,287	419,233
Total capitalization	1,154,442	1,045,859
Current liabilities:		
Current maturities of long-term debt	6,600	6,607
Short-term borrowings	33,615	79,115
Accounts payable	66,380	59,395
Regulatory balancing accounts	2,227	6,126
Accrued interest	5,088	4,194
Accrued expenses and other liabilities	34,545	62,269
Total current liabilities	148,455	217,706
Unamortized investment tax credits	1,872	2,032
Deferred income taxes, net	264,897	214,842
Pension and postretirement benefits other than pensions	236,266	270,865
Regulatory and other liabilities	82,414	83,279
Advances for construction	180,172	182,284
Contributions in aid of construction	177,577	170,484
Commitments and contingencies		
	<u>\$ 2,246,095</u>	<u>\$ 2,187,351</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(In thousands, except per share data)

For the Three-Months ended:	December 31, 2015	December 31, 2014
Operating revenue	<u>\$ 138,426</u>	<u>\$ 137,384</u>
Operating expenses:		
Operations:		
Water production costs	49,265	49,644
Administrative and General	28,041	24,671
Other operations	16,021	17,735
Maintenance	5,728	5,061
Depreciation and amortization	15,366	14,429
Income tax expense	3,520	4,143
Property and other taxes	5,523	5,132
Total operating expenses	<u>123,464</u>	<u>120,815</u>
Net operating income	<u>14,962</u>	<u>16,569</u>
Other income and expenses:		
Non-regulated revenue	5,084	5,155
Non-regulated expenses, net	(3,528)	(3,050)
Income tax (expense) on other income and expenses	(630)	(854)
Net other income	<u>926</u>	<u>1,251</u>
Interest expense:		
Interest Expense	7,854	7,110
Less: capitalized interest	(443)	(684)
Net interest expense	<u>7,411</u>	<u>6,426</u>
Net income	<u>\$ 8,477</u>	<u>\$ 11,394</u>
Earnings per share		
Basic	<u>\$ 0.18</u>	<u>\$ 0.24</u>
Diluted	<u>\$ 0.18</u>	<u>\$ 0.24</u>
Weighted average shares outstanding		
Basic	<u>47,876</u>	<u>47,806</u>

Diluted	47,886	47,842
Dividends per share of common stock	<u>\$ 0.16750</u>	<u>\$ 0.16250</u>

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(In thousands, except per share data)

<u>For the Twelve-Months ended:</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Operating revenue	<u>\$ 588,368</u>	<u>\$ 597,499</u>
Operating expenses:		
Operations:		
Water production costs	207,926	223,941
Administrative and General	113,110	97,373
Other operations	67,248	65,807
Maintenance	21,463	19,854
Depreciation and amortization	61,381	61,217
Income taxes	24,528	26,727
Property and other taxes	21,559	20,733
Total operating expenses	<u>517,215</u>	<u>515,652</u>
Net operating income	<u>71,153</u>	<u>81,847</u>
Other income and expenses:		
Non-regulated revenue	15,624	17,318
Non-regulated expenses, net	(13,729)	(14,234)
Income tax (expense) on other income and expenses	(761)	(1,245)
Net other income	<u>1,134</u>	<u>1,839</u>
Interest expense:		
Interest Expense	29,185	28,483
Less: capitalized interest	(1,915)	(1,535)
Net interest expense	<u>27,270</u>	<u>26,948</u>
Net income	<u>\$ 45,017</u>	<u>\$ 56,738</u>
Earnings per share		
Basic	<u>\$ 0.94</u>	<u>\$ 1.19</u>
Diluted	<u>\$ 0.94</u>	<u>\$ 1.19</u>
Weighted average shares outstanding		
Basic	<u>47,865</u>	<u>47,791</u>
Diluted	<u>47,880</u>	<u>47,829</u>
Dividends per share of common stock	<u>\$ 0.6700</u>	<u>\$ 0.6500</u>

CALIFORNIA WATER SERVICE GROUP

Year End 2015 Earnings Call Presentation

February 25, 2016



Forward-Looking Statements



This presentation contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 ("Act"). The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the Act. Forward-looking statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the California drought and its effect on the Company.

