

May 2, 2007



# Cal Water Announces First Quarter 2007 Results

SAN JOSE, Calif.--(BUSINESS WIRE)--

California Water Service Group (NYSE:CWT) today announced net income of \$1.6 million and earnings per common share of \$0.07 for the first quarter of 2007, compared to net income of \$0.8 million and earnings of \$0.04 per common share in the first quarter of 2006.

Revenues increased by \$6.4 million to \$71.6 million, benefiting from a \$3.2 million increase in water sales to existing customers, a \$2.6 million increase in rates, and a \$0.6 million increase in sales to new customers.

Total operating expenses for the first quarter of 2007 increased by \$6.0 million to \$66.3 million. Included in this category is a \$4.4 million increase in water production costs, due largely to the increase in customer water usage. Other operations expenses were \$23.7 million, remaining unchanged from the first quarter of 2006.

Maintenance expense increased by \$0.6 million to \$4.5 million for the quarter, while depreciation expense increased \$0.7 million to \$8.4 million, as a result of increases in 2006 capital expenditures.

Other income increased \$0.8 million to \$1.3 million, due to interest income from short-term investments.

Taxes other than income taxes increased \$0.2 million to \$3.4 million as a result of higher franchise fees and property taxes, while total income taxes increase \$0.5 million to \$1.1 million because pre-tax income was higher in the first quarter of 2007.

For the twelve months ended March 31, 2007, net income was \$26.3 million, compared to \$27.4 million for the same period in the previous year, while dilutive earnings per share were \$1.34, compared to \$1.48 for the same period. Revenues for the trailing twelve months were \$341.1 million, compared to \$325.6 million for the same period in the previous year.

"The first quarter of 2007 was unusually dry for many of our service territories, and, as a result, customer demand remained relatively strong. Despite the dry weather, we remain well positioned to meet our customer needs now and in the future. In addition to our long-range supply planning, we continue to support our customers in their efforts to use water wisely," said Peter C. Nelson, President and Chief Executive Officer.

Further, he noted, the Company remains focused on seeking rates that accurately reflect the costs of service and allow stockholders a reasonable rate of return. Management is currently reviewing a proposed decision by the California Public Utilities Commission on the General Rate Case Plan to determine how it will affect Company applications in the future.

All stockholders and interested investors are invited to listen to the 2007 first quarter conference call on May 3, 2007, at 11:00 a.m. (EDT), by dialing 1-866-835-8908 and keying

in ID# 1064646. A replay of the call will be available from 2:00 p.m. (EDT) Thursday, May 3, 2007, through July 2, 2007, at 888-266-2081, ID# 1064646. The call, which will be hosted by President and CEO, Peter Nelson and Vice President and Chief Financial Officer, Martin A. Kropelnicki, will also be webcast under the investor relations tab at [www.calwatergroup.com](http://www.calwatergroup.com).

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., and CWS Utility Services. Together these companies provide regulated and non-regulated water service to more than 2 million people in 100 California, Washington, New Mexico, and Hawaii communities. Group's common stock trades on the New York Stock Exchange under the symbol "CWT."

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 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 not limited to,: governmental and regulatory commissions' decisions; changes in regulatory commissions' policies and procedures; the timeliness of regulatory commissions' actions concerning rate relief; new legislation; electric power interruptions; increases in suppliers' prices and the availability of supplies including water and power; fluctuations in interest rates; changes in environmental compliance and water quality requirements; acquisitions and our ability to successfully integrate acquired companies; the ability to successfully implement business plans; changes in customer water use patterns; the impact of weather on water sales and operating results; access to sufficient capital on satisfactory terms; civil disturbances or terrorist threats or acts, or apprehension about the possible future occurrences of acts of this type; the involvement of the United States in war or other hostilities; 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.

Additional information is available at our Web site at [www.calwatergroup.com](http://www.calwatergroup.com).

CALIFORNIA WATER SERVICE GROUP  
CONDENSED CONSOLIDATED BALANCE SHEETS  
Unaudited

(In thousands, except per share data)

	March 31, 2007	December 31, 2006
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ASSETS		
Utility plant:		
Utility plant	\$1,363,764	\$1,344,415
Less accumulated depreciation and		

amortization	411,724	402,940
Net utility plant	952,040	941,475
Current assets:		
Cash and cash equivalents	43,095	60,313
Receivables:		
Customers	17,375	19,526
Other	5,675	6,700
Unbilled revenue	10,468	11,341
Materials and supplies at average cost	4,469	4,515
Prepaid pension expense	-	1,696
Taxes and other prepaid expenses	7,086	5,534
Total current assets	88,168	109,625
Other assets		
Regulatory assets	93,844	93,785
Other assets	21,900	20,134
Total other assets	115,744	113,919
	<u>\$1,155,952</u>	<u>\$1,165,019</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$.01 par value	\$207	\$207
Additional paid-in capital	211,588	211,513
Retained earnings	162,135	166,582
Total common stockholders' equity	373,930	378,302
Preferred stock	3,475	3,475
Long-term debt, less current maturities	291,379	291,814
Total capitalization	668,784	673,591
Current liabilities:		
Current maturities of long-term debt	1,778	1,778
Accounts payable	32,151	33,130
Accrued expenses and other liabilities	28,941	35,317
Total current liabilities	62,870	70,225
Unamortized investment tax credits	2,541	2,541
Deferred income taxes, net	69,670	69,503
Pension and postretirement benefits other than pensions	48,584	48,584
Regulatory and other liabilities	33,545	33,411
Advances for construction	160,378	157,660
Contributions in aid of construction	109,580	109,504
Commitments and contingencies	-	-
	<u>\$1,155,952</u>	<u>\$1,165,019</u>

CALIFORNIA WATER SERVICE GROUP  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
Unaudited  
(In thousands, except per share data)

For the three months ended: March 31, March 31,  
2007                    2006

Operating revenue	\$71,570	\$65,216
Operating expenses:		
Water production costs	25,814	21,428
Other operations	23,655	23,789
Maintenance	4,509	3,899
Depreciation and amortization	8,401	7,709
Income taxes	543	287
Property and other taxes	3,406	3,176
Total operating expenses	66,328	60,288
Net operating income	5,242	4,928
Other income and expenses:		
Non-regulated income, net	1,291	610
Gain on sale of non-utility property	--	25
Less income taxes on other income and expenses	(526)	(259)
Total other income and expenses	765	376
Interest expense:		
Interest expense	4,926	4,697
Less: capitalized interest	(500)	(225)
Total interest expense	4,426	4,472
Net income	\$1,581	\$832
Earnings per share		
Basic	\$0.07	\$0.04
Diluted	\$0.07	\$0.04
Weighted average shares outstanding		
Basic	20,659	18,403
Diluted	20,681	18,427
Dividends per share of common stock	\$0.2900	\$0.2875