

UNITED STATES SECURITIES AND EXCHANGE
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period fromto.....
Commission file No. 1-13883

CALIFORNIA WATER SERVICE GROUP
(Exact name of registrant as specified in its charter)

Delaware

77-0448994

(State or other jurisdiction
of Incorporation)

(IRS Employer Identification No.)

1720 North First Street San Jose, California

95112

(Address of Principal Executive Offices)

(Zip Code)

(408) 367 8200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common Stock, \$0.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Cumulative Preferred Stock, Par Value, \$25
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

The aggregate market value of the voting stock held by non-affiliates of the Registrant - \$380,919,000 on February 23, 2001.

Common stock outstanding at February 23, 2001 -15,145,866 shares.

EXHIBIT INDEX

The exhibit index to this Form 10-K is on page 28.

DOCUMENTS INCORPORATED BY REFERENCE

Designated portions of Registrant's Annual Report to Stockholders for the calendar year ended December 31, 2000 (2000 Annual Report) are incorporated by reference in Part I (Item 1), Part II (Items 5, 6, 7 and 8) and in Part IV (Item 14(a)(1)).

Designated portions of the Registrant's Proxy Statement ("Proxy Statement"), dated March 16, 2001, relating to the 2001 annual meeting of stockholders are incorporated by reference in Part III (Items 10, 11 and 12) as of the date the Proxy Statement was filed with the Securities and Exchange Commission (SEC). The Proxy Statement was filed with the SEC via EDGAR on March 9, 2001.

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PART I

Item 1 Business.

Forward Looking Statements

This report, including the sections incorporated by reference, contains forward-looking statements intended to qualify for "safe harbor" within the meaning of the Federal securities laws as established by the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about California Water Service Group (Company), the water utility industry and general economic conditions. Words such as expects, intends, plans, believes, estimates, anticipates 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. Actual results may vary materially from what is contained in a forward-looking statement. Factors which may cause a result different than expected or anticipated include governmental and regulatory commissions' decisions, new legislation, increases in suppliers' prices and the availability of supplies, changes in environmental compliance requirements, acquisitions, the ability to successfully implement business plans, changes in customer water use patterns and the impact of weather on operating results. The Company assumes no obligation to provide public updates of forward-looking statements.

a. General Development of Business

California Water Service Company (Cal Water) began business in 1926. On December 31, 1997, California Water Service Group was formed as the parent company of Cal Water and a second subsidiary, CWS Utility Services (Utility Services). In 1999, the Company acquired Harbor Water Company and South Sound Utility Company. These two companies were merged to form Washington Water Service Company (Washington Water). New Mexico Water Service Company (New Mexico Water) was created during 2000.

During 2000, the Company completed the largest acquisition in its history with the issuance of 2,210,000 shares of common stock in exchange for all of the outstanding shares of Dominguez Services Corporation. The acquisition which was accounted for as a pooling of interests was completed on May 25, 2000. The financial statements have been restated to include the Dominguez accounts in the current and prior periods.

Cal Water's regulated operations are subject to the jurisdiction of the California Public Utilities Commission (CPUC). Washington Water's regulated operations are subject to the jurisdiction of the Washington Utilities and Transportation Commission (WUTC). Both companies also provide nonregulated water service under operation and maintenance agreements. Jointly the CPUC and WUTC are referred to as the Commissions. New Mexico Water was formed to conduct both regulated and non-regulated water operations. Utility Services provides nonregulated water operations and related utility services under agreements with other private operators and municipalities. Nonregulated operations are described in Item 1.c., "Narrative Description of Business - Nonregulated Operations."

Upon formation of the holding company structure on December 31, 1997, each share of Cal Water common stock was exchanged on a two-for-one

basis for the Company's common stock. Per share data was restated where necessary to reflect the effective two-for-one stock split. Each share of Cal Water preferred stock was converted into one share of the Company's preferred stock. To maintain relative voting strength, the number of votes to which each preferred share is entitled was doubled from eight to sixteen.

Cal Water, a California Corporation, is the largest investor-owned water company in California and the third largest in the United States. It provides water service to 431,900 residential, commercial, public authority and industrial customers in 96 California cities and communities through 25 separate water

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systems or districts. In its 24 regulated systems, which serve 425,800 customers, rates and operations are subject to the jurisdiction of CPUC. An additional 6,100 customers receive service through a long-term lease of the City of Hawthorne water system, which is not subject to CPUC regulation.

Washington Water is the largest investor owned water utility in the state. It is incorporated under the laws of the state of Washington. Washington Water provides water service to 12,500 customers subject to the regulation of the WUTC. An additional 2,400 customers are served under operating agreements with privately owned system and are not subject to WUTC regulation.

The Company's mailing address and principal executive offices are located at 1720 North First Street, San Jose, California 95112-4598; telephone number: 408-367-8200. The Company maintains a web site that can be accessed via the Internet at <http://www.calwater.com>.

During the year ended December 31, 2000, there were no significant changes in the kind of products produced or services rendered by the Company or its operating subsidiaries, or in its markets or methods of distribution.

Rates and Regulation

Water utility rates and service for the regulated business are subject to the jurisdiction of the state regulatory Commissions. The Commissions' decisions and the timing of those decisions can have a significant impact on operations and earnings.

Since the Company's 26 operating districts are not physically integrated, rates are set independently for each district. General office expenses and plant investments are considered separately and allocated ratably to the operating districts.

General rate applications in California address district operating costs and capital requirements for a forward-looking three-year period. Rate decisions typically authorize an immediate rate increase and annual step rate increases for the three-year cycle. Step rate increases are designed to maintain the Return on Equity (ROE) authorized in the initial decision in succeeding years. Annually, districts that are eligible for general rate case filings are reviewed by the Company's regulatory staff and filings, where appropriate, are submitted in July with a final decision expected in 10 months. Increases in purchased water, purchased power and pump taxes above levels considered in general rate applications are tracked in off-line balancing accounts. Existing CPUC procedures provide for offset rate adjustments to recover increases in those categories. Amounts recorded in balancing accounts can also be recovered in general rate case filings.

In Washington, general rate applications can be submitted annually. Decisions are generally issued within four months after filing. Rates are set based on 12 months of historic data. The WUTC regulatory procedures do not provide for offset or step rate increases.

Key factors considered in determining the need to file a rate application include:

- o current earnings of the district
- o expected future rates of return
- o cost of debt and equity capital
- o capital structure

- o future operating expectations
- o staffing requirements
- o water supply and water quality issues
- o additional capital expenditures

Since the districts are on varying rate case cycles, the number of customers affected by filings varies from year-to-year. For example, the 1998 filings included 25 percent of the Company's regulated customers. No general rate applications were filed in 1999. Filings in 2000 involved 27 percent of the customers.

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On January 1, 2001, step rate increases which became effective in five districts are designed to produce annual revenue of \$800,000.

2001 Rate Application Filings

During 2001, 19 California districts are eligible for general rate application filings. These districts which represent over 83% of the regulated customers in California will be reviewed to determine the need and appropriateness of a general rate application filing. Decisions in these applications are anticipated late in the second quarter of 2002. Additionally, the Company will determine the need to file a general rate application for the Washington operation. There can be no assurance that rate increases will be granted as requested.

2000 Rate Application Filings

The Company's regulatory staff reviewed 15 Cal Water districts that were eligible for general rate filings in 2000. Based on current earnings levels, projected expense increases and expected capital expenditures, applications were filed in July 2000 for three districts representing about 25% of Cal Water customers. The applications request a 10.75% Return on Equity (ROE) and would provide \$3.4 million in new revenue in 2001 and \$7.2 million in 2002. A CPUC decision is expected during the second quarter of 2001. There can be no assurance that rate increases will be granted as requested.

A general rate case application was filed for Washington Water in late 2000. The WUTC issued its decision in February granting \$105,000 in additional revenue.

1999 Rate Application Filings

During 1999, no general rate applications were filed for regulated customers. The Company's regulatory staff reviewed each of the eligible districts and determined that no general rate applications were warranted.

A rate increase was submitted for the City of Hawthorne water system. The Hawthorne City Council exercised regulatory authority over the proceeding. After a series of hearings, new rates became effective in August 2000. The new rates will add revenue of \$300,000 during the first twelve months following the decision. On July 1, 2001 and 2002, step rate increases that will produce \$200,000 each in additional revenue will be effective. Additionally, a surcharge will be added to customer rates starting in August 2001 intended to generate \$500,000 in annual revenue.

1998 Rate Application Filings

In 1998, 14 Cal Water districts plus General Office operations, were eligible for general rate filings. Earnings levels in those districts were reviewed and applications for additional rate consideration were filed with the CPUC in July 1998 for four districts and the Company's General Office. In January 1999, the Company reached agreement with the CPUC staff regarding the applications. The commission's decision approving the settlement was effective in May 1999 and generated \$4,100,000 in additional revenue during the first twelve months following its effective date. A 9.55% ROE providing \$1,915,000 in additional revenue was adopted in the decision. In addition, the decision provided another \$2,180,000 in revenue for environmental compliance, specific capital expenditures, and recovery of General Office expenses. The additional revenue is not reflected in the 9.55% ROE calculation.

Second Amended Contract - Stockton East Water District

In January 1995, a consultant retained by the CPUC's Organization of Ratepayer Advocates completed a report on the reasonableness of the Second Amended Contract. The contract pertains to the sale and delivery of water to Cal Water's Stockton District by the Stockton-East Water District. Parties to the contract are Cal Water, Stockton-East Water District, the City of Stockton and San Joaquin County. The consultant's report alleged that the Company was required to receive CPUC approval

prior to entering into the Second Amended Contract and furthermore challenges the reasonableness of the Second Amended Contract for ratemaking purposes. However, the report did not include specific ratemaking recommendations. While no action is now in process or pending, the issue may be

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revisited in the Company's next Stockton district general rate application. Also refer to a discussion of this issue under "Item 3. Legal Proceedings".

b. Financial Information about Industry Segments

The Company operates in one business segment, the supply and distribution of water, and providing water related services.

c. Narrative Description of Business

The Company is the sole shareholder of its four operating subsidiaries: California Water Service Company, New Mexico Water Service Company, Washington Water Service Company and CWS Utility Services.

The Company's business, which is carried on through its operating subsidiaries, consists of the production, purchase, storage, purification, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. It also provides water related services under agreements with municipalities and other private companies. The nonregulated services include full water system operation, and billing and meter reading services.

The results from the water business fluctuate according to the demand for water, which is often influenced by seasonal conditions, such as summer temperatures or the amount and timing of precipitation in the Company's service territories. Revenue, expenses and income are affected by the changes in water sales. Costs, such as payroll and benefits, depreciation, interest on long-term debt and property taxes, remain fairly constant despite variations in the amount of water sold. As a result, earnings are highest in the high use, warm weather, summer months and lowest in the cool winter months when most rainfall takes place in the Company's service territories.

The Company distributes water in accordance with accepted water utility methods. Franchises and permits are held in the cities and communities where the Company operates. The franchises and permits allow the Company to operate and maintain facilities in public streets as necessary.

The City of Hawthorne water system is operated under a 15-year lease that commenced in February 1996. In accordance with the lease agreement, the Company received all revenue from operating the system and is responsible for the operating costs. At the end of the lease, undepreciated capital improvements made by the Company will be purchased by the City. Under other contract arrangements, three municipally owned water systems, numerous privately owned water systems and two recycled water distribution systems are operated. Billing and customer services are also provided to a number of municipalities. These operations are discussed in more detail in a following section titled "Nonregulated Operations."

The Company intends to continue to explore opportunities to expand its regulated and nonregulated businesses. The opportunities could include system acquisitions, lease arrangements similar to the City of Hawthorne contract, full service system operation and maintenance agreements, billing contracts and other utility related services. The Company believes that a holding company structure, as discussed above, makes it more competitive in providing nonregulated utility services, which would not be subject to Commission jurisdiction. The Company continually investigates new business opportunities in the western United States as evidenced by its expansion into the states of New Mexico and Washington.

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Geographical Service Areas and Number of Customers at Year-end
The Company's principal markets for its services are users of water within the Company's service areas. The Company's geographical service areas or districts for both the regulated and nonregulated operations and the approximate number of customers served in each area at December 31, 2000, are listed below.

<S>	<C>	<C>
SAN FRANCISCO BAY AREA		
Mid-Peninsula (serving San Mateo and San Carlos)	35,800	
South San Francisco (including Colma and Broadmoor)	16,300	
Bear Gulch (serving Menlo Park, Atherton, Woodside and Portola Valley)	21,500	
Los Altos (including portions of Cupertino, Los Altos Hills, Mountain View and Sunnyvale)	18,300	
Livermore	17,200	109,100

SACRAMENTO VALLEY		
Chico (including Hamilton City)	23,300	
Oroville	3,500	
Marysville	3,800	
Dixon	2,800	
Willows	2,300	
Redwood Valley (Lucerne, Duncans Mills, Guerneville, Dillon Beach, portion of Santa Rosa)	2,200	37,900

SALINAS VALLEY		
Salinas	27,000	
King City	2,200	29,200

SAN JOAQUIN VALLEY		
Bakersfield	83,300	
Stockton	41,700	
Visalia	30,400	
Selma	5,200	
Kern River Valley (Bodfish, Kernville, Lakeland, Mountain Shadows, Onyx, Squirrel Valley, South Lake and Wofford Heights)	4,600	
Antelope Valley (Fremont Valley, Lake Hughes, Lancaster and Leona Valley)	1,700	166,900

LOS ANGELES AREA		
East Los Angeles (including portions of the cities of Commerce and Montebello)	29,100	
Hermosa Redondo (serving Hermosa Beach, Redondo Beach and a portion of Torrance)	39,000	
Dominguez (Carson and portions of Compton, Harbor City, Long Beach, Los Angeles and Torrance)	32,800	
Palos Verdes (including Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates and Rolling Hills)	23,800	
Westlake (a portion of Thousand Oaks)	6,900	
Hawthorne (leased municipal system)	6,100	137,700

NEW MEXICO		
Los Alamos and Santa Fe (meter reading contracts)	48,500	48,500

WASHINGTON		
Gig Harbor and near Olympia		14,900

TOTAL		544,200

</TABLE>

Water Supply

Cal Water obtains its water supply for the 25 operating districts from wells, surface runoff or diversion, and by purchase from public agencies and other wholesale suppliers. The Company's supply has been adequate to meet consumption demands, however, during periods of drought some districts have experienced mandatory water rationing. California's rainy season usually begins in November and continues through March with December, January and February historically recording the most rainfall. During winter months reservoirs and underground aquifers are replenished by rainfall. Snow accumulated in the mountains provides an additional water source when spring and

summer temperatures melt the snowpack producing runoff into streams and reservoirs, and also replenishing underground aquifers.

Washington receives rain in all seasons with the majority falling during winter months. Washington Water draws all its water supply by pumping from wells.

The Company's water business is seasonal in nature and weather conditions can have a pronounced effect on customer usage and thus operating revenues and net income. Customer demand for water generally is less during the normally cooler and rainy winter months. Demand increases in the spring when warmer weather gradually returns and the rains end. Temperatures are warm during the generally dry summer months, resulting in increased demand. Water usage declines during the fall as temperatures decrease and the rainy season approaches.

During years in which precipitation is especially heavy or extends beyond the spring into the early summer, customer demand can decrease from historic normal levels, generally due to reduced outdoor water usage. This was the case during 1998, when winter rains continued well into the spring and were accompanied by cooler than normal temperatures. Likewise, an early start to the rainy season during the fall can cause a decline in customer usage and have a negative impact on revenue.

During years of less than normal rainfall, customer demand can increase as outdoor water usage continues into the fall and winter. When rainfall is below average for consecutive years, drought conditions can result and certain customers may be required to reduce consumption to preserve or match available supply. As an example, California experienced a six-year period when rainfall was annually below historic average. The drought period ended with the winter of 1992-93. During that six-year period some districts had water rationing requirements imposed on customers. In certain districts, penalties were collected from customers who exceeded allotments. During past drought periods, the CPUC has allowed modifications to consumer billings that provided the Company a means to recover a portion of revenue that was deemed lost due to conservation measures.

<TABLE>

Historically, about half of the water supply is purchased from wholesale suppliers with the balance pumped from wells. Well water is generally less expensive and the Company strives to maximize use of its well sources in districts where there is an option of well or purchased sources. A small portion of the supply is received from surface runoff in the Company's Bear Gulch district. During 2000, 128 billion gallons of water were delivered to customers. Approximately 51 percent of the supply was obtained from wells and 49 percent was purchased from wholesale suppliers. The following table shows the quantity of water purchased in each operating district during 2000.

<CAPTION>

District	Supply Purchased	Source of Purchased Supply
-----	-----	-----
<S>		
SAN FRANCISCO BAY AREA		
Mid-Peninsula	100%	San Francisco Water Department
South San Francisco	89%	San Francisco Water Department
Bear Gulch	89%	San Francisco Water Department
Los Altos	84%	Santa Clara Valley Water District
Livermore	70%	Alameda County Flood Control and Water Conservation District
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SACRAMENTO VALLEY		
Oroville	91%	Pacific Gas and Electric Co.
	3%	County of Butte
Redwood Valley	75%	County of Lake
SAN JOAQUIN VALLEY		
Antelope/Kern	8%	Antelope-Kern Valley East Kern WD
Bakersfield	18%	Kern County Water Agency
Stockton	64%	Stockton-East Water District
LOS ANGELES AREA		
East Los Angeles	85%	Central Basin Municipal Water District
Dominguez	63%	West Basin and Central Basin Municipal Water Districts
Hawthorne	85%	West Basin Municipal Water District
Hermosa Redondo	86%	West Basin Municipal Water District

Palos Verdes	100%	West Basin Municipal Water District
Westlake	100%	Calleguas Municipal Water District

</TABLE>

The balance of the required supply for the above districts was obtained from wells, except for Bakersfield which obtains a portion of the supply from a river source and Bear Gulch where the balance is obtained from surface runoff from the local watershed. In the Oroville district, the water purchased is from a surface supply. The surface sources are processed through the Company's treatment plants before being delivered to the distribution system.

The Chico, Marysville, Dixon and Willows districts in the Sacramento Valley, the Salinas and King City districts in the Salinas Valley, and the Selma and Visalia districts in the San Joaquin Valley obtain their entire supply from wells. Harbor and South Sound districts in Washington also obtain their entire supplies from wells.

Purchases for the Los Altos, Livermore, Oroville, Stockton and Bakersfield districts are pursuant to long-term contracts expiring on various dates after 2011.

The purchased supplies for the Dominguez, East Los Angeles, Hermosa-Redondo, Palos Verdes and Westlake districts, and the City of Hawthorne system are provided by public agencies pursuant to an obligation of continued nonpreferential service to purveyors within the agencies' boundaries.

Purchases for the South San Francisco, Mid-Peninsula and Bear Gulch districts are in accordance with long-term contracts with the San Francisco Water Department expiring on June 30, 2009.

The Company anticipates that it will be able to renew each of the water supply contracts as they expire. The price of wholesale water purchases is subject to pricing changes imposed by the various wholesale suppliers. Price changes are generally beyond the Company's control.

<TABLE>

Shown below are wholesaler price rates and increases that became effective in 2000, and estimated wholesaler price rates and estimated changes for 2001.

<CAPTION>

District	2000			2001		
	Effective Month	Percent Change	Unit Cost	Effective Month	Percent Change	Unit Cost
Antelope/Kern		0.0%	\$170/af		0.0%	\$170/af
Bakersfield		0.0%	125/af		0.0%	\$125/af
Bear Gulch	July	4.9%	0.86/ccf	July	3.7%	0.85/ccf
Dominguez		0.0%	528/af		0.0%	528/af
East Los Angeles	July	1.5%	485/af	July	1.5%	485/af

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Hawthorne		0.0%	528/af		0.0%	528/af
Hermosa Redondo		0.0%	528/af		0.0%	528/af
Livermore	Jan.	2.1%	1.237/ccf	Jan.	2.1%	1.237/ccf
Los Altos	July	7.0%	380/af	July	7.0%	380/af
Oroville	Jan.	14.8%	70,400/year	Jan.	14.8%	70,400/year
Palos Verdes		0.0%	528/af		0.0%	528/af
Mid Peninsula	July	4.9%	0.86/ccf	July	3.7%	0.85/ccf
Redwood Valley		0.0%	40/af		0.0%	40/af
So. San Francisco	July	4.9%	0.86/ccf	July	3.7%	0.85/ccf
Stockton	April	7.0%	268,400/mo	April	7.0%	285,842/mo
Westlake	Jan.	1.8%	570/af	Jan.	1.2%	570/af

</TABLE>

af = acre foot; ccf = hundred cubic feet; year = fixed annual cost

While the water supply outlook for 2001 is good, California faces long-term water supply challenges. The Company is actively working to meet the challenges by continuing to educate customers on responsible water use practices, particularly in the districts with conservation programs approved by the CPUC.

Rainfall in the Company's service areas for the 2000-2001 season is about normal as of February 26, 2001. The mountain snowpack is about

normal. Water levels in underground aquifers that provide supply to districts served by well water improved in recent years due to above average rainfall and most regions have recorded positive changes in groundwater levels. Regional groundwater management planning continues as required. Existing laws provide a mechanism for local agencies to maintain control of their groundwater supply. The Company continually updates long range projections and works with local wholesale suppliers to ensure an adequate future supply to meet customer needs.

For a number of years, the Company has worked with the Salinas Valley water users and the Monterey County Water Resources Agency (MCWRA) to address seawater intrusion into the water supply for the Salinas district. MCWRA completed construction of the Castroville Seawater Intrusion Project in 1998. This project is designed to deliver up to 20,000 acre feet of recycled water annually to agricultural users in the nearby Castroville area. It is intended to help mitigate seawater intrusion into the region by reducing the need to pump groundwater. To date, the project has produced marginal results.

With the City and County of San Francisco, and the cities of San Bruno and Daly City, the Company is working to prepare a groundwater management plan for the Westside Basin from which the South San Francisco district pumps a portion of its supply. The plan will address a protest that has been filed concerning the extraction of water by pumping from this local basin.

Additionally, the Company worked with the City of San Francisco in its development of a long-range water supply master plan for the entire area to which the San Francisco Water Department (SFWD) is the wholesale water supplier. The South San Francisco, Mid-Peninsula and Bear Gulch districts are included in SFWD service area.

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Nonregulated Operations

Nonregulated operations include full service operation and maintenance of water systems for cities and private owners, operation of recycled water systems, utility billing services, laboratory services, water rights brokering, sales of surplus properties and leases of antenna sites.

Nonregulated revenue from water system operations is generally determined on a fee per customer basis. With the exception of the City of Hawthorne water system, revenue and expenses from nonregulated operations are accounted for in other income on a pretax basis. Revenue and expenses for the City of Hawthorne lease are included in operating revenue and operating expenses because the Company is entitled to retain all customer billings and is generally responsible for all operating expenses.

Municipally owned water systems are operated under contract for the cities of Bakersfield, Commerce and Montebello and for numerous private water company systems in the Bakersfield, Livermore, Kern, Redwood Valley, Salinas and Visalia districts. In Washington, the Company operates numerous private water systems under contract arrangements. Wastewater collection systems are operated in Bakersfield and Livermore. With the exception of the 15-year Hawthorne lease discussed below, the terms of the operating agreements range from one-year to three-year periods with provisions for renewals. The first operating agreement was signed with the City of Bakersfield in 1977.

Recycled water distribution systems located in the Los Angeles Basin are operated for the West Basin and Central Basin municipal water districts. Some engineering department services are also provided for these two recycled water systems.

Contracted meter reading, billing and customer service are provided for the City of Menlo Park's water customers. Meter reading is performed under contract for the City of Manhattan Beach in California and in New Mexico in Santa Fe and Los Alamos. Additionally, sewer and/or refuse billing services are provided to six municipalities.

Since February 1996, the City of Hawthorne's 6,100 account water system has been operated under terms of a 15-year agreement. The system which is located near the Hermosa-Redondo district serves about half of Hawthorne's population. The lease required an up-front \$6.5 million lease payment to the City which is being amortized over the lease term. Additionally, annual lease payments to the City of \$100,000 indexed to changes in water rates are required. The Company is responsible for all aspects of system operation and capital improvements, although title to the system and system improvements resides with the City. At the end of

the lease, the Company will be reimbursed for the unamortized value of capital improvements. In exchange, the Company receives all system revenues which amounted to \$4.4 million in 2000.

During 1997, an agreement was signed with the Rural North Vacaville Water District near the Dixon district to design and build a water distribution system. The new system will initially provide water to about 400 customers. The Company has also negotiated an agreement to operate the system once construction is complete. The system is currently in the design phase with construction expected to start in 2001.

The Company leases 35 antenna sites to telecommunication companies. Individual lease payments range from \$700 to \$2,600 per month. The antennas are used in cellular phone and personal communication applications. Other leases are being negotiated for similar uses.

Laboratory services are provided for numerous small water systems.

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Utility Plant Construction Program and Acquisitions

The Company is continually extending, enlarging and replacing its facilities as required to meet increasing demands and to maintain its systems. Construction financing was provided by funds from operations and short-term bank borrowings, advances for construction, and contributions in aid of construction as set forth in the "Statement of Cash Flows" on page 32 of the Company's 2000 Annual Report which is incorporated herein by reference. Advances for construction are cash deposits or facilities deeded from subdivision developers. The advances are generally refundable without interest over a period of 40 years by equal annual payments. Contributions in aid of construction consist of nonrefundable cash deposits or facilities transferred from developers, primarily for fire protection and relocation projects. The amount received from developers fluctuates from year to year as the level of construction activity carried on by developers varies. It is impacted by the demand for housing, commercial development and general business conditions, including interest rates.

The 2001 construction budget is approximately \$53.9 million, exclusive of additions and improvements financed through advances for construction and contributions in aid of construction. The budget is for the following areas: land and structures, \$5.7 million; wells, pumping and storage facilities, \$13.4 million; water treatment and purification equipment, \$7.5 million; distribution systems \$15.7 million; services and meters, \$6.0 million; other equipment, \$5.6 million.

During 2000, the Company funded expenditures were in the following areas: land, water rights and structures, \$0.7 million; wells, pumping and storage facilities, \$6.4 million; water treatment and purification equipment, \$2.0 million; distribution systems \$11.7 million; services and meters, \$10.7 million; other equipment, \$2.0 million. The increased expenditure for treatment and purification equipment related to the Hawthorne treatment plant. The other equipment expenditures included computer equipment and software associated with corporate computer technology upgrades.

During 1999, the Company funded expenditures were in the following areas: land, water rights and structures, \$2.9 million; wells, pumping and storage facilities, \$4.9 million; water treatment and purification equipment, \$2.9 million; distribution systems, \$9.0 million; services and meters, \$6.1; other equipment, \$5.7 million. Included in the expenditures is acquisition of the Olcese Water District assets and continued expenditures for computer technology system upgrades.

In 1996, Congress enacted legislation which exempted from taxable income proceeds received from developers to fund advances for construction and contributions in aid of construction, except payments for installation of services. Services represent about 20% of deposits received from developers. The legislation also provided that water utility plant additions be depreciated for federal tax purposes on a straight-line 25-year life basis. In 2000, developer deposits for fire protection services were also exempted from tax. The federal tax exemption of developer payments will reduce cash flow requirements for income tax payments.

Quality of Water Supplies

Operating practices are maintained to produce potable water in accordance with acceptable water utility practices. Water entering the

distribution systems from surface sources is treated in compliance with federal and state Safe Drinking Water Act (SDWA) standards. Most well supplies are chlorinated for disinfection. Water samples from each water system are analyzed on a regular, scheduled basis in compliance with regulatory requirements. The Company operates a state certified water quality laboratory at its San Jose General Office facility that provides testing for most California operations. Certain tests in California are contracted with independent certified labs qualified under the Environmental Laboratory Accreditation Program. Local independent labs provide water sample testing for the Washington and Kern River Valley districts.

In recent years, federal and state water quality regulations have continued to increase water testing requirements. Changes in the SDWA, which are expected to bring treatment costs more in line with the actual public health threats posed by contaminants, were enacted by Congress during 1996. The SDWA continues to be amended to reflect new public health concerns. Water quality monitoring and upgrading

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treatment capabilities to maintain compliance with the various regulations continues. These activities include:

- o monitoring of all vulnerable sources for MTBE, a gasoline additive intended to reduce air pollution that has been widely used in California
- o monitoring all sources for Chromium 6 coming from natural or industrial sources
- o upgrading laboratory equipment and enhancing analytical testing capabilities
- o installation of dedicated sample sites to assure water samples are drawn at a secure source
- o maintaining a federal and state approved compliance monitoring program required by the Safe Drinking Water Act
- o completion of a source water assessment program for all water supplies
- o completion of mandatory Information Collection Rule monitoring for specified water systems
- o ongoing training of laboratory and operating personnel
- o installation of disinfection treatment at all well sources
- o several well treatment systems that treat for elevated levels of iron and manganese
- o construction of a new iron and manganese treatment plant in the leased Hawthorne system
- o installation and operation of several granular activated carbon (GAC) filtration systems for removal of hydrogen sulfide or volatile organic chemicals
- o assessing arsenic removal technologies that will be required at 71 wells in developing a coordinated plan to meet new arsenic water quality standards mandated by EPA

Competition and Condemnation

Cal Water and Washington Water are regulated public utilities, providing water service within filed service areas approved by the Commissions. Under California laws, no privately owned public utility may compete with the Company in any territory already served by the Company without first obtaining a certificate of public convenience and necessity from the CPUC. Such certificates will be issued only upon finding that the Company's service is deficient.

California law provides that whenever a public agency constructs facilities to extend a utility system into the service area of a privately owned public utility, such an act constitutes the taking of property and requires reimbursement to the utility for its loss. Further, the state's constitution and statutes allows municipalities, water districts and other public agencies to own and operate water systems. These agencies are empowered to condemn properties already operated by privately owned public utilities. The agencies are also authorized to issue bonds, including revenue bonds, for the purpose of acquiring or constructing water systems. However, if a public agency were to acquire utility property by eminent domain action, the utility would be entitled to just compensation for its loss. To the Company's knowledge, no municipality, water district or other public agency is

contemplating or has any action pending to acquire or condemn any of the Company's systems.

In recent years, consolidation within the water industry has accelerated. A number of publicly traded water companies have been acquired or merged into larger domestic companies. Several acquisitions of publicly traded companies have also been completed by much larger foreign companies. The Company has participated in the industry consolidation by its acquisition of Dominguez Services Corporation and by expansion into Washington and New Mexico, other smaller acquisitions and pursuit of expanding nonregulated operations. The Company intends to continue pursuing opportunities to expand its business in the western United States.

Environmental Matters

The Company is subject to environmental regulation by various governmental authorities. Issues related to water quality are discussed separately within this report.

Compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, as of the date of filing of this Form 10-K, any material effect on the Company's capital expenditures, earnings or competitive position. The Company is unaware of any pending environmental

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matters that will have a material effect on its operations. Refer to Item 3, Legal Proceedings, for additional information.

The Company's environmental affairs program is designed to provide compliance with underground and above ground fuel storage tank regulations, hazardous materials management plans, hazardous waste regulations, air quality permitting requirements, wastewater discharge limitations, and employee safety issues related to hazardous materials. The Company has been actively involved in the formulation of air quality standards related to water utilities. Also, the Company is proactive in looking to alternative technologies in meeting environmental regulations and continuing the traditional practices of water quality.

Human Resources

At December 31, 2000, there were 797 employees, of whom 221 were executive, administrative and supervisory employees. Of the non-management employees, 540 are members of unions. In December 1999, a three-year collective bargaining agreement, expiring December 31, 2002, was successfully negotiated with the Utility Workers Union of America, AFL-CIO, representing the majority of Cal Water field and clerical union employees. Also in December 1999, a new three-year collective bargaining agreement was negotiated with the International Federation of Professional and Technical Engineers, AFL-CIO, representing certain Cal Water engineering department and water quality laboratory employees. Both agreements were ratified by the unions' membership. As in the past, the agreements were successfully negotiated and ratified without a work interruption.

d. Financial Information about Foreign and Domestic Operations and Export Sales.

The Company makes no export sales.

Item 2. Properties.

The Company's physical properties consist of offices and water systems to accomplish the production, storage, purification and distribution of water. These properties are located in or near the Geographic Service Areas listed above under section Item 1.c. entitled "Narrative Description of the Business." The Company's general office, which houses accounting, engineering, information systems, human resources, purchasing, regulatory, water quality and executive staffs is located in San Jose, California. All properties are maintained in good operating condition.

All principal properties are held in fee simple title. Properties owned by Cal Water are subject to the indenture securing the Company's first mortgage bonds of which \$123,105,000 remained outstanding at December 31, 2000. Washington Water has long-term bank loans totaling about \$3.4 million that are secured primarily by utility plant.

The Company owns 873 wells and operates five leased wells. There were 450 storage tanks with a capacity of 430 million gallons and one reservoir located in the Bear Gulch district with a 210 million gallon

capacity. There are 5,200 miles of supply and distribution mains in the various systems. The Company has three treatment plants (Bakersfield, Bear Gulch and Oroville). The three plants are designed to process seventeen million gallons per day.

During 2000, the average daily water production was 345 million gallons, while the maximum single day production was 628 million gallons. By comparison, during 1999, the average daily water production was 333 million gallons, while the maximum production on a single day was 592 million gallons.

In the leased system or in systems that are operated under contract for municipalities or private companies, title to the various properties is held exclusively by the municipality or private company.

Item 3. Legal Proceedings.

The State of California's Department of Toxic Substances Control (DTSC) alleged in 1995 that the Company is a potential responsible party for cleanup of a toxic contamination plume in the Chico groundwater. The DTSC has prepared a draft report titled "Preliminary Nonbinding Allocation of Financial Responsibility" for the cleanup which asserts that the Company's share should be 10 percent. The DTSC estimates the total cleanup cost to be \$8.69 million. The toxic spill occurred when cleaning solvents, which were discharged into the city's sewer system by local dry cleaners, leaked into the underground water supply due to breaks in the sewer pipes. The DTSC contends that the Company's responsibility stems from its operation of wells in the surrounding vicinity that caused the contamination plume to spread. The Company denies any responsibility for the contamination or the resulting cleanup and intends to vigorously resist any action that may be brought against it. The Company believes that it has insurance coverage for this claim and that if it were ultimately held responsible for a portion of the cleanup costs, there would not be a material adverse effect on the Company's financial position or results of operations.

In December 1997, the Company along with the City of Stockton (the Contractors) filed a lawsuit against the Stockton East Water District (SEWD). The Contractors take 98% of SEWD's wholesale potable water production. SEWD also serves treated water to agricultural customers. Under a contract to enable SEWD to meet its financial obligations, the Contractors are required to pay specific Base Monthly Payments that as of June 30, 1997 had generated \$5.4 million in surplus funds. The Contractors contend that a portion of these funds have been or will be used for purposes other than to meet SEWD's agreed financial obligations. Presently, all parties to the lawsuit have entered into a Stipulated Preliminary Injunction. A favorable settlement is anticipated.

On March 15, 2000, the Company was served with a lawsuit naming it as one of several defendants for damages alleged to have occurred in the Marysville district due to MTBE contamination in the Company's water. The suit did not specify a dollar amount. The Company believes it is covered by insurance in such a matter and has tendered the claim to its insurance carrier.

The Company is not a party to any other legal matters, other than those which are incidental to its business.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders in the fourth quarter of 2000.

<TABLE>
Executive Officers of the Registrant
<CAPTION>

Name	Positions and Offices with California Water Service Group	Age
<S>	<C>	<C>
Robert W. Foy (1)	Chairman of the Board since January 1, 1996. A director since 1977. Formerly President and Chief Executive Officer of Pacific Storage Company, a diversified transportation and warehousing company serving Stockton, Modesto, Sacramento, San Jose, Vallejo Marysville, and Merced	64

California, where he had been employed for 32 years.