Words such as would, expects, intends, plans, believes, estimates, assumes, anticipates, projects, predicts, forecasts or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. They are subject to uncertainty and changes in circumstances. Actual results may vary materially from what is contained in a forward-looking statement.

Factors that may cause a result different than expected or anticipated include, but are not limited to: governmental and regulatory commissions' decisions; amount of capital allowed in the General Rate Case; changes in regulatory commissions' policies and procedures; the timeliness of regulatory commissions' actions concerning rate relief; eminent domain actions affecting our water systems; electric power interruptions; the ability to successfully implement conservation measures; changes in customer water use patterns; the impact of weather and climate on water sales and operating results; and, other risks and unforeseen events.

When considering forward-looking statements, you should keep in mind the cautionary statements included in this paragraph, as well as the annual 10-K, Quarterly 10-Q, and other reports filed from time-to-time with the Securities and Exchange Commission (SEC). The Company assumes no obligation to provide public updates of forward-looking statements.

Today's Participants



Marty Kropelnicki
President & CEO



Tom Smegal
Vice President, CFO & Treasurer

Presentation Overview



- Financial Results
- Financial Highlights
- 2014-2015 EPS Bridge
- Drought Update
- Regulatory Update
- Rate Base and ROE
- 2016 Potential Items of Interest

Financial Results



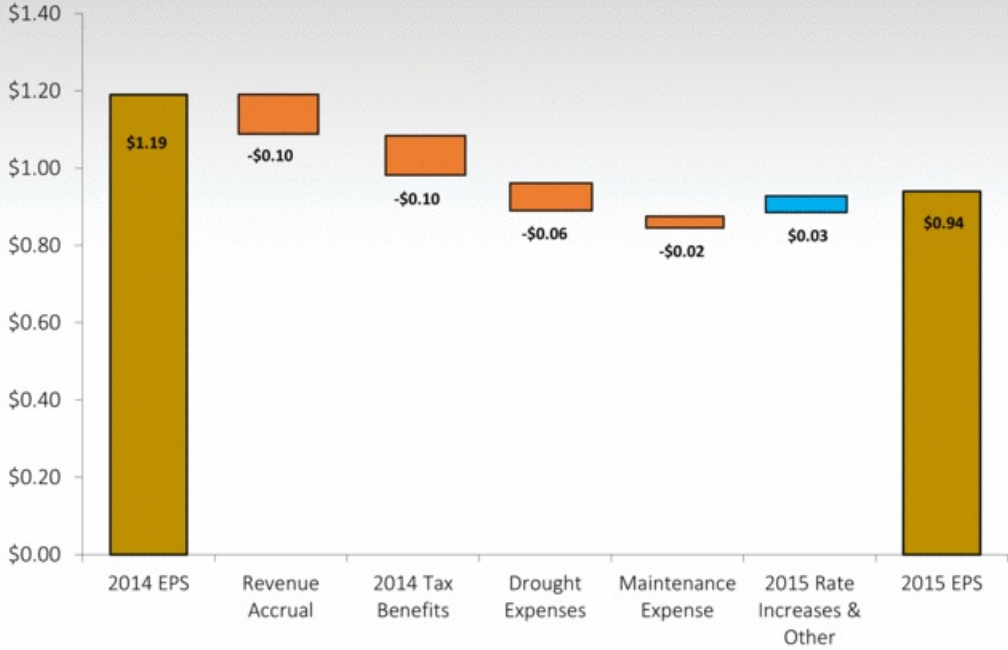
(amounts are in millions, except for EPS)	2015	2014	Variance	
Operating Revenue	\$588.4	\$597.5	-1.5%	↓
Operations Expense	517.2	515.7	0.3%	↑
Income from Operations	71.2	81.8	-13.1%	↓
Other Income	1.1	1.8	-38.3%	↓
Net Interest	27.3	26.9	1.2%	↑
Net Income	\$45.0	\$56.7	-20.7%	↓
EPS	\$0.94	\$1.19	-20.7%	↓

Financial Highlights



- Accrued unbilled revenue is excluded from revenue decoupling mechanisms- WRAM and MCBA
 - Accrued unbilled revenue represents water used by customers but not yet billed to them.
 - Accrued unbilled revenue is calculated by multiplying the number of days since the last bill times the average daily bill rendered in the preceding period.
 - Customer bills vary based on usage, rate level, and rate design.
 - As a result timing of water use at year end can affect comparison of year to year results.
- Changes in accrued unbilled revenue reduced net income \$4.9 million in 2015 compared to 2014.
 - Revenue increased \$6.8 million in 2014 due to a warm dry December 2014 as compared to December 2013 as well as the effect of higher service charges adopted in the 2014 California rate case decision.
 - Revenue decreased \$0.5 million in 2015 due to a cool wet December 2015 as compared to December 2014.
- Tax benefits of \$4.8 million received in 2014 did not recur in 2015 which reduced net income by the same amount.
- Incremental drought expenses of \$4.4 million reduced net income by \$2.8 million. The expense is tracked in an authorized memorandum account and expected to be recovered in a future period.
- Maintenance costs increased \$1.6 million due to mains and service repairs which reduced net income by \$1 million. Maintenance activities increased due to drought-related efforts to fix leaks the day they are discovered.

EPS Bridge 2014 to 2015



Financial Highlights



- Over \$177 million capital improvements, exceeding 2014 by 34%.
 - Resulting rate base growth will drive an increase in net income over the long term
- Despite significant reductions in sales, WRAM receivable declined 10.2% to \$40.6 million thanks to drought rate design
- The Company completed a successful debt offering in the fourth quarter and a replacement of its syndicated credit facilities in the first quarter
 - New long term debt of \$100 million in 4th quarter 2015 and commitment for \$50 million additional in Q1 2016
 - Company now has \$450 million revolving credit facilities
- These financing events provide liquidity necessary to continue planned investment programs over the next several years
- The Company continues to maintain a strong credit rating (A+ stable and AA- for first mortgage bonds) (reviewed and affirmed by Standard and Poor's in February 2016) and strong balance sheet

Return on Equity Reconciliation



	2015
California Adopted* Return on Equity	9.43%
GAAP ROE Achieved	7.10%
Regulatory ROE Achieved (Excludes equity-funded CWIP**)	8.45%
Adjusted Regulatory ROE (Excludes drought expenses)	8.98%

*Other states adopted ROEs vary but do not affect overall CWT adopted ROE

**Construction Work in Progress is excluded from Rate Base. Instead, the Company incorporates interest during construction into project costs once they are completed and in service.

Regulatory ROE and Adjusted Regulatory ROE are not calculated in accordance with GAAP and exclude the special items noted above. See Exhibit A for a reconciliation of regulatory ROE and Adjusted Regulatory ROE to reported GAAP ROE.



- California potentially entering 5th year of drought
 - Strong precipitation in December 2015 and January 2016 followed by dry February
 - Rainy season lasts through April - El Nino conditions may yet help
 - Mandatory conservation expected to continue at least through October 2016
- Cal Water has strong supply with redundancy, backup supplies, and deep wells
- Cal Water philosophy and relationships enable us to continue “bold” drought response in line with CPUC direction
- Cal Water continued to meet customer service standards despite increased call volume and talk time due to drought questions

Drought – Financial Effects Muted by Regulatory Mechanisms



- Cal Water’s customers achieved a net water use reduction of 28.6% in 2015, exceeding the state’s 25% target
- Cal Water has been “decoupled” (sales and production cost changes effects on covered earnings are minimized) since 2008 with WRAM
 - Change in unbilled revenue accrual is outside the WRAM and affects earnings
- Drought costs recorded for future recovery – \$0.06 EPS impact in 2015 due to drought costs of \$4.4 million
 - Recovery requires a regulatory review which we expect to request later in 2016
- Customer surcharges reduce WRAM receivable balance
 - With the cash flow benefit of \$36.9 million of drought surcharges, WRAM balance was \$40.6 million at year end, a reduction of \$4.6 million or 10.2%
- Recently adopted Sales Reconciliation Mechanism (SRM) will also help reduce receivable balances
 - Due to conservation, SRM raised base rates in nearly all California districts in 2016, potentially improving cash flows