Peter C. Nelson (2)	President and Chief Executive Officer since February 1, 1996. Formerly Vice President, Division Operations (1994-1995) and Region Vice President (1989-1994), Pacific Gas & Electric Company, a gas and electric public utility.	53
Gerald F. Feeney (1)	Vice President, Chief Financial Officer and Treasurer since November 1994; Controller, Assistant Secretary and Assistant Treasurer from 1976 to 1994. From 1970 to 1976, an audit manager with Peat Marwick Mitchell & Co., certified public accountants.	56
Calvin L. Breed (3)	Controller, Assistant Secretary and Assistant Treasurer since November 1994; previously Treasurer of TCI International, Inc.; from 1980 to 1983, a certified public accountant with Arthur Andersen & Co., certified public accountants.	45
Paul G. Ekstrom (1)	Corporate Secretary since August 1996; Operations Coordinator, 1993 to 1996; District Manager, Livermore, 1988 to 1993; previously served in various field management positions since 1979; an employee since 1972.	48
(1)	holds the same position with California Water Service Company, New Mexico Water Service Company, Washington Water Service Company and CWS Utility Services	
(2)	holds the same position with California Water Service Company and CWS Utility Services; Chief Executive Officer of New Mexico Water Service Company and Washington Water Service Company	
(3)	holds the same position with California Water Service Company	

Name - - - - -	Positions and Offices with California Water Service Company -----	Age ---
Francis S. Ferraro	Vice President, Regulatory Matters since August 1989. Employed by the California Public Utilities Commission for 15 years, including 1985 through 1989 when he was an administrative law judge.	51
James L. Good (1)	Vice President, Corporate Communications and Marketing since January 1995. Previously Director of Congressional Relations for the National Association of Water Companies from 1991 to 1994.	37
Robert R. Guzzetta (2)	Vice President, Engineering and Water Quality since August 1996; Chief Engineer, 1990 to 1996; Assistant Chief Engineer, 1988 to 1990; various engineering department positions since 1977.	47

Christine L. McFarlane	Vice President, Human Resources since August 1996; Director of Human Resources, 1991 to 1996; Assistant Director of Personnel, 1989 to 1991; an employee since 1969.	54
Raymond H. Taylor	Vice President, Operations since April 1995; Vice President and Director of Water Quality, 1990 to 1995; Director of Water Quality, 1986 to 1990; an employee since 1982; prior to 1982 an employee of the United States Environmental Protection Agency.	55
Raymond L. Worrell	Vice President, Chief Information Officer since August 1996; Director of Information Systems, 1991 to 1996; Assistant Manager of Data Processing, 1970 to 1991; Data Processing Supervisor, 1967 to 1970.	61
John S. Simpson	Assistant Secretary, Manager of New Business since 1991; Manager of New Business Development for the past thirteen years; served in various management positions since 1967.	56
(1)	Also, Vice President, Marketing with CWS Utility Services.	
(2)	Also, Vice President, Engineering with CWS Utility Services.	

Name - - - - -	Positions and Offices with Washington Water Service Company -----	Age
Michael P. Ireland	President since December 1999; previously President of Harbor Water Company, Gig Harbor, Washington from 1985 to 1999.	47

</TABLE>

No officer or director has any family relationship to any other executive officer or director. No executive officer is appointed for any set term. There

are no agreements or understandings between any executive officer and any other person pursuant to which he was selected as an executive officer, other than those with directors or officers of the Company acting solely in their authorized capacities.

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PART II

<TABLE>

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The information regarding quarterly financial data required by this item is contained in the section captioned "Quarterly Financial Data" on page 42 of the Company's 2000 Annual Report and is incorporated herein by reference. The Company estimates that there are 11,000 stockholders including stockholders of record and stockholders holding stock in street name. The information regarding quarterly stock market data is shown below.

<CAPTION>

Common stock market price range:

			First	Second	Third	Fourth
			-----	-----	-----	-----
<S>			<C>	<C>	<C>	<C>
	2000	High	\$31.38	\$26.75	\$26.88	\$27.81
		Low	22.25	21.50	22.50	24.88
	1999	High	31.25	27.63	31.88	32.00
		Low	23.38	22.69	25.88	24.13

</TABLE>

Item 6. Selected Financial Data.

The information required by this item is contained in the section captioned "Ten-Year Financial Review" on pages 18 and 19 of the Company's 2000 Annual Report and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by this item is contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations," on pages 20 through 27 of the Company's 2000 Annual Report and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is contained in the section captioned "Financial Risk Management" on page 27 of the Company's 2000 Annual Report and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The information required by this item is contained in the sections captioned "Consolidated Balance Sheet", "Consolidated Statement of Income", "Consolidated Statement of Common Stockholders' Equity and Comprehensive Income", "Consolidated Statement of Cash Flows", "Notes to Consolidated Financial Statements" and "Independent Auditors' Report" on pages 28 through 43 of the Company's 2000 Annual Report and is incorporated herein by reference. The 2000 Annual Report to stockholders is included with this report as Exhibit 13.1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

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PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by this item as to directors of the Company is contained in the section captioned "Board Committees" and is included on page 8 of the 2001 Proxy Statement, and in the section captioned "Proposals of the Board; Proposal No. 1 - Election of Directors" on pages 10 and 11 of the 2001 Proxy Statement and is incorporated herein by reference. Information regarding executive officers of the Company is included in a separate item captioned "Executive Officers of the Registrant" contained in Part I of this report.

Item 11. Executive Compensation.

The information required by this item as to directors of the Company is included under the caption "Directors Compensation Arrangements" on page 9 of the 2001 Proxy Statement and is incorporated herein by reference. The information required by this item as to compensation of executive officers, including officers who are directors, is included under the captions "Executive Compensation" and "Report of the Compensation Committee of the Board of Directors on Executive Compensation" on page 15 through 19 of the 2001 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item is contained in the section captioned "Stock Ownership of Management and Certain Beneficial Owners" on page 13, respectively, of the 2001 Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

None.

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PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) As part of this Form 10-K, the following documents are being filed:

1. Financial Statements:

Consolidated Balance Sheet as of December 31, 2000 and 1999.

Consolidated Statement of Income for the years ended December 31, 2000, 1999 and 1998.

Consolidated Statement of Common Stockholders' Equity and Comprehensive Income for the years ended December 31, 2000, 1999 and 1998.

Consolidated Statement of Cash Flows for the years ended December 31, 2000, 1999 and 1998.

Notes to Consolidated Financial Statements, December 31, 2000, 1999 and 1998.

Independent Auditors' Report dated January 22, 2001.

The above financial statements are contained in sections bearing the same captions on pages 28 through 43 of the Company's 2000 Annual Report to stockholders which is filed with this Form 10-K and incorporated by reference. Refer to Exhibit 13.1 of this Form 10-K.

Report of Independent Accountants, dated March 24, 2000; this report is on page 23 of this Form 10-K

2. Financial Statement Schedules:

Independent Auditors' Report, dated January 22, 2001.

Schedule II - Valuation and Qualifying Accounts for the years ending December 31, 2000, 1999 and 1998.

All other schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes to the financial statements.

3. Exhibits required to be filed by Item 601 of Regulation S-K:

The Exhibit Index on page 28 of this Form 10-K is incorporated herein by reference.

The exhibits filed as part of this Form 10-K are attached, unless otherwise indicated. The exhibits listed in the Exhibit Index that are not filed with this Form 10-K were previously filed with the Securities and Exchange Commission as indicated and are hereby incorporated by reference.

(b) Reports on Form 8-K.

No reports were filed on Form 8-K during the quarter ended December 31, 2000.

(c) Exhibits required to be filed by Item 601 of Regulation S-K.

Refer to item (a) 3. above and the Exhibit Index on page 28 of this Form 10-K.

(d) Additional Financial Statement Schedules.

No filings are required under this item.

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Report of Independent Public Accountants

To the Board of Directors of Dominguez Services Corporation:

We have audited the consolidated balance sheet of Dominguez Services Corporation and subsidiaries as of December 31, 1999, and the related consolidated statements of income, common shareholders' equity, and cash flows for each of the two years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dominguez Services Corporation and subsidiaries as of December 31, 1999, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP
ARTHUR ANDERSEN LLP

Los Angeles, California
March 24, 2000

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Independent Auditors' Report

The Board of Directors
California Water Service Group:

Under date of January 22, 2001, we reported on the consolidated balance sheet of

California Water Service Group and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, common stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2000, as contained in the 2000 annual report to stockholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 2000. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the index appearing under Item 14(a)(2). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Mountain View, California
January 22, 2001

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<TABLE>
<CAPTION>

Schedule II

CALIFORNIA WATER SERVICE GROUP
Valuation and Qualifying Accounts

Balance	Description	Balance at	Additions		Deductions
			Charged to	Charged to	
at end		beginning	costs and	other	
For the Year Ended December 31, 2000		of period	expenses	accounts	
of period					
-----		-----	-----	-----	-----
	(A) Reserves deducted in the balance sheet from assets to which they apply:				
<S>		<C>	<C>	<C>	<C>
<C>	<C>				
	Allowance for doubtful accounts	\$ 419,847	\$ 598,608	\$ 91,579 (3)	\$ 929,376
(1)	\$ 180,658				
	Allowance for obsolete materials and supplies	100,297	68,939		42,628
(2)	126,608				
=====		=====	=====	=====	=====
	(B) Reserves classified as liabilities in the balance sheet:				
	General Liability	1,049,200	483,059		531,539
(2)	1,000,720				
	Employees' group health plan	510,479	4,001,620	26,760	4,140,780
(2)	398,079				
	Retirees' group health plan	3,402,370	1,493,558		680,558
(2)	4,215,370				
	Workers compensation	502,205	637,767	209,287	1,196,101
(2)	153,158				
---		-----	-----	-----	-----
5,767,327		5,464,254	6,616,004	236,047	6,548,978
=====		=====	=====	=====	=====
	For the Year Ended December 31, 1999				
	(A) Reserves deducted in the balance sheet from assets to which they apply:				
	Allowance for doubtful accounts	506,969	338,351	41,517 (3)	466,990
(1)	419,847				
	Allowance for obsolete materials and supplies	137,460	48,000		85,163
(2)	100,297				
=====		=====	=====	=====	=====

(B) Reserves classified as liabilities in the balance sheet:				
	General Liability	1,300,752	125,000	376,552
(2)	1,049,200			
	Employees' group health plan	643,383	3,745,000	31,065
(2)	510,479			3,908,969
	Retirees' group health plan	2,018,370	1,284,000	675,000
(2)	3,402,370			575,000
	Workers compensation	1,030,017	(5,890)	82,306
(2)	502,205			604,228

		4,992,522	5,148,110	788,371
	5,464,254			5,464,749
=====				

For the Year Ended December 31, 1998

(A) Reserves deducted in the balance sheet from assets to which they apply:				
	Allowance for doubtful accounts	404,557	549,344	52,796 (3)
(1)	506,969			499,728
	Allowance for obsolete materials and supplies	129,193	48,000	
(2)	137,460			39,733
=====				

(B) Reserves classified as liabilities in the balance sheet:				
	General Liability	930,425	600,000	229,673
(2)	1,300,752			
	Employees' group health plan	721,120	3,000,000	15,509
(2)	643,383			3,093,246
	Retirees' group health plan	1,443,373	751,664	458,333
(2)	2,018,370			635,000
	Workers compensation	685,640	878,423	107,110
(2)	1,030,017			641,156

		3,780,558	5,230,087	580,952
	4,992,522			4,599,075
=====				

<FN>

Notes:

(1) Accounts written off during the year.

(2) Expenditures and other charges made during the year.

(3) Recovery of amounts previously charged to reserve.

</FN>

</TABLE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CALIFORNIA WATER SERVICE GROUP

Date: March 21, 2001 By /s/ Peter C. Nelson
PETER C. NELSON,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Date: March 21, 2001 /s/ Robert W. Foy
ROBERT W. FOY
Chairman, Board of Directors

Date: March 21, 2001 /s/ Edward D. Harris, Jr.
EDWARD D. HARRIS, JR., M.D.
Member, Board of Directors

Date: March 21, 2001 /s/ Robert K. Jaedicke
ROBERT K. JAEDICKE
Member, Board of Directors

Date: March 21, 2001 /s/ Richard P. Magnuson
RICHARD P. MAGNUSON

Member, Board of Directors

Date: March 21, 2001

/s/ Linda R. Meier
LINDA R. MEIER
Member, Board of Directors

Date: March 21, 2001

/s/ Peter C. Nelson
PETER C. NELSON
President and Chief Executive Officer,
Principal Executive Officer
Member, Board of Directors

Date: March 21, 2001

/s/ Langdon W. Owen
LANGDON W. OWEN
Member, Board of Directors

Date: March 21, 2001

C. H. STUMP
Member, Board of Directors

Date: March 21, 2001

/s/ George A. Vera
GEORGE A. VERA
Member, Board of Directors

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Date: March 21, 2001

/s/ Gerald F. Feeney
GERALD F. FEENEY,
Vice President, Chief Financial
Officer and Treasurer;
Principal Financial Officer

Date: March 21, 2001

/s/ Calvin L. Breed
CALVIN L. BREED, Controller,
Assistant Secretary and Assistant
Treasurer;
Principal Accounting Officer

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EXHIBIT INDEX

Exhibit Number - - - - -	Sequential Page Numbers in this Report -----
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Unless filed with this Form 10-K, the documents listed are incorporated by reference.

2. Plan of Acquisition, Reorganization, Liquidation or Succession:	
2.1 Agreement of Merger by and between California Water Service Group and California Water Service Company creating a holding company corporate structure (Filed as Exhibit A of the 1999 California Water Service Company Proxy Statement)	28
2.2 Agreement and Plan of Reorganization among California Water Service Group, California Water Service Company and Dominguez Services Corporation dated November 13, 1998, and Amendment No. 1 to the Agreement and Plan of Reorganization (Appendix A and Appendix B, respectively, to Amendment No. 1 to Form S-4 filed April 2, 1999)	28
3. Articles of Incorporation and By-laws:	
3.1 Certificate of Incorporation of California Water Service Group (Filed as Exhibit B of the 1999 California Water Service Company Proxy Statement)	28
3.2 Restated By-laws of California Water Service Group as amended	28

4. Instruments Defining the Rights of Security Holders of California Water Service Company, including Indentures:

- 4.1 Certificate of Determination of Preferences for Group's Series C Preferred Stock (Exhibit 3.2 to Form 10-K for fiscal year 1987) 28
- 4.2 Certificate of Determination of Preferences for Group's Series D Preferred Stock (Exhibit A to the Shareholder Rights Plan, an agreement between California Water Service Group and BankBoston, N.A., rights agent, dated January 28, 1998 filed as Exhibit 1 to Form 8-A and Exhibit 1 to Form 8-K dated February 13, 1998) 28

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- 4.3 Mortgage of Chattels and Trust Indenture dated April 1, 1928; Eighth Supplemental Indenture dated November 1, 1945, covering First Mortgage 3.25% Bonds, Series C; twenty-first Supplemental Indenture dated October 1, 1972, covering First Mortgage 7.875% Bonds, Series P; twenty-fourth Supplemental Indenture dated November 1, 1973, covering First Mortgage 8.50% Bonds, Series S (Exhibits 2(b), 2(c), 2(d), Registration Statement No. 2-53678, of which certain exhibits are incorporated by reference to Registration Statement Nos. 2-2187, 2-5923, 2-5923, 2-9681, 2-10517 and 2-11093.) 29
- 4.4 Thirty-third Supplemental Indenture dated as of May 1, 1988, covering First Mortgage 9.48% Bonds, Series BB. (Exhibit 4 to Form 10-Q dated September 30, 1988) 29
- 4.5 Thirty-fourth Supplemental Indenture dated as of November 1, 1990, covering First Mortgage 9.86% Bonds, Series CC. (Exhibit 4 to Form 10-K for fiscal year 1990) 29
- 4.6 Thirty-fifth Supplemental Indenture dated as of November 1, 1992, covering First Mortgage 8.63% Bonds, Series DD. (Exhibit 4 to Form 10-Q dated September 30, 1992) 29
- 4.7 Thirty-sixth Supplemental Indenture dated as of May 1, 1993, covering First Mortgage 7.90% Bonds Series EE (Exhibit 4 to Form 10-Q dated June 30, 1993) 29
- 4.8 Thirty-seventh Supplemental Indenture dated as of September 1, 1993, covering First Mortgage 6.95% Bonds, Series FF (Exhibit 4 to Form 10-Q dated September 30, 1993) 29
- 4.9 Thirty-eighth Supplemental Indenture dated as of October 15, 1993, covering First Mortgage 6.98% Bonds, Series GG (Exhibit 4 to Form 10-K for fiscal year 1994) 29
- 4.10 Note Agreement dated August 15, 1995, pertaining to issuance of \$20,000,000, 7.28% Series A Unsecured Senior Notes, due November 1, 2025 (Exhibit 4 to Form 10-Q dated September 30, 1995) 29
- 4.11 Note Agreement dated March 1, 1999, pertaining to issuance of \$20,000,000, 6.77% Series B Unsecured Senior Notes, due November 1, 2028 (Exhibit 4.1 to Form 10-K dated December 31, 1999) 29

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- 4.12 Note Agreement dated October 1, 2000, pertaining to issuance of \$20,000,000, 8.15% Series C Unsecured Senior Notes, due November 1, 2030 (Exhibit 4.10 to Form 10-K dated December 31, 2000) 63
- 4.13 Thirteenth Supplemental Trust Indenture whereby California Water Service Company became the successor to Dominguez Water Corporation in the original trust indenture for Dominguez Water Corporation dated August 1, 1954 (Exhibit 4.11 to Form 10-K dated December 31, 2000) 94
- 4.14 Eleventh Supplemental Trust Indenture dated as of December 8, 1992 covering First Mortgage 8.86% Bonds, Series J (Exhibit 10.2 30

to Form 10-K as of December 31, 1997 and filed by Dominguez Services Corporation on March 31, 1998)

4.15	Twelfth Supplemental Indenture dated as of December 1, 1997, covering First Mortgage 6.94% Bonds, Series K due January 1, 2023 (Exhibit 10.2 to Form 10-K dated December 31, 1997 and filed by Dominguez Services Corporation on March 31, 1998)	30
10.	Material Contracts.	
10.1	Water Supply Contract between Cal Water and County of Butte relating to Cal Water's Oroville District; Water Supply Contract between Cal Water and the Kern County Water Agency relating to Cal Water's Bakersfield District; Water Supply Contract between Cal Water and Stockton East Water District relating to Cal Water's Stockton District. (Exhibits 5(g), 5(h), 5(i), 5(j), Registration Statement No. 2-53678, which incorporates said exhibits by reference to Form 10-K for fiscal year 1974).	30
10.2	Settlement Agreement and Master Water Sales Contract between the City and County of San Francisco and Certain Suburban Purchasers dated August 8, 1984; Supplement to Settlement Agreement and Master Water Sales Contract, dated August 8, 1984; Water Supply Contract between Cal Water and the City and County of San Francisco relating to Cal Water's Bear Gulch District dated August 8, 1984; Water Supply Contract between Cal Water and the City and County of San Francisco relating to the Cal Water's San Carlos District dated August 8, 1984; Water Supply Contract between Cal Water and the City and County of San Francisco relating to Cal Water's San Mateo District dated August 8, 1984; Water Supply Contract between	30
	Cal Water and the City and County of San Francisco relating to Cal Water's South San Francisco District dated August 8, 1984. (Exhibit 10.2 to Form 10-K for fiscal year 1984).	
10.3	Water Supply Contract dated January 27, 1981, between Cal Water and the Santa Clara Valley Water District relating to Cal Water's Los Altos District (Exhibit 10.3 to Form 10-K for fiscal year 1992)	31
10.4	Amendments No. 3, 6 and 7 and Amendment dated June 17, 1980, to Water Supply Contract between Cal Water and the County of Butte relating to Cal Water's Oroville District. (Exhibit 10.5 to Form 10-K for fiscal year 1992)	31
10.5	Amendment dated May 31, 1977 to Water Supply Contract between Cal Water and Stockton-East Water District relating to Cal Water's Stockton District. (Exhibit 10.6 to Form 10-K for fiscal year 1992)	31
10.6	Second Amended Contract dated September 25, 1987 among Stockton East Water District, California Water Service Company, the City of Stockton, the Lincoln Village Maintenance District, and the Colonial Heights Maintenance District Providing for the Sale of Treated Water. (Exhibit 10.7 to Form 10-K for fiscal year 1987).	31
10.7	Water Supply Contract dated April 19, 1927, and Supplemental Agreement dated June 5, 1953, between Cal Water and Pacific Gas and Electric Company relating to Cal Water's Oroville District. (Exhibit 10.9 to Form 10-K for fiscal year 1992)	31
10.8	California Water Service Company Pension Plan (Exhibit 10.10 to Form 10-K for fiscal year 1992)	31
10.9	California Water Service Company Pension Plan; this plan was replaced by a new plan in 2000, see Exhibit 10.23 (Exhibit 10.10 to Form 10-K for fiscal year 1992) *	31
10.10	California Water Service Company Employees Savings Plan. (Exhibit 10.12 to Form 10-K for fiscal year 1992)	31
10.11	Agreement between the City of Hawthorne and California Water Service Company for the 15-year lease of the City's water system. (Exhibit 10.17 to Form 10-Q dated March 31, 1996)	31

10.12	Water Supply Agreement dated September 25, 1996 between the City of Bakersfield and California Water Service Company. (Exhibit 10.18 to Form 10-Q dated September 30, 1996)	32
10.13	Agreement of Merger dated March 6, 1997 by and among California Water Service Company, CWSG Merger Company and California Water Service Group. (Filed as Exhibit A of the 1997 California Water Service Company Proxy Statement/ Prospectus which was incorporated by reference in the Form 10-K for 1997)	32
10.14	Shareholder Rights Plan; an agreement between California Water Service Group and BankBoston, N.A., rights agent, dated January 28, 1998 (Exhibit 1 to Form 8-A and Exhibit 1 to Form 8-K dated February 13, 1998)	32
10.15	Dividend Reinvestment and Stock Purchase Plan dated February 17, 1998 (Filed on Form S-3 dated February 17, 1998)	32
10.16	California Water Service Group Directors Retirement Plan (Exhibit 10.18 to Form 10-K for fiscal year 1997) *	32
10.17	\$50,000,000 Business Loan Agreements between California Water Service Group, California Water Service Company and CWS Utility Services and Bank of America dated May 3, 1999, Expiring April 30, 2001 (Exhibit 10.18 to Form 10-K for the Year 1999)	32
10.18	Certificate of Determination regarding Series D Participating Preferred Shares. These shares are relative to the Shareholder Rights Plan and would be issued if the rights plan were triggered. This is a revised filing at the California Secretary of State's request in a revised form (Exhibit 10.19 to Form 10Q for the quarter ending September 30, 1998)	32
10.19	Executive Severance Plan (Exhibit 10.24 to Form 10K for the fiscal year 1998) *	32
10.20	Water Supply Contract dated November 16, 1994 between California Water Service Company and Alameda County Flood Control and Water Conservation District relating to Cal Water's Livermore District (Exhibit 10.15 to Form 10-K for 1994)	32

10.21	California Water Service Group Long-Term Incentive Plan (filed as Appendix A of the 2000 California Water Service Group Proxy) *	33
10.22	California Water Service Group Deferred Compensation Plan effective January 1, 2001; this plan replaces the former Directors Deferred Compensation Plan *	120
10.23	California Water Service Company Supplemental Executive Retirement Plan effective January 1, 2001; this plan replaces a prior plan, see Exhibit 10.9 *	154
13.	Annual Report to Security Holders, Form 10-Q or Quarterly Report to Security Holders:	
13.1	2000 Annual Report. Certain sections of the 2000 Annual Report to stockholders are incorporated by reference in this 10-K filing and filed with this Form 10-K as Exhibit 13. This includes those sections referred to in Part II, Item 5, Market for Registrant's Common Equity and Related Shareholder Matters; Part II, Item 6, Selected Financial Data; Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations; Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk; and Part II, Item 8, Financial Statement and Supplementary Data.	34
13.2	Regulated and Non-Regulated Customers	

21.	Subsidiaries of the Registrant	60
23.	Consents of Experts and Counsel.	
23.1	Consent of KPMG LLP	61
23.2	Consent of Arthur Andersen LLP	62
*	Management Contract or Compensatory Plan or Arrangement	

Exhibit 13.1 2000 Annual Report to Stockholders

Ten-Year Financial Review

<TABLE>

<CAPTION>
Dollars in thousands, except
common share data

	2000	1999	1998	1997	1996	1995	1994	1993	
1992 1991									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>									
Summary of Operations									
Operating revenue									
Residential	\$171,234	\$163,681	\$150,491	\$158,210	\$148,313	\$132,859	\$127,228	\$122,585	
\$111,353 \$ 95,393									
Business	44,211	41,246	38,854	40,520	37,605	35,873	33,712	31,360	
29,208 25,490									
Industrial	11,014	12,695	10,150	10,376	9,748	9,952	9,080	8,415	
7,905 7,037									
Public authorities	11,609	10,898	9,654	11,173	10,509	9,585	9,397	8,535	
7,899 6,754									
Other	6,738	6,417	5,777	4,886	4,083	4,833	3,767	4,985	
7,104 12,799									
-----	-----	-----	-----	-----	-----	-----	-----	-----	-
Total operating revenue	244,806	234,937	214,926	225,165	210,258	193,102	183,184	175,880	
163,469 147,473									
Operating expenses	211,610	201,890	183,245	188,020	177,356	164,958	155,012	145,517	
137,401 121,179									
Interest expense, other	13,233	11,076	11,821	11,388	11,502	11,176	11,537	12,785	
income and expenses, net									
11,794 10,769									
-----	-----	-----	-----	-----	-----	-----	-----	-----	-
Net income	\$ 19,963	\$ 21,971	\$ 19,860	\$ 25,757	\$ 21,400	\$ 16,968	\$ 16,635	\$ 17,578	\$
14,274 \$ 15,525									
-----	-----	-----	-----	-----	-----	-----	-----	-----	-
Common Share Data									
Earnings per share-diluted	\$ 1.31	\$ 1.44	\$ 1.31	\$ 1.71	\$ 1.42	\$ 1.13	\$ 1.17	\$ 1.26	\$
1.02 \$ 1.12									
Dividend declared	1.100	1.085	1.070	1.055	1.040	1.020	0.990	0.960	
0.930 0.900									
Dividend payout ratio	84%	75%	82%	62%	73%	90%	85%	76%	
91% 80%									
Book value	\$ 13.13	\$ 12.89	\$ 12.49	\$ 12.15	\$ 11.47	\$ 10.97	\$ 10.72	\$ 10.03	\$
9.65 \$ 9.48									
Market price at year-end	27.00	30.31	31.31	29.53	21.00	16.38	16.00	20.00	
16.50 14.00									
Common shares outstanding	15,146	15,094	15,015	15,015	15,015	14,934	14,890	13,773	
at year-end (in thousands)									
13,773 13,773									
Return on average common	10.1%	11.5%	10.8%	14.5%	12.8%	10.6%	11.1%	12.6%	
stockholders' equity									
10.7% 11.8%									
Long-term debt interest	3.58	3.73	3.64	4.37	3.81	3.41	3.49	3.34	
3.21 3.33									
coverage	-----	-----	-----	-----	-----	-----	-----	-----	---

Balance Sheet Data									
Net utility plant	\$582,008	\$564,390	\$538,741	\$515,917	\$495,985	\$471,994	\$455,769	\$437,065	
\$419,194 \$389,965									
Utility plant expenditures	37,161	48,599	41,061	37,511	40,310	31,031	32,435	31,097	
37,698 37,935									
Total assets	666,605	645,507	613,143	594,444	569,745	553,027	516,507	497,717	
451,754 440,294									
Long-term debt including	189,979	171,613	152,674	153,271	151,725	154,416	138,628	138,863	
current portion									
130,971 108,572									
Capitalization ratios:									
Common stockholders' equity	51.1%	53.0%	54.6%	53.8%	52.7%	50.9%	52.9%	49.3%	
49.7% 53.9%									
Preferred stock	0.9%	0.9%	1.0%	1.0%	1.1%	1.1%	1.2%	1.2%	
1.3% 1.4%									
Long-term debt	48.0%	46.1%	44.4%	45.2%	46.2%	48.0%	45.9%	49.5%	
49.0% 44.7%									
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Other Data

Water production (million gallons)										
Wells		65,408	65,144	57,482	63,736	60,964	54,818	53,274	48,598	
55,641	52,944									
Purchased		62,237	58,618	54,661	59,646	56,769	57,560	59,850	59,103	
49,303	44,457									
-----		-----	-----	-----	-----	-----	-----	-----	-----	-----
Total water production		127,645	123,762	112,143	123,382	117,733	112,378	113,124	107,701	
104,944	97,401									
-----		-----	-----	-----	-----	-----	-----	-----	-----	-----
Metered customers		366,242	361,235	354,832	350,139	345,307	335,238	332,146	326,564	
322,457	318,275									
Flat-rate customers		78,104	77,892	77,568	77,878	77,991	78,330	79,159	81,416	
82,617	83,030									
-----		-----	-----	-----	-----	-----	-----	-----	-----	-----
Customers at year-end, including Hawthorne		444,346	439,127	432,400	428,017	423,298	413,568	411,305	407,980	
405,074	401,305									
-----		-----	-----	-----	-----	-----	-----	-----	-----	-----
New customers added		5,219	6,727	4,383	4,719	9,730	2,263	3,325	2,906	
3,769	6,301									
Revenue per customer		\$ 551	\$ 535	\$ 497	\$ 526	\$ 497	\$ 467	\$ 445	\$ 431	\$
404	\$ 367									
Utility plant per customer		1,916	1,851	1,768	1,694	1,632	1,580	1,520	1,459	
1,400	1,327									
Employees at year-end		797	790	759	752	740	738	729	717	
706	689									
-----		-----	-----	-----	-----	-----	-----	-----	-----	-----

</TABLE>

Management's Discussion and Analysis of Results of Operations
and Financial Condition

California Water Service Group (Company) is a holding company with four operating subsidiaries: California Water Service Company (Cal Water), CWS Utility Services (Utility Services), New Mexico Water Service Company (New Mexico Water) and Washington Water Service Company (Washington Water). Cal Water and Washington Water are regulated public utilities. Their assets and operating revenues currently comprise the majority of the Company's assets and revenues. New Mexico Water is a new subsidiary formed in 2000 to provide regulated water services. Utility Services provides non-regulated water operations and related services to other private companies and municipalities. The following discussion and analysis provides information regarding the Company, its assets, operations and financial condition.

Forward-Looking Statements

This annual report, including the Letter to Stockholders and Management's Discussion and Analysis, contains forward-looking statements within the meaning of the federal securities laws. Such 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, anticipates 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. Actual results may vary materially from what is contained in a forward-looking statement. Factors which may cause a result different than expected or anticipated include governmental and regulatory commissions' decisions, new legislation, increases in suppliers' prices and the availability of supplies, changes in environmental compliance requirements, acquisitions, the ability to successfully implement business plans, changes in customer water use patterns and the impact of weather on operating results. The Company assumes no obligation to provide public updates of forward-looking statements.

Business

Cal Water is a public utility supplying water service to 431,900 customers in 75 California communities through 25 separate water systems or districts. Cal Water's 24 regulated systems, which are subject to regulation by the California Public Utilities Commission (CPUC) serve 425,800 customers. An additional 6,100 customers receive service through a long-term lease of the City of Hawthorne's water system, which is not subject to CPUC regulation.

Washington Water's utility operations are regulated by the Washington Utilities and Transportation Commission (WUTC). Washington Water provides domestic water service to 12,500 customers in the Tacoma and Olympia areas. An additional 2,400 customers are served under operating agreements with private owners.

New Mexico Water was organized in 2000. It currently provides meter reading services for 48,500 accounts in Santa Fe and Los Alamos. In November, the Company entered an agreement to acquire the water and wastewater assets of Rio Grande Utility Corporation. Rio Grande has annual revenue of \$1.2 million and serves 2,300 water and 1,600 wastewater customers south of Albuquerque. The acquisition is contingent on approval of the state's Public Regulation Commission, which is expected in the third quarter of 2001.

Utility Services derives non-regulated income from contracts with other private companies and municipalities to operate water systems and provide meter reading and billing services for 105,900 customers. It also leases communication antenna sites, operates recycled water systems, provides meter reading and customer services, and conducts real estate sales.

Rates and operations for regulated customers are subject to the jurisdiction of the respective state's regulatory commission. The commissions require that water rates for each regulated district be independently determined. Rates for the City of Hawthorne system are established in accordance with an operating agreement and are subject to ratification by the City Council. Fees for other operating agreements are based on contracts negotiated among the parties.

Results of Operations

RESTATEMENT. During 2000, the Company issued 2,210,000 shares of common stock in exchange for all of the outstanding shares of Dominguez Services Corporation. The acquisition, which was accounted for as a pooling of

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interests, was completed on May 25, 2000. The accompanying financial statements have been restated to include the Dominguez accounts in the current and prior periods.

EARNINGS AND DIVIDENDS. Net income in 2000 was \$19,963,000 compared to \$21,971,000 in 1999 and \$19,860,000 in 1998. Diluted earnings per common share were \$1.31 in 2000, \$1.44 in 1999 and \$1.31 in 1998. The weighted average number of common shares outstanding was 15,173,000 in 2000, 15,142,000 in 1999 and 15,061,000 in 1998.

At its January 2000 meeting, the Board of Directors increased the common stock dividend for the 33rd consecutive year. 2000 also marked the 56th consecutive year that a dividend had been paid on the Company's common stock. The annual dividend paid in 2000 was \$1.10, a 1.4% increase over the \$1.085 paid in 1999, which was an increase of 1.4% over the \$1.07 paid in 1998. The dividend increases were based on projections that the higher dividend could be sustained while still providing the Company with adequate financial flexibility. Earnings not paid as dividends are reinvested in the business for the benefit of stockholders. The dividend payout ratio was 84% in 2000, 75% in 1999 and 82% in 1998, an average of 80% during the three-year period.

OPERATING REVENUE. Operating revenue, including revenue from the City of Hawthorne lease, was \$244.8 million, \$9.9 million or 4% more than the \$234.9 million recorded last year. Revenue in 1998 was \$214.9 million. The source of changes in operating revenue were:

Dollars in millions	2000	1999	1998
Customer water usage	\$ 4.8	\$ 14.0	\$ (14.4)
Rate increases	3.0	3.2	2.1
Usage by new customers	2.1	2.8	2.1
Net change	\$ 9.9	\$ 20.0	\$ (10.2)
Average revenue per customer (in dollars)	\$ 551	\$ 535	\$ 497
Average metered customer usage (Ccf)	317	305	284
New customers added	5,200	6,700	4,400

Weather always has an important influence on water revenues. The first quarter of 2000 was wetter than in the previous year, causing a reduction in customer usage. Second and third quarter weather was normal; however, rains in the early part of the fourth quarter negatively affected usage. The year-end customer count was 444,000, an increase of 1.0%.

Weather in the first half of 1999 was normal, while in the prior year it was cooler and wetter; as a result, customer usage and revenue were higher in 1999. Third quarter weather in both years was normal. Fourth quarter 1999 weather was mild and drier than 1998, causing an increase in customer usage and an increase in revenue. The year-end customer count was 439,000, an increase of 1.6%.

During the first half of 1998, weather in our service areas was wet and cool, very much the reverse of 1997's favorable weather pattern. Weather in the second half of the year returned to a more normal pattern. However, the wet,

cool weather in the early part of the year resulted in an overall 9% decrease in 1998 water usage, negatively impacting revenue. The year-end customer count was 432,000, a 1.0% increase.

OPERATING AND INTEREST EXPENSES. Total operating expenses, including those for the Hawthorne operation, were \$211.6 million in 2000, \$201.9 million in 1999 and \$183.2 million in 1998.

Wells provided 50.7% of water requirements in 2000 and purchased water provided 48.7%, with 0.6% obtained from surface supplies. In 1999 the corresponding percentages were 52.4%, 47.2% and 0.4%, and in 1998, 50.8%, 48.7% and 0.5%. The table below provides information regarding water production costs consisting of purchased water, purchased power and pump taxes:

Dollars in millions	2000	1999	1998
Purchased water	\$73.8	\$69.4	\$61.0
Purchased power	15.1	14.4	12.5
Pump taxes	6.3	6.9	5.2

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Total water production costs	\$95.2	\$90.7	\$78.7

Change from prior year	5%	15%	(5)%

Water production (billion gallons)	128	124	112

Change from prior year	3%	10%	(9)%

The year-to-year water production cost changes are influenced by weather patterns and sources of supply. In each of the three years, purchased water expense, the largest component of annual operating expense, was affected by wholesale suppliers' rate increases. During 2000, seven districts experienced wholesale price increases ranging from 2% to 7%. Water production costs in 1999 reflect an increase in customer usage and significant purchased water price increases for the San Francisco Peninsula districts where the wholesale supplier's rates increased 37%. Despite some wholesale price increases in 1998, overall water production expenses declined. Well production decreased due to the decline in water sales and because several wells were out of service for maintenance. With reduced well production, purchased power and pump tax expenses declined.