General Rate Case 2015



- Requested Rate Increases
 - \$94.8 million in 2017
 - \$23 million in 2018
 - \$22.6 million in 2019
- 80% of rate increase is due to capital investments
- Proposed CapEx of \$693M over three years
- 18 month process – Ratepayer Advocate reports findings in Q1 2016



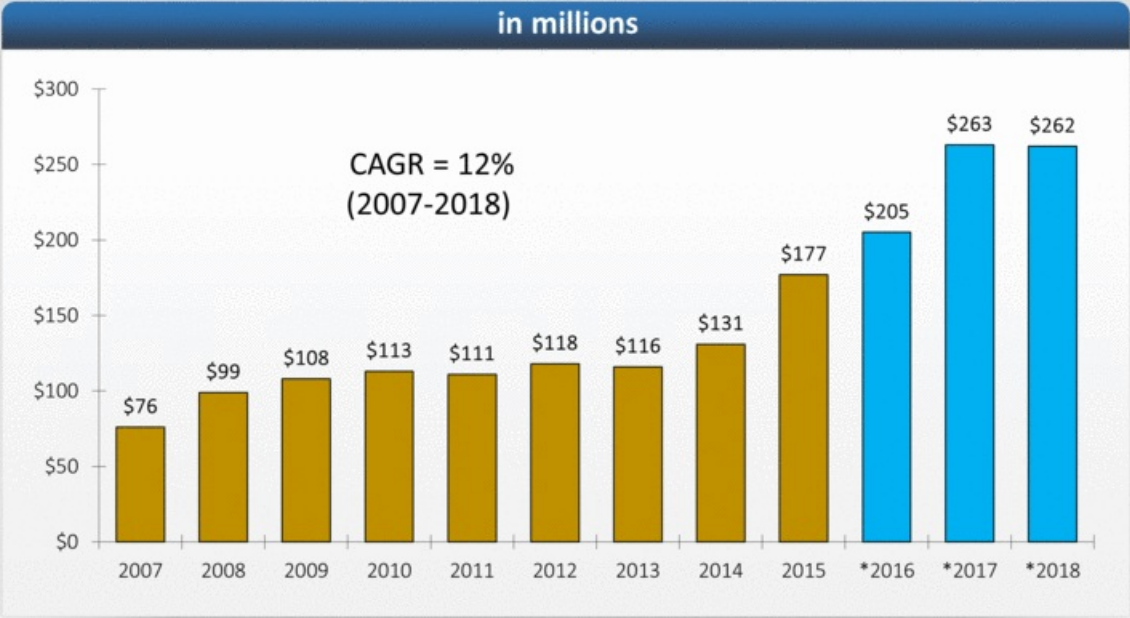
Capital Expenditure Detail

- Cal Water owns more than 6,000 miles of main
- Proposing to strengthen main replacement program
 - 300 year cycle → 200 year cycle
 - Most CA peers at 100-150 year cycle
- Water supply reliability (tanks, wells, brackish desalination study)

Policy Change Requested

- Include Construction Work in Progress in rate base, excluding future Interest During Construction from plant in service balances
 - One-time effect would add \$80 million to rate base in 2017 if approved
 - Potential increased net income of \$4 million or \$0.08 if approved

Capital Investment History and Projection



*2016-2018 amounts are based upon Company projections including 2015 California Rate Case filing estimates. Actual capital investment will vary depending on the outcome and timing of the GRC.

See the Forward-Looking Statements for factors which could cause actual results to differ materially from the expectations presented here.

Regulated Rate Base of CWT



*2016 figure reflects adopted rate base at the beginning of the year, which may change due to regulatory filings. 2017 and 2018 estimates reflect values from the 2015 California GRC filing and will change based on regulatory outcomes.

See the Forward-Looking Statements for factors which could cause actual results to differ materially from the expectations presented here.