During the last three years, the Company has not been subject to significant energy rate increases. However, as has been widely publicized, California energy costs are expected to rise significantly. In January 2001, the CPUC approved temporary energy surcharges that the Company estimates may increase its power costs by 10%. The Company believes that energy cost increases are recoverable from consumers through established CPUC procedures, although on a short-term basis the regulatory lag in recovering higher energy costs will negatively impact earnings.

Employee payroll and benefits charged to operations and maintenance expense was \$43.9 million for 2000, \$43.0 million in 1999 and \$38.8 million in 1998. The increases in payroll and related benefits are attributable to general wage increases effective at the start of each year and additional hours worked. At year-end 2000, 1999 and 1998, there were 797, 790 and 759 employees, respectively.

During 2000, a curtailment of the Dominguez pension plan was recorded resulting in a gain of \$1.2 million which was offset against operating expenses. The curtailment occurred because the Dominguez plan was frozen at the merger date and its participants became participants in the Company pension plan. Previous amounts expensed by Dominguez but not funded to the plan comprise the curtailment amount. This amount is not included in the \$43.9 million reported for payroll and benefits charged to operations and maintenance expense.

Income tax expense was \$11.6 million in 2000, \$13.5 million in 1999 and \$11.4 million in 1998. The changes in taxes are generally due to variations in taxable income. There is no state income tax in Washington.

In 2000, interest on long-term debt was unchanged from 1999. In October, \$20 million, Series C, 8.15% senior notes were issued. The added interest expense was offset by sinking fund reductions of outstanding bonds and interest capitalized on constructed assets. Long-term debt interest expense increased \$1 million in 1999 because of the issue of Series B, 6.77% senior notes in March.

Short-term bank borrowing interest expense increased in 2000 by \$0.7 million because of higher borrowings to meet operating and interim construction funding needs. Bank borrowings were reduced when Series C senior notes were issued. In 1999, other interest expense decreased \$0.4 million. Short-term borrowings were reduced after the issue of Series B senior notes and by strong cash flow from operations. Interest coverage of long-term debt before income taxes was 3.6 times in 2000, 3.7 times in 1999 and 3.6 times in 1998. There was \$14.6 million in short-term borrowings at the end of 2000, \$14.0 million at the end of 1999

and \$22.9 million at the end of 1998.

OTHER INCOME AND EXPENSES. Other income is derived from management contracts whereby the Company operates private and municipally owned water systems, agreements for operation of two recycled water systems, contracts for meter reading and billing services to various cities, leases of communication antenna sites, surplus property sales, other non-utility sources and interest on short-term investments. Total other income was \$1.8 million in 2000, \$3.6 million in 1999 and \$2.1 million in 1998. During 1999, \$1.3 million in pre-tax profits were recorded from properties sold as part of the Real Estate Program that is described in more detail in the "Liquidity and Capital Resources" section of this report. There were no property sales in 2000 or 1998.

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Rates and Regulation

The Company's regulatory staff reviewed 15 Cal Water districts that were eligible for general rate filings in 2000. Based on current earnings levels, projected expense increases and expected capital expenditures, applications were filed in July 2000 for three districts representing about 25% of Cal Water customers. The applications request a 10.75% return on equity and would provide \$3.4 million in new revenue in 2001 and \$7.2 million in 2002. A CPUC decision is expected during the second quarter of 2001. There can be no assurance that the increases will be granted as requested.

Step rate increases of \$0.8 million for 2001 from prior general rate decisions were effective in January.

New water rates for the City of Hawthorne water system, which the Company operates under a long-term lease, became effective in early August 2000. The rates are designed to add \$0.3 million in annual revenue in their first full year. Step rate increases of \$0.2 million will be effective on July 1, 2001 and 2002. Additionally, there will be a surcharge added to customer bills for a two-year period starting in August 2001 designed to produce \$0.5 million in annual revenue.

Effective in August 2000, offset rate increases to recover increases in water production expenses became effective in four Cal Water districts. The rates generated \$1.6 million in additional 2000 revenue and are expected to add \$1.8 million in 2001.

Prior to and unrelated to the merger with the Company, Dominguez Services Corporation filed a general rate increase application with the CPUC. A CPUC decision was issued in October 2000 authorizing an increase in customer rates and granting a return on equity of 9.95%. For 2000, \$0.2 million in new revenue was received from the rate increase and for the full year 2001, \$1.7 million is expected.

During 1999, the Company's regulatory staff completed a review of 14 Cal Water districts that were eligible for general rate application filings. Based on existing earnings levels, projected expense increases and expected capital expenditures, a determination was made that no general rate increase applications were necessary.

In May 1999, the CPUC authorized general rate increases for the rate applications filed in July 1998 affecting four districts representing about 25% of Cal Water's customers. The decision generated \$4.1 million in new revenue during the twelve months following the mid-June effective date. The decision's 9.55% authorized return on equity provided \$1.9 million in new annual revenue. In addition, the decision provided another \$2.2 million in annual revenue for environmental compliance, specific capital budget expenditures and recovery of General Office expenses. The \$2.2 million is not reflected in the 9.55% return on equity calculation.

CPUC decisions were received in July 1998 for the general rate applications filed in July 1997. Additional annual revenue from these decisions was \$0.3 million in 1998, \$0.3 million in 1999 and \$0.1 million in 2000, with \$0.1 million expected in 2001. In a variance from its past practice, future rate increases for operating costs and capital requirements over the next five years in the Oroville and Selma districts are tied to changes in a price index. The decision maintained the Return on Equity (ROE) at 10.35%.

Water Supply

The Company's source of supply varies among its operating districts. Certain districts obtain all of their supply from wells, some districts purchase all of their supply from wholesale suppliers and other districts obtain their supply from a combination of well and purchased sources. A small portion of the supply is from surface sources. On average, approximately half of the water is provided from wells and about half purchased.

California's normal weather pattern yields little precipitation between mid-spring and mid-fall. The Washington service areas receive precipitation in all seasons with the heaviest amounts during the winter. Water usage is highest during the warm summers and declines in the cool winter months. Rain and snow during the winter months replenish underground water basins and fill reservoirs providing the water supply for subsequent delivery to customers. To date, snow and rainfall accumulation during the 2000-2001 water year has been less than normal; however, the prior four years were at or exceeded normal levels. Water storage in California's reservoirs at the end of 2000 was at 107% of historic average, so the state will enter 2001 with ample storage. The Company believes that its supply from underground aquifers and purchased sources should be

adequate to meet customer demand during 2001.

Environmental Matters

The Company is subject to regulations of the United States Environmental Protection Agency (EPA), state health service departments and various local health departments concerning water quality matters. It is also subject to the jurisdiction of various state and local regulatory agencies relating to environmental matters, including handling and

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disposal of hazardous materials. The Company strives for complete compliance with all requirements set forth by the various agencies.

The Safe Drinking Water Act (SDWA) was amended in 1996 to provide a new process for the EPA to select and regulate waterborne contaminants. The EPA can now regulate only contaminants that are known or likely to occur at levels expected to pose a risk to public health when regulation would provide a meaningful opportunity to reduce a health risk. New drinking water regulations will be based primarily on risk assessment and measurement of cost/benefit considerations for minimizing overall health risk. The amended SDWA allows EPA to require monitoring of up to 30 contaminants in any five-year cycle. Also, every five years the EPA must select at least five listed contaminants and determine if they should be regulated.

The Company has an established water supply monitoring program to test for contaminants in accordance with SDWA requirements. Water pumped from underground sources is treated as necessary or required by regulations. The Company owns and operates three surface water treatment plants. The cost of existing treatment is being recovered in customer rates as authorized by the regulatory authorities. Water purchased from wholesale suppliers is treated before delivery to the Company's systems.

Enforcement of the EPA standards is the responsibility of individual states. The states can impose more stringent regulation than mandated by EPA. In addition to the EPA's requirements, various regulatory agencies could require increased monitoring and possibly require additional treatment of water supplies.

In January 2001, EPA released a new, lower regulatory limit for arsenic, a naturally-occurring element, that is sometimes present in groundwater. It is anticipated that EPA will issue other regulations that will require further monitoring and possible treatment for specific contaminants. Depending on the action levels contained in the regulations, the cost of compliance with the new regulations could be significant in certain Company districts. The Company intends to request recovery for capital investments and additional treatment costs needed to remain in compliance with established health standards through the ratemaking process.

Liquidity and Capital Resources

LIQUIDITY. The Company's liquidity is provided by bank lines of credit and internally generated funds. The Company has a \$50 million line of credit with a bank, of which \$20 million is designated for the parent and \$30 million is available to Cal Water. The \$20 million portion may be drawn on for use by the Company, including funding of its subsidiaries' operations. Cal Water's \$30 million portion can be used solely for purposes of the regulated utility.

The Company has committed \$7.6 million of the \$20 million credit line to a contractor who is constructing a combined customer/operation center to serve the South Bay Los Angeles operations. When complete in the fall of 2001, the Company will exchange real property on a tax-free basis with the contractor for the customer/operation center. At December 31, 2000, \$3.5 million had been drawn to acquire land and commence construction.

Washington Water has loan commitments from two banks to meet its operating and capital equipment purchase requirements. At December 31, 2000, the total available under these commitments was \$0.4 million. Generally, short-term borrowings under the commitments are converted annually to long-term borrowings with repayment terms tied to system and equipment acquisitions.

The water business is seasonal. Revenue is lower in the winter months when water usage declines from the higher-use summer period. During the winter period, the need for short-term borrowings under the bank lines of credit increases. The larger summer cash flow allows short-term borrowings to be paid down. Short-term borrowings that remain outstanding more than one year have generally been converted to long-term debt. The Company believes that long-term financing is available to it through debt and equity markets. Standard & Poor's and Moody's have maintained their ratings of Cal Water's first mortgage bonds at AA- and Aa3, respectively. These are the highest ratings for senior debt in the water industry. Long-term financing, which includes common stock, first mortgage bonds, senior notes and other debt securities has been used to replace short-term borrowings and fund construction. Developer contributions in aid of construction and refundable advances for construction are also sources of funds for various construction projects. Internally generated funds come from retention of earnings not paid out as dividends, depreciation and deferred income taxes. Additional information regarding the bank borrowings and long-term debt is presented in notes 7 and 8 to the financial statements.

In October 2000, Series C, 8.15%, 30-year senior notes were issued and in March 1999, Series B, 6.77%, 30-year senior notes were issued. Each issue is for \$20 million. During the four years prior to the Series B issue, the

Company's operating and capital requirements were met by borrowings under the bank short-term line of credit and internally generated funds.

The Company has a Dividend Reinvestment Plan and Stock Purchase Plan (Plan). Under the Plan, stockholders may reinvest dividends to purchase additional Company common stock. The Plan also allows existing stockholders and other interested investors to purchase Company common stock through the transfer agent. The Plan provides that shares required for the Plan may be purchased on the open market or be newly issued shares. Therefore, the Plan provides the Company with an alternative means of developing additional equity if new shares were issued. During 2000 and 1999 shares were purchased on the open market. At this time, the Company intends to continue purchasing shares required for the Plan on the open market. However, if new shares were issued to satisfy future Plan requirements, the impact on earnings per share could be dilutive because of the additional shares outstanding. Also, stockholders may experience dilution of their ownership percentage.

CAPITAL REQUIREMENTS. Capital requirements consist primarily of new construction expenditures for expanding and replacing the Company's utility plant facilities and the acquisition of new water properties. They also include refunds of advances for construction and retirement of bonds.

The 2000 utility plant expenditures totaled \$37.1 million. During 1999, total utility plant expenditures were \$48.6 compared to \$41.1 million in 1998. The 2000 expenditures included \$33.5 million provided by Company funds and \$3.6 million received from developers for contributions in aid of construction and refundable advances for construction. Company projects were funded by internally generated funds, borrowings under bank credit lines and commitments, and issuance of the \$20 million Series C senior notes.

Several major projects account for an increase in the 2001 construction budget to \$53.9 million. In 2001, construction will commence on a three-year project to construct a treatment plant to accommodate growth and meet water quality standards in the Bakersfield district. \$10.8 million is budgeted for this project in 2001. Over the three-year period, the plant and related pumping and pipeline facilities are estimated to cost \$45 million. Also in the 2001 budget is \$4.6 million for construction of office/operation centers in the Chico and Stockton districts. These facilities will replace existing office/operation centers that have become inadequate due to age and district growth. The budget will be funded by operations, bank borrowings and long-term debt and equity financing. New subdivision construction will be financed by developers' contributions and refundable advances for construction. The Company-funded construction budgets over the next five years are projected to be about \$275 million.

CAPITAL STRUCTURE. Common stockholders' equity increased by the amount of earnings not paid out for dividends. New equity issued in 1999 and 1998 was to acquire water systems. The long-term debt portion of the capital structure increased due to the issuance of Series B and C senior notes. It was reduced by first mortgage bond sinking fund payments.

The Company's total capitalization at December 31, 2000, was \$389.4 million and at the end of 1999 was \$366.9 million.

Capital ratios were:

	2000	1999
Common equity	51.1%	53.0%
Preferred stock	0.9%	0.9%
Long-term debt	48.0%	46.1%

The 2000 return on average common equity was 10.1% compared to 11.5% in 1999 and 10.8% in 1998.

OTHER ACQUISITIONS. On January 25, 2001, the CPUC approved the Company's acquisition of the Nish water systems in Visalia. The four systems serve 1,100 customers and have annual revenue of \$1.2 million. The Company will issue common stock valued at \$0.8 million and assume debt of \$0.2 million to complete the transaction.

On April 12, 2000, Washington Water received approval from the WUTC to purchase the assets of Mirrormount Water Services and Lacamas Farmsteads Water Company. The acquisitions were completed in April 2000. Together the companies serve almost 800 customers and produce annual revenue of about \$250,000. Washington Water also purchased the assets of Robischon Engineers, Inc. in April 2000. This acquisition added in-house

engineering capabilities to the Washington operation, enabling Washington Water to provide water system design services to other water providers.

During 1999 the Company invested in a firm that provides meter-reading services in Santa Fe, New Mexico and assumed responsibility for this contract in April 2000. The Company's agreement is with Avistar, a subsidiary of Public

Service of New Mexico, which operates the 26,000-account water system for the city. The acquisition of the Rio Grande Utility Corporation, which serves 2,300 water and 1,600 wastewater customers, for \$2.3 million in cash and assumed debt of \$3.1 million is expected to be completed in the third quarter of 2001.

REAL ESTATE PROGRAM. The Company's subsidiaries own more than 900 real estate parcels. Certain parcels are not necessary for or used in water utility operations. Most surplus properties have a low cost basis. A program has been developed to realize the value of certain surplus properties through sale or lease of those properties. The program will be ongoing for a period of several years. During the next four years, the Company estimates that gross property transactions totaling over \$10 million dollars could be completed. In 1999, \$1.3 million in pretax sales were completed. No transactions were completed during 2000; however, \$4 million in pretax property sales are anticipated to close during 2001.

STOCKHOLDER RIGHTS PLAN. As explained in Note 6 to the Consolidated Financial Statements, in January 1998, the Board of Directors adopted a Stockholder Rights Plan (Plan). In connection with the Plan, a dividend distribution of one right for each common share to purchase preferred stock under certain circumstances was also authorized. The Plan is designed to protect stockholders and maximize stockholder value in the event of an unsolicited takeover proposal by encouraging a prospective acquirer to negotiate with the Board.

Financial Risk Management

The Company does not participate in hedge arrangements, such as forward contracts, swap agreements, options or other contractual agreements relative to the impact of market fluctuations on its assets, liabilities, production or contractual commitments. The Company operates only in the United States, and therefore, is not subject to foreign currency exchange rate risks.

INTEREST RATE RISK. The Company does have exposure to market risk that includes changes in interest rates. Interest rate risk exists because the Company's financing includes the use of long-term debt obligations with maturity dates up to 30 years from the date of issue and during the outstanding period interest rates are subject to fluctuation. The Company's long-term obligations are first mortgage bonds and senior note obligations that are generally placed with insurance companies. Washington Water's long-term obligations are for periods of up to 10 years and are placed with two banks. During 2000, the Company issued a single series of \$20 million, 30-year senior notes at 8.15%. To expand access to capital debt markets, the Company may investigate the use of private and public markets for future debt issues. It may also consider financing on a company-wide basis, rather than on a subsidiary-by-subsidiary basis.

The Company's short-term financing is provided by bank lines of credit that are discussed under the "Liquidity and Capital Resources" section of this report. Short-term borrowings that are not repaid from operating cash or funded by retained earnings are generally converted to long-term debt issues. The Company plans to continue the financing of its construction program in this manner. Financing of acquisitions have been done using Company common stock or through the debt financing vehicles available to the subsidiary companies.

VALUE RISK. Because the Company operates primarily in a regulated industry, its value risk is somewhat lessened; however, regulated parameters also can be recognized as limitations to operations and earnings, and the ability to respond to certain business condition changes. Non-regulated operations are subject to risk of contract constraints and performance by the Company in achieving its objectives. Value risk management is accomplished using various financial models that consider changing business parameters. It is also supplemented by considering various risk control processes that may be available as circumstances warrant.

EQUITY RISK. The Company does not have equity investments, therefore, it does not have equity risks.

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New Accounting Standard

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The statement as amended, establishes new accounting and reporting standards for derivative financial instruments and hedging activities. The Company adopted the standard on January 1, 2001. Its adoption is not anticipated to have a material impact on the Company's results of operations or financial position.

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In thousands, except per share data December 31, 2000 and 1999		
	2000	1999
Assets		
Utility plant		
Land	\$ 10,641	\$ 10,440
Depreciable plant and equipment	797,403	776,795
Construction work in progress	31,400	14,661
Intangible assets	11,837	10,790
	-----	-----
Total utility plant	851,281	812,686
Less accumulated depreciation and amortization	269,273	248,296
	-----	-----
Net utility plant	582,008	564,390
	-----	-----
Current assets:		
Cash and cash equivalents	3,241	1,655
Receivables:		
Customers	15,163	14,333
Other	5,450	4,777
Unbilled revenue	7,964	8,199
Materials and supplies at average cost	2,718	2,247
Taxes and other prepaid expenses	6,257	7,140
	-----	-----
Total current assets	40,793	38,351
	-----	-----
Other assets:		
Regulatory assets	38,133	37,441
Unamortized debt premium and expense	3,817	3,503
Other	1,854	1,822
	-----	-----
Total other assets	43,804	42,766
	-----	-----
	\$666,605	\$645,507
	-----	-----

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<TABLE>

Consolidated Balance Sheet (continued)

<CAPTION>

In thousands, except per share data
December 31, 2000 and 1999
<S>

	2000 <C>	1999 <C>
Capitalization and Liabilities		
Capitalization:		
Common stock, \$.01 par value; 25,000 shares authorized, 15,146 and 15,094 shares outstanding in 2000 and 1999, respectively	\$ 151	\$ 151
Additional paid-in capital	49,984	49,340
Retained earnings	149,185	145,610
Accumulated other comprehensive loss	(486)	(517)
	-----	-----
Total common stockholders' equity	198,834	194,584
Preferred stock without mandatory redemption provision, \$25 par value; 380 shares authorized, 139 shares outstanding	3,475	3,475
Long-term debt, less current maturities	187,098	168,866
	-----	-----
Total capitalization	389,407	366,925
	-----	-----
Current liabilities:		
Current maturities of long-term debt	2,881	2,747
Short-term borrowings	14,598	13,999
Accounts payable	26,493	26,748
Accrued taxes	3,976	3,556
Accrued interest	2,579	2,092
Other accrued liabilities	13,209	13,569
	-----	-----
Total current liabilities	63,736	62,711

-		
Unamortized investment tax credits	2,989	3,096
Deferred income taxes	25,620	25,796
Regulatory and other liabilities	20,316	22,544
Advances for construction	105,562	105,556
Contributions in aid of construction	58,975	58,879
-		
	\$666,605	\$645,507
-		

</TABLE>

See accompanying notes to consolidated financial statements.

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<TABLE>

Consolidated Statement of Income

<CAPTION>

In thousands, except per share data
For the years ended December 31, 2000, 1999 and 1998
<S>

	2000 <C>	1999 <C>	1998 <C>
Operating revenue	\$244,806	\$234,937	\$214,926
-			
Operating expenses:			
Operations:			
Purchased water	73,768	69,351	60,958
Purchased power	15,136	14,355	12,541
Pump taxes	6,275	6,856	5,162
Administrative and general	32,974	32,266	29,784
Other	32,308	28,963	28,131
Maintenance	11,592	10,200	10,191
Depreciation and amortization	18,368	17,246	16,309
Income taxes	11,571	13,515	11,425
Property and other taxes	9,618	9,138	8,744
-			
Total operating expenses	211,610	201,890	183,245
-			
Net operating income	33,196	33,047	31,681
Other income and expenses, net	1,413	3,089	1,746
-			
Income before interest expense	34,609	36,136	33,427
-			
Interest expense:			
Long-term debt interest	12,901	13,084	12,125
Other interest	1,745	1,081	1,442
-			
Total interest expense	14,646	14,165	13,567
-			
Net income	\$ 19,963	\$ 21,971	\$ 19,860
-			
Earnings per share:			
Basic	\$ 1.31	\$ 1.45	\$ 1.31
Diluted	\$ 1.31	\$ 1.44	\$ 1.31

Weighted average number of common shares outstanding:

Basic	15,126	15,090	15,014
-			
Diluted	15,173	15,142	15,061
-			

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>

Consolidated Statement of Common Stockholders' Equity and Comprehensive Income

<CAPTION>
In thousands

Total	Additional		Accumulated		Total
For the years ended	Common	Paid-in	Comprehensive	Retained	Stockholders'
Comprehensive	Stock	Capital	Income (Loss)	Earnings	Equity
December 31, 2000, 1999 and 1998	Stock	Capital	Income (Loss)	Earnings	Equity
Income					
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Balance at December 31, 1997	\$150	\$48,372	\$ --	\$134,236	\$182,758
--					

Net income	--	--	--	19,860	19,860
19,860					

Dividends paid:					
Preferred stock	--	--	--	153	153
--					
Common stock	--	--	--	14,889	14,889
--					

Total dividends paid	--	--	--	15,042	15,042
--					

Income reinvested in business	--	--	--	4,818	4,818
--					

Balance at December 31, 1998	150	48,372	--	139,054	187,576
19,860					

Issuance of common stock	1	968	--	--	969
--					

Net income	--	--	--	21,971	21,971
21,971					

Dividends paid:					
Preferred stock	--	--	--	153	153
--					
Common stock	--	--	--	15,262	15,262
--					

Total dividends paid	--	--	--	15,415	15,415
--					

Income reinvested in business	--	--	--	6,556	6,556
--					

Other comprehensive loss	--	--	--	(517)	(517)

(517)

Balance at December 31, 1999 21,454	151	49,340	145,610	(517)	194,584
Issuance of common stock	--	644	--	--	644
Net income 19,963	--	--	19,963	--	19,963
Dividends paid:					
Preferred stock	--	--	152	--	152
Common stock	--	--	16,236	--	16,236
Total dividends paid	--	--	16,388	--	16,388
Income reinvested in business	--	--	3,575	--	3,575
Other comprehensive income 31	--	--	--	31	31
Balance at December 31, 2000 \$19,994	\$151	\$49,984	\$149,185	\$(486)	\$198,834

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>

Consolidated Statement of Cash Flows

<CAPTION>

In thousands

For the years ended December 31, 2000, 1999 and 1998

<S>

	2000 <C>	1999 <C>	1998 <C>
Operating activities:			
Net income	\$ 19,963	\$ 21,971	\$ 19,860
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,368	17,246	16,309
Deferred income taxes, investment tax credits, and regulatory assets and liabilities, net	(3,203)	1,360	503
Changes in operating assets and liabilities			
Receivables	(1,503)	(2,324)	2,224
Unbilled revenue	235	(1,187)	(780)
Accounts payable	(255)	7,623	332
Other current assets and liabilities	1,093	(649)	2,272
Other changes, net	(71)	3,334	892
Net adjustments	14,664	25,403	21,752
Net cash provided by operating activities	34,627	47,374	41,612
Investing activities:			
Utility plant expenditures			
Company funded	(33,540)	(35,535)	(35,963)
Developer advances and contributions in aid of construction	(3,621)	(12,984)	(5,098)

Other investments	--	(80)	--
Net cash used in investing activities	(37,161)	(48,599)	(41,061)
-			
Financing activities:			
Net short-term borrowings	599	(8,951)	8,450
Issuance of common stock	644	46	--
Issuance of long-term debt	20,326	20,062	--
Advances for construction	3,846	7,480	3,972
Refunds of advances for construction	(3,870)	(4,056)	(3,939)
Contributions in aid of construction	1,883	4,814	3,982
Retirement of long-term debt	(2,920)	(2,318)	(785)
Dividends paid	(16,388)	(15,415)	(15,042)
-			
Net cash provided (used) in financing activities	4,120	1,662	(3,362)
-			
Change in cash and cash equivalents	1,586	437	(2,811)
Cash and cash equivalents at beginning of year	1,655	1,218	4,029
-			
Cash and cash equivalents at end of year	\$ 3,241	\$ 1,655	\$ 1,218
-			
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest (net of amounts capitalized)	\$ 14,785	\$ 13,796	\$ 11,922
Income taxes	11,775	11,499	9,501
Non-cash financing activity-common stock issued in acquisitions	--	923	--

</TABLE>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2000, 1999, and 1998

Note 1.

Organization and Operations

California Water Service Group (Company) is a holding company that through its wholly owned subsidiaries provides water utility and other related services in California, Washington and New Mexico. During 1999, the Company reincorporated as a Delaware corporation. California Water Service Company (Cal Water) and Washington Water Service Company (Washington Water) provide regulated utility services under the rules and regulations of their respective regulatory commissions (jointly referred to as Commissions). CWS Utility Services provides non-regulated water utility and utility-related services in all three states. New Mexico Water Service Company was formed in 2000 to provide regulated utility services.

The Company operates primarily in one business segment, providing water and related utility services.

Note 2.

Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The financial statements give retroactive effect to acquisitions, which were accounted for as pooling of interests. Accordingly, the Company's consolidated financial statements and footnotes have been restated to include Dominguez Services Corporation and subsidiaries (Dominguez) as if the merger had been completed as of the beginning of the earliest period presented. Intercompany transactions and balances have been eliminated.

The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the Commissions. Certain prior years' amounts have been reclassified, where necessary, to conform to the current presentation.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE Revenue consists of monthly cycle customer billings for regulated water service at rates authorized by the Commissions and billings to certain non-regulated customers. Revenue from metered accounts includes unbilled amounts based on the estimated usage from the latest meter reading to the end of the accounting period. Flat-rate accounts, which are billed at the beginning of the service period, are included in revenue on a pro rata basis for the portion applicable to the current accounting period.

UTILITY PLANT Utility plant is carried at original cost when first constructed or purchased, except for certain minor units of property recorded at estimated fair values at dates of acquisition. Cost of depreciable plant retired is eliminated from utility plant accounts and such costs are charged against accumulated depreciation. Maintenance of utility plant is charged primarily to operation expenses. Interest is capitalized on plant expenditures during the construction period and amounted to \$703,000 in 2000, \$324,000 in 1999 and \$224,000 in 1998.

Intangible assets acquired as part of water systems purchased are stated at amounts as prescribed by the Commissions. All other intangibles have been recorded at cost. Included in intangible assets is \$6,500,000 paid to the City of Hawthorne to lease the city's water system and associated water rights. The lease payment is being amortized on a straight-line basis over the 15-year life of the lease. The Company continually evaluates the recoverability of utility plant by assessing whether the amortization of the balance over the remaining life can be recovered through the expected and undiscounted future cash flows.

DEPRECIATION Depreciation of utility plant for financial statement purposes is computed on the straight-line remaining life method at rates based on the estimated useful lives of the assets, ranging from 5 to 65 years. The provision for depreciation expressed as a percentage of the aggregate depreciable asset balances was 2.4% in 2000 and 2.5% in 1999 and 1998. For income tax purposes, as applicable, the Company computes depreciation using the

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accelerated methods allowed by the respective taxing authorities. Plant additions since June 1996 are depreciated on a straight-line basis for tax purposes in accordance with tax regulations.

CASH EQUIVALENTS Cash equivalents include highly liquid investments, primarily U.S. Treasury and U.S. Government agency interest bearing securities, stated at cost with original maturities of three months or less.

RESTRICTED CASH Restricted cash represents proceeds collected through a surcharge on certain customers' bills plus interest earned on the proceeds. The restricted cash is to service California Safe Drinking Water Bond obligations and is classified in other prepaid expenses. At December 31, 2000 and 1999, the amounts restricted were \$755,000 and \$724,000, respectively.

LONG-TERM DEBT PREMIUM, DISCOUNT AND EXPENSE The discount and issuance expense on long-term debt is amortized over the original lives of the related debt issues. Premiums paid on the early redemption of certain debt issues and unamortized original issue discount and expense of such issues are amortized over the life of new debt issued in conjunction with the early redemption.

ACCUMULATED OTHER COMPREHENSIVE LOSS The Company has an unfunded Supplemental Executive Retirement Plan. The unfunded accumulated benefit obligation of the plan exceeds the accrued benefit cost. This amount exceeds the unrecognized prior service cost; therefore accumulated other comprehensive loss has been recorded as a separate component of Stockholders' Equity.

ADVANCES FOR CONSTRUCTION Advances for Construction consist of payments received from developers for installation of water production and distribution facilities to serve new developments. Advances are excluded from rate base for rate setting purposes. Annual refunds are made to developers without interest over a 20-year or 40-year period. Refund amounts under the 20-year contracts are based on annual revenues from the extensions. Unrefunded balances at the end of the contract period are credited to Contributions in Aid of Construction and are no longer refundable. Refunds on contracts entered into since 1982 are made in equal annual amounts over 40 years. At December 31, 2000, the amounts refundable under the 20-year contracts were \$8,688,000 and under 40-year contracts were \$96,874,000. Estimated refunds for 2001 for all water main extension contracts are \$4,100,000.

CONTRIBUTIONS IN AID OF CONSTRUCTION Contributions in Aid of Construction represent payments received from developers, primarily for fire protection purposes, which are not subject to refunds. Facilities funded by contributions are included in utility plant, but excluded from rate base. Depreciation related to contributions is charged to Contributions in Aid of Construction.

INCOME TAXES The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax

bases. Measurement of the deferred tax assets and liabilities is at enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

It is anticipated that future rate action by the Commissions will reflect revenue requirements for the tax effects of temporary differences recognized, which have previously been flowed through to customers.

The Commissions have granted the Company customer rate increases to reflect the normalization of the tax benefits of the federal accelerated methods and available Investment Tax Credits (ITC) for all assets placed in service after 1980. ITC are deferred and amortized over the lives of the related properties for book purposes.

Advances for Construction and Contributions in Aid of Construction received from developers subsequent to 1986 were taxable for federal income tax purposes and subsequent to 1991 were subject to California income tax. In 1996 the federal tax law, and in 1997 the California tax law, changed and only deposits for new services were taxable. In late 2000, federal regulations were further modified to exclude fire services from tax.

EARNINGS PER SHARE Basic earnings per share (EPS) is calculated by dividing income available to common stockholders by the weighted average shares outstanding during the year. Diluted EPS is calculated by dividing

income available to common stockholders by the weighted average shares outstanding and potentially dilutive shares.

STOCK-BASED COMPENSATION The Company adopted Statement on Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation." The Company elected to adopt the provision of the statement that allows the continuing practice of not recognizing compensation expense related to the granting of employee stock options to the extent that the option price of the underlying stock was equal to or greater than the market price on the date of the option grant.

Note 3.

Merger with Dominguez Services Corporation

The Merger between the Company and Dominguez was completed on May 25, 2000. On the merger date, each outstanding Dominguez common share was exchanged for 1.38 shares of Company common stock. The Company issued 2,210,254 new common shares in exchange for the 1,601,679 outstanding Dominguez shares. Dominguez provided water service to about 40,000 customers in 21 California communities. The former Dominguez operations became districts within Cal Water.

The Merger was accounted for as a pooling of interests. There were no intercompany transactions as a result of the Merger. Certain reclassifications were made to the historic financial statements of the companies to conform presentation.

For the periods indicated below, the Company and Dominguez reported the following items:

	6 Months Ended 6-30-00	Year Ended 12-31-99	Year Ended 12-31-98
Unaudited - In thousands			
Revenue:			
Company	\$ 98,428	\$206,440	\$189,659
Dominguez	14,232	28,497	25,267
	-----	-----	-----
	\$112,660	\$234,937	\$214,926
	-----	-----	-----
Net income:			
Company	\$ 6,139	\$ 19,919	\$ 18,936
Dominguez	1,147	2,052	924
	-----	-----	-----
	\$ 7,286	\$ 21,971	\$ 19,860
	-----	-----	-----

Dominguez previously reported net of tax extraordinary items related to merger transaction expenses. The Company reclassified the extraordinary items into "Operating expenses" in the income statement. The reclassified amounts were for the six months ended June 30, 2000, \$167,000; for the year ended December 31, 1999, \$190,000; and for the year ended December 31, 1998, \$499,000.

No adjustments were made to the Dominguez net assets in applying the accounting practices of the Company. Dominguez previously reported common stock of \$1,542,000 that was reclassified by the Company to "Paid-in-Capital" in accordance with the Company's financial statement presentation. The Company and Dominguez each had December 31 year-ends; therefore no adjustment was required to retained earnings due to a change in fiscal year-ends.

Note 4.

Other Acquisitions

In 1999, the Company acquired all of the outstanding stock of Harbor Water Company and South Sound Utility Company, which form the operations of Washington Water, serving 14,900 regulated and non-regulated customers. The acquisitions were accounted for as pooling of interests in exchange for 316,472 shares of Company stock and assumption of long-term debt of \$2,959,000. The results of operations previously reported by the separate entities are included in the accompanying consolidated financial statements.

During 1998, the Company purchased the assets of Lucerne Water Company, Rancho del Paradiso Water Company and Armstrong Valley Water Company. These investor-owned systems serve 1,624 accounts.

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The acquisitions were completed effective January 1, 1999, in exchange for the equivalent of 75,164 shares of Company common stock. The acquisitions were accounted for under purchase accounting. The purchases were completed on a non-cash basis in which the Company issued common stock valued at \$922,000 and assumed debt obligations of \$1,108,000.

Two other water company asset acquisitions were completed in 1999. The acquired companies served 288 customers. The acquisitions were accounted for under purchase accounting.

On April 12, 2000, Washington Water received approval from the Washington Utilities and Transportation Commission to purchase the assets of Mirrormount Water Services and Lamas Farmsteads Water Company. The acquisitions were completed in April 2000 for \$639,000 in cash and assumed debt. Together the companies serve almost 800 customers and produce annual revenue of about \$250,000. To provide in-house engineering, Washington Water also purchased the assets of Robischon Engineers, Inc. in April 2000 for \$70,000 in cash. The acquisitions were accounted for by purchase accounting.

During 1999 the Company invested in a firm that provides meter-reading services in Santa Fe, New Mexico. In April 2000, the Company assumed responsibility for this contract. The Company's agreement is with Avistar, a subsidiary of Public Service of New Mexico, which operates the 26,000-account water system for the city. New Mexico Water has agreed to acquire the Rio Grande Utility Corporation, which serves 2,300 water and 1,600 wastewater customers, for \$2.3 million in cash and assumed debt of \$3.1 million. The acquisition is expected to be completed in the third quarter of 2001 after approval of the state's regulatory authority is received.

Note 5.

Preferred Stock

As of December 31, 2000 and 1999, 380,000 shares of preferred stock were authorized. Dividends on outstanding shares are payable quarterly at a fixed rate before any dividends can be paid on common stock. Preferred shares are entitled to sixteen votes, each with the right to cumulative votes at any election of directors.

The outstanding 139,000 shares of \$25 par value cumulative, 4.4% Series C preferred shares are not convertible to common stock. A premium of \$243,250 would be due upon voluntary liquidation of Series C. There is no premium in the event of an involuntary liquidation.

Note 6.

Common Stockholders' Equity

The Company is authorized to issue 25,000,000 shares of \$.01 par value common stock. As of December 31, 2000 and 1999, 15,145,866 and 15,093,627 shares of common stock were issued and outstanding, respectively. All shares of common stock are eligible to participate in the Company's dividend reinvestment plan. Approximately 10% of the outstanding shares participate in the plan.

STOCKHOLDER RIGHTS PLAN The Company's Stockholder Rights Plan (the Plan) is designed to provide stockholders protection and to maximize stockholder value by encouraging a prospective acquirer to negotiate with the Board. The Plan was adopted in 1998 and authorized a dividend distribution of one right (Right) to purchase 1/100th share of Series D Preferred Stock for each outstanding share of Common Stock in certain circumstances. The Rights are for a ten-year period that expires in February 2008.

Each Right represents a right to purchase 1/100th share of Series D Preferred Stock at the price of \$120, subject to adjustment (the Purchase Price). Each share of Series D Preferred Stock is entitled to receive a dividend equal to 100 times any dividend paid on common stock and 100 votes per share in any stockholder election. The Rights become exercisable upon occurrence of a Distribution Date. A Distribution Date event occurs if (a) any person accumulates 15% of the then outstanding Common Stock, (b) any person presents a tender offer which causes the person's ownership level to exceed 15% and the Board determines the tender offer not to be fair to the Company's stockholders, or (c) the Board determines that a stockholder maintaining a 10% interest in the Common Stock could have an adverse impact on the Company or could attempt to pressure the Company to repurchase the holder's shares at a premium.

Until the occurrence of a Distribution Date, each Right trades with the Common Stock and is not separately transferable. When a Distribution Date occurs: (a) the Company would distribute separate Rights Certificates to Common Stockholders and the Rights would subsequently trade separate from the Common Stock; and (b) each holder of a Right, other than the acquiring person (whose

Rights would thereafter be void), would have the right to receive upon exercise at its then current Purchase Price that number of shares of Common Stock having a market

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value of two times the Purchase Price of the Right. If the Company merges into the acquiring person or enters into any transaction that unfairly favors the acquiring person or disfavors the Company's other stockholders, the Right becomes a right to purchase Common Stock of the acquiring person having a market value of two times the Purchase Price.

The Board may determine that in certain circumstances a proposal that would cause a Distribution Date is in the Company stockholders' best interest. Therefore, the Board may, at its option, redeem the Rights at a redemption price of \$.001 per Right.

Note 7.

Short-term Borrowings

As of December 31, 2000, the Company maintained a bank line of credit providing unsecured borrowings of up to \$20,000,000 at the prime lending rate or lower rates as quoted by the bank. \$7,562,000 of the line is committed to a contractor for construction of an office complex for combined Los Angeles South Bay operations. When completed, the office complex will be exchanged with the contractor for surplus company land on a tax-free basis. Cal Water maintained a bank line of credit for an additional \$30,000,000 on the same terms as the Company. The line of credit agreements, which expire April 2001 and which the Company expects to renew, do not require minimum or specific compensating balances.

The following table represents borrowings under the bank lines of credit:

Dollars in thousands	2000	1999	1998
Maximum short-term borrowings	\$26,750	\$25,500	\$25,700
Average amount outstanding	16,810	9,093	15,755
Weighted average interest rate	7.77%	6.52%	7.09%
Interest rate at December 31	7.88%	7.11%	6.97%

Note 8.

Long-term Debt

As of December 31, 2000 and 1999, long-term debt outstanding was:

In thousands	Series	Interest Rate	Maturity Date	2000	1999
First Mortgage Bonds:	J	8.86%	2023	\$ 4,000	\$ 4,000
	K	6.94%	2012	5,000	5,000
	P	7.875%	2002	2,580	2,595
	S	8.50%	2003	2,595	2,610
	BB	9.48%	2008	13,230	14,940
	CC	9.86%	2020	18,600	18,700
	DD	8.63%	2022	19,200	19,300
	EE	7.90%	2023	19,300	19,400
	FF	6.95%	2023	19,300	19,400
	GG	6.98%	2023	19,300	19,400

				123,105	125,345
Senior Notes:	A	7.28%	2025	20,000	20,000
	B	6.77%	2028	20,000	20,000
	C	8.15%	2030	20,000	--
California Department of Water Resources loans		3.0% to 7.4%	2011-32	3,176	3,236
Other long-term debt				3,698	3,032

Total long-term debt				189,979	171,613
Less current maturities				2,881	2,747

Long-term debt excluding current maturities				\$187,098	\$168,866

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The first mortgage bonds are obligations of Cal Water. All bonds are held by institutional investors and secured by substantially all of Cal Water's utility plant. The unsecured senior notes are also obligations of Cal Water. They are held by institutional investors and require interest-only payments until

maturity. The Department of Water Resources (DWR) loans were financed under the California Safe Drinking Water Bond Act. Repayment of principal and interest on the DWR loans is through a surcharge on customer bills. Other long-term debt is primarily equipment and system acquisition financing arrangements with other financial institutions. Aggregate maturities and sinking fund requirements for each of the succeeding five years (2001 through 2005) are \$2,881,000, \$5,381,000, \$5,283,000, \$2,663,000, and \$2,669,000.

Note 9.

Income Taxes

Income tax expense consists of the following:

In thousands		Federal	State	Total
2000	Current	\$ 7,961	\$2,519	\$10,480
	Deferred	1,554	(463)	1,091
	Total	\$ 9,515	\$2,056	\$11,571
1999	Current	\$ 8,291	\$2,560	\$10,851
	Deferred	2,769	(105)	2,664
	Total	\$11,060	\$2,455	\$13,515
1998	Current	\$ 6,667	\$2,388	\$ 9,055
	Deferred	2,679	(309)	2,370
	Total	\$ 9,346	\$2,079	\$11,425

<TABLE>

Income tax expense computed by applying the current federal 35% tax rate to pretax book income differs from the amount shown in the Consolidated Statement of Income. The difference is reconciled in the table below:

<CAPTION>

In thousands	2000	1999	1998
<S>	<C>	<C>	<C>
Computed "expected" tax expense	\$11,037	\$12,420	\$10,950
Increase (reduction) in taxes due to:			
State income taxes net of federal tax benefit	1,336	1,624	1,442
Investment tax credits	(155)	(184)	(167)
Other	(647)	(345)	(800)
-			
Total income tax	\$11,571	\$13,515	\$11,425

The components of deferred income tax expense were:

In thousands	2000	1999	1998
Depreciation	\$2,031	\$2,974	\$3,007
Developer advances and contributions	(814)	(749)	(798)
Bond redemption premiums	(61)	(62)	(62)
Investment tax credits	(61)	(94)	(93)
Other	(4)	595	316
-			
Total deferred income tax expense	\$1,091	\$2,664	\$2,370

</TABLE>

<TABLE>

The tax effects of differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2000 and 1999 are presented in the following table:

<CAPTION>

In thousands	2000	1999
<S>	<C>	<C>
Deferred tax assets:		
Developer deposits for extension agreements and contributions in aid of construction	\$40,458	\$40,595
Federal benefit of state tax deductions	5,648	6,040

Book plant cost reduction for future deferred ITC amortization	1,765	1,679
Insurance loss provisions	632	821
Pension plan	736	794
Other	4,860	2,886
	-----	-----
Total deferred tax assets	54,099	52,815
	-----	-----
Deferred tax liabilities:		
Utility plant, principally due to depreciation differences	78,894	77,520
Premium on early retirement of bonds	825	1,091
	-----	-----
Total deferred tax liabilities	79,719	78,611
	-----	-----
Net deferred tax liabilities	\$25,620	\$25,796
	-----	-----

</TABLE>

A valuation allowance was not required during 2000 and 1999. Based on historic taxable income and future taxable income projections over the period in which the deferred assets are deductible, management believes it is more likely than not that the Company will realize the benefits of the deductible differences.

Note 10.

Employee Benefit Plans

PENSION PLAN The Company provides a qualified defined benefit, non-contributory pension plan for substantially all employees. The cost of the plan was charged to expense and utility plant. The Company makes annual contributions to fund the amounts accrued for pension cost. Plan assets are invested in mutual funds, pooled equity, bonds and short-term investment accounts. The data below includes the unfunded, non-qualified, supplemental executive retirement plan.

Benefits earned by Dominguez employees under the Dominguez pension plan were frozen as of the merger date and future pension benefits to those employees will be provided under the Company pension plan. The Dominguez plan was curtailed. The Dominguez plan was fully funded and additional contributions to the plan could not be funded, although plan annual expense was recorded. As a result of the curtailment, accrued pension liability of \$1,218,000 that had been expensed by Dominguez in prior years was reversed by the Company in 2000. The amount was offset against other operations expense.

SAVINGS PLAN The Company sponsors a 401(k) qualified, defined contribution savings plan that allowed participants to contribute up to 15% of pre-tax compensation in 1999, increasing to 18% in 2000. The Company matches fifty cents for each dollar contributed by the employee up to a maximum Company match of 4.0%. Company contributions were \$1,298,000, \$1,126,000, and \$1,078,000 for the years 2000, 1999 and 1998.

OTHER POSTRETIREMENT PLANS The Company provides substantially all active employees with medical, dental and vision benefits through a self-insured plan. Employees retiring at or after age 58 with 10 or more years of service are offered, along with their spouses and dependents, continued participation in the plan by payment of a premium. Retired employees are also provided with a \$5,000 life insurance benefit. Plan assets are invested in a mutual fund, short-term money market instruments and commercial paper.

The Company records the costs of postretirement benefits during the employees' years of active service. The Commissions have issued decisions that authorize rate recovery of tax deductible funding of postretirement benefits and permit recording of a regulatory asset for the portion of costs that will be recoverable in future rates.

The following table reconciles the funded status of the plans with the accrued pension liability and the net postretirement benefit liability as of December 31, 2000 and 1999:

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<TABLE>
<CAPTION>

In thousands <S>	Pension Benefits		Other Benefits	
	2000 <C>	1999 <C>	2000 <C>	1999 <C>
Change in benefit obligation:				
Beginning of year	\$ 55,692	\$ 61,396	\$10,195	\$ 9,900
Service cost	2,846	2,899	544	498
Interest cost	4,079	3,894	790	689

Assumption change (929)	825	(6,669)	394	
Plan amendment	1,215	744	--	--
Experience (gain) or loss	(34)	(3,900)	558	433
Curtailment gain	(1,347)	--	--	--
Benefits paid	(4,178)	(2,672)	(429)	(396)
-				
End of year	\$ 59,098	\$ 55,692	\$ 12,052	\$ 10,195
-				
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 61,008	\$ 57,050	\$ 1,561	\$ 1,723
Actual return on plan assets	3,140	6,453	228	206
Employer contributions	3,678	177	707	28
Retiree contributions	--	--	370	343
Benefits paid	(4,178)	(2,672)	(799)	(739)
-				
Fair value of plan assets at end of year	\$ 63,648	\$ 61,008	\$ 2,067	\$ 1,561
-				
Funded status (8,634)	\$ 4,550	\$ 5,317	\$ (9,985)	\$
Unrecognized actuarial (gain) or loss	(13,534)	(16,204)	1,422	556
Unrecognized prior service cost	5,279	4,971	888	959
Unrecognized transition obligation	--	--	3,597	3,228
Unrecognized net initial asset	228	455	(276)	369
-				
Net amount recognized	\$ (3,477)	\$ (5,461)	\$ (4,354)	\$ (3,522)

Amounts recognized on the balance sheet consist of:

In thousands	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Accrued benefit costs	\$ (3,477)	\$ (5,461)	\$ (4,354)	\$ (3,522)
Additional minimum liability	(1,363)	(1,460)	--	--
Intangible asset	877	943	--	--
Accumulated other comprehensive loss	486	517	--	--
Net amount recognized	\$ (3,477)	\$ (5,461)	\$ (4,354)	\$ (3,522)

Weighted average assumptions as of December 31:	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Discount rate	7.25%	7.50%	7.25%	7.50%
Long-term rate of return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increases	4.50%	4.50%	--	--

Net periodic benefit costs for the pension and other postretirement plans for the years ending December 31, 2000, 1999 and 1998 included the following components:

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<CAPTION>

In thousands	Pension Plan			Other Benefits		
	2000	1999	1998	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Service cost	\$2,846	\$2,899	\$2,399	\$ 544	\$ 498	\$ 405
Interest cost	4,079	3,894	3,747	790	689	623
Expected return on plan assets	(4,498)	(4,450)	(4,199)	(152)	(144)	(117)
Net amortization and deferral	486	871	683	357	401	360
-						
Net periodic benefit cost	\$2,913	\$3,214	\$2,630	\$1,539	\$1,444	\$1,271

</TABLE>

Postretirement benefit expense recorded in 2000, 1999, and 1998 was \$781,000, \$1,064,000, and \$666,000 respectively. \$3,437,000, which is recoverable through future customer rates, is recorded as a regulatory asset. The Company intends to make annual contributions to the plan up to the amount deductible for tax purposes.

For 2000 measurement purposes, the Company assumed a 5% annual rate of increase in the per capita cost of covered benefits with the rate remaining at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. A one-percentage point change in assumed health care cost trends is estimated to have the following effect:

In thousands	1-percentage Point Increase	1-percentage Point Decrease
Effect on total service and interest costs	\$ 269	\$ (166)
Effect on accumulated postretirement benefit obligation	\$ 1,815	\$ (1,471)

Note 11.

Stock-Based Compensation Plans

At the Company's 2000 annual meeting, stockholders approved a Long-Term Incentive Plan that allows for the granting of nonqualified stock options, performance shares and dividend units. Under the plan, a total of 1,500,000 common shares are authorized for option grants. Options are granted at an exercise price that is not less than the per share common stock market price on the date of grant. The options vest at a 25% rate on their anniversary date over their first four years and are exercisable over a ten-year period. No options were vested at December 31, 2000.

Certain key Dominguez executives participated in the Dominguez 1997 Stock Incentive Plan which was terminated at the time Dominguez merged with the Company. The plan provided that in the event of a merger of Dominguez into another entity, granted but unexercised stock options issued became exercisable. Prior to the Merger, all outstanding Dominguez options were exercised and converted into Dominguez shares and subsequently converted to 52,357 shares of Company common stock.

Under SFAS No. 123, "Accounting for Stock-Based Compensation," the Company elected to apply the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost has been recognized in the consolidated financial statements for stock options that have been granted. If the Company had elected to adopt the optional recognition provisions of SFAS 123 for its stock option plans, basic and diluted earnings per share would be unchanged from the amounts reported, except for 2000 diluted earnings per share which was reported as \$1.31, but on a pro forma basis would be \$1.30. Net income for the years ended December 31, 2000, 1999 and 1998 would be as presented in the following table:

In thousands	2000	1999	1998
As reported	\$19,963	\$21,971	\$19,860
Pro forma	19,939	21,937	19,825

The fair value of stock options used to compute pro forma net income and earnings per share disclosures is the estimated fair value at grant date using the Black-Scholes option-pricing model with the following assumptions:

	2000	1999	1998
Expected dividend	4.3%	4.3%	4.3%
Expected volatility	22.0%	22.6%	22.6%
Risk-free interest rate	4.9%	6.2%	5.7%
Expected holding period in years	5.0	10.0	10.0

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<TABLE>

The following table summarizes the activity for the stock option plans:

<CAPTION>

Weighted Average Fair	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Options Exercisable
-----------------------------	--	--	------------------------

Value <S>	<C>	<C>	<C>	<C>	<C>
Outstanding at January 1, 1998	35,604	\$22.54	--	--	--
Granted	20,617	24.84			\$5.15

Outstanding at December 31, 1998	56,221	23.38	--	8,901	--
Exercised	(3,864)	22.54			

Outstanding at December 31, 1999	52,357	23.45	--	19,092	--
Granted	53,500	23.06			3.74
Exercised	(52,357)	23.45			

Outstanding at December 31, 2000	53,500	23.06	9.5	--	--

</TABLE>

Note 12.

Fair Value of Financial Instruments

For those financial instruments for which it is practicable to estimate a fair value, the following methods and assumptions were used. For cash equivalents, the carrying amount approximates fair value because of the short-term maturity of the instruments. The fair value of the Company's long-term debt is estimated at \$199,890,000 as of December 31, 2000, and \$189,400,000 as of December 31, 1999, using a discounted cash flow analysis, based on the current rates available to the Company for debt of similar maturities. The fair value of advances for construction contracts is estimated at \$27,000,000 as of December 31, 2000, and \$33,000,000 as of December 31, 1999, based on data provided by brokers.

<TABLE>

Note 13.

Quarterly Financial Data (Unaudited)

The Company's common stock is traded on the New York Stock Exchange under the symbol "CWT." Quarterly dividends have been paid on common stock for 224 consecutive quarters and the quarterly rate has been increased each year since 1968.

<CAPTION>

2000 - in thousands except per share amounts

<S>	First <C>	Second <C>	Third <C>	Fourth <C>
Operating revenue	\$46,694	\$65,966	\$76,580	\$55,566
Net operating income	4,902	8,977	12,782	6,535
Net income	1,533	5,753	9,205	3,472
Diluted earnings per share	.10	.38	.60	.23

1999 - in thousands except per share amounts

	First	Second	Third	Fourth
Operating revenue	\$45,628	\$59,232	\$72,280	\$57,797
Net operating income	4,777	8,440	11,922	7,908
Net income	2,868	6,089	8,706	4,308
Diluted earnings per share	.19	.40	.57	.28

</TABLE>

Independent Auditors' Report

The Board of Directors
California Water Service Group:

We have audited the accompanying consolidated balance sheet of California Water Service Group and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, common stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

The consolidated financial statements of California Water Service Group as of and for each of the years ended December 31, 1999 and 1998, have been restated to reflect the pooling-of-interests transaction with Dominguez Services Corporation and subsidiaries as described in Note 3 to the consolidated financial statements. We did not audit the consolidated financial statements of Dominguez Services Corporation and subsidiaries, which financial statements reflect total assets constituting 9.0 percent as of December 31, 1999 and total revenue constituting 12.1 percent and 11.8 percent, in 1999 and 1998

respectively, of the related consolidated totals. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Dominguez Services Corporation and subsidiaries as of December 31, 1999, and for the years ended December 31, 1999 and 1998, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of California Water Service Group and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Mountain View, California
January 22, 2001

Exhibit 13.1

<TABLE>

Regulated and Non-Regulated Customers

<CAPTION>

DISTRICT NAME ----- <S>	INCLUDING ----- <C>	REGULATED ----- <C>	NON- REGULATED ----- <C>
CALIFORNIA			
Antelope Valley	Fremont Valley, Lake Hughes, Lancaster and Leona Valley; numerous operating agreements	1,300	400
Bakersfield	O&M contracts for the City of Bakersfield and Spicer City	57,500	25,800
Bear Gulch	Atherton, Woodside, Portola Valley, portions of Menlo Park and City of Menlo Park service contract	17,500	4,000
Chico+	Hamilton City	23,300	
Dixon		2,800	
Dominguez	Carson and portions of Compton, Harbor City, Long Beach and Torrance	32,800	
East Los Angeles	O&M contracts for cities of Commerce and Montebello	26,400	2,700
Hawthorne	15-year lease -- full service water operations	6,100	
Hermosa-Redondo+	a portion of Torrance; meter reading for Manhattan Beach	25,600	13,400
Kern River Valley	Bodfish, Kernville, Lakeland, Mountain Shadows, Onyx, Squirrel Valley, South Lake and Wofford Heights; numerous operating agreements	4,100	500
King City+		2,200	
Livermore	O&M contracts for Castlewood Country Club and Crane Ridge MWC	16,800	400
Los Altos	portions of Cupertino, Los Altos Hills, Mountain View and Sunnyvale	18,300	
Marysville+		3,800	
Mid-Peninsula	San Mateo and San Carlos	35,800	
Oroville		3,500	
Palos Verdes+	Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates and Rolling Hills	23,800	
Redwood Valley	Lucerne, Duncans Mills and Guerneville	1,900	300
Salinas	O&M contracts for Foothill Estates and Spreckels Water Co.	26,700	300
Selma		5,200	
South San Francisco	Colma and Broadmoor	16,300	
Stockton		41,700	
Visalia+	four O&M contracts	29,300	1,100
Westlake	a portion of Thousand Oaks	6,900	
Willows+		2,300	
	California total	425,800	55,000
NEW MEXICO	meter reading contracts		48,500
WASHINGTON	numerous O&M contracts	12,500	2,400
	Company total	438,300	105,900

</TABLE>

Exhibit 21

Subsidiaries of the Registrant

<TABLE>

<CAPTION>

Subsidiary Name

State of Incorporation

Business Name

- - - - -

- - - - -

- - - - -

<S>

<C>

<C>

California Water Service Company

California

California Water Service Company

CWS Utility Services

California

CWS Utility Services

New Mexico Water Service Company

New Mexico

New Mexico Water Service Company

Washington Water Service Company

Washington

Washington Water Service Company

</TABLE>

The Company and each of its subsidiaries operate in one business segment, the supply and distribution of water, and providing water related services.

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
California Water Service Group

We consent to incorporation by reference in the registration statement (No. 333-46447) on Form S-3 of California Water Service Group of our reports dated January 22, 2001, relating to the consolidated balance sheet of California Water Service Group and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, common stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2000, and the related schedule, which reports appear in or are incorporated by reference in the December 31, 2000, annual report on Form 10-K of California Water Service Group.

/s/ KPMG LLP

Mountain View, California
March 21, 2001

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included as page 23 in this Form 10-K, into the Company's previously filed Registration Statement File No. 333-46447.

/s/ Arthur Andersen LLP
ARTHUR ANDERSEN LLP

Los Angeles, California
March 21, 2001

Exhibit 4.12

California Water Service Company \$20,000,000 8.15% Series C Senior Note Agreement, maturing on November 1, 2030 as First Supplement to Note Agreement dated as of October 1, 2000

=====

CALIFORNIA WATER SERVICE COMPANY

FIRST SUPPLEMENT TO NOTE AGREEMENT

Dated as of October 1, 2000

Re: \$20,000,000 8.15% Series C Senior Notes
Due November 1, 2030

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FIRST SUPPLEMENT TO NOTE AGREEMENT

Dated as of
October 1, 2000

To the Purchasers named in
Schedule A hereto

Ladies and Gentlemen:

This First Supplement to Note Purchase Agreement (the "First Supplement") is between California Water Service Company (the "Company") whose address is 1720 North First Street, San Jose, California 95112 and the institutional investors named on Schedule A attached hereto (the "Purchasers").

Reference is hereby made to that certain Note Agreement dated as of March 1, 1999 (the "Note Agreement") between the Company and the purchasers listed on Schedule I thereto. All capitalized terms not otherwise defined herein shall have the same meaning as specified in the Note Agreement. Reference is further made to Section 4.3 thereof which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Purchaser(s) named on Schedule A hereto as follows:

1. The Company has authorized the issue and sale of \$20,000,000 aggregate principal amount of its 8.15% Series C Senior Notes due November 1, 2030 (the "Series C Notes"). The Series C Notes, together with the Series B Notes initially issued pursuant to the Note Agreement and each Series of Additional Notes which may from time to time be issued pursuant to the provisions of Section 1.4 of the Note Agreement, are collectively referred to as the "Notes" (such term shall also include any such notes issued in substitution therefor pursuant to Section 9.2 of the Note Agreement). The Series C Notes shall be substantially in the form set out in Exhibit 1 hereto with such changes therefrom, if any, as may be approved by the Purchaser(s) and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Agreement and on the basis of the representations and warranties hereinafter set forth, the Company agrees to issue and sell to each Purchaser, and each Purchaser agrees to purchase from the Company, Series C Notes in the principal amount set forth opposite such Purchaser's name on Schedule A hereto at a price of 100% of the principal amount thereof on the closing date hereafter

mentioned.

3. Delivery of the \$20,000,000 in aggregate principal amount of the Series C Notes will be made at the offices of Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603-4080 against payment therefor in Federal Reserve or other funds current and immediately available at the principal office of Bank of America, ABA No. 121000358, Account No. 14879-00161, Account Name: California Water Service Company Security Sales, in the amount of the purchase price at 11:00 A.M., San Francisco, California time, on October 24, 2000 or such later date (not later than October 31, 2000) as shall mutually be agreed upon by the Company and the Purchasers of the Series C Notes (the "Closing Date").

4. Prepayment of Notes.

(a) Required Prepayments. No prepayments are required to be made with respect to the Series C Notes prior to the expressed maturity date thereof other than prepayments made in connection with an acceleration of the Series C Notes pursuant to the provisions of Section 6.3 of the Note Agreement.

(b) Optional Prepayment with Premium. Upon compliance with Section 4(d) below the Company shall have the privilege, at any time and from time to time, of prepaying the outstanding Notes of any Series, either in whole or in part (but if in part then in a minimum principal amount of \$100,000) by payment of the principal amount of the Notes of such Series, or portion thereof to be prepaid, and accrued interest thereon to the date of such prepayment, together with a premium equal to the Make-Whole Amount, determined as of five Business Days prior to the date of such prepayment pursuant to this Section 4(b).

(c) Optional Prepayment at Par in the Event of Condemnation. In the event a Material Condemnation shall have occurred with respect to any property of the Company or a Restricted Subsidiary, then upon compliance with Section 4(d) below the Company shall have the privilege of applying the proceeds of any condemnation award received in connection with such Material Condemnation to the prepayment of the principal amount of the Notes of any Series then outstanding, or any portion thereof to the extent of such proceeds, together with accrued interest thereon to the date of such prepayment. Any optional prepayment made pursuant to this Section 4(c) shall be without premium.

(d) Notice of Optional Prepayments. The Company will give notice of any prepayment of the Notes pursuant to Section 4(b) or 4(c) to each Holder of Notes to be prepaid not less than 30 days nor more than 60 days before the date fixed for such optional prepayment specifying (a) such date, (b) the Section of this First Supplement under which the prepayment is to be made, (c) the principal amount of the Holder's Notes to be prepaid on such date, (d) whether a premium may be payable, (e) the date when the premium, if any, will be calculated, (f) the estimated premium, together with a reasonably detailed computation of such estimated premium, and (g) the accrued interest applicable to the prepayment. Such notice of prepayment shall also certify all facts, if any, which are conditions precedent to any such prepayment. Notice of prepayment having been so given, the aggregate principal amount of the Notes to be prepaid specified in such notice, together with accrued interest thereon and the premium, if any, payable with respect thereto shall become due and payable on the prepayment date specified in said notice. Not later than two Business Days prior to the prepayment date

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specified in such notice, the Company shall provide each Holder of a Note to be prepaid written notice of the premium, if any, payable in connection with such prepayment and, whether or not any premium is payable, a reasonably detailed computation of the Make-Whole Amount.

(e) Application of Prepayments. In the case of each partial prepayment of the Notes pursuant to the provisions of Section 4(b) or 4(c), the principal amount of the Notes of the Series to be prepaid shall be allocated among all of the Notes of such Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof.

(f) Direct Payment. Notwithstanding anything to the contrary contained in the Note Agreement, this First Supplement or the Notes, in the case of any Note owned by any Holder that is a Purchaser, Additional Purchaser or any other Institutional Holder which has given written notice to the Company requesting that the provisions of this Section 4(f) shall apply, the Company will punctually pay when due the principal thereof, interest thereon and premium, if any, due with respect to said principal, without any presentment thereof, directly to such Holder at its address set forth herein or such other address as such Holder may from time to time designate in writing to the Company or, if a bank account with a United States bank is so designated for such Holder, the Company will make such payments in immediately available funds to such bank account, marked for attention as indicated, or in such other manner or to such other account in any United States bank as such Holder may from time to time

direct in writing.

(g) Make Whole Amount. The term "Make-Whole Amount" shall mean with respect to the Series C Notes in connection with any prepayment or acceleration, the following: the excess, if any, of (a) the aggregate present value as of the date of such prepayment of each dollar of principal being prepaid and the amount of interest (exclusive of interest accrued to the date of prepayment) that would have been payable in respect of such dollar if such prepayment had not been made, determined by discounting such amounts at the Reinvestment Rate from the respective dates on which they would have been payable, over (b) 100% of the principal amount of the outstanding Series C Notes being prepaid. If the Reinvestment Rate is equal to or higher than 8.15%, the Make-Whole Amount shall be zero. For purposes of any determination of the Make-Whole Amount for the Series C Notes, the following terms have the following meanings:

"Reinvestment Rate" shall mean (1) the sum of 0.50%, plus the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in the United States government Securities) at 10:00 A.M. (Chicago, Illinois time) for the United States government Securities have a maturity (rounded to the nearest month) corresponding to the Remaining Life to Maturity of the principal of the Notes being prepaid or (2) in the event that no nationally recognized trading screen reporting on-line intraday trading in the United States government Securities is available, Reinvestment Rate shall mean 0.50%, plus the arithmetic mean of the yields for the two columns under the heading "Week Ending" published in the Statistical Release under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the Remaining Life to Maturity of the principal being prepaid. If no maturity exactly corresponds to such Remaining Life to Maturity, yields for the published maturity next longer than the Remaining Life to Maturity and for the published

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maturity next shorter than the Remaining Life to Maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used.

"Statistical Release" shall mean the then most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the Holders holding 66-2/3% in aggregate principal amount of the outstanding Series C Notes, subject to approval of the Company which approval will not be unreasonably withheld.

"Remaining Life to Maturity" of the principal amount of the Series C Notes being prepaid shall mean, as of the time of any determination thereof, the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and the final maturity of the Series C Notes being prepaid.

5. Closing Conditions.

(a) Conditions. The obligation of each Purchaser to purchase the Series C Notes on the Closing Date shall be subject to the performance by the Company of its agreements hereunder which by the terms hereof are to be performed at or prior to the time of delivery of the Series C Notes and to the following further conditions precedent:

(i) Closing Certificate. Such Purchaser shall have received a certificate dated the Closing Date, signed by the President or a Vice President of the Company, the truth and accuracy of which shall be a condition to such Purchaser's obligation to purchase the Series C Notes proposed to be sold to such Purchaser and to the effect that (1) the representations and warranties of the Company set forth in Exhibit 2 hereto are true and correct on and with respect to the Closing Date, (2) the Company has performed all of its obligations hereunder which are to be performed on or prior to the Closing Date, and (3) no Default or Event of Default has occurred and is continuing.

(ii) Compliance Certificate. Such Purchaser shall have received a certificate dated the Closing Date, signed by the Senior Financial Officer of the Company stating that such officer has reviewed

the provisions of the Note Agreement and this First Supplement and setting for the information and computation (in sufficient detail) required in order to establish whether the Company is in compliance with Section 5.6 of the Note Agreement on the Closing Date.

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(iii) Legal Opinions. Such Purchaser shall have received from McCutchen, Doyle, Brown & Enersen LLP, counsel for the Company, and Chapman and Cutler, special counsel for the Purchasers, their opinions dated the Closing Date, in form and substance satisfactory to such Purchaser, and covering the matters set forth respectively in Exhibits 3 and 4 hereto.

(iv) Regulatory Approval. Prior to the Closing Date, the issue and sale of the Series C Notes shall have been duly authorized or approved by appropriate order of the Public Utilities Commission of the State of California (the "Commission"). Such order shall be final and in full force and effect and not subject to any appeal, hearing, rehearing or contest. All conditions contained in any such order which are to be fulfilled on or prior to the issuance of the Series C Notes shall have been fulfilled. The Company shall have delivered to the Purchasers and their special counsel a certified copy of such order and the application therefor.

(v) Related Transactions. The Company shall have consummated the sale of the entire principal amount of the Series C Notes scheduled to be sold on the Closing Date pursuant to this First Supplement.

(vi) Satisfactory Proceedings. All proceedings taken in connection with the transactions contemplated by this First Supplement, and all documents necessary to the consummation thereof, shall be satisfactory in form and substance to such Purchaser and such Purchaser's special counsel, and such Purchaser shall have received a copy (executed or certified as may be appropriate) of all legal documents or proceedings taken in connection with the consummation of said transactions.

(vii) Purchase Permitted By Applicable Law. On the Closing Date, the purchase of Series C Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which any Purchaser is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation U, T or X of the Board of Governors of the Federal Reserve System) and (c) not subject any Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

(viii) Payment of Special Counsel Fees. The Company shall have paid, on or before the Closing Date, the fees, charges and disbursements of the Purchasers' special counsel referred to in (iii) above, to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing Date.

(ix) Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities

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Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Series C Notes.

(b) The obligation of the Company to deliver the Series C Notes hereunder is subject to the conditions that (i) the Commission shall have authorized the issuance and sale by the Company of the Series C Notes at the price herein provided and said authorization shall be in full force and effect and (ii) the entire principal amount of the Series C Notes scheduled to be sold on the Closing Date pursuant to this First Supplement shall have been tendered by the Purchasers. If the condition specified in this Section 5(b) shall not have been fulfilled prior to or on the Closing Date, this First Supplement and all the obligations of the Company hereunder, except as provided in Section 9.4 of the Note Agreement, may be cancelled by the Company.

(c) If on the Closing Date the Company fails to tender to any Purchaser

the Series C Notes to be issued to any Purchaser on such date or if the conditions specified in Section 5(a) have not been fulfilled, such Purchaser may thereupon elect to be relieved of all further obligations under this First Supplement. Without limiting the foregoing, if the conditions specified in Section 5(a) have not been fulfilled, such Purchaser may waive compliance by the Company with any such condition to such extent as such Purchaser may in its sole discretion determine. Nothing in this Section 5(c) shall operate to relieve the Company of any of its obligations hereunder or to waive any Purchaser's rights against the Company.

6. Each Purchaser represents and warrants that the representations and warranties set forth in Section 3.2 of the Note Agreement are true and correct on the date hereof with respect to the Series C Notes purchased by such Purchasers.

7. The Company and each Purchaser agree to be bound by and comply with the terms and provisions of the Note Agreement as if such Purchaser were an original signatory to the Note Agreement.

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The execution hereof shall constitute a contract between the Company and the Purchaser(s) for the uses and purposes hereinabove set forth, and this agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

CALIFORNIA WATER SERVICE COMPANY

By _____
Name: _____
Title: _____

Accepted as of October 1, 2000

[VARIATION]

By _____
Name: _____
Title: _____

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INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF SERIES C NOTES TO BE PURCHASED
SUN LIFE ASSURANCE COMPANY OF CANADA One Sun Life Park Wellesley Hills, Massachusetts 02481-5699 Attention: Investment Department/Private Placements, SC #1303 Telecopier Number: (781) 446-2392	\$5,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "California Water Service Company, 8.15% Senior Notes, Series C, due November 1, 2030, PPN 130789 L@7, principal, premium or interest") to:

Bank of New York
P&I Department
ABA #021-000-018
Account #: IOC 566
Re: California Water Service Corporation
For Further Credit: IOC 566
Account: 249061

Notices

All notices of mandatory payment, on or in respect of the Notes and written confirmation of each such payment and any audit confirmation to:

Sun Life Assurance Company of Canada
One Sun Life Park
Wellesley Hills, Massachusetts 02481-5699
Attention: Manager, Investment Accounting SC #1395

All other notices and communications, including notices of optional prepayments, to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 38-1082080

SCHEDULE A
(to Supplement)

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF SERIES C NOTES TO BE PURCHASED
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SUN LIFE ASSURANCE COMPANY OF CANADA One Sun Life Park Wellesley Hills, Massachusetts 02481-5699 Attention: Investment Department/Private Placements, SC #1303 Telecopier Number: (781) 446-2392	Three separate Notes in the amount of \$2,250,000, \$500,000 and \$500,000, respectively
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Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "California Water Service Company, 8.15% Senior Notes, Series C, due November 1, 2030, PPN 130789 L@7, principal, premium or interest") to:

Citibank, N.A.
Attention: Gay Quitch
ABA #021-000-089
Account: 36112805
For Further Credit: Account No.: 199541

Notices

All notices of mandatory payment, on or in respect of the Notes and written confirmation of each such payment and any audit confirmation to:

Sun Life Assurance Company of Canada
One Sun Life Park
Wellesley Hills, Massachusetts 02481-5699
Attention: Manager, Investment Accounting SC #1395

All other notices and communications, including notices of optional prepayments, to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 38-1082080

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NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF SERIES C NOTES TO BE PURCHASED
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SUN LIFE OF CANADA (INTERNATIONAL) LIMITED One Sun Life Park Wellesley Hills, Massachusetts 02481-5699 Attention: Investment Department/Private Placements, SC #1303 Telecopier Number: (781) 446-2392	\$1,000,000
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Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "California Water Service Company, 8.15% Senior Notes, Series C, due November 1, 2030, PPN 130789 L@7, principal, premium or interest") to:

Citibank, N.A.
Attention: Gay Quitch
ABA #021-000-089
Account: 36112805
For Further Credit: Account No.: 849141

Notices

All notices of mandatory payment, on or in respect of the Notes and written confirmation of each such payment and any audit confirmation to:

Sun Life Assurance Company of Canada
One Sun Life Park
Wellesley Hills, Massachusetts 02481-5699
Attention: Manager, Investment Accounting SC #1395

All other notices and communications, including notices of optional prepayments, to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: Sun Life of Canada
(International) Limited

Taxpayer I.D. Number: 38-1082080

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NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF SERIES C NOTES TO BE PURCHASED
SUN LIFE ASSURANCE COMPANY OF CANADA One Sun Life Park Wellesley Hills, Massachusetts 02481-5699 Attention: Investment Department/Private Placements, SC #1303 Telecopier Number: (781) 446-2392	\$750,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "California Water Service Company, 8.15% Senior Notes, Series C, due November 1, 2030, PPN 130789 L@7, principal, premium or interest") to:

Bank of New York
P&I Department
ABA #021-000-018
Account #: IOC 566
Re: California Water Service Corporation
For Further Credit: IOC 566
Account: 275431

Notices

All notices of mandatory payment, on or in respect of the Notes and written confirmation of each such payment and any audit confirmation to:

Sun Life Assurance Company of Canada
One Sun Life Park
Wellesley Hills, Massachusetts 02481-5699
Attention: Manager, Investment Accounting SC #1395

All other notices and communications, including notices of optional prepayments, to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 38-1082080

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NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF SERIES C NOTES TO BE PURCHASED
CENTRE LIFE/UNUM LIFE INSURANCE TRUST c/o Provident Investment Management, LLC One Fountain Square Chattanooga, Tennessee 37402 Attention: Private Placements Telefacsimile: (423) 755-3351 Confirmation: (423) 755-1172	\$10,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds to:

Hare & Co.
c/o The Bank of New York
New York, New York
ABA #021 000 018
BNF: 10C566
Attn: PP P&I Department
Ref: A/C Name and Cusip
Custodial Account Number 056904

Please reference: Issuer: California Water Service Company
PPN: 130789 L@7
Coupon: 8.15%
Maturity: November 1, 2030
Principal=\$ _____
Interest=\$ _____

Notices

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: HARE & CO.

Taxpayer I.D. Number: 13-5160382

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[FORM OF SERIES C NOTE]

THIS NOTE HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY SALE, TRANSFER, PLEDGE OR OTHER DISPOSITION THEREOF MAY BE MADE ONLY (1) IN A TRANSACTION REGISTERED UNDER SAID ACT OR (2) IF AN EXEMPTION FROM REGISTRATION UNDER SAID ACT IS AVAILABLE.

CALIFORNIA WATER SERVICE COMPANY

8.15% Series C Senior Note
Due November 1, 2030

PPN: 130789 L@7

No. _____ October __, 2000

\$

California Water Service Company, a California corporation (the "Company"), for value received, hereby promises to pay to

or registered assigns
on the first day of November, 2030
the principal amount of

DOLLARS (\$ _____)

and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid hereon at the rate of 8.15% per annum from the date hereof until maturity, payable semiannually on the first day of each May and November in each year (commencing on the first of such dates after the date hereof) and at maturity. The Company agrees to pay interest on overdue principal (including any overdue required or optional prepayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the rate of 10.15% per annum after the due date, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable at the principal office of the Company in San Jose, California in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

EXHIBIT 1
(to Supplement)

This Note is one of a series of Notes (the "Notes") issued pursuant to

a supplement to the Note Agreement dated as of March 1, 1999 (as from time to time amended and supplemented, the "Note Agreement"), between the Company, the Purchasers named therein and Additional Purchasers of Notes from time to time issued pursuant to any Supplement to the Note Agreement. This Note and the holder hereof are entitled equally and ratably with the holders of all other Notes of all Series from time to time outstanding under the Note Agreement to all the benefits provided for thereby or referred to therein. Each holder of this Note will be deemed, by its acceptance hereof, to have made the representation set forth in Section 3.2 of the Note Agreement, provided that such holder may (in reliance upon information provided by the Company, which shall not be unreasonably withheld) make a representation to the effect that the purchase by such holder of any Note will not constitute a non-exempt prohibited transaction under Section 406(a) of ERISA.

This Note and the other Notes outstanding under the Note Agreement may be declared due prior to their expressed maturity dates, all in the events, on the terms and in the manner and amounts as provided in the Note Agreement.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Note Agreement.

This Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of California excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

CALIFORNIA WATER SERVICE COMPANY

By
Name: _____
Title: _____

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REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to each Purchaser that:

1. Corporate Organization, Subsidiaries. The Company is duly organized and existing and in good standing under and by virtue of the laws of the State of California and is duly authorized and empowered to own and operate its properties and to carry on its business, all as and in the places where such properties are now owned and operated and such business is conducted. The Company has no Subsidiaries.

2. Corporate Authority. The Company has full corporate power and corporate authority to sell and issue the Series C Notes. The issuance and sale of the Series C Notes and the execution and delivery of the First Supplement will have been duly authorized by the Board of Directors of the Company and by the Public Utilities Commission of the State of California (the "Commission") prior to the Closing Date, and no other action is required to be taken by, and no consents or approvals are required to be obtained from, the shareholders of the Company or any public body or bodies, and no other corporate action of the Company is requisite to such issue and sale.

3. Business and Property. Each Purchaser has heretofore been furnished with a copy of the Company Information which generally sets forth the principal properties of the Company and the business conducted and proposed to be conducted by the Company.

4. Indebtedness. Annex A attached hereto correctly describes all Current Debt, Funded Debt and Capitalized Leases of the Company outstanding on October 1, 2000.

5. Financial Statements and Reports. The Company has furnished each Purchaser with a copy of its audited financial reports for 1998 and 1999 hereinafter called the "Company Reports," and copies of the Annual Reports and

Forms 10-K filed by California Water Service Group ("CWSG") hererinafter called the "CWSG Reports" with the Securities and Exchange Commission for 1997, 1998 and 1999, together with all reports or documents required to be filed by CWSG pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, since the filing of the 1999 Form 10-K. The Company has also furnished each Purchaser with an audited quarterly financial statement for the Company and Forms 10-Q for CWSG for the fiscal quarters ended March 31, 2000 and June 30, 2000 (the "Quarterly Reports"). The financial statements contained in the foregoing Company Reports, the CWSG Reports, Forms 10-K, the Quarterly Reports and such other reports and documents were prepared in accordance with generally accepted accounting principles upon a consistent basis and are complete and correct and the balance sheets included therein fairly present the financial condition of the Company or CWSG, as the case may be, as at the respective dates thereof and the Statements of Income, Common Shareholders' Equity and Cash Flows included therein fairly present the results of the operations of the Company for the periods covered thereby, subject in the case of unaudited statements to normal year-end adjustments.

6. Material Contracts. The Company has no contracts or commitments, whether contingent or other, which are material to the Company and which were not made in the ordinary

EXHIBIT 2
(to Supplement)

course of business. Certain material contracts related to water supply are listed in Annex B hereto. The Company has no contracts or commitments, contingent or other, which materially and adversely affect or in the future may (so far as the Company can foresee) materially and adversely affect the Company or its business, property, assets, operations or condition, financial or other. As at December 31, 1999, there were no material liabilities of the Company (other than those under contracts entered into in the normal and ordinary course of business), actual, contingent or accrued, which were not reflected in the Company Reports and CWSG Reports except for (i) liability in respect of uncompleted construction work under open contracts in connection with the Company's construction program and (ii) the obligations of the Company to contribute to a pension plan, an employees' savings plan and a health and welfare plan.

7. No Material Adverse Change. (a) There has been no change in the condition of the Company, financial or other, from that set forth or reflected in the Company Information, other than changes which may have occurred in the ordinary course of business or by reason of ordinary dividends paid or declared or outstanding First Mortgage Bonds redeemed by the Company in accordance with their terms, and no such changes in the ordinary course of business have been material adverse changes.

(b) Since December 31, 1999, neither the business, operations, properties nor assets of the Company have been adversely affected in any material way by any casualties such as fire, windstorm, riot, strike, explosion, accident, flood, earthquake, lockout, sabotage, activities of armed forces, act of God or the public enemy or condemnation of properties by the United States government or any municipal governmental agency, authority or body.

8. Title to Properties. The Company is engaged in the business of a public utility water company serving all or a portion of the California cities and communities listed in the 1999 Company Report and paragraph 9 hereof. The Company has good and merchantable title, subject only to the lien of the Mortgage Indenture and to current tax and assessment liens, rights-of-way, easements and certain minor liens, encumbrances, clouds or defects in title which do not materially affect the use thereof, to all the material water distribution facilities (including, without limitation, transmission and distribution mains, pump stations, wells, storage tanks and reservoirs) and other material units of property used in its business except as follows:

(a) most of the offices, except its principal office, are in leased premises and some wells, well sites and other minor distribution facilities are rented; and

(b) several wells are located on property which the Company does not own but in which it has an easement for the location of such wells;

and except as to easements and rights-of-way and certain parcels of land (not exceeding for said parcels of land an aggregate book value of \$250,000) with respect to which there is a possibility of reverter if the property ceases to be used for public utility purposes, and, except that the greater portion of its transmission and distribution systems is located in public highways and streets and in rights-of-way owned by the Company over lands of others, the Company's title thereto is fee simple. Except for parcels of land having an aggregate book value of not more than \$250,000, the Company has good and merchantable title to all its other property and assets

subject only to the lien of the Mortgage Indenture and the lien of the Dominguez Mortgage Indenture and to current tax and assessment liens and minor liens and encumbrances which do not materially affect the use thereof. All of the properties of the Company are located in the State of California and substantially all of the properties of the Company used or useful in its public utility business are subject to the Mortgage Indenture. As used herein, the term "Dominguez Mortgage Indenture" means the Trust Indenture dated as of August 1, 1954, as supplemented from time to time, from the Company, as successor to Dominguez Water Company ("Dominguez") and Chase Manhattan Bank and Trust Company, National Association, as Trustee, which provides a lien on properties owned by Dominguez immediately prior to the merger described in paragraph 9 hereof which lien secures \$9,000,000 in aggregate principal amount of Dominguez bonds which were assumed by the Company upon the merger.

9. Franchises. The Company has, in its judgment, adequate franchises and permits without burdensome restrictions (other than those typically contained in franchises and permits of this type) to allow the Company to conduct the business in which it is engaged.

The Company has two classes of franchises to install and operate water pipes and mains under public streets and highways:

(a) so-called "constitutional" franchises obtained by virtue of the provisions of Article XI, Section 19, of the California Constitution, as in effect prior to 1911; and

(b) franchises granted pursuant to statutory authority.

The Company believes, based on the advice of counsel (which is itself based upon the assumption of the accuracy of information obtained by the Company from sources believed to be reliable that the following cities served by the Company were all incorporated prior to 1911:

Bakersfield	Marysville	South San Francisco
Chico	Oroville	Stockton
Dixon	Redondo Beach	Visalia
Hermosa Beach	Salinas	Willows
King City	San Mateo	
Livermore	Selma	

that water distribution systems were constructed and service furnished to the inhabitants of each by various predecessors of the Company prior to 1911, and that there were no public water works owned or controlled by the municipality in any of them prior to 1911), that the Company has a "constitutional" franchise in each of the above cities and under such constitutional franchise has a perpetual right which was not repealed by the repeal of Article XI, Section 19, of the California Constitution to continue to occupy public streets of each of said cities with its pipes and mains and to lay down additional pipes and mains in said streets for the supplying of water, subject to reasonable regulation by the respective municipalities. The Company also believes, based on the advice of counsel, that this right is not limited to streets in which pipes or mains were laid prior to 1911 but extends at least to all streets in the said municipalities as they existed at the date of repeal of the constitutional provision in 1911 and probably also extends to

territory incorporated into each respective city after such repeal, although this latter question remains somewhat in doubt in the absence of a final decision of the courts thereon. The Company holds either by assignment or as original grantee franchises granted under statutory authority by the Counties of Kern, Los Angeles, San Joaquin, Santa Clara and Monterey, the Cities of Montebello, Torrance, Cupertino, Sunnyvale, Los Altos, Mountain View, Bakersfield, Commerce, San Carlos, Rolling Hills Estates and Thousand Oaks, and the Towns of Los Altos Hills and Atherton. Following incorporation of the City of Rancho Palos Verdes in 1973, the Company made franchise payments to the City and the City accepted the same as successor in interest to the grantor's rights under the Company's former franchise from the County of Los Angeles; the City has agreed that the Company may exercise its rights in the City under its current County franchise until the expiration of that franchise in 2012. The Company's franchises from the Cities of Palos Verdes Estates, Menlo Park and Woodside terminated in 1977, 1993 and 1994, respectively. While none of the Cities and the Company have executed a new franchise agreement, the Company has made and will continue to make franchise payments to each of the Cities in accordance with the provisions of the prior franchise. In other areas where the Company has no franchise, the Company or its predecessors have distributed water for many years and, to the Company's knowledge, no question has ever been raised as to the right to make such distribution and to maintain all pipes and mains

necessary therefor.

On May 25, 2000, Dominguez Service Corporation was merged into the Company and subsequently Dominguez and its subsidiaries were also merged into the Company (collectively, the "merger"). The Company acquired in the Dominguez merger operations in the following cities, counties, townships or localities that Dominguez previously served:

Bodfish	Kernville	Mountain Shadows
Carson	Lake Hughes	Onyx
Compton	Lakeland	Torrance
Duncans Mills	Lancaster	Squirrel Valley
Fremont Valley	Leona Valley	Wofford Heights
Guerneville	Long Beach	Los Angeles County
Harbor City	Lucerne	Kern County

Water distribution systems were constructed and service furnished to the inhabitants of the localities currently known as Carson, Compton, Harbor City, Long Beach and Torrance by various predecessors of the Company prior to 1911 and the Company believes that it has a prior right to operate in these locations which right was not extinguished by the incorporation of these cities subsequent to 1911. Except as noted below, Dominguez has no franchises from these cities and has made no franchise payments to them and, to the Company's knowledge, no question has ever been raised as to the right to make water distribution and to maintain all pipes and mains necessary therefor.

As to the remaining localities, Dominguez has received written franchise agreements which are in full force and effect and has paid all franchise fees to date, with the exception of Compton and the City of Carson Revelopment Project #2, as to which the franchises expired without renewal in, respectively, 1994 and 1998. Dominguez continued to provide water services to Compton and the City of Carson Revelopment Project #2 subsequent to the expiration

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of the respective franchises, and to pay franchise fees, and to the Company's knowledge no question has ever been raised as to the right to make such distribution and to maintain all pipes and mains necessary therefor.

10. Condition of Assets. The physical assets of the Company are in sound operating condition, there are no material arrears in the maintenance of any such physical assets and the Company believes that its sources of water are adequate to meet its requirements for the foreseeable future.

11. Pending Litigation, Proceedings. (a) There are no actions, suits or proceedings pending at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or, to the knowledge of the Company, threatened against or affecting the Company not adequately covered by insurance or for which reserves adequate in the Company's judgment have not been established which involve, in the opinion of the Company, a reasonable possibility of judgments or liabilities exceeding \$500,000 in the aggregate net of insurance, or which may, in the opinion of the Company result in any material adverse change in the business or properties or in the condition, financial or other, of the Company, or the ability of the Company to perform its obligations under the First Supplement or the Series C Notes.

(b) There are no proceedings pending or, to the knowledge of the Company, threatened against the Company before or by any federal, state or municipal commission, board or other administrative agency, which materially and adversely affect the water rates of the Company presently in effect.

(c) The Company is not in default with respect to any order, writ, injunction or decree of any court, or any federal, state or municipal commission, board or other administrative agency and the Company has complied with all applicable statutes and regulations of the United States of America and of any state, municipality or agency of any thereof, in respect of the conduct of its business known or believed by the Company to be applicable thereto, the failure to comply with which could reasonably be expected to have a material adverse effect on the Company or its properties.

12. No Condemnation Proceedings. Since January 1, 1995, no elections have been held or other actions taken authorizing the commencement of proceedings for condemnation of any of the properties of the Company. However, from time to time there are expressions of interest made by public bodies, elected or appointed municipal officials, persons seeking political position or citizens groups urging acquisition of the Company's facilities in one or more of the communities served by the Company. The Company does not believe that any acquisition by a city or municipality of its properties by condemnation or threat thereof would be adverse to the holders of the Series C Notes.

13. No Burdensome Restrictions. The Company is not subject to any

burdensome corporate restrictions in its Articles of Incorporation, By-Laws or otherwise, which materially and

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adversely affect or in the future may (so far as the Company can foresee) materially and adversely affect the Company or its business, property, assets, operations or condition, financial or other.

14. Regulatory Status, Approval. (a) The Company is not a registered holding company or a subsidiary of a registered holding company and the Company is not required to register under the Public Utility Holding Company Act of 1935, as amended. The Company is subject to the jurisdiction of the Commission.

(b) No consent of, approval or authorization by, filing or registration with, or notice to any governmental or public authority or agency is required for the issuance, sale or delivery of the Series C Notes or the execution, delivery or performance of the First Supplement, other than the authorization of the Commission, which authorization has been duly obtained, is in full force and effect and is not subject to any appeal, hearing, rehearing or contest. All conditions contained in any such authorization which were to be fulfilled on or prior to the issuance of the Series C Notes have been fulfilled. The Company has furnished to your special counsel true, correct and complete copies of said authorization and all applications heretofore filed with or submitted to the Commission in connection with its action to obtain said authorization.

15. No Defaults, Compliance with Other Instruments. The Company is not in default under any outstanding indentures, contracts or agreements which are material to the Company including, without limitation, the Mortgage Indenture; and on the Closing Date there will not exist any condition which would be a default under any such indenture, contract or agreement. The execution and delivery of the First Supplement, the consummation of the transactions therein provided for and compliance with the provisions of the First Supplement and the Series C Notes by the Company will not violate or result in any breach of the terms, conditions or provisions of, or constitute a default under, its Articles of Incorporation, By-Laws or any indenture, mortgage, deed of trust, bank loan or credit agreement, or other material agreement or instrument to which the Company is a party or by which the Company may be bound, nor will such acts result in the violation of any applicable law, rule, regulation or order applicable to the Company of any court or governmental authority having jurisdiction in the premises or in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever, upon any property or assets of the Company.

16. Leases. The Company has the right to, and does, enjoy peaceful and undisturbed possession under all material leases to which it is a party or under which it is operating. All such leases are valid, subsisting and in full force and effect, and the Company is not in default under any thereof and no event has occurred and is continuing, and no condition exists that, after notice or passage of time or both could become a material default under any such Lease.

17. Use of Proceeds. The Company will use the gross proceeds derived from the sale of the Series C Notes under the First Supplement to refinance existing Indebtedness and to finance a portion of the Company's general construction program. None of the transactions contemplated in the First Supplement (including, without limitation thereof, the use of the proceeds from the sale of the Series C Notes) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including without limitation, Regulations U, T and X of the Board of Governors of the Federal

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Reserve System, 12 C.F.R., Chapter II. The Company does not own or intend to carry or purchase any "margin stock" within the meaning of said Regulation U, including margin stock originally issued by it. None of the proceeds from the sale of the Series C Notes will be used to purchase or carry (or refinance any borrowing the proceeds of which were used to purchase or carry) any margin stock.

18. ERISA. (a) The fair market value of all assets under all "employee pension benefit plans" (as such term is defined in Section 3(2) of ERISA), maintained by the Company, as from time to time in effect, exceeded as of December 31, 1999, the last annual valuation date, the actuarial present value of all benefits vested under the Plans by more than \$15,846,000.

(b) Neither any of the Plans nor any of the trusts created thereunder, nor any trustee or administrator thereof, has engaged in a "prohibited transaction," as such term is defined in Section 4975 of the Code which could subject the Plans or any of them, any such trust, or any trustee or administrator thereof, or any disqualified person with respect to the Plans to

the tax or penalty on prohibited transactions imposed by said Section 4975, except that, with respect to any actions or omissions of administrators, trustees, other fiduciaries, parties in interest or disqualified persons of or in respect to the Plans (other than employees of the Company), the Company has no knowledge that any of such persons has committed a prohibited transaction, nor has the Company participated knowingly in or knowingly undertaken to conceal a prohibited transaction with or by any of such persons nor enabled any of them to commit a prohibited transaction.

(c) Neither any of the Plans subject to Title IV of ERISA nor any trusts related to such plans have been terminated, nor have there been any Reportable Events, as that term is defined in Section 4043 of ERISA (as modified by the regulations thereunder), in respect of those plans since the effective date of ERISA.

(d) Neither any of the Plans which are subject to Section 302 of ERISA nor any trusts related to such plans have incurred any "accumulated funding deficiency," as such term is defined in said Section 302 (whether or not waived), since the effective date of ERISA.

(e) The consummation of the transactions provided for in the First Supplement and compliance by the Company with the provisions thereof and the Series C Notes issued thereunder will not involve any prohibited transaction within the meaning of ERISA or Section 4975 of the Code.

19. Taxes. All Federal, state and local taxes and assessments due from the Company have been (a) fully paid or adequately provided for on the books of the Company in accordance with generally accepted accounting principles or (b) are being contested in good faith by the Company. There has been no examination of the Federal income tax returns of the Company by the Internal Revenue Service subsequent to the examinations of the returns for tax years 1984-1991.

20. Compliance with Laws. To the best of the Company's knowledge, after due inquiry, the Company is in compliance with all applicable Federal, state, or local laws, statutes, rules,

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regulations or ordinances relating to public health, safety or the environment, including, without limitation, relating to releases, discharges, emissions or disposals to air, water, land or ground water, to the withdrawal or use of ground water, to the use, handling or disposal of polychlorinated biphenyls (PCB's), asbestos or urea formaldehyde, to the treatment, storage, disposal or management of hazardous substances (including, without limitation, petroleum, its derivatives, by-products or other hydrocarbons), and to exposure to hazardous substances, the failure to comply with which could reasonably be expected to have a material adverse effect on the Company or its properties. The Company does not know of any liability of the Company under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. Section 9601 et seq.) with respect to any property now or heretofore owned or leased by the Company.

21. Full Disclosure. The financial statements referred to in the First Supplement do not, nor does the First Supplement, the Company Information or any written statement (including without limitation the 1999 Company Report and the 1999 CWSG Report) furnished by the Company to you in connection with the negotiation of the sale of the Series C Notes, contain any untrue statement of a material fact or, taken together, omit a material fact necessary to make the statements contained therein or herein not misleading. There is no fact which the Company has not disclosed to you in writing which materially affects adversely nor, so far as the Company can now foresee, will materially affect adversely the properties, business, prospects, profits or condition (financial or otherwise) of the Company or the ability of the Company to perform its obligations under the Note Agreement, the First Supplement or the Series C Notes.

22. Private Offering. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Series C Notes or any similar Security or has solicited or will solicit an offer to acquire the Series C Notes or any similar Security from or has otherwise approached or negotiated or will approach or negotiate in respect of the Series C Notes or any similar Security with any Person other than the Purchasers and not more than four (4) other institutional investors, each of whom was offered a portion of the Series C Notes at private sale for investment. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Series C Notes or any similar Security or has solicited or will solicit an offer to acquire the Series C Notes or any similar Security from any Person so as to cause the issuance and sale of the Series C Notes not to be exempt from the provisions of Section 5 of the Securities Act of 1933, as amended.

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CURRENT DEBT, FUNDED DEBT AND CAPITALIZED LEASES
AS OF OCTOBER 1, 2000

1. Current Debt
\$18,000,000 borrowed under the Company's bank line of credit with Bank of America.
2. Funded Debt
\$116,345,000 outstanding under the Company's various series of First Mortgage Bonds.
\$193,000 due to the City of Los Altos for the purchase of the North Los Altos Water System.
\$20,000,000 Series A Senior Notes due November 1, 2025.
\$20,000,000 Series B Senior Notes due November 1, 2028.
\$4,000,000 First Mortgage Bonds, Series J due 2023 of Dominguez Water Company ("Dominguez").*
\$5,000,000 First Mortgage Bonds, Series K due 2012 of Dominguez.*
\$3,236,000 California Department of Water Resources Loans due 2011-2032 of Dominguez*.
3. Capitalized Leases
None.

* Assumed by the Company on October 12, 2000

ANNEX A
(to Exhibit 2)

MATERIAL WATER SUPPLY CONTRACTS

1. Water Supply Contract between the Company and the County of Butte relating to the Company's Oroville District.
2. Water Supply Contract between the Company and Kern County Water Agency relating to the Company's Bakersfield District.
3. Water Supply Contract between the Company and Stockton East Water District relating to the Company's Stockton District.
4. Second Amended Contract between the Company and Stockton East Water District relating to the Company's Stockton District.
5. Settlement Agreement and Master Water Sales Contract between the City and County of San Francisco and Certain Suburban Purchasers.
6. Supplement to Settlement Agreement and Master Water Sales Contract between the Company and the City and County of San Francisco relating to the Company's Bear Gulch District.
7. Supplement to Settlement Agreement and Master Water Sales Contract between the Company and the City and County of San Francisco relating to the Company's San Carlos District.
8. Supplement to Settlement Agreement and Master Water Sales Contract between the Company and the City and County of San Francisco relating to the Company's San Mateo District.
9. Supplement to Settlement Agreement and Master Water Sales Contract between the Company and the City and County of San Francisco relating to the Company's South San Francisco District.

10. Water Supply Contract between the Company and Santa Clara Valley Water District relating to the Company's Los Altos District.
11. Water Supply Contract between the Company and Pacific Gas and Electric Company related to the Company's Oroville District.
12. Water Supply Contract between the Company and Alameda County Flood Control and Water Conservation District related to the Company's Livermore District.
13. Water Supply Contract between the Company and Russell Valley Municipal Water District regarding the Company's Westlake District.

ANNEX B
(to Exhibit 2)

14. Water Supply Contract between Dominguez Water Company, ARCO Products Company and West Basin Municipal Water District relating to recycled water.*

* Assumed By The Company On October 12, 2000

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DESCRIPTION OF CLOSING OPINION
OF COUNSEL TO THE COMPANY

The closing opinion of McCutchen, Doyle, Brown & Enersen LLP, counsel for the Company, which is called for by Section 5(a)(iii) of the First Supplement, shall be dated the Closing Date and addressed to the Purchasers, shall be satisfactory in scope and form to the Purchasers and shall be to the effect that:

1. The Company is a corporation, duly incorporated, validly existing and in good standing under the laws of the State of California, has the corporate power and the corporate authority to execute and perform the First Supplement and to issue the Series C Notes and has the full corporate power and the corporate authority to conduct the activities in which it is now engaged.

2. The Note Agreement and the First Supplement have been duly authorized by all necessary corporate action on the part of the Company, have been duly executed and delivered by the Company and constitute the legal, valid and binding contract of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

3. The Series C Notes have been duly authorized by all necessary corporate action on the part of the Company, have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

4. No approval, consent or withholding of objection on the part of, or filing, registration or qualification with, any governmental body, Federal or state, is necessary in connection with the execution and delivery of the First Supplement or the Series C Notes other than the authorization of the Commission, which authorization has been duly obtained, and is in full force and effect.

5. The issuance and sale of the Series C Notes and the execution, delivery and performance by the Company of the First Supplement do not violate or result in any breach of any of the provisions of or constitute a default under or result in the creation or imposition of any Lien upon any of the property of the Company pursuant to the provisions of the Articles of Incorporation or By-laws of the Company or any agreement or other instrument listed as a material contract in the Company's most recent Annual Report.

6. Based upon the representations set forth in Section 6 of the First Supplement, the issuance, sale and delivery of the Series C Notes under the circumstances contemplated by the First Supplement do not, under existing law, require the registration of the Series C Notes under the Securities Act of 1933, as amended, or the qualification of the First Supplement or an indenture under the Trust Indenture Act of 1939, as amended.

7. Based upon the assumption of the accuracy of information obtained by the Company from sources believed to be reliable that the following cities served by the Company were all incorporated prior to 1911:

Bakersfield	Marysville	South San Francisco
Chico	Oroville	Stockton
Dixon	Redondo Beach	Visalia
Hermosa Beach	Salinas	Willows
King City	San Mateo	
Livermore	Selma	

that water distribution systems were constructed and service furnished to the inhabitants of each by various predecessors of the Company prior to 1911, and that there were no public water works owned or controlled by the municipality in any of them prior to 1911, in the opinion of such counsel, the Company has a "constitutional" franchise in each of the above cities and under such constitutional franchise has a perpetual right which was not repealed by the repeal of Article XI, Section 19, of the California Constitution to continue to occupy public streets of each of said cities with its pipes and mains and to lay down additional pipes and mains in said streets for the supplying of water, subject to reasonable regulation by the respective municipalities as they existed at the date of repeal of the constitutional provision in 1911 and probably also extends to territory incorporated into each respective city after such repeal, although this latter question remains somewhat in doubt in the absence of a final decision of the courts thereon.

On May 25, 2000, Dominguez Service Corporation was merged into the Company and subsequently Dominguez and its subsidiaries were also merged into the Company (collectively, the "Merger"). The Company acquired in the Dominguez merger operations in the following cities, counties, townships or localities that Dominguez previously served:

Bodfish	Kernville	Mountain Shadows
Carson	Lake Hughes	Onyx
Compton	Lakeland	Torrance
Duncans Mills	Lancaster	Squirrel Valley
Fremont Valley	Leona Valley	Wofford Heights
Guerneville	Long Beach	Los Angeles County
Harbor City	Lucerne	Kern County

Water distribution systems were constructed and service furnished to the inhabitants of the localities currently known as Carson, Compton, Harbor City, Long Beach and Torrance by

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various predecessors of the Company prior to 1911 and the Company believes that it has a prior right to operate in these locations which right was not extinguished by the incorporation of these cities subsequent to 1911. Except as noted below, Dominguez has no franchises from these cities and has made no franchise payments to them and, to the Company's knowledge, no question has ever been raised as to the right to make water distribution and to maintain all pipes and mains necessary therefor.

As to the remaining localities, Dominguez has received written franchise agreements which are in full force and effect and has paid all franchise fees to date, with the exception of Compton and the City of Carson Revelopment Project #2, as to which the franchises expired without renewal in, respectively, 1994 and 1998. Dominguez continued to provide water services to Compton and the City of Carson Revelopment Project #2 subsequent to the expiration of the respective franchises, and to pay franchise fees, and to the Company's knowledge no question has ever been raised as to the right to make such distribution and to maintain all pipes and mains necessary therefor.

The opinion of McCutchen, Doyle, Brown & Enersen LLP shall cover such other matters relating to the sale of the Series C Notes as the Purchasers may reasonably request. With respect to matters of fact on which such opinion is based, such counsel shall be entitled to rely on appropriate certificates of

DESCRIPTION OF SPECIAL COUNSEL'S CLOSING OPINION

The closing opinion of Chapman and Cutler, special counsel to the Purchasers, called for by Section 5(a)(iii) of the First Supplement, shall be dated the Closing Date and addressed to the Purchasers, shall be satisfactory in form and substance to the Purchasers and shall be to the effect that:

1. The Company is a corporation, validly existing and in good standing under the laws of the State of California and has the corporate power and the corporate authority to execute and deliver the First Supplement and to issue the Series C Notes.

2. The Note Agreement and the First Supplement have been duly authorized by all necessary corporate action on the part of the Company, have been duly executed and delivered by the Company and constitute the legal, valid and binding contract of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

3. The Series C Notes have been duly authorized by all necessary corporate action on the part of the Company, have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

4. The issuance, sale and delivery of the Series C Notes under the circumstances contemplated by the First Supplement do not, under existing law, require the registration of the Series C Notes under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

The opinion of Chapman and Cutler may rely upon the opinion of McCutchen, Doyle, Brown & Enersen LLP, as to matters of California law. The opinion of Chapman and Cutler shall also state that the opinion of McCutchen, Doyle, Brown & Enersen LLP, is satisfactory in scope and form to Chapman and Cutler and that, in their opinion, the Purchasers are justified in relying thereon.

In rendering the opinion set forth in paragraph 1 above, Chapman and Cutler may rely, as to matters referred to in paragraph 1, solely upon an examination of the Articles of Incorporation certified by, and a certificate of good standing of the Company from, the Secretary of State of the State of California, the By-laws of the Company and the general business corporation law of the State of California.

With respect to matters of fact upon which such opinion is based, Chapman and Cutler may rely on appropriate certificates of public officials and officers of the Company and upon representations of the Company and the Purchasers delivered in connection with the issuance and sale of the Series C Notes.

Exhibit 4.13 Thirteenth Supplemental Trust Indenture whereby California Water Service Company became the successor to Dominguez Water Corporation in the original trust indenture for Dominguez Water Corporation dated August 1, 1954 (Exhibit 4.13 to Form 10-K dated December 31, 2000)

THIS INSTRUMENT CONSTITUTES, AMONG OTHER THINGS, AN AMENDMENT TO A SECURITY AGREEMENT WHICH CREATED A SECURITY INTEREST IN PERSONAL PROPERTY

TO

CHASE MANHATTAN BANK AND TRUST COMPANY,
NATIONAL ASSOCIATION

Trustee

THIRTEENTH SUPPLEMENTAL TRUST INDENTURE

Dated as of October 1, 2000

Amending and Supplementing Indenture Dated as of August 1, 1954

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THIS THIRTEENTH SUPPLEMENTAL TRUST INDENTURE (the "Thirteenth Supplemental Trust Indenture"), is made and entered into as of the first day of October, 2000, by and between California Water Service Company, a corporation organized and existing under the laws of the State of California (the "Corporation"), the successor by merger to Dominguez Water Company ("Dominguez"), and CHASE MANHATTAN BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, with reference to the following recitals:

RECITALS

WHEREAS, by that certain Trust Indenture dated as of August 1, 1954 (hereinafter referred to as the "Original Indenture") between Dominguez and Title Insurance and Trust Company (the "Former Trustee"), which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on October 8, 1954, in Book 45791, Page 1, Official Records of said County, Dominguez created its First Mortgage Series A 3-3/4% Bonds of 1954 (hereinafter called the "Series A Bonds"), and also granted, bargained, sold, released, conveyed, confirmed, assigned, transferred, pledged and set over unto the Former Trustee certain of its properties, real and personal, in order, inter alia, to secure the payment of the principal of, and premium (if any) and interest on, all bonds at any time issued and outstanding under the Original Indenture and all indentures supplemental thereto (said Original Indenture and all indentures supplemental thereto, including this Thirteenth Supplemental Trust Indenture, being hereinafter referred to collectively as the "Indenture"), all upon the terms, conditions and trusts therein specified; and

WHEREAS, there was issued under the Original Indenture One Million Dollars (\$1,000,000) principal amount of Series A Bonds, none of which is outstanding on the date hereof; and

WHEREAS, by that certain First Supplemental Trust Indenture dated as of August 1, 1956 (hereinafter referred to as the "First Supplemental Trust Indenture"), between Dominguez and the Former Trustee, which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on August 1, 1956, in Book 51901, Page 374, Official Records of said County, Dominguez modified and amended certain provisions of the Original Indenture and created its First Mortgage Series B 4% Bonds of 1976 (hereinafter called the "Series B Bonds"), and there was issued under the First Supplemental Trust Indenture Five Hundred Thousand Dollars (\$500,000) principal amount of Series B Bonds, none of which is outstanding on the date hereof; and

WHEREAS, by that certain Second Supplemental Trust Indenture dated as of August 1, 1958 (hereinafter referred to as the "Second Supplemental Trust Indenture"), between the Dominguez and the Former Trustee, which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on August 7, 1958, in Book D-179, Page 936, Official Records of said

County, Dominguez modified and amended certain provisions of the Original Indenture, as theretofore modified, amended and supplemented, and created its First Mortgage Series C 5% Bonds of 1978 (hereinafter called the "Series C Bonds"), and there was issued under the Second Supplemental Trust Indenture Seven Hundred Thousand Dollars

(\$700,000) principal amount of Series C Bonds, none of which is outstanding on the date hereof; and

WHEREAS, by that certain Third Supplemental Trust Indenture dated as of May 1, 1961 (hereinafter referred to as the "Third Supplemental Trust Indenture"), between Dominguez and the Former Trustee, which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on August 2, 1961, in Book S-942, Page 305, Official Records of said County, Dominguez modified and amended certain provisions of the Original Indenture, as theretofore modified, amended and supplemented, and created its First Mortgage Series D, 5-1/2% Bonds of 1981 (hereinafter called the "Series D Bonds"), and there was issued under the Third Supplemental Trust Indenture Seven Hundred and Fifty Thousand Dollars (\$750,000) principal amount of Series D Bonds, none of which is outstanding on the date hereof; and

WHEREAS, by that certain Fourth Supplemental Trust Indenture dated as of March 1, 1962 (hereinafter referred to as the "Fourth Supplemental Trust Indenture"), between Dominguez and the Former Trustee, which was recorded in the Office of the County Recorder of the County of Los Angeles State of California, on May 22, 1962, in Book D-1622, Page 826, Official Records of said County, Dominguez modified and amended certain provisions of the Original Indenture, as theretofore modified, amended and supplemented; and

WHEREAS, by that certain Fifth Supplemental Trust Indenture dated as of August 1, 1966 (hereinafter referred to as the "Fifth Supplemental Trust Indenture"), between Dominguez and the Former Trustee, which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on October 17, 1966, as Instrument No. 160, Official Records of said County, Dominguez modified and amended certain provisions of the Original Indenture, as theretofore modified, amended and supplemented, and created its First Mortgage Series E 6-1/8% Bonds of 1986 (hereinafter called the "Series E Bonds"), and there was issued under the Fifth Supplemental Trust Indenture One Million Two Hundred Thousand Dollars (\$1,200,000) principal amount of Series E Bonds, none of which is outstanding on the date hereof; and

WHEREAS, by that certain Sixth Supplemental Trust Indenture dated as of May 1, 1972 (hereinafter referred to as the "Sixth Supplemental Trust Indenture"), between Dominguez and the Former Trustee, which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on July 21, 1972, as Instrument No. 856, Official Records of said County, Dominguez modified and amended certain provisions of the Original Indenture, as theretofore modified, amended and supplemented, and created its First Mortgage Series F 8% Bonds of 1997 (hereinafter called the "Series F Bonds"), and there was issued under the Sixth Supplemental Trust Indenture One Million Two Hundred Thousand Dollars (\$1,200,000) principal amount of Series F Bonds, none of which is outstanding at the date hereof; and

WHEREAS, by that certain Seventh Supplemental Trust Indenture dated as of November 1, 1975 (hereinafter referred to as the "Seventh Supplemental Trust Indenture"), between Dominguez and the Former Trustee, which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on December 2, 1975 as Instrument No. 2557, Official Records of said County, Dominguez modified and amended certain provisions of the Original Indenture, as theretofore modified, amended and supplemented, and created its First

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Mortgage Series G 10% Bonds of 1995 (hereinafter called the "Series G Bonds"), and there was issued under the Seventh Supplemental Trust Indenture One Million Six Hundred Thousand Dollars (\$1,600,000) principal amount of Series G Bonds, none of which is outstanding at the date hereof; and

WHEREAS, by that certain Eighth Supplemental Trust Indenture dated as of August 1, 1978 (hereinafter referred to as the "Eighth Supplemental Trust Indenture"), between Dominguez and the Former Trustee, which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on August 31, 1978 as Instrument No. 78- 964382, Official Records of said County, Dominguez modified and amended certain provisions of the Original Indenture, as theretofore modified, amended and supplemented, and created its First Mortgage Series H 9-3/8% Bonds of 1998 (hereinafter called the "Series H

Bonds"), and there was issued under the Eighth Supplemental Trust Indenture Two Million Dollars (\$2,000,000) principal amount of Series H Bonds, none of which is outstanding at the date hereof; and

WHEREAS, by that certain Ninth Supplemental Trust Indenture dated as of September 20, 1982 (hereinafter referred to as the "Ninth Supplemental Trust Indenture"), between Dominguez and the Former Trustee, which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on September 30, 1982 as Instrument No. 82-988617, Official Records of said County, Dominguez modified and amended certain provisions of the Original Indenture, as theretofore modified, amended and supplemented, and created its First Mortgage Series I 16-3/4% Bonds of 1992 (hereinafter called the "Series I Bonds"), and there was issued under the Ninth Supplemental Trust Indenture One Million Five Hundred Thousand Dollars (\$1,500,000) principal amount of Series I Bonds, none of which is outstanding on the date hereof; and

WHEREAS, by that certain Tenth Supplemental Trust Indenture dated as of March 9, 1990 (hereinafter referred to as the "Tenth Supplemental Trust Indenture"), between Dominguez and Manufacturers Hanover Trust Company of California as trustee, which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on July 24, 1990 as Instrument No. 90-1281215, Official Records of said County, Dominguez modified and amended certain provisions of the Original Indenture, as theretofore modified, amended and supplemented; and

WHEREAS, by that certain Eleventh Supplemental Trust Indenture dated as of December 8, 1992 (hereinafter referred to as the "Eleventh Supplemental Trust Indenture"), between Dominguez and Chemical Trust Company of California, as successor trustee, which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on December 9, 1992 as Instrument No. 92-2313010, Official Records of said County, Dominguez modified and amended certain provisions of the Original Indenture, as theretofore modified, amended and supplemented and created its First Mortgage Series J 8.86% Bonds of 2023 (hereinafter called the "Series J Bonds"), and there has been issued under the Eleventh Supplemental Trust Indenture Four Million Dollars (\$4,000,000) principal amount of Series J Bonds, all of which are outstanding on the date hereof; and

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WHEREAS, by that certain Twelfth Supplemental Trust Indenture dated as of December 1, 1997 (hereinafter referred to as the "Twelfth Supplemental Trust Indenture"), between Dominguez and Chase Manhattan Bank and Trust Company, National Association, as successor and currently acting trustee (hereinafter, the "Trustee"), which was recorded in the Office of the County Recorder of the County of Los Angeles, State of California, on December 15, 1997 as Instrument No. 97-1966671, Official Records of said County, Dominguez modified and amended certain provisions of the Original Indenture, as theretofore modified, amended and supplemented and created its First Mortgage Series K 6.94% Bonds due 2012 (hereinafter called the "Series K Bonds"), and there has been issued under the Twelfth Supplemental Trust Indenture Five Million Dollars (\$5,000,000) principal amount of Series K Bonds, all of which are outstanding on the date hereof; and

WHEREAS, on May 25, 2000, Dominguez Services Corporation, which is the parent company (the "Parent") of Dominguez (the "Holding Company Merger") was merged into the Corporation pursuant to an Agreement and Plan of Reorganization dated November 13, 1998 as amended by Amendment No. 1 dated March 22, 1999 (the "Amended Merger Agreement") among the Parent, the Corporation and California Water Service Group (which is the parent company of the Corporation) and on or prior to October 31, 2000 (i) Dominguez is merging into the Corporation with the Corporation becoming the successor to Dominguez in all respects including under the Indenture (the "Merger" and the date of the merger being the "Merger Date") and (ii) the Corporation desires to amend the Indenture in the manner hereinafter set forth; and

WHEREAS, in order for the Merger to occur in accordance with and pursuant to Section 1 of Article IX of the Indenture the requisite consent thereto in writing signed by the holders of not less than two-thirds (2/3) of the principal of all bonds outstanding under the Indenture (the Series J Bonds and Series K Bonds being the only bonds outstanding under the Indenture) has been received and filed with the Trustee authorizing and assenting to the Merger; and

WHEREAS, Section 3 of Article X of the Indenture provides that the Corporation and the Trustee may enter into indentures supplemental thereto for the purposes, among other things, of amending provisions of the Indenture and the supplemental indentures to the extent permitted in the Indenture; and

WHEREAS, the Board of Directors of the Corporation, at a meeting duly convened and held, has duly authorized the execution and delivery of this

Thirteenth Supplemental Trust Indenture (hereinafter sometimes called the "Thirteenth Supplemental Indenture"); and

WHEREAS, all things necessary to make this Thirteenth Supplemental Trust Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed; and

WHEREAS, in accordance with and pursuant to Article XII, Section 3 of the Indenture, the requisite consent in writing signed by holders of not less than three-fourths (3/4) of the principal amount of all bonds outstanding under the Indenture, has been received and filed with the

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Trustee, authorizing and assenting to the modification and amendments of those certain provisions of the Indenture as hereinafter set forth;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

In consideration of the premises and of the mutual covenants herein contained, and for other valuable considerations, receipt whereof is hereby acknowledged, it is hereby covenanted, declared and agreed by and between the parties hereto as follows:

ARTICLE ONE
SUBSTITUTION OF SUCCESSOR CORPORATION

Section 1.01. Assumption of Indenture Obligations. Effective the Merger Date, the Corporation, as successor to Dominguez, assumes the due and punctual payment of the principal of (and premium, if any) and interest on all the bonds at any time outstanding under the Indenture and the performance of every covenant and condition of the Indenture to be performed or observed by the Corporation.

Section 1.02. Mortgage of Property. The Corporation, in order to better secure the principal of and interest (and premium, if any) on all bonds of the Corporation at any time outstanding under the Indenture according to their tenor and effect and the performance of and compliance with the covenants and conditions in the Indenture contained, does hereby mortgage, assign, grant, bargain, sell and convey unto the Trustee, and to its successors in said trust, forever, all of the property, rights and franchises owned by Dominguez immediately prior to the Merger which is subject to the lien of the Indenture including the properties described in Exhibit A attached hereto and made a part hereof (collectively, the "mortgaged property") and no other property, rights or franchises now owned or hereafter acquired by the Corporation, provided that the Corporation does hereby mortgage, assign, grant, bargain, sell and convey unto the Trustee and its successors the following properties acquired by the Corporation on or after the Merger Date, to wit:

(1) all betterments, extensions, improvements, additions, repairs, renewals, replacements, substitutions and alterations to, upon, for and of the property or franchises, or both, subject to the lien of the Indenture, and all property constituting appurtenances of the mortgaged property;

(2) all property acquired or constructed with the proceeds of any insurance on any part of the mortgaged property or with the proceeds of any part of the mortgaged property released from the lien of the Indenture or a prior lien or disposed of free from any such lien, or taken by eminent domain, or purchased by a public authority; and

(3) all property acquired in pursuance of the covenants herein contained to maintain and preserve and keep the mortgaged property in good condition, repair and working order, or in pursuance of any other covenant or agreement herein contained to be performed by the Corporation;

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in trust, nevertheless, for the same purposes and upon the same conditions as are set forth in the Original Indenture, any such acquired property which is described in clauses (1), (2) and (3) of this Section 1.02 becoming mortgaged property upon being so acquired.

ARTICLE TWO
AMENDMENTS TO ARTICLES II, III AND V

Section 2.01. Amendment to Article II. In the second full paragraph of Section 5(a) of Article II which contains the definition of "Permanent Additions" the phrase in the first and second lines which reads "shall mean additions to "Gross Plant Investments" ' is amended to read "shall mean additions subject to the lien of this indenture to "Gross Plant Investments".'

Section 2.02. Amendment to Article III. Notwithstanding any other provisions of Article III to the contrary, effective on the Merger Date no new series of bonds will be issued under this indenture, provided the foregoing limitation will not prevent or restrict the issuance of bonds to transferees, successors or assigns of holders of Series J and K Bonds from time to time and for any other reasons permitted hereunder other than in connection with the issuance of a new series of bonds.

Section 2.03. Amendments to Article V. (a) Section 6 of Article V is amended by changing the phrase "real property" in the fifth line of Section 6 to read "real property subject to the lien of this indenture".

(b) Section 12 of Article V is amended (i) in the first full paragraph by changing the phrase "covering property worn-out," in the sixth line thereof to read "covering property subject to the lien of this indenture which is worn-out," and (ii) in the third paragraph by (A) changing the phrase in the eighth line which reads "charges for depreciation" to read "charges for depreciation for the plant subject to the lien of this indenture" and (B) changing the phrase "in depreciable plant" in the tenth and eleventh lines to read "in depreciable plant subject to the lien of this indenture".

(c) Section 13 of Article V is amended (i) in the second paragraph by changing the phrase "cause an examination of its properties and operations to be made by an engineer" appearing in the sixth and seventh lines to read "cause an examination of its properties subject to the lien of this indenture and its operations relating thereto to be made by an engineer" and (ii) in the last paragraph by adding the phrase "subject to the lien of this indenture" following each of the two phrases contained therein which read "Corporation's depreciable properties".

(d) Section 16 of Article V is hereby deleted.

(e) Section 18 of Article V is hereby deleted and a new Section 18 is added which reads as follows:

"Section 18. The following covenants are for the benefit of both the Series J Bonds and the Series K Bonds which covenants may not be amended, modified or waived without the written consent of the holders of 66 2/3% in aggregate principal

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amount of bonds then outstanding of each such series of bonds. The Corporation covenants and agrees that from and after the Merger Date as follows (terms not otherwise defined in Sections 18.1 through 18.7 are defined in Section 18.8):

Section 18.1. Nature of Business. Neither the Corporation nor any Subsidiary will engage in any business if, as a result, the general nature of the business, taken on a consolidated basis, which would then be engaged in by the Corporation and its Subsidiaries would be substantially changed from the general nature of the business engaged in by the Corporation on the Merger Date.

Section 18.2. Limitations on Current Debt and Funded Debt. (a) The Corporation will not, and will not permit any Restricted Subsidiary to, create, assume or incur or in any manner be or become liable in respect of any Current Debt or Funded Debt, except:

(1) The following Current Debt and Funded Debt of the Corporation and Funded Debt of its Restricted Subsidiaries outstanding as of October 1, 2000 set forth on Schedule I hereto (all such Funded Debt of the Restricted Subsidiaries is assumed on the Merger Date by the Corporation);

(2) Additional Funded Debt of the Corporation, provided that at the time of issuance thereof and after giving effect thereto and to the application of the proceeds thereof:

(i) Consolidated Funded Debt shall not exceed 66-2/3% of Consolidated Total Capitalization,

and

(ii) Net Income Available for Interest Charges for any period of 12 consecutive calendar months during the immediately preceding 14 consecutive calendar months prior to the issuance of such Funded Debt shall have been at least 175% of Pro Forma Interest Charges for such 12-month period;

(3) Additional unsecured Current Debt of the Corporation;

(4) Current Debt or Funded Debt of a Restricted Subsidiary owed to the Corporation or to a Wholly-owned Restricted Subsidiary; and

(5) Funded Debt of the Corporation issued after the Merger Date evidenced by First Mortgage Bonds, provided that the Corporation shall have complied with the requirements of Section 18.7 hereof.

(b) Indebtedness described in or issued or incurred in accordance with the limitations of Section 18.2(a)(1) may be renewed, extended or refunded without regard to Section 18.2(a)(2), provided that the principal amount thereof remaining unpaid at the time of such renewal, extension or refunding shall not be increased.

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(c) Any corporation which becomes a Restricted Subsidiary after the Merger Date shall for all purposes of this Section 18.2 be deemed to have created, assumed or incurred at the time it becomes a Restricted Subsidiary all Funded Debt of such corporation existing immediately after it becomes a Restricted Subsidiary.

Section 18.3. Limitation on Liens. The Corporation will not, and will not permit any Restricted Subsidiary to, create or incur, or suffer to be incurred or to exist, any Lien on its or their property or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, or transfer any property for the purpose of subjecting the same to the payment of obligations in priority to the payment of its or their general creditors, or acquire or agree to acquire, or permit any Restricted Subsidiary to acquire, any property or assets upon conditional sales agreements or other title retention devices, except:

(a) Liens for property taxes and assessments or governmental charges or levies and Liens securing claims or demands of mechanics and materialmen, provided that the payment thereof shall not be overdue or the payment is overdue but is being contested in good faith by proceedings which will prevent the sale of material property or material interference with the use thereof by the Corporation or Restricted Subsidiary owning the same and adequate reserves are set aside on its books;

(b) Liens of or resulting from any litigation or legal proceeding which are currently being contested in good faith by appropriate proceedings and for which the Corporation or the relevant Restricted Subsidiary shall have set aside on its books, reserves deemed by it to be adequate with respect thereto, unless the judgment they secure shall not have been stayed, bonded or discharged within 60 days of its entry;

(c) Liens incidental to the conduct of the Corporation's business or the ownership of properties and assets (including Liens in connection with worker's compensation, unemployment insurance and other like laws, warehousemen's and attorneys' liens and statutory landlords' liens) and Liens to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, surety or appeal bonds or other Liens of like general nature incurred in the ordinary course of business and not in connection with the borrowing of money; provided in each case, the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate actions or proceedings;

(d) minor survey exceptions or minor encumbrances, easements, licenses or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which are necessary for the conduct of the activities of the Corporation and its Restricted Subsidiaries or which customarily exist on properties of corporations engaged in

similar activities and similarly situated and which do not in any event materially impair their use in the operation of the business of the Corporation and its Restricted Subsidiaries;

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(e) Liens securing Indebtedness of a Restricted Subsidiary to the Corporation or to another Restricted Subsidiary;

(f) Leases on property owned by the Corporation or a Restricted Subsidiary wherein the Corporation or such Restricted Subsidiary is the lessor thereunder, provided that (i) the Rentals payable under any lease are for fair rental value and otherwise contain appropriate provisions to protect and preserve the Corporation's or such Restricted Subsidiary's interest in such property and (ii) any such lease will not interfere with the ordinary course of business of the Corporation or such Restricted Subsidiary;

(g) Liens existing as of the Merger Date and reflected in Schedule II hereto;

(h) Liens created or incurred after the Merger Date given pursuant to pollution control, industrial revenue or other similar tax exempt financings of the Corporation to secure the payment of the purchase price incurred in connection with the acquisition of fixed assets useful and intended to be used in carrying on the business of the Corporation or its Restricted Subsidiaries, provided that (i) the Liens shall attach solely to the fixed assets acquired or purchased, (ii) at the time of acquisition of such fixed assets, the Indebtedness secured by Liens thereon shall not exceed the total purchase price of such fixed assets, (iii) such Indebtedness shall have been incurred within the applicable limitations provided in Section 18.2(a), and (iv) the aggregate principal amount of all Indebtedness secured by Liens described in this clause (h) shall not at any time exceed an amount equal to 10% of Consolidated Total Assets;

(i) Liens created or incurred on or after the Merger Date given to secure Indebtedness of the Corporation and its Restricted Subsidiaries in addition to the Liens permitted by the preceding clauses (a) through (h) hereof, provided that all Indebtedness secured by such Liens shall have been incurred within the limitations provided in Section 18.2(a)(5);

(j) Liens created or incurred after the Merger Date in addition to the Liens permitted by the preceding clauses (a) through (i) hereof, provided that (i) the aggregate principal amount of all Indebtedness secured by such Liens shall not at any time exceed an amount equal to 10% of Consolidated Total Capitalization and (ii) all such Indebtedness shall have been incurred within the applicable limitations provided in Section 18.2; and

(k) any extension, renewal or refunding of any Lien permitted by the preceding clauses (a) through (i) hereof in respect of the same property theretofore subject to such Lien in connection with the extension, renewal or refunding of the Indebtedness secured thereby; provided that (i) such extension, renewal or refunding of Indebtedness shall be without increase in the principal amount remaining unpaid as of the date of such extension, renewal or refunding, and (ii) such Lien shall attach solely to the same such property.

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Section 18.4. Mergers, Consolidations and Sales of Assets. (a) The Corporation will not, and will not permit any Restricted Subsidiary to, (i) consolidate with or be a party to a merger with any other corporation or (ii) sell, lease or otherwise dispose of all or any substantial part (as defined in paragraph (d) of this Section 18.4) of the assets of the Corporation and its Restricted Subsidiaries (other than sales in the ordinary course of business or sales of properties sold pursuant to any Condemnation); provided, however, that:

(1) any Restricted Subsidiary may merge or consolidate with or into the Corporation or any Wholly-owned Restricted Subsidiary so long as in any merger or consolidation involving the Corporation, the Corporation shall be the surviving or continuing corporation;

(2) the Corporation may consolidate or merge with or into, and may sell all or substantially all of its assets in a single transaction to, any other corporation if (i) the

corporation which results from such consolidation, merger or sale (the "surviving entity") is organized under the laws of any state of the United States or the District of Columbia, (ii) the due and punctual payment of the principal of and premium, if any, and interest on all of the Series J Bonds and Series K Bonds, according to their tenor, and the due and punctual performance and observation of all of the covenants in the Bonds and this indenture to be performed or observed by the Corporation are expressly assumed in writing by the surviving entity and the surviving entity shall furnish to the holders of the Bonds an opinion of counsel reasonably satisfactory to such holders to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of the surviving entity enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, and (iii) at the time of such consolidation, merger or sale and immediately after giving effect thereto, (A) no Default or Event of Default would exist and (B) the surviving entity would be permitted by the provisions of Section 18.2(a)(2) to incur at least \$1.00 of additional Funded Debt; and

(3) any Restricted Subsidiary may sell, lease or otherwise dispose of all or any substantial part of its assets to the Corporation or any Wholly-owned Restricted Subsidiary.

(b) The Corporation will not permit any Restricted Subsidiary to issue any shares of stock of any class (including as "stock" for the purposes of this Section 18.4 any warrants, rights or options to purchase or otherwise acquire stock or other Securities exchangeable for or convertible into stock) of such Restricted Subsidiary to any Person other than the Corporation or a Restricted Subsidiary, unless immediately after the consummation of such transaction and after giving effect thereto, such Restricted Subsidiary shall remain a Restricted Subsidiary of the Corporation.

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(c) The Corporation will not sell, transfer or otherwise dispose of any shares of stock of any Restricted Subsidiary or any Indebtedness of any Restricted Subsidiary, and will not permit any Restricted Subsidiary to sell, transfer or otherwise dispose of (except to the Corporation or a Restricted Subsidiary) any shares of stock or any Indebtedness of any other Restricted Subsidiary, unless:

(1) the Board of Directors of the Corporation shall have determined, as evidenced by a resolution thereof, that the proposed sale, transfer or disposition of said shares of stock and Indebtedness is in the best interests of the Corporation;

(2) said shares of stock and Indebtedness are sold, transferred or otherwise disposed of to a Person, for cash or other property and on terms reasonably deemed by the Board of Directors to be adequate and satisfactory;

(3) in the case of the sale, transfer, or disposition of all shares of stock and Indebtedness of a Restricted Subsidiary, such Restricted Subsidiary shall not have any continuing investment in the Corporation or any other Restricted Subsidiary not being simultaneously disposed of;

(4) in the case of the sale, transfer, or disposition of less than all of the shares of stock of a Restricted Subsidiary, immediately after the consummation of the transaction and after giving effect thereto, such Restricted Subsidiary shall remain a Restricted Subsidiary of the Corporation; and

(5) such sale or other disposition does not involve a substantial part (as hereinafter defined) of the consolidated assets of the Corporation and its Restricted Subsidiaries.

(d) As used in this Section 18.4, a sale, lease or other disposition of assets shall be deemed to be a "substantial part" of the assets of the Corporation and its Restricted Subsidiaries if the book value of such assets, when added to the book value of all other assets sold, leased or otherwise disposed of by the Corporation and its

Restricted Subsidiaries (other than in the ordinary course of business including without limitation property sold pursuant to any Condemnation) during the immediately preceding 12 months, exceeds 10% of Consolidated Total Assets, determined as of the end of the immediately preceding fiscal year, provided, however, that for purposes of the foregoing calculation, there shall not be included the book value attributable to assets the proceeds from the disposition of which were or are applied within 180 days of the date of sale of such assets to either (1) the acquisition of assets useful and intended to be used in the operation of the business of the Corporation and its Restricted Subsidiaries as described in Section 18.1 and having a fair market value (as determined in good faith by the Board of Directors of the Corporation) at least equal to the assets so disposed of, or (2) the prepayment at any applicable prepayment premium, on a pro rata basis, of Funded Debt of the Corporation, provided that in the event the assets which are the subject of any such sale or disposition are subject to (A) the Lien of the Mortgage Indenture, such proceeds shall be applied first to the prepayment of the First Mortgage Bonds as and to the extent

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required by the terms of the Mortgage Indenture or (B) the Lien of this indenture, such proceeds shall be applied first to the redemption of the Series J Bonds and Series K Bonds outstanding hereunder as and to the extent required by the terms of this indenture. It is understood and agreed by the Corporation that any such proceeds paid and applied to the redemption of the Series J or Series K Bonds as hereinabove provided shall be redeemed as and to the extent provided in this indenture.

Section 18.5. Guaranties. The Corporation will not, and will not permit any Restricted Subsidiary to, become or be liable in respect of any Guaranty except Guaranties by the Corporation which are limited in amount to a stated maximum dollar exposure or which constitute Guaranties of obligations incurred by any Restricted Subsidiary and otherwise permitted by the provisions of this Agreement.

Section 18.6. Transactions with Affiliates. Except for water quality testing and analysis services performed for San Jose Water Company, the Corporation will not, and will not permit any Restricted Subsidiary to, enter into or be a party to any transaction or arrangement with any Affiliate (including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate), except in the ordinary course of and pursuant to the reasonable requirements of the Corporation's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Corporation or such Restricted Subsidiary than would obtain in a comparable arm's-length transaction with a Person other than an Affiliate.

Section 18.7. Note Exchange Upon Issuance of First Mortgage Bonds. (a) In the event that the Corporation shall issue additional First Mortgage Bonds under and pursuant to the Mortgage Indenture, then the Corporation shall, concurrently with the issuance of such additional First Mortgage Bonds, exchange all of the outstanding Notes of each Series issued by the Corporation (excluding Series J Bonds and Series K Bonds issued under this indenture for First Mortgage Bonds of a new series (the "Exchange Bonds")). The Exchange Bonds of each new series shall be issued under and secured by the Mortgage Indenture, shall rank pari passu with all other First Mortgage Bonds issued and outstanding under the Mortgage Indenture, shall have payment and maturity terms identical to the Series of Notes for which they were exchanged, shall have required and optional prepayment provisions and provisions relating to amounts payable upon acceleration of maturity identical to those applicable to the Series of Notes for which they were exchanged and shall otherwise be in the form required by the Mortgage Indenture.

(b) The Corporation covenants and agrees to take all actions necessary for the due authorization, execution and delivery of such Exchange Bonds including, without limitation, (i) the filing of applications with the Commission in order to obtain the requisite approvals, authorizations and orders necessary for the issuance of the Exchange Bonds, (ii) compliance with all requirements of the Mortgage Indenture, (iii) the taking of all other actions the holders of the Notes may reasonably request in connection with the delivery of the Exchange Bonds, including the delivery of legal opinions and an exchange agreement between the Corporation and the Holders in form and substance reasonably satisfactory to the Holders of 66-2/3% of the Notes of each Series then outstanding.

Section 18.8. Definitions. Unless the context otherwise requires, the terms hereinafter set forth when used in this Article V and elsewhere in this indenture shall have the following meanings and the following definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined:

"Affiliate" shall mean any Person (other than a Restricted Subsidiary) (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Corporation, (ii) which beneficially owns or holds 5% or more of any class of the Voting Stock of the Corporation or (iii) 5% or more of the Voting Stock (or in the case of a Person which is not a corporation, 5% or more of the equity interest) of which is beneficially owned or held by the Corporation or a Subsidiary. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Capitalized Lease" shall mean any lease the obligation for Rentals with respect to which is required to be capitalized on a consolidated balance sheet of the lessee and its subsidiaries in accordance with GAAP.

"Capitalized Rentals" of any Person shall mean as of the date of any determination thereof the amount at which the aggregate Rentals due and to become due under all Capitalized Leases under which such Person is a lessee would be reflected as a liability on a consolidated balance sheet of such Person.

"Commission" shall mean the Public Utilities Commission of the State of California.

"Condemnation" with respect to any property shall have occurred if all or any portion of such property shall have been condemned or taken for any public or quasi-public use under any governmental law, order, or regulation or by right of eminent domain or sold to a municipality or other public body or agency or any other entity having the power of eminent domain or the right to purchase or order the sale of such property (a "Condemning Authority"), or any third-party designated by any such Condemning Authority, under threat of condemnation.

"Consolidated Funded Debt" shall mean all Funded Debt of the Corporation and its Restricted Subsidiaries, determined on a consolidated basis eliminating intercompany items.

"Consolidated Net Income" for any period shall mean the gross revenues of the Corporation and its Restricted Subsidiaries for such period less all expenses and other proper charges (including taxes on income), determined on a consolidated basis after eliminating earnings or losses attributable to outstanding Minority Interests, but excluding in any event:

(a) any gains or losses on the sale or other disposition of Investments or fixed or capital assets, and any taxes on such excluded gains and any tax deductions or credits on account of any such excluded losses;

(b) the proceeds of any life insurance policy;

(c) net earnings and losses of any Restricted Subsidiary accrued prior to the date it became a Restricted Subsidiary;

(d) net earnings and losses of any corporation (other than a Restricted Subsidiary), substantially all the assets of which have been acquired in any manner by the Corporation or any Restricted Subsidiary, realized by such corporation prior to the date of such acquisition;

(e) net earnings and losses of any corporation (other than a

Restricted Subsidiary) with which the Corporation or a Restricted Subsidiary shall have consolidated or which shall have merged into or with the Corporation or a Restricted Subsidiary prior to the date of such consolidation or merger;

(f) net earnings of any business entity (other than a Restricted Subsidiary) in which the Corporation or any Restricted Subsidiary has an ownership interest unless such net earnings shall have actually been received by the Corporation or such Restricted Subsidiary in the form of cash distributions;

(g) any portion of the net earnings of any Restricted Subsidiary which for any reason is unavailable for payment of dividends to the Corporation or any other Restricted Subsidiary;

(h) earnings resulting from any reappraisal, revaluation or write-up of assets;

(i) any deferred or other credit representing any excess of the equity in any Subsidiary at the date of acquisition thereof over the amount invested in such Subsidiary;

(j) any gain arising from the acquisition of any Securities of the Corporation or any Restricted Subsidiary;

(k) any reversal of any contingency reserve, except to the extent that provision for such contingency reserve shall have been made from income arising during such period; and

(l) any other extraordinary, or nonrecurring gain or loss.

"Consolidated Net Worth" shall mean, as of the date of any determination thereof the amount of the capital stock accounts (net of treasury stock, at cost) plus (or minus in the case of a deficit) the surplus in retained earnings of the Corporation and its Restricted Subsidiaries as determined on a consolidated basis in accordance with GAAP.

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"Consolidated Total Assets" shall mean, as the date of any determination thereof, total assets of the Corporation and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Consolidated Total Capitalization" shall mean the sum of (i) Consolidated Funded Debt, and (ii) Consolidated Net Worth.

"Current Debt" of any Person shall mean as of the date of any determination thereof (i) all Indebtedness of such Person for borrowed money other than Funded Debt of such Person and (ii) Guaranties by such Person of Current Debt of others.

"First Mortgage Bonds" shall mean and include all secured mortgage bonds issued by the Corporation under and pursuant to the Mortgage Indenture.

"Funded Debt" of any Person shall mean (i) all Indebtedness of such Person for borrowed money or which has been incurred in connection with the acquisition of assets in each case having a final maturity of one or more than one year from the date of origin thereof (or which is renewable or extendible at the option of the obligor for a period or periods more than one year from the date of origin), including all payments in respect thereof that are required to be made within one year from the date of any determination of Funded Debt, whether or not the obligation to make such payments shall constitute a current liability of the obligor under GAAP, (ii) all Capitalized Rentals of such Person, and (iii) all Guaranties by such Person of Funded Debt of others.

"GAAP" shall mean generally accepted accounting principles at the time in the United States.

"Guaranties" by any Person shall mean all obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing, or otherwise creating contingent liability with respect to, any Indebtedness, dividend or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or obligation or any property or assets constituting

security therefor, (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness or obligation, (y) to maintain working capital or other balance sheet condition or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation, (iii) to lease property or to purchase Securities or other property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the primary obligor to make payment of the Indebtedness or obligation, or (iv) otherwise to assure the owner of the Indebtedness or obligation of the primary obligor against loss in respect thereof. Notwithstanding the foregoing, the Corporation's obligations in respect of long term water supply contracts shall not be treated as Guaranties under this Agreement. For the purposes of all computations made under this Agreement, a Guaranty in respect of any Indebtedness for

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borrowed money shall be deemed to be Indebtedness equal to the principal amount of such Indebtedness for borrowed money which has been guaranteed, and a Guaranty in respect of any other obligation or liability or any dividend shall be deemed to be Indebtedness equal to the maximum aggregate amount of such obligation, liability or dividend.

"Indebtedness" of any Person shall mean and include all obligations of such Person which in accordance with GAAP shall be classified upon a balance sheet of such Person as liabilities of such Person, and in any event shall include all (i) obligations of such Person for borrowed money or which has been incurred in connection with the acquisition of property or assets, (ii) obligations secured by any Lien upon property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations, (iii) obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, notwithstanding the fact that the rights and remedies of the seller, lender or lessor under such agreement in the event of default are limited to repossession or sale of property, (iv) Capitalized Rentals and (v) Guaranties of obligations of others of the character referred to in this definition. Notwithstanding the foregoing, the term "Indebtedness" as it relates to the Corporation shall not include obligations of the Corporation with respect to advances for construction from third parties.

"Interest Charges" of any Person for any period shall mean all interest and all amortization of debt discount and expense on any particular Indebtedness of such Person for which such calculations are being made. Computations of Interest Charges on a pro forma basis for (a) Indebtedness having a variable interest rate, (b) Indebtedness bearing interest at different fixed rates, (c) Indebtedness with respect to which interest has not begun to accrue as of the date of any determination of Interest Charges or (d) Indebtedness with respect to which interest shall not become payable until a specified date which is more than one year after the date of any such determination, shall, in all such cases, be calculated at the rate equal to the greater of (i) the rate in effect on the date of any determination and (ii) the average interest rate payable on all Funded Debt of such Person during the three-month period immediately preceding the date of any determination.

"Lien" shall mean any interest in property securing an obligation owed to, or a claim by, a Person other than the owner of the property, whether such interest is based on the common law, statute or contract, and including but not limited to the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances (including, with respect to stock, stockholder agreements, voting trust agreements, buy-back agreements and all similar arrangements) affecting property of such Person. For the purposes of this Agreement, the Corporation or a Restricted Subsidiary shall be deemed to be the owner of any property which it has acquired or holds subject to a conditional sale agreement, Capitalized Lease or other arrangement, in any such case, pursuant to which title to the property has been retained by or vested in some other Person for security purposes and such retention or vesting shall constitute a Lien.

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"Merger" shall mean the merger of Dominguez Water Company into the Corporation.

"Merger Date" shall mean the date on which the Merger becomes effective.

"Minority Interests" shall mean any shares of stock of any class of a Restricted Subsidiary (other than directors' qualifying shares as required by law) that are not owned by the Corporation and/or one or more of its Restricted Subsidiaries. Minority Interests shall be valued by valuing Minority Interests constituting preferred stock at the voluntary or involuntary liquidating value of such preferred stock, whichever is greater, and by valuing Minority Interests constituting common stock at the book value of capital and surplus applicable thereto adjusted, if necessary, to reflect any changes from the book value of such common stock required by the foregoing method of valuing Minority Interests in preferred stock.

"Mortgage Indenture" shall mean the Corporation's Mortgage of Chattels and Trust Indenture, dated April 1, 1928, as such Trust Indenture may be amended, supplemented or modified from time to time.

"Net Income Available for Interest Charges" for any period shall mean the sum of (i) Consolidated Net Income during such period plus (to the extent deducted in determining Consolidated Net Income), (ii) all provisions for any Federal, state or other income taxes made by the Corporation and its Restricted Subsidiaries in a manner consistent with GAAP during such period and (iii) Interest Charges of the Corporation and its Restricted Subsidiaries during such period.

"Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Pro Forma Interest Charges" for any period shall mean, as of the date of any determination thereof, the maximum aggregate amount of Interest Charges which would have become payable by the Corporation and its Restricted Subsidiaries in such period determined on a pro forma basis giving effect as of the beginning of such period to the incurrence of any Funded Debt thereof (including Capitalized Rentals) and the concurrent retirement of outstanding Funded Debt or Current Debt or termination of any Capitalized Leases thereof.

"Rentals" shall mean and include as of the date of any determination thereof all fixed payments (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the property) payable by the Corporation or a Restricted Subsidiary, as lessee or sublessee under a lease of real or personal property, but shall be exclusive of any amounts required to be paid by the Corporation or a Restricted Subsidiary (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Fixed rents under any so-called "percentage leases" shall be computed solely on the basis of the

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minimum rents, if any, required to be paid by the lessee regardless of sales volume or gross revenues.

"Restricted Subsidiary" shall mean any Subsidiary (i) which is organized under the laws of the United States or any State thereof; (ii) which conducts substantially all of its business and has substantially all of its assets within the United States; (iii) of which at least 80% (by number of votes) of the Voting Stock is beneficially owned, directly or indirectly, by the Corporation and/or one or more Restricted Subsidiaries; and (iv) which is designated by the Board of Directors of the Corporation, or any Director or committee of Directors duly designated by such Board of Directors, to be included in the definition of Restricted Subsidiary for all purposes of this Agreement, provided that, at the time of such designation and after giving effect thereto, no Default or Event of Default shall have occurred hereunder.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

The term "subsidiary" shall mean as to any particular parent corporation any corporation of which more than 50% (by number of votes) of the Voting Stock shall be beneficially owned, directly or

indirectly, by such parent corporation. The term "Subsidiary" shall mean a subsidiary of the Corporation.

"Unrestricted Subsidiary" shall mean any Subsidiary which is not a Restricted Subsidiary.

"Voting Stock" shall mean Securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

"Wholly-owned" when used in connection with any Subsidiary shall mean a Subsidiary of which all of the issued and outstanding shares of stock (except shares required as directors' qualifying shares) and all Funded Debt and Current Debt shall be owned by the Corporation and/or one or more of its Wholly-owned Subsidiaries.

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Section 18, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the requirements of this Section 18."

ARTICLE THREE
AMENDMENTS TO ARTICLES VI, VIII, IX, XV AND XVI

Section 3.01. Amendments to Article VI. (a) Section 1 of Article VI is hereby restated in its entirety to read as follows:

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"Section 1. Immediately prior to the consummation of the Merger on the Merger Date, all shares of stock of the following subsidiaries of the Corporation, excepting such shares of stock as may be necessary to qualify directors, have been duly assigned and delivered by the Corporation to the Trustee and are being held by it and shall continue to be held by it subject in all respects to the lien and operation of this indenture: (a) Arden Water Company, (2) Antelope Valley Water Company, (3) Kernville Domestic Water Company, (4) Lakeland Water Company and (5) Redwood Valley Water Company (such shares so held by the Trustee being hereafter collectively referred to as "pledged securities"); provided, however, that if any subsidiary, the stock of which constitutes pledged securities, is merged into the Corporation, the stock of such subsidiary shall forthwith be released from the lien of this indenture. From and after the Merger Date, no other shares of stock owned by the Corporation shall be subject to Article VI.

The Trustee shall not be obligated to examine into or pass upon the validity or genuineness of any of the pledged securities and the Trustee shall be entitled to assume that any pledged securities presented for deposit hereunder are genuine and valid and what they purport to be, and any endorsement and assignments thereof are genuine and legal."

(b) Section 10 of Article VI is hereby deleted.

Section 3.02. Amendments to Article VIII. Section 1 of Article VIII containing events of default is hereby amended by deleting the event of default described in paragraph (g) and adding the following events of default in new paragraphs (g) and (h):

"(g) Default shall be made in the payment when due (whether by lapse of time, by declaration, by call for redemption or otherwise) of the principal of or interest on any Funded Debt or Current Debt (other than bonds secured hereby) of the Corporation or any Restricted Subsidiary aggregating in excess of \$5,000,000 in principal amount outstanding and such default shall continue beyond the period of grace, if any, allowed with respect thereto; or

(h) Default or the happening of any event shall occur under any indenture (including, without limitation, the Mortgage Indenture), agreement or other instrument under which any Funded Debt or Current Debt (other than bonds secured hereby) of the Corporation or any Restricted Subsidiary aggregating in excess of \$5,000,000 in principal amount outstanding may be issued and such default or event shall continue for a period of time sufficient to permit the acceleration of the maturity of any Funded Debt or Current Debt of the Corporation or any Restricted Subsidiary outstanding thereunder."

Section 3.03. Amendments to Article IX. (a) Section 1 of Article IX is hereby restated in its entirety to read as follows:

"Section 1. The Corporation may consolidate, merge or sell all or substantially all of its assets in accordance with the provisions of Section 18.4 of Article V.

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(b) The first sentence of Section 2 of Article IX is modified by deleting the phrase:

"all of its property as an entirety, after obtaining the necessary consents as aforesaid,"

and substituting in lieu thereof the following phrase:

"all or substantially all of its assets, and the requirements of Section 18.4 of Article V shall have been satisfied,"

Section 3.04. Deletion of Articles XV and XVI. Articles XV and XVI are hereby deleted in their entirety.

ARTICLE FOUR
MISCELLANEOUS

Section 1. The Corporation covenants and agrees that it will cause this Thirteenth Supplemental Trust Indenture to be duly and properly filed for record and recorded in the Office of the County Recorder of Los Angeles County and of each county in which it has or shall acquire real property, with all convenient speed, so that due and legal notice of its terms will be given, and that it will be properly and legally filed and recorded and indexed, and that an appropriate financing statement, fixture filing and other statements will be filed in such public offices as may be necessary to establish of record the lien of the Indenture upon the properties described herein against all persons whomsoever.

Section 2. This Thirteenth Supplemental Trust Indenture shall be construed in connection with and as part of the Original Indenture, as heretofore modified, amended and supplemented, and whenever in said Original Indenture as heretofore modified, amended and supplemented, the words "this Indenture" or "this indenture" are used, they shall be construed to mean and include this Thirteenth Supplemental Trust Indenture in addition to all other supplemental indentures.

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IN WITNESS WHEREOF, the parties hereto have caused their names to be signed by their Presidents or Vice Presidents, respectively, as of the day and year first above written.

CALIFORNIA WATER SERVICE COMPANY, a
California corporation

By: _____
Name _____
Title _____

CHASE MANHATTAN BANK AND TRUST
COMPANY, NATIONAL ASSOCIATION

By: _____
Name _____
Title _____

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STATE OF CALIFORNIA)
) SS.
COUNTY OF LOS ANGELES)

On _____, 2000, before me, _____, Notary Public, personally appeared _____, proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary

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STATE OF CALIFORNIA)
) SS.
COUNTY OF LOS ANGELES)

On _____, 2000, before me, _____, Notary Public, personally appeared _____, proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary

SCHEDULE I

DESCRIPTION OF CURRENT DEBT AND FUNDED DEBT OF THE CORPORATION AND THE FUNDED DEBT OF ITS SUBSIDIARIES

1. Current Debt of the Company outstanding on October 1, 2000 as follows:
\$18,000,000 borrowed under the Company's bank line of credit with Bank of America.
2. Funded Debt (other than Capitalized Rentals) of the Company outstanding on October 1, 2000 was as follows:
\$116,345,000 outstanding under the Company's various series of First Mortgage Bonds.
\$193,000 due to the City of Los Altos for the purchase of the North Los Altos Water System.
\$20,000,000 Series A Senior Notes due November 1, 2025.
\$20,000,000 Series B Senior Notes due November 1, 2028.

3. *Funded Debt of Restricted Subsidiaries outstanding on October 1, 2000 was as follows:

\$4,000,000 Series J First Mortgage Bonds due 2023 of Dominguez Water Company.

\$5,000,000 Series K First Mortgage Bonds due 2012 of Dominguez Water Company.

\$259,000 DWR Loan to Arden Water Company.

\$1,894,000 DWR Loans to Kernville Domestic Water Company.

\$925,000 DWR Loans to Dominguez Water Company.

* All Funded Debt of Restricted Subsidiaries is assumed by the Corporation on the Merger Date.

California Water Service Group
Deferred Compensation Plan

SCHEDULE II

DESCRIPTION OF LIENS EXISTING ON THE MERGER DATE

\$116,345,000 of various series of First Mortgage Bonds of the Corporation

*\$4,000,000 Series J Bonds due 2023 of Dominguez Water Company

*\$5,000,000 Series K Bonds due 2012 of Dominguez Water Company

* Assumed by the Corporation on the Merger Date

Execution Copy

CALIFORNIA WATER SERVICE GROUP
DEFERRED COMPENSATION PLAN

As Amended and Restated
Effective January 1, 2001

California Water Service Company
Supplemental Executive Retirement Plan

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Purpose

The purpose of this Plan is to provide specified benefits to a select group of management and highly compensated Employees and Directors who contribute materially to the continued growth, development and future business success of California Water Service Group, a California corporation, and its subsidiaries and affiliates, if any, that sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA. The Plan was first effective January 1, 1998 and is amended effective January 1, 2001 as restated in this document.

ARTICLE 1 Definitions

For purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

"Account Balance" shall mean, with respect to a Participant, a credit on the records of the Employer equal to the sum of (i) the Deferral Account balance, (ii) the vested Company Matching Account balance and (iii) the vested Company Contribution Account balance. The Account Balance, and each other specified account balance, shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.

"Annual Base Salary" shall mean the annual cash compensation relating to services performed during any calendar year as listed on an Employer's payroll records. Annual Base Salary shall be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or non-qualified plans of any Employer and shall be calculated to include amounts not otherwise included in the Participant's gross income under Code Sections 125 or 402(e)(3) pursuant to plans established by any Employer; provided, however, that all such amounts will be included in

compensation only to the extent that, had there been no such plan the amount would

have been payable in cash to the Participant.

"Annual Company Matching Amount" for any one Plan Year shall be the amount determined in accordance with Section 3.5.

"Annual Deferral Amount" shall mean that portion of a Participant's Annual Base Salary and Directors Fees that a Participant elects to have, and is deferred, in accordance with Article 3, for any one Plan Year. In the event of a Participant's Retirement, Disability (if deferrals cease in accordance with Section 8.1), death or a Termination of Employment prior to the end of a Plan Year, such year's Annual Deferral Amount shall be the actual amount withheld prior to such event.

"Annual Installment Method" shall be an annual installment payment over the number of years selected by the Participant in accordance with section 5.2 of this Plan, calculated as follows: The Account Balance of the Participant shall be calculated not later than the close of business on the last business day of the year, or sooner if approved by the Committee. The annual installment shall be calculated by multiplying this balance by a fraction, the numerator of which is one, and the denominator of which is the remaining number of annual payments due the Participant. By way of example, if the Participant elects the 5-year Annual Installment Method, the first payment shall be one-fifth (1/5) of the Account Balance, calculated as described in this definition. The following year, the payment shall be one-fourth (1/4) of the Account Balance, calculated as described in this definition.

"Beneficiary" shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 9, that are entitled to receive benefits under this Plan upon the death of a Participant.

"Beneficiary Designation Form" shall mean the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to designate one or more Beneficiaries.

"Board" shall mean the board of directors of the California Water Service Group.

"Change in Control" shall be deemed to take place on the occurrence of any of the following events:

- (a) Any merger or consolidation of the California Water Service Group or California Water Service Company ("Target Entity") after which such Target Entity is not the surviving organization, a majority of the capital stock of which is not owned by the shareholders of the Target Entity immediately prior to such merger or consolidation;
- (b) A transfer of all or substantially all of the assets of the Target Entity;
- (c) Any other corporate reorganization in which there is a change in ownership of the outstanding shares of the Target Entity wherein thirty percent (30%) or more of the outstanding shares of the Target Entity are transferred to any person;
- (d) The acquisition by or transfer to a person (including all affiliates or associates of such person) of "beneficial ownership" (as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934) of capital stock of Target Entity if after such acquisition or transfer such person (and their affiliates or associates) is entitled to exercise thirty percent (30%) or more of the outstanding voting power of all capital stock of Target Entity entitled to vote in elections

of directors;

- (e) The election to the Board of Directors of California Water Service Group of candidates who were not recommended for election by the Board of Directors of California Water Service Group in office immediately prior to the election, if such candidates constitute a majority of those elected in that particular election; or
- (f) Any other corporate reorganization, merger or consolidation immediately after which thirty percent (30%) or more of the stock ownership of the surviving company's outstanding shares is owned by a person (or their affiliates and associates) who did not own shares of the Target Entity immediately before the transaction.

"Claimant" shall have the meaning set forth in Section 14.1.

"Code" shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.

"Committee" shall mean the committee described in Article 12.

"Company" shall mean California Water Service Group, a California corporation, and any successor to all or substantially all of the Company's assets or business.

1.2 "Company Contribution Account" shall mean (i) the sum of the Participant's Company Contribution Amounts, plus (ii) amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Company Contribution Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Company Contribution Account.

1.3 "Company Contribution Amount" shall mean, for any Plan Year, any amount determined in accordance with Section 3.6.

"Company Matching Account" shall mean (i) the sum of all of a Participant's Annual Company Matching Amounts, plus (ii) amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Company Matching Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Company Matching Account.

"Deduction Limitation" shall mean the following described limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan. Except as otherwise provided, this limitation shall be applied to all distributions that are "subject to the Deduction Limitation" under this Plan. If an Employer determines in good faith prior to a Change in Control that there is a reasonable likelihood that any compensation paid to a Participant for a taxable year of the Employer would not be deductible by the Employer by reason of the limitation under Code Section 162(m) or 280G, then to the extent deemed necessary by the

Employer to ensure that the entire amount of any distribution to the Participant pursuant to this Plan prior to the Change in Control is deductible, the Employer may defer all or any portion of a distribution under this Plan. Any amounts deferred pursuant to this limitation shall continue to be credited/debited with additional amounts in accordance with Section 3.9 below, even if such amount is being paid out in installments. The amounts so deferred and amounts credited thereon shall

be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Employer in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Employer during which the distribution is made will not be limited by Section 162(m) or Section 280G, or if earlier, the effective date of a Change in Control. Notwithstanding anything to the contrary in this Plan, the Deduction Limitation shall not apply to any distributions made after a Change in Control.

"Deferral Account" shall mean (i) the sum of all of a Participant's Annual Deferral Amounts, plus (ii) amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Deferral Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Deferral Account.

"Director" shall mean any member of the board of directors of any Employer.

"Directors Fees" shall mean the fees paid by any Employer during a Plan Year, including retainer fees and special awards, as compensation for serving on the board of directors.

"Disability" or "Disabled" shall mean a period of disability during which a Participant qualifies for permanent disability benefits under the Participant's Employer's long-term disability plan, or, if a Participant does not participate in such a plan, a period of disability during which the Participant would have qualified for permanent disability benefits under such a plan had the Participant been a participant in such a plan, as determined in the sole discretion of the Committee. If the Participant's Employer does not sponsor such a plan, or discontinues to sponsor such a plan, Disability shall be determined by the Committee in its sole discretion.

"Disability Benefit" shall mean the benefit set forth in Article 8.

"ElectionForm" shall mean the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to make an election under the Plan.

"Employee" shall mean a person who is an employee of any Employer.

"Employer(s)" shall mean the Company, including any of its subsidiaries or affiliates (now in existence or hereafter formed or acquired) that have been designated by the Board to participate in the Plan.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

"401(k) Plan" shall be the California Water Service Company Savings Plan and Trust Agreement, as most recently amended or restated by California Water Service Company.

"Maximum 401(k) Amount" with respect to a Participant, shall be the maximum amount of elective contributions that can be made by such

Participant, consistent with Code Section 402(g) and the limitations of Code Section

401(k)(3), for a given plan year under the 401(k) Plan.

"Meeting Fees" shall mean the fees paid to a Director by an Employer for attending meetings of the board or committees of the board of such Employer or the Company.

"Participant" shall mean any Employee or Director (i) who is selected to participate in the Plan, (ii) who elects to participate in the Plan, (iii) who signs a Plan Agreement, an Election Form and a Beneficiary Designation Form, (iv) whose signed Plan Agreement, Election Form and Beneficiary Designation Form are accepted by the Committee, (v) who commences participation in the Plan, and (vi) whose Plan Agreement has not terminated. A spouse or former spouse of a Participant shall not be treated as a Participant in the Plan or have an account balance under the Plan, even if he or she has an interest in the Participant's benefits under the Plan as a result of applicable law or property settlements resulting from legal separation or divorce.

"Plan" shall mean the Company's Deferred Compensation Plan, which shall be evidenced by this instrument and by each Plan Agreement, as they may be amended from time to time.

"Plan Agreement" shall mean a written agreement, as may be amended from time to time, which is entered into by and between an Employer and a Participant. Each Plan Agreement executed by a Participant and the Participant's Employer shall provide for the deferral of Annual Base Salary, at the Participant's election entire benefit to which such Participant is entitled under the Plan; should there be more than one Plan Agreement, the Plan Agreement bearing the latest date of acceptance by the Employer shall supersede all previous Plan Agreements in their

entirety and shall govern such entitlement. The terms of any Plan Agreement may be different for any Participant, and any Plan Agreement may provide additional benefits not set forth in the Plan or limit the benefits otherwise provided under the Plan; provided, however, that any such additional benefits or benefit limitations must be agreed to by both the Employer and the Participant.

"Plan Year" shall, except for the First Plan Year, mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.

"Pre-Retirement Survivor Benefit" shall mean the benefit set forth in Article 6.

"Retirement," "Retire(s)" or "Retired" shall mean, with respect to an Employee, severance from employment from all Employers for any reason other than a leave of absence, death or Disability on or after the date at which the age plus Years of Service total 60; and shall mean with respect to a Director who is not an Employee, severance of his or her directorships with all Employers on or

after the later of (y) the attainment of age seventy-five (75), or age seventy (70) if the Director is also an Employee, or (z) in the sole discretion of the Committee, an age later than age seventy-five (75), or age seventy (70) if the Director is also an Employee. If a Participant is both an Employee and a Director, Retirement shall not occur until he or she Retires as both an Employee and a Director, which Retirement shall be deemed to be a Retirement as a Director; provided, however, that such a Participant may elect, at least three years prior to Retirement and in accordance with the policies and procedures established by the Committee, to Retire for purposes of this Plan at the time he or she Retires

as an Employee, which Retirement shall be deemed to be a Retirement as an Employee.

"Retirement Benefit" shall mean the benefit set forth in Article 5.

"Short-Term Payout" shall mean the payout set forth in Section 4.1.

"Termination Benefit" shall mean the benefit set forth in Article 7.

"Termination of Employment" shall mean the severing of employment with all Employers, or service as a Director of all Employers, voluntarily or involuntarily, for any reason other than Retirement, Disability, death or an authorized leave of absence. If a Participant is both an Employee and a Director, a Termination of Employment shall occur only upon the termination of the last position held; provided, however, that such a Participant may elect, at least three years before Termination of Employment and in accordance with the policies and procedures established by the Committee, to be treated for purposes of this Plan as having experienced a Termination of Employment at the time he or she ceases employment with an Employer as an Employee.

"Trust" shall mean one or more trusts established pursuant to that certain Master Trust Agreement, dated as of January 1, 2001 between the Company and the trustee named therein, as amended from time to time.

"Unforeseeable Financial Emergency" shall mean an unanticipated emergency that is caused by an event beyond the control of the Participant that would result in severe financial hardship to the Participant resulting from (i) a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, (ii) a loss of the Participant's property due to casualty, or (iii) such other extraordinary

and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Committee.

"Valuation Date" shall mean the date, no more than 30 days before a distribution, that a Participant's account is valued for the purposes of calculating the amount of a distribution, as determined by the Committee.

"Withdrawal Amount" shall mean the amount elected by a

Participant as a distribution pursuant to Section 4.4 (net of the 10% withdrawal penalty).

"Years of Service" shall mean the total number of full years in which a Participant has been employed by one or more Employers. For purposes of this definition, a year of employment shall be a 365-day period (or 366-day period in the case of a leap year) that, for the first year of employment, commences on the Employee's date of hiring and that, for any subsequent year, commences on an anniversary of that hiring date. Any partial year of employment shall not be counted.

ARTICLE 2
Selection, Enrollment, Eligibility

- 2.1 Selection by Committee. Participation in the Plan shall be limited to a select group of management and highly compensated Employees and Directors of the Employers, as determined by the Committee in its sole discretion. From that group, the Committee shall select, in its sole discretion, Employees and Directors to participate in the Plan.
- 2.2 Enrollment Requirements. As a condition to participation, each selected Employee or Director shall complete, execute and return to the Committee a Plan Agreement, an Election Form and a Beneficiary Designation Form, all within 30 days after he or she is selected to participate in the Plan. In addition, the Committee shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.
- 2.3 Eligibility; Commencement of Participation. Provided an Employee or Director selected to participate in the Plan has met all enrollment requirements set forth in this Plan and required by the Committee, including returning all required documents to the Committee within the specified time period, that Employee or Director shall commence participation

in the Plan on the first day of the month following the month in which the Employee or Director completes all enrollment requirements. If an Employee or a Director fails to meet all such requirements within the period required, in accordance with Section 2.2, that Employee or Director shall not be eligible to participate in the Plan until the first day of the Plan Year following the delivery to and acceptance by the Committee of the required documents.

- 2.4 Termination of Participation and/or Deferrals. If the Committee determines in good faith that a Participant no longer qualifies as a member of a select group of management or highly compensated employees, as membership in such group is determined in accordance with Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, the Committee shall have the right, in its sole discretion, to (i) terminate any deferral election the Participant has made for the remainder of the Plan Year in which the Participant's membership status changes, (ii) prevent the Participant from making future deferral elections and/or (iii) immediately distribute the Participant's then Account Balance as a Termination Benefit and terminate the Participant's participation in the Plan.

ARTICLE 3
Deferral Commitments/Company Matching/Crediting/Taxes

- 3.1 Minimum and Maximum Deferrals.
- (a) Annual Base Salary and Director's Fees. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, Annual Base Salary and/or Director's Fees and Meeting Fees in the following minimum amounts and applicable percentage for each deferral elected:

Deferral	Minimum Amount	Maximum Percentage
Annual Base Salary	\$5,000	50%
Directors Fees and Meeting Fees (combined)	\$5,000	100%

If an election is made for less than stated minimum amounts or percentage, or if no election is made, the amount deferred shall be zero.

- (b) Short Plan Year. Notwithstanding the foregoing, if a Participant first becomes a Participant after the first day of a Plan Year, the minimum Annual Base Salary deferral shall be an amount equal to the minimum set forth above, multiplied by a fraction, the numerator of which is the number of complete months remaining in the Plan Year and the denominator of which is 12. Notwithstanding the foregoing, if a Participant first becomes a Participant after the first day of a Plan

Year, the maximum Annual Deferral Amount, with respect to Annual Base Salary, Directors Fees and Meeting Fees, shall be limited to the amount of compensation not yet earned by the Participant as of the date the Participant submits a Plan Agreement and Election Form to the Committee for acceptance.

3.2 Election to Defer; Effect of Election Form.

- (a) First Plan Year. In connection with a Participant's commencement of participation in the Plan, the Participant shall make an irrevocable deferral election for the Plan Year in which the Participant commences participation in the Plan, along with such other elections as the Committee deems necessary or desirable under the Plan. For these elections to be valid, the Election Form must be completed and signed by the Participant, timely delivered to the Committee (in accordance with Section 2.2 above) and accepted by the Committee.

- (b) Subsequent Plan Years. For each succeeding Plan Year, an irrevocable deferral election for that Plan Year, and such other elections as the Committee deems necessary or desirable under the Plan, shall be made by timely delivering to the Committee, in accordance with its rules and procedures, before the end of the Plan Year preceding the Plan Year for which the election is made, a new Election Form. If no such Election Form is timely delivered for a Plan Year, the Annual Deferral Amount shall be zero for that Plan Year.

3.3 Withholding of Annual Deferral Amounts. For each Plan Year, the Annual Base Salary portion of the Annual Deferral Amount shall be withheld from each regularly scheduled Annual Base Salary payroll in equal amounts, as adjusted from time to time for increases and decreases in Annual Base Salary. The Directors Fees or Meeting Fees portion of the Annual Deferral Amount shall be withheld at the time the fees are or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself.

3.4 Other Annual Deferral Amounts. Any portion of a Participant's Annual Base Salary that is determined in good faith by the Employer as subject to a reasonable likelihood of not being deductible by the Employer solely by reason of sections 162(m) or 280G of the Code, shall, at the discretion of the Committee, be treated as an Annual Deferral Amount. Such amount shall be deemed to be an Annual Deferral Amount in the taxable year of the Employer during which a loss of deduction would occur.

3.5 Annual Company Matching Amount. A Participant's Annual Company Matching Amount for any Plan Year shall be made by a Participant's Employer and shall be equal to 50% of the Participant's Annual Deferral Amount for such Plan Year, up to an amount that does not exceed 4% of the Participant's Annual Base Salary, reduced by the amount of any matching contributions made to the 401(k) Plan on his or her behalf for the plan year of the 401(k) Plan that corresponds to the Plan Year. If a Participant is not employed by an Employer, or is no longer providing services as a Director, as of the last day of a Plan Year other than by reason of his or her Retirement or death, the Annual Company Matching Amount for such Plan Year shall be zero. In the event of Retirement or death,

a Participant shall be credited with the Annual Company Matching Amount for the Plan Year in which he or she Retires or dies.

3.6 Company Contribution Amount. For each Plan Year, an Employer in its sole discretion may, but is not required to, credit any amount it

desires to any Participant's Company Contribution Account under this Plan, which amount shall be for that Participant the Company Contribution Amount for that Plan Year. The amount so credited to a Participant may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant for a Plan Year may be zero, even though one or more other Participants receive a Company Contribution Amount for that Plan Year. The Company Contribution Amount, if any, shall be credited no later than the last day of the Plan Year. If a Participant is not employed by an Employer no later than the last day of a Plan Year other than by reason of his or her Retirement or death while employed, the Company Contribution Amount for that Plan Year shall be zero.

3.7 Investment of Trust Assets. The Trustee of the Trust shall be authorized, upon written instructions received from the Committee or investment manager appointed by the Committee, to invest and reinvest the assets of the Trust in accordance with the applicable Trust Agreement, including the disposition of stock and reinvestment of the proceeds in one or more investment vehicles designated by the Committee.

3.8 Vesting.

(a) Subject to section 3.11, a Participant shall at all times be 100% vested in his or her Deferral Account and Company Matching Account.

(b) Subject to Section 3.11, a Participant shall be 100% vested in his or her Company Contribution Account upon death, disability or Retirement. Prior to death, Disability or Retirement, a Participant shall be vested in his or her Company Contribution Account in accordance with the vesting of each Company Contribution Amount, as directed by the Employer in its discretion, at the time such contribution is credited to the Company Contribution Account. If the Employer fails to direct the vesting, the Committee shall direct the vesting of any Company Contribution Amount.

(c) Notwithstanding anything to the contrary contained in this Section 3.8, in the event of a Change in Control, a Participant's Company Contribution Account shall immediately become 100% vested (if it is not already vested in accordance with the above vesting schedules).

(d) Notwithstanding subsection (c), at the Committee's discretion, the vesting schedule for a Participant's Company Matching Account may not be accelerated to the extent that the Committee determines that such acceleration would cause the deduction limitations of Section 280G of the Code to become effective. In the event that all of a Participant's Company Contribution Account and/or Company Matching Account is not vested pursuant to such a determination, the Participant may request independent verification of the Committee's calculations with respect

to the application of Section 280G. In such case, the Committee must provide to the Participant within 45 business days of such a request an opinion from a nationally recognized accounting firm selected by the Participant (the "Accounting Firm"). The opinion shall state the Accounting Firm's opinion that any limitation in the vested percentage hereunder is necessary to avoid the limits of Section 280G and contain supporting calculations. The cost of such opinion shall be paid for by the Company.

3.9 Crediting/Debiting of Account Balances. In accordance with, and subject to, the rules and procedures that are established from time to time by the Committee, in its sole discretion, amounts shall be credited or debited to a Participant's Account Balance in accordance with the following rules:

(a) Election of Measurement Funds. A Participant, in connection with his or her initial deferral election in accordance with Section 3.2(a) above, shall elect, on the Election Form, one or more Measurement Fund(s) (as described in Section 3.9(c) below) to be used to determine the additional amounts to be credited to his or her Account Balance each business day on which the Participant participates in the Plan, unless changed in accordance with the next sentence. The Participant may (but is not required to) elect, by submitting an Election Form to the Committee that is accepted by the Committee, to change the portion of his or her Account Balance allocated to each previously or newly elected Measurement Fund and such election

shall be effective as soon as practicable.

(b) Proportionate Allocation. In making any election described in Section 3.9(a) above, the Participant shall specify on the Election Form, in increments of one (1) percentage points (1%), the percentage of his or her Account Balance to be allocated to a Measurement Fund (as if the Participant was making an investment in that Measurement Fund with that portion of his or her Account Balance).

(c) Measurement Funds. The Participant may elect one or more of the measurement funds, based on certain mutual funds (the "Measurement Funds") selected by the Committee and communicated to the Participants for the purpose of crediting additional amounts to his or her Account Balance

As necessary, the Committee may, in its sole discretion, discontinue, substitute or add a Measurement Fund at anytime. Each such action will take effect no later than the first day of the calendar quarter that follows by thirty (30) days the day on which the Committee gives Participants advance written notice of such change.

(d) Crediting or Debiting Method. The performance of each elected Measurement Fund (either positive or negative) will be determined by the Committee, in its reasonable discretion, based on the performance of the Measurement Funds themselves. A Participant's Account Balance shall be credited or debited on a daily basis based on the performance of each Measurement Fund selected by the Participant, as determined by the Committee in its sole discretion, as though (i) a Participant's Account Balance were invested in the Measurement Fund(s) selected

by the Participant, in the percentages applicable to such Participant's Account, as of the close of business on each business day, at the closing price on such date, subject to reasonable delays for credits or debits after the Eastern Standard Time close of the day's markets for publicly traded funds; (ii) the portion of the Annual Deferral Amount that was actually deferred during any calendar month were invested in the Measurement Fund(s) selected by the Participant, in the percentages applicable to such month, no later than the close of business on the first business day after the day on which such amounts are actually deferred from the Participant's Annual Base Salary through reductions in his or her payroll, at the closing price on such date; and (iii) any distribution made to a Participant that decreases such Participant's Account Balance ceased being invested in the Measurement Fund(s), in the percentages applicable to such Participant's Account, no earlier than the Valuation Date, at the closing price on such date. The Participant's Annual Company Matching Amount shall be credited to his or her Company Matching Account for purposes of this Section 3.9(d) no later than the close of business on the first business day in February of the Plan Year following the Plan Year to which it relates.

(e) No Actual Investment. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any such Measurement Fund, the allocation to his or her Account Balance thereto, the calculation of additional amounts and the crediting or debiting of amounts to a Participant's Account Balance shall not be considered or construed in any manner as an actual investment of his or her Account Balance in any such Measurement Fund. In the event that the Company or the Trustee (as that term is defined in the Trust), in its own discretion, decides to invest funds in any or all of the Measurement Funds, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account Balance shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company or the Trust; the Participant shall at all times remain an unsecured creditor of the Company.

3.10 FICA and Other Taxes.

(a) Annual Deferral Amounts. For each Plan Year in which an Annual Deferral Amount is being withheld from a Participant, the Participant's Employer(s) shall withhold from that portion of the Participant's Annual Base Salary that is not being

deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes on such Annual Deferral Amount. If necessary, the Committee may reduce the Annual Deferral Amount in order to comply with this Section 3.10.

- (b) Company Matching Amounts. When a participant becomes vested in a portion of his or her Company Matching Account, the Participant's Employer(s) shall withhold from the Participant's Annual Base Salary that is not deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other

employment taxes. If necessary, the Committee may reduce the vested portion of the Participant's Company Matching Account in order to comply with this Section 3.10.

- (c) Distributions. The Participant's Employer(s), or the trustee of the Trust, shall withhold from any payments made to a Participant under this Plan all federal, state and local income, employment and other taxes required to be withheld by the Employer(s), or the trustee of the Trust, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Employer(s) and the trustee of the Trust.

- 3.11 Forfeiture for Criminal Acts. Any Participant who admits or pleads "no contest" to, or is convicted of, any criminal act against any Employer shall forfeit all rights and benefits under the Plan (excluding a Participant's aggregate Annual Deferral Amounts), regardless of age or service.

ARTICLE 4

Short-Term Payout; Unforeseeable Financial Emergencies; Withdrawal Election

- 4.1 Short-Term Payout. In connection with each election to defer an Annual Deferral Amount, a Participant may irrevocably elect to receive a future Short-Term Payout from the Plan with respect to such Annual Deferral Amount. Subject to the Deduction Limitation, the Short-Term Payout shall be a lump-sum payment in an amount that is equal to the Annual Deferral Amount plus amounts credited or debited in the manner provided in Section 3.9 above on that amount, determined at the Valuation Date preceding the time that the Short-Term Payout becomes payable (rather than the date of a Termination of Employment). Subject to the Deduction Limitation and the other terms and conditions of this Plan, each Short-Term Payout elected shall be paid out during a 60-day period commencing immediately after the last day of any Plan Year designated by the Participant that is at least three Plan Years after the Plan Year in which the Annual Deferral Amount is actually deferred. By way of example, if a three-year, Short-Term Payout is elected for Annual Deferral Amounts that are deferred in the Plan Year commencing January 1, 2001, the three-year, Short-Term Payout would become payable during a 60-day period commencing January 1, 2005.

- 4.2 Other Benefits Take Precedence Over Short-Term. Should an event occur that triggers a benefit under Article 5, 6, 7 or 8, any Annual Deferral Amount, plus amounts credited or debited thereon, that is subject to a Short-Term Payout election under Section 4.1 shall not be paid in accordance with Section 4.1 but shall be paid in accordance with the other applicable Article.

- 4.3 Withdrawal Payout/Suspensions for Unforeseeable Financial Emergencies. If the Participant experiences an Unforeseeable Financial Emergency, the Participant may petition the Committee to (i) suspend any deferrals required to be made by a Participant and/or (ii) receive a partial or full payout from the Plan. The payout shall not exceed the lesser of the Participant's Account Balance, calculated as if such Participant were

receiving a Termination Benefit, or the amount reasonably needed to satisfy the Unforeseeable Financial Emergency. If, subject to the sole discretion of the Committee, the petition for a suspension and/or payout is approved, suspension shall take effect upon the date of approval and any payout shall be made within 60 days of the date of approval. The payment of any amount under this Section 4.3 shall not be subject to the Deduction Limitation.

- 4.4 Withdrawal Election. A Participant (or, after a Participant's death, his or her Beneficiary) may elect, at any time, to withdraw all of his or her Account Balance, calculated as if there had occurred a

Termination of Employment as of the day of the election, less a withdrawal penalty equal to 10% of such amount resulting in the net Withdrawal Amount. This election can be made at any time, before or after Retirement, Disability, death or Termination of Employment, and whether or not the Participant (or Beneficiary) is in the process of being paid pursuant to an installment payment schedule. If made before Retirement, Disability or death, a Participant's Withdrawal Amount shall be his or her Account Balance calculated as if there had occurred a Termination of Employment as of the day of the election. No partial withdrawals of the Withdrawal Amount shall be allowed. The Participant (or his or her Beneficiary) shall make this election by giving the Committee advance written notice of the election in a form determined from time to time by the Committee. The Participant (or his or her Beneficiary) shall be paid the Withdrawal Amount within 60 days of his or her election. Once the Withdrawal Amount is paid, the Participant's participation in the Plan shall terminate and the Participant shall not be eligible to participate in the Plan until the beginning of the second Plan Year following the year in which the withdrawal occurs. The payment of this Withdrawal Amount shall not be subject to the Deduction Limitation.

ARTICLE 5
Retirement Benefit

5.1 Retirement Benefit. Subject to the Deduction Limitation, a Participant who Retires shall receive, as a Retirement Benefit, his or her Account Balance.

5.2 Payment of Retirement Benefit. A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form to receive the Retirement Benefit in a lump sum or pursuant to an Annual Installment Method of one (1) to fifteen (15) years. The Participant may annually change his or her election to an allowable alternative payout period by submitting a new Election Form to the Committee, provided that any such Election Form is submitted at least one year prior to the Participant's Retirement and is accepted by the Committee in its sole discretion. The Election Form most recently accepted by the Committee at least one year prior to retirement shall govern the payout of the Retirement Benefit. If a Participant does not make any election with respect to the payment of the Retirement Benefit, then such benefit shall be payable in a lump sum. The lump-sum payment in an amount determined as the Valuation Date, shall be made, or installment payments shall commence, no later than 60 days after the effective date of the Participant's Retirement. Installments payable after the year of Retirement shall be paid by March 1 of each subsequent year of such payments. Any payment made shall be subject to the Deduction Limitation.

5.3 Death Prior to Completion of Retirement Benefit. If a Participant dies after Retirement but before the Retirement Benefit is paid in full, the Participant's unpaid Retirement Benefit payments shall continue and shall be paid to the Participant's Beneficiary (a) over the remaining number of years and in the same amounts as that benefit would have been paid to the Participant had the Participant survived, or (b) in a lump sum, if requested by the Beneficiary and allowed in the sole discretion of the Committee, that is equal to the Participant's unpaid remaining Account Balance.

ARTICLE 6
Pre-Retirement Survivor Benefit

6.1 Pre-Retirement Survivor Benefit. Subject to the Deduction Limitation, the Participant's Beneficiary shall receive a Pre-Retirement Survivor Benefit in a single lump sum equal to the Participant's Account Balance as of the Valuation Date, if the Participant dies before he or she Retires, experiences a Termination of Employment or suffers a Disability. The lump-sum payment shall be made, no later than 60 days after the last day of the Plan Year in which the Committee is provided with proof that is satisfactory to the Committee of the Participant's death. Any payment made shall be subject to the Deduction Limitation.

ARTICLE 7
Termination Benefit

7.1 Termination Benefit. Subject to the Deduction Limitation, the Participant shall receive a Termination Benefit, which shall be a lump-sum payment equal to the Participant's Account Balance as of the Valuation Date if a Participant experiences a Termination of Employment prior to his or her Retirement, death or Disability. The lump-sum payment shall be made no later than 60 days after the last day of the Plan Year in which the Participant experiences the Termination of Employment. Any payment made shall be subject to the Deduction Limitation.

ARTICLE 8
Disability Deferrals, Waiver and Benefit

8.1 Disability.

- (a) Deferrals. A participant who is determined by the Committee to be Disabled may continue to have the Annual Base Salary portion of the Annual Deferral Amount withheld for any period the Participant continues to receive 100% of his or her Annual Base Salary that was in effect prior to his or her Disability.
- (b) Waiver of Deferral. A Participant who is determined by the Committee to be suffering from a Disability shall be excused from fulfilling that portion of the Annual Deferral Amount commitment that would otherwise have been withheld from a Participant's Annual Base Salary or Directors Fees or Meeting Fees for the Plan Year during which the Participant first suffers a Disability only if less than 100% of Annual Base Salary. During the period of Disability, the Participant shall not be allowed to make any additional deferral elections, but will continue to be considered a Participant for all other purposes of this Plan.
- (c) Return to Work. If a Participant returns to employment, or service as a Director, with an Employer, after a Disability ceases, the Participant may elect to defer an Annual Deferral Amount for the Plan Year following his or her return to employment or service and for every Plan Year thereafter while a Participant in the Plan; provided such deferral elections are otherwise allowed and an Election Form is delivered to and accepted by the Committee for each such election in accordance with Section 3.2 above.

- 8.2 Continued Eligibility; Disability Benefit. A Participant suffering a Disability shall, for benefit purposes under this Plan, continue to be considered to be employed, or in the service of an Employer as a Director, and shall be eligible for the benefits provided for in Articles 4, 5, 6 or 7 in accordance with the provisions of those Articles. Notwithstanding the above, the Committee shall have the right to, in its sole and absolute discretion and for purposes of this Plan only, and must in the case of a Participant who is otherwise eligible to Retire, deem the Participant to have experienced a Termination of Employment, or in the case of a Participant who is eligible to Retire, to have Retired, at any time (or in the case of a Participant who is eligible to Retire, as soon as practicable) after such Participant is determined to be suffering a Disability, in which case the Participant shall receive a Disability Benefit equal to his or her Account Balance at the time of the Committee's determination; provided, however, that should the Participant otherwise have been eligible to Retire, he or she shall be paid in accordance with Article 5. The Disability Benefit may be paid in a lump sum within 60 days of the Committee's exercise of such right. In the event the Disability is determined by the Committee to be permanent, the Participant shall be deemed to be eligible to Retire and receive benefits in accordance with Article 5. Any payment made shall be subject to the Deduction Limitation.

ARTICLE 9
Beneficiary Designation

- 9.1 Beneficiary. Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan to a beneficiary upon the death of a Participant. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates.

- 9.2 Beneficiary Designation; Change; Spousal Consent. A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Committee or its designated agent. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Committee's rules and procedures, as in effect from time to time. If the Participant names someone other than his or her spouse as a Beneficiary, a spousal consent, in the form designated by the Committee, must be signed by that Participant's spouse and returned to the Committee. Upon the acceptance by the Committee of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Committee shall be entitled to rely on the last

Beneficiary Designation Form filed by the Participant and accepted by the Committee prior to his or her death.

- 9.3 Acknowledgment. No designation or change in designation of a Beneficiary shall be effective until received and acknowledged in writing by the Committee or its designated agent.
- 9.4 No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided in Sections 9.1, 9.2 and 9.3 above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse. If the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.
- 9.5 Doubt as to Beneficiary. If the Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Committee shall have the right, exercisable in its discretion, to cause the Participant's Employer to withhold such payments until this matter is resolved to the Committee's satisfaction.
- 9.6 Discharge of Obligations. The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge all Employers and the Committee from all further obligations under this Plan with respect to the Participant, and that Participant's Plan Agreement shall terminate upon such full payment of benefits.

ARTICLE 10 Leave of Absence

- 10.1 Paid Leave of Absence. If a Participant is authorized by the Participant's Employer for any reason to take a paid leave of absence from the employment of the Employer, the Participant shall continue to be considered employed by the Employer and the Annual Deferral Amount shall continue to be withheld during such paid leave of absence in accordance with Section 3.3.
- 10.2 Unpaid Leave of Absence. If a Participant is authorized by the Participant's Employer for any reason to take an unpaid leave of absence from the employment of the Employer, the Participant shall continue to be considered employed by the Employer and the Participant shall be excused from making deferrals until the earlier of the date the leave of absence expires or the Participant returns to a paid employment status. Upon such expiration or return, deferrals shall resume for the remaining portion of the Plan Year in which the expiration or return occurs, based on the deferral election, if any, made for that Plan Year. If no election was made for that Plan Year, no deferral shall be withheld.

ARTICLE 11 Termination, Amendment or Modification

- 11.1 Termination. Although each Employer anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that any Employer will continue the Plan

or will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to discontinue its sponsorship of the Plan and/or to terminate the Plan at any time with respect to any or all of its participating Employees and Directors, by action of its board of directors. Upon the termination of the Plan with respect to any Employer, the Plan Agreements of the affected Participants who are employed by that Employer, or in the service of that Employer as Directors, shall terminate and their Account Balances, determined as if they had experienced a Termination of Employment on the date of Plan termination or, if Plan termination occurs after the date upon which a Participant was eligible to Retire, then with respect to that Participant as if he or she had Retired on the date of Plan termination, shall be paid to the Participants as follows: Prior to a Change in Control, if the Plan is terminated with respect to all of its Participants, an Employer shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay such benefits in a lump sum or pursuant to an Annual Installment Method of up to 15 years, with amounts credited and debited during the installment period as provided herein. If the Plan is terminated with respect to less than all of its Participants, an Employer shall be required to pay such benefits in a lump sum. After a Change in Control, the Employer shall be required to pay such benefits in a lump sum. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits

under the Plan as of the date of termination; provided however, that the Employer shall have the right to accelerate installment payments without a premium or prepayment penalty by paying the Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule).

11.2 Amendment. Any board may, at any time, amend or modify the Plan in whole or in part with respect to that Employer by the action of its board of directors; provided, however, that: (i) no amendment or modification shall be effective to decrease or restrict the value of a Participant's Account Balance in existence at the time the amendment or modification is made, calculated as if the Participant had experienced a Termination of Employment as of the effective date of the amendment or modification or, if the amendment or modification occurs after the date upon which the Participant was eligible to Retire, the Participant had Retired as of the effective date of the amendment or modification, and (ii) no amendment or modification of this Section 11.2 or Section 12.2 of the Plan shall be effective. The amendment or modification of the Plan shall not affect any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification; provided, however, that the Employer shall have the right to accelerate installment payments by paying the Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule).

11.3 Plan Agreement. Despite the provisions of Sections 11.1 and 11.2 above, if a Participant's Plan Agreement contains benefits or limitations that are not in this Plan document, the Employer may only amend or terminate such provisions with the consent of the Participant.

11.4 Effect of Payment. The full payment of the applicable benefit under Articles 4, 5, 6, 7 or 8 of the Plan shall completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan and the Participant's Plan Agreement shall terminate.

ARTICLE 12 Administration

12.1 Committee Duties. Except as otherwise provided in this Article 12, this Plan shall be administered by a Committee which shall consist of the Board, or such committee as the Board shall appoint. Members of the Committee may be Participants under this Plan. The Committee shall also have the discretion and authority to (i) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and (ii) decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Committee shall be entitled to rely on information furnished by a Participant or the Company.

12.2 Administration Upon Change In Control. For purposes of this Plan, the Company shall be the "Administrator" at all times prior to the occurrence of a Change in Control. Upon and after the occurrence of a Change in Control, the "Administrator" shall be an independent third party selected by the Trustee and approved by the individual who, immediately prior to such event, was the Company's Chief Executive Officer or, if not so identified, the Company's Chief Financial Officer (and if no Chief Financial Officer, the Vice President of Human Resources) (the "Ex-CEO"). The Administrator shall have the discretionary power to determine all questions arising in connection with the administration of the Plan and the interpretation of the Plan and Trust including, but not limited to benefit entitlement determinations; provided, however, upon and after the occurrence of a Change in Control, the Administrator shall have no power to direct the investment of Plan or Trust assets or select any investment manager or custodial firm for the Plan or Trust. Upon and after the occurrence of a Change in Control, the Company must: (1) pay all reasonable administrative expenses and fees of the Administrator; (2) indemnify the Administrator against any costs, expenses and liabilities including, without limitation, attorney's fees and expenses arising in connection with the performance of the Administrator hereunder, except with respect to matters resulting from the gross negligence or willful misconduct of the Administrator or its employees or agents; and (3) supply full and timely information to the Administrator or all matters

relating to the Plan, the Trust, the Participants and their Beneficiaries, the Account Balances of the Participants, the date of circumstances of the Retirement, Disability, death or Termination of Employment of the Participants, and such other pertinent information as the Administrator may reasonably require. Upon and after a Change in Control, the

Administrator may be terminated (and a replacement appointed) by the Trustee only with the approval of the Ex-CEO. Upon and after a Change in Control, the Administrator may not be terminated by the Company.

- 12.3 Agents. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to any Employer.
- 12.4 Binding Effect of Decisions. The decision or action of the Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 12.5 Indemnity of Committee. All Employers shall indemnify and hold harmless the members of the Committee, any Employee to whom the duties of the Committee may be delegated, and the Administrator against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct by the Committee, any of its members, any such Employee or the Administrator.
- 12.6 Employer Information. To enable the Committee and/or Administrator to perform its functions, the Company and each Employer shall supply full and timely information to the Committee and/or Administrator, as the case may be, on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, Disability, death or circumstances of the Retirement, Disability, death or Termination of Employment of its Participants, and such other pertinent information as the Committee or Administrator may reasonably require.

ARTICLE 13
Other Benefits and Agreements

- 13.1 Coordination with Other Benefits. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Participant's Employer. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

ARTICLE 14
Claims Procedures

- 14.1 Presentation of Claim. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within 60 days after such notice was received by the Claimant. All other claims must be made within 180 days of the date on

which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.

- 14.2 Notification of Decision. The Committee shall consider a Claimant's claim within a reasonable time, and shall notify the Claimant in writing:
- (a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (b) that the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:
 - (i) the specific reason(s) for the denial of the claim,

or any part of it;

specific reference(s) to pertinent provisions of the Plan upon which such denial was based;

a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and

an explanation of the claim review procedure set forth in Section 14.3 below.

14.3 Review of a Denied Claim. Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Committee a written request for a review of the denial of the claim. Thereafter, but not later than 30 days after the review procedure began, the Claimant (or the Claimant's duly authorized representative):

- (a) may review pertinent documents;
- (b) may submit written comments or other documents; and/or
- (c) may request a hearing, which the Committee, in its sole discretion, may grant.

14.4 Decision on Review. The Committee shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of the denial, unless a hearing is held or other special circumstances require additional time, in which case the Committee's decision must be rendered within 120 days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

- (a) specific reasons for the decision;
- (b) specific reference(s) to the pertinent Plan provisions upon which the decision was based; and
- (c) such other matters as the Committee deems relevant.

14.5 Legal Action. A Claimant's compliance with the foregoing provisions of this Article 14 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under this Plan.

ARTICLE 15 Trust

15.1 Establishment of the Trust. The Company shall establish the Trust, and each Employer shall at least annually transfer over to the Trust such assets as the Employer determines, in its sole discretion, are necessary to provide, on a present value basis, for its respective future liabilities created with respect to the Annual Deferral Amounts, Company Contribution Amounts, and Company Matching Amounts for such Employer's Participants for all periods prior to the transfer, as well as any debits and credits to the Participants' Account Balances for all periods prior to the transfer, taking into consideration the value of the assets in the trust at the time of the transfer.

15.2 Interrelationship of the Plan and the Trust. The provisions of the Plan and the Plan Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Employers, Participants and the creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan.

15.3 Distributions From the Trust. Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Employer's obligations under this Plan.

ARTICLE 16 Miscellaneous

16.1 Status of Plan. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employee" within the meaning of ERISA Sections 201(2),

301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.

16.2 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of an Employer. For purposes of the payment of benefits under this Plan, any and all of an Employer's assets shall be, and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

16.3 Employer's Liability. An Employer's liability for the payment of benefits shall be defined only by the Plan and the Plan Agreement, as entered into between the Employer

and a Participant. An Employer shall have no obligation to a Participant under the Plan except as expressly provided in the Plan and his or her Plan Agreement.

16.4 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.

16.5 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of any Employer, either as an Employee or a Director, or to interfere with the right of any Employer to discipline or discharge the Participant at any time.

16.6 Furnishing Information. A Participant or his or her Beneficiary will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Committee may deem necessary.

16.7 Terms. Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

16.8 Captions. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

16.9 Governing Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of California without regard to its conflicts of laws principles.

16.10 Notice. Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Chief Financial Officer
California Water Service Company
1720 North First Street
San Jose, CA 95112

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

- 16.11 Successors. The provisions of this Plan shall bind and inure to the benefit of the Participant's Employer and its successors and assigns and the Participant and the Participant's designated Beneficiaries.
- 16.12 Spouse's Interest. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.
- 16.13 Incompetent. If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.
- 16.14 Court Order. The Committee is authorized to make any payments directed by court order in any action in which the Plan or the Committee has been named as a party. In addition, if a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Committee, in its sole discretion, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.
- 16.15 Distribution in the Event of Taxation.
- (a) In General. If, for any reason, all or any portion of a Participant's benefits under this Plan becomes taxable to the Participant prior to receipt, a Participant may petition the Committee before a Change in Control, or the trustee of the Trust after a Change in Control, for a distribution of that portion of his or her benefit that has become taxable. Upon the grant of such a petition, which grant shall not
- be unreasonably withheld (and, after a Change in Control, shall be granted), a Participant's Employer shall distribute to the Participant immediately available funds in an amount equal to the taxable portion of his or her benefit (which amount shall not exceed a Participant's unpaid Account Balance under the Plan). If the petition is granted, the tax liability distribution shall be made within 90 days of the date when the Participant's petition is granted. Such a distribution shall affect and reduce the benefits to be paid under this Plan.
- (b) Trust. If the Trust terminates in accordance with its terms and benefits are distributed from the Trust to a Participant in accordance therewith, the Participant's benefits under this Plan shall be reduced to the extent of such distributions.
- 16.16 Insurance. The Employers, on their own behalf or on behalf of the trustee of the Trust, and, in their sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Trust may choose. The Employers or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Employers shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Employers have applied for insurance.
- 16.17 Legal Fees To Enforce Rights After Change in Control. The Company and each Employer is aware that upon the occurrence of a Change in Control, the Board or the board of directors of a Participant's Employer (which might then be composed of new members) or a shareholder of the Company or the Participant's Employer, or of any successor corporation might then cause or attempt to cause the Company, the Participant's Employer or such successor to refuse to comply with its obligations under the Plan and might cause or attempt to cause the Company or the

Participant's Employer to institute, or may institute, litigation seeking to deny Participants the benefits intended under the Plan. In these circumstances, the purpose of the Plan could be frustrated. Accordingly, if, following a Change in Control, it should appear to any Participant that the Company, the Participant's Employer or any successor corporation has failed to comply with any of its obligations under the Plan or any agreement thereunder or, if the Company, such Employer or any other person takes any action to declare the Plan void or unenforceable or institutes any litigation or other legal action designed to deny, diminish or to recover from any Participant the benefits intended to be provided, then the Company and the Participant's Employer irrevocably authorize such Participant to retain counsel of his or her choice at the expense of the Company and the Participant's Employer (who shall be jointly and severally liable) to represent such Participant in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company, the Participant's Employer or any director, officer, shareholder or other person affiliated with the Company, the Participant's Employer or any successor thereto in any jurisdiction.

IN WITNESS WHEREOF, the Company has signed this Plan document as of JANAUAR 1, 2001.

CALIFORNIA WATER SERVICE GROUP, a
California corporation

By: Peter C Nelson

Title: President and Chief Executive Officer

CALIFORNIA WATER SERVICE COMPANY
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

As Amended and Restated
Effective January 1, 2001

California Water Service Company
Supplemental Executive Retirement Plan

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Supplemental Executive Retirement Plan
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Purpose

The purpose of this Plan is to provide specified benefits to a select group of

management and highly compensated employees of California Water Service Company, a California corporation, and its subsidiaries, if any, that sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA. This Plan was originally effective January 1, 1992 and is restated as set forth in this document effective January 1, 2001.

ARTICLE 1
Definitions

For purposes hereof, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

1.1 "Actuarial Equivalent" shall mean an actuarial equivalent value of an amount payable in a different form or at a different date computed on the basis of the following actuarial assumptions:

Mortality:	1983 Group Annuity Table
Interest	Rate: Rate on 30-year treasury securities as specified by the Commissioner for the month of November that first precedes the Plan Year.

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California Water Service Company
Supplemental Executive Retirement Plan
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As the Plan Administrator deems necessary, in its sole discretion, the above actuarial assumptions may be adjusted from time to time, and no Participant shall be deemed to have any right, vested or nonvested, regarding the continued use of any previously adopted actuarial assumption.

1.2 "Administrative Committee" shall mean the committee authorized to administer the Plan pursuant to Article 8.

"Average Annual Earnings" shall have the same meaning as under the Basic Retirement Plan.

"Basic Retirement Plan" shall mean the Restatement of the California Water Service Company Pension Plan, as amended from time to time.

"Board" shall mean the board of directors of the Company.

"Change in Control" shall be deemed to take place on the occurrence of any of the following events:

- (a) Any merger or consolidation of the Company or California Water Service Group ("Target Entity") in which the Target Entity is not the surviving organization, a majority of the capital stock of which is not owned by the shareholders of the Target Entity immediately prior to such merger or consolidation;
- (b) A transfer of all or substantially all of the assets of the Target Entity;
- (c) Any other corporate reorganization in which there is a change in ownership of the outstanding shares of the Target Entity wherein thirty percent (30%) or more of the outstanding shares of the Target Entity are transferred to any "person" (as the term is used in Section 13 and 14(d)(2) of the Securities Exchange Act of 1934);

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- (d) The acquisition by or transfer to a Person (including all Affiliates or Associates of such Person) of "beneficial ownership" (as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934) of capital stock of Target Entity if after such acquisition or transfer such Person (and their Affiliates or Associates) is entitled to exercise thirty

percent (30%) or more of the outstanding voting power of all capital stock of Target Entity entitled to vote in elections of directors;

- (e) The election to the Board of Directors of Target Entity of candidates who were not recommended for election by the Board of Directors of Target Entity in office immediately prior to the election, if such candidates constitute a majority of those elected in that particular election; or
- (f) Any other corporate reorganization, merger or consolidation immediately after which thirty percent (30%) or more of the stock ownership of the surviving company's outstanding shares is owned by a Person (or their Affiliates and Associates) who did not own shares of the Target Entity immediately before the transaction.

"Claimant" shall have the meaning set forth in Section 8.1.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Company" shall mean California Water Service Company, a California corporation.

"Deferred Retirement" shall have the meaning set forth in Section 4.3.

"Early Retirement" shall have the meaning set forth in Section 4.2.

"Earnings" shall mean the actual annual compensation paid by the Employer to the Participant, determined as of December 31 of each Plan Year as listed on an Employer's payroll records. Compensation shall be included for any period of Participation if the Participant is in the Plan for a portion of any year. Earnings shall be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or nonqualified retirement

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plans of any Employer shall be calculated to include amounts not otherwise included in the Participant's gross income under Code sections 125 or 402(e)(3) pursuant to plans established by any Employer; provided, however, that all such amounts will be included in earnings only to the extent, that had there been no such plan, the amount would have been payable in cash to the Participant. In the event a Participant becomes totally and permanently disabled, earnings shall be deemed to continue for purposes of this Plan at the rate or amount in effect immediately prior to such disability, as determined within the sole discretion of the Employer.

"Employer(s)" shall mean the Company and any subsidiaries or affiliates of the Company that have been selected by the Board to participate in the Plan.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Normal Retirement" shall have the meaning set forth in Section 4.1.

"Participant" shall mean any employee (i) who is elected as an officer by the Board and (ii) designated as a "Participant" by the Board.

"Plan" shall mean the Company's Supplemental Executive Retirement Plan, which shall be evidenced by this instrument and by each Plan Agreement, as amended from time to time.

"Plan Year" shall begin on January 1 of each year and continue through December 31.

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"Pre-retirement Survivor Benefit" shall mean a benefit provided in Section 5.7.

"Retirement" or "Retires" shall mean, in each instance, Early Retirement or Normal Retirement, as the case may be.

"Surviving Spouse" shall mean the legally married spouse of a Participant upon the Participant's death.

"SERP Benefit" shall mean the benefit provided in Article 5 of the Plan.

"Termination of Employment" shall mean a Participant ceasing to be an employee of all Employers, voluntarily or involuntarily, but shall exclude cessation of employment with all Employers as a result of Normal Retirement, Early Retirement or death.

"Trust" shall mean any trust established between the Company and the trustee named therein, as amended from time to time that may be used to fund benefits payable under the Plan.

"Vested" shall mean that a Participant's benefits under this Plan are non-forfeitable as determined in accordance with Article 3 below.

"Years of Service" for eligibility, vesting and benefit accrual shall have the same meaning as provided in the Basic Retirement Plan, including the maximum number of Years of Service of 35; except that additional Years of Service may be granted to a Participant for any purpose by written action of the Board.

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ARTICLE 2
Eligibility

Selection by Administrative Committee. Participation in the Plan shall be limited to officers of the Employers who have been designated as a Participant by the Board.

2.1 Commencement of Participation. A Participant shall commence participation in the Plan on the first day of the month following the date such individual is designated by the Board as a Participant.

2.2 Termination of Participation. A Participant shall cease participation in the Plan (i) upon termination of an unvested Participant's employment for any reason other than Normal Retirement, Early Retirement or Deferred Retirement (as provided in Article 4), (ii) upon action in writing by the Board prior to full vesting of a Participant's SERP Benefit, or (iii) upon complete distribution of all benefits payable to a Participant or his Surviving Spouse. Pursuant to this Section 2.3, the Board shall have the authority to amend this Plan at any time to remove any Participant from further participation in the Plan. The Board shall provide notice to the Administrative Committee and any affected Participant of such action. If an unvested Participant is removed, no further vesting shall occur and the unvested SERP Benefit shall be forfeited. If a Vested Participant is removed, such Participant shall have no additional Years of Service or Earnings recognized under the Plan after the date of removal.

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2.3 Recommencement of Participation. The participation of a terminated Participant shall recommence in accordance with Section 2.2 upon being redesignated by the Board in accordance with Section 2.1. Upon recommencement of participation, Years of Service shall be counted to the extent counted under the Basic Retirement Plan.

ARTICLE 3
Vesting

3.1 Vesting in Benefits.

- (a) General. Except as provided in Sections 3.1(b), each Participant shall have a non-forfeitable right or Vested interest in his or her SERP Benefit after at least five (5) Years of Service as defined for vesting purposes under the Basic Retirement Plan and including any additional Years of Service awarded under Section 1.26. A Participant who terminates his employment with less than five (5) Years of Service shall forfeit his benefits under the Plan.
- (b) Special. Notwithstanding Section 3.1(a) above, a Participant shall have a non-forfeitable right or Vested interest in the Participant's SERP Benefit under the Plan upon a Change in Control.

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ARTICLE 4
 Retirement Dates

- 4.1 Normal Retirement. A Participant shall be eligible to retire on his normal retirement date which is the first day of the month coinciding with or next following his 65th birthday. The amount of his normal retirement benefit shall be determined in accordance with the benefit formula in Section 5.1.
- 4.2 Early Retirement. A Participant shall be eligible to retire early on his early retirement date which is the first day of any month subsequent to the date of termination after he has attained age 55, but before his normal retirement date.

 Upon termination of employment while eligible for early retirement, payment of benefits to the Participant shall commence immediately on the first of the month following his date of termination of employment. In no event shall a terminated Participant defer commencement of his early retirement benefits beyond his early retirement date.

 The amount of his early retirement benefit shall be determined in accordance with Section 5.2.
- 4.3 Deferred Retirement. A Participant shall be eligible to retire on his or her Deferred Retirement date which is the first day of any month subsequent to the date of termination of employment after he has attained his Normal Retirement date described in Section 4.1.

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ARTICLE 5
 Benefits

- 5.1 Normal Retirement Benefits. Upon Normal Retirement pursuant to Section 4.1, a Participant shall receive a monthly retirement allowance in the form of an annuity equal to (a) minus (b) where:
 - (a) is a percentage from the following table times the Participant's Average Annual Earnings divided by 12:

Years of Service	Percentage	Years of Service	Percentage
5	10%	20	40%
6	12%	21	41
7	14%	22	42
8	16%	23	43
9	18%	24	44
10	20%	25	45
11	22	26	46
12	24	27	47
13	26	28	48
14	28	29	49
15	30	30	50

16	32	31	51
17	34	32	52
18	36	33	53
19	38	34	54
		35 or more	55

Years of Service are Years of Service for benefit accrual purposes under the Basic Retirement Plan, but not including Years of Service accrued after the date of removal from Plan coverage under Section 2.3 and including any additional Years of Service awarded by the Board of Directors under Section 1.14.

- (b) is the Participant's accrued monthly life annuity benefit from the Basic Retirement Plan, calculated in accordance with the provisions under such

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Plan as of the date of retirement under this Plan. Any subsequent increases to the benefit from the Basic Retirement Plan, which may become payable to the Participant after his normal retirement date described in Section 4.1, his early retirement date described in Section 4.2, or his deferred retirement date described in Section 4.3, which is applicable to him, shall not reduce the Participant's benefit under this Plan.

5.2 Early Retirement Benefits.

- (a) If a Participant retires early on or after age 55 and prior to age 60, the monthly benefit shall be calculated in accordance with Section 5.1 and reduced to the following amounts:

Age at Retirement	Percentage of Monthly Benefits
60 and over	100%
59	95%
58	90%
57	85%
56	80%
55	74%

Reductions according to the above table shall be prorated for months of age.

- (b) If a Participant retires early after a Change in Control and before age 55, the percentage of monthly benefits shall be reduced from 74% by an additional 5% for each year below age 55 until such reduction equals or exceeds 100%.

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5.3 Deferred Retirement Benefit. If a Participant retires on his Deferred Retirement date described in Section 4.3, his monthly benefit shall be calculated in accordance with Section 5.1, but based on Years of Service not to exceed 35 and Average Annual Earnings as of his Deferred Retirement date.

5.4 Change in Control. In addition to 3.1(b), for purposes of calculating a SERP benefit under this Article 5, immediately upon the date of Change in Control, each Participant shall be deemed to have the following:

- (a) additional years added to his or her age such that he or she shall be age 55 for purposes of the Plan other than Section 5.2, and
- (b) three additional Years of Service for purposes of SERP Benefits under Article 5.

5.5 Form of Benefit. The annuity benefit shall be paid as follows:

- (a) Married Participant. The retirement benefit of a Participant who is married shall be paid in the form of a 50% spouse joint and survivor annuity benefit. This form of benefit payment is a monthly amount described in Section 5.1, 5.2 or 5.3, as applicable, commencing on the Participant's retirement date and payable during his lifetime, with 50% of such monthly amount to continue to his Surviving Spouse from the first day of the month following the date of his death. The payments shall end

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with the last payment due on or before the Participant's or his Surviving Spouse's date of death, whichever occurs later.

- (b) Unmarried Participant. The retirement benefit of a Participant who is unmarried shall be a life annuity benefit payable for the life of the Participant. This form of benefit is a monthly amount described in Section 5.1, 5.2 or 5.3, as applicable, commencing on the Participant's retirement date and payable during his lifetime, ending with the last payment due on or before his date of death.

5.6 Application for Retirement. To receive benefits under this Plan, a Participant must file a written response with the Administrative Committee no less than 30 days, nor more than 90 days, prior to his Normal Retirement date (specified in Section 4.1), his Early Retirement date (specified in Section 4.2), or his deferred retirement date (specified in Section 4.3), whichever is applicable.

If an application is not filed prior to retirement, the amount of payment required to commence as above will not be ascertainable on the retirement date; and commencement of retirement benefit payments shall be delayed until no more than 60 days after the application is filed, or the amount of such payment is ascertained, at which time a payment retroactive to the retirement date shall be made.

5.7 Withdrawal Election.

- (a) Post Retirement. A Participant may elect, at any time after he or she commences to receive payments under this Plan, to receive those payments in a lump sum, based on the actuarial equivalent of his or her

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remaining Vested SERP Benefit less a 10% penalty (as described below). No election to partially accelerate benefits shall be allowed. The Participant shall make this election by giving the Administrative Committee advance written notice of the election in a form determined from time to time by the Administrative Committee. The penalty shall be equal to 10% of the Participant's remaining Vested SERP Benefit, determined on an actuarial equivalent basis. The Participant shall be paid the net of penalty SERP Benefit amount within 60 days of his or her election. Once the SERP Benefit is paid, the Participant's participation in the Plan shall terminate and the Participant shall not be eligible to participate in the Plan in the future.

- (b) Post Change in Control. A Participant may elect, at any time within six months after a Change in Control, to receive benefit payments under this Plan in a lump sum, based on the actuarial equivalent of his or her vested SERP Benefit less a 10% penalty (as described herein). No election to partially accelerate benefits shall be allowed. The Participant shall

make this election by giving the Administrative Committee advance written notice of the election in a form approved by the Administrative Committee. The penalty shall be equal to 10% of the Participant's vested SERP Benefit determined on actuarial equivalent basis. The Participant shall be paid the net SERP Benefit amount within sixty days of his or her election. Once the SERP Benefit is paid, the Participant's participation in

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the Plan shall terminate and the Participant shall not be eligible to participate in the Plan in the future.

5.8 Pre-Retirement Death Benefit. Upon the death of a Participant who is Vested in accordance with Article 3 and who dies prior to his receipt of benefits under the Plan, the Participant's Surviving Spouse shall be eligible for a pre-retirement death benefit. For a Participant who is at least age 55 on his date of death, the Surviving Spouse's pre-retirement death benefit shall be equal to one-half the benefit that would have been paid to the Participant if the Participant had retired as of the date of death.

If the Participant is under age 55 at death, his Surviving Spouse's pre-retirement death benefit shall be equal to one-half the benefit the Participant would have received if the Participant had reached age 55 and retired as of the date of death, based on his Earnings and Years of Service at death.

The Surviving Spouse's benefit shall commence immediately upon the death of the Participant (or when the Participant would have been age 55, if later) and shall be payable for the life of the Spouse. A Participant's right to benefits under the Plan shall cease upon the Participant's death except as provided in this section. No pre-retirement death benefit will be paid in respect to a Participant who dies without a Surviving Spouse.

5.9 Missing Person Forfeiture and Reinstatement. A Participant's Vested retirement benefit and the benefit payable to a Participant's Surviving Spouse shall be forfeited if the benefit cannot be paid because the identity or whereabouts of the person entitled to the payment cannot be ascertained. The Administrative Committee's determination of when such payment cannot be made shall be final.

Notwithstanding the foregoing, if at any time subsequent to the forfeiture, the person entitled makes a claim to the Administrative Committee for such payment,

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the amount of the forfeiture shall be reinstated and the payment made to such person retroactive to the date benefits would have begun.

ARTICLE 6

Termination, Amendment or Modification of the Plan

6.1 Termination. Each Employer reserves the right to terminate the Plan at any time with respect to its participating employees by the actions of its board of directors. The termination of the Plan shall not adversely affect any Participant or his or her Surviving Spouse who has become entitled to the payment of any benefits under the Plan as of the date of termination; provided, however, that the Employer shall have the right to accelerate payments by paying the actuarial equivalent value of such payments. For all other Participants, upon the termination of the Plan, the actuarial equivalent of a Participant's vested SERP Benefit shall be paid out in a lump sum.

6.2 Amendment. Any Employer may, at any time, amend or modify the Plan in

whole or in part with respect to its participating employees by the actions of its board of directors; provided, however, that no amendment or modification shall be effective to decrease or restrict a Participant's then vested SERP Benefit, determined on an actuarial equivalent basis. The amendment or modification of the Plan shall not affect any Participant or his or her Surviving Spouse who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification; provided, however, that the Employer shall have the right to accelerate installment payments by paying the actuarial equivalent value

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of such payments either in a lump sum or in some other accelerated form of payment. No amendment or modification of the Plan adopted within two months prior to or following a Change in Control shall be effective to decrease a Participant's SERP benefit or restrict vesting in a SERP benefit as compared to the Participant's SERP benefit immediately following a Change in Control absent such amendment.

ARTICLE 7
Other Benefits and Agreements

7.1 Coordination with Other Benefits. The benefits provided for a Participant under this Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Employers. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

ARTICLE 8
Administration of the Plan

8.1 Administrative Committee Duties. This Plan shall be administered by an Administrative Committee which shall consist of three members of the Board, or such committee as the Board shall appoint. Members of the Administrative Committee may be Participants under this Plan. The Administrative Committee shall also have the sole discretion and authority to (i) make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan,

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(ii) decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan, (iii) determine eligibility of any employer or officer of the Company and to designate an officer as a Participant, (iv) to determine Year of Service of any Participant and the amount of SERP Benefit payable under the Plan, and (v) exercise all other powers necessary to administer the Plan in accordance with its terms.

8.2 Agents. In the administration of this Plan, the Administrative Committee may employ agents and delegate to them such administrative duties as it sees fit, (including acting through a duly appointed representative), and may from time to time consult with counsel who may be counsel to any Employer.

8.3 Binding Effect of Decisions. The decision or action of the Administrative Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

8.4 Indemnity of Administrative Committee. All Employers shall indemnify and hold harmless the members of the Administrative Committee against any and all claims, losses, damages, expenses or liabilities arising

from any action or failure to act with respect to this Plan, except in the case of willful misconduct by the Administrative Committee or any of its members.

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8.5 Employer Information. To enable the Administrative Committee to perform its functions, each Employer shall supply full and timely information to the Administrative Committee on all matters relating to the compensation of its Participants, the date and circumstances of the retirement, disability, death or Termination of Employment of its Participants, and such other pertinent information as the Administrative Committee may reasonably require.

ARTICLE 9
Claims Procedures

9.1 Presentation of Claim. Any Participant or Surviving Spouse of a deceased Participant (such Participant or Surviving Spouse being referred to below as a "Claimant") may deliver to the Administrative Committee a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within 60 days after such notice was received by the Claimant. The claim must state with particularity the determination desired by the Claimant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.

9.2 Notification of Decision. The Administrative Committee shall consider a Claimant's claim within a reasonable time, and shall notify the Claimant in writing:

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- (a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or
- (b) that the Administrative Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:
 - (i) the specific reason(s) for the denial of the claim, or any part of it;
 - (ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;
 - (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and
 - (iv) an explanation of the claim review procedure set forth in Section 9.3 below.

9.3 Review of a Denied Claim. Within 60 days after receiving a notice from the Administrative Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Administrative Committee a written request for a review of the denial of the claim. Thereafter, but not later than 30 days after the review procedure began, the Claimant