Regulatory Authorized Earnings



YEAR	2014	2015	2016	w/GRC 2017	w/GRC 2018
Rate Base (\$Million)	\$977	\$1,004	\$1,060	\$1,344	\$1,462
Adopted Equity Capital Component	53%	53%	53%		
Maximum Allowable Regulated Earnings (\$Million)	\$48.8	\$50.2	\$53.0		

- The table demonstrates the maximum allowable earnings under the regulatory framework
- This does not represent an estimate of future earnings due to other factors such as:
 - Regulatory lag
 - Cost recovery
 - Other income and expense
 - Regulatory tax differences
- 2017 and 2018 rate base estimates include the Company's requested California GRC amounts. The amounts may be reduced through the regulatory approval process

See the Forward-Looking Statements for factors which could cause actual results to differ materially from the expectations presented here.

What to Look for in 2016



- Continued drought conditions and mandatory restrictions
 - Delays in recovering incremental drought costs may impact net income
 - Pattern of water use may continue to affect accrued unbilled revenue
 - Based on current conditions we expect drought expenses to reduce EPS by \$0.05-\$0.10 in 2016, to be recovered via drought memorandum account at a later date
- 3rd year of California GRC cycle
 - Limited rate relief (\$5 million escalation increases plus miscellaneous advice letter filings)
 - Period of greatest lag in cost recovery
- 2015 Tax Rate 36%; estimated 2016 Tax Rate 38%
- Target CapEx for 2016 \$180-210 million, subject to adjustment pending regulatory approvals

DISCUSSION



Exhibit A: Explanation of Use of Certain Unaudited non-GAAP Measures



- The Company's management uses certain non-GAAP measures to evaluate the Company's performance. Management believes these measures provide useful information and are a better indicator of the Company's core operating activities. Regulated Return on Equity (Regulated ROE) may not be comparable to similarly titled measures used by other companies. The accompanying tables provide a reconciliation of reported GAAP ROE to Regulated ROE and Adjusted Regulated ROE adjusting for certain factors that the company excludes in determining its performance.
- The reconciling adjustment from GAAP ROE to Regulatory ROE is the removal of equity that supports construction work in progress (CWIP). None of the regulated subsidiaries of the company is allowed to earn a regulated return on CWIP. Management excludes CWIP from its Regulated ROE so that it can evaluate performance against the ROE included in its regulated ratemaking.
- The Company excludes certain large temporary revenues or expenses from its analysis of Adjusted Regulated ROE. In 2015, the Company presents an Adjusted Regulated ROE excluding the direct incremental costs of responding to the California drought emergency. Management expects that regulatory mechanisms will provide recovery of these expenses in the future. These expenses are excluded from Adjusted Regulated ROE so that management can determine performance excluding differences related to timing of expense recovery.

Exhibit A: Non-GAAP reconciliation



	Net Income for the Year Ended December 31, 2015 (In Thousands)	December 31, 2015 Return on Average Common Stockholders' Equity	Average Common Stockholders' Equity (In Thousands)
GAAP (as reported)	\$ 45,017	7.10%	\$ 634,391
Excluding special items:			
2015 and 2014 average California construction work-in-progress (CWIP) net of short-term borrowings			\$ 101,441
Approved Regulatory Calculation (Excluding equity-funded CWIP)	\$ 45,017	8.45%	\$ 532,950
Excluding special items:			
Drought related operating expenses net of taxes	\$ 2,839		
Adjusted Regulatory Calculation	\$ 47,856	8.98%	\$ 532,950

2015 Modified Average Common Stockholders' Equity:	For the Year Ended December 31, 2015 (In Thousands)	For the Year Ended December 31, 2014 (In Thousands)
California Water Service Group Total Common Stockholders' Equity		
GAAP (as reported)	\$ 642,155	\$ 626,626
2015 average total common stockholders' equity	\$ 634,391	
Excluding special items:		
California CWIP net of short-term borrowings	\$ 135,859	\$ 67,022
2015 modified total common stockholders' equity	\$ 506,297	\$ 559,604
2015 modified average total common stockholders' equity	\$ 532,950	

See the Forward-Looking Statements for factors which could cause actual results to differ materially from the expectations presented here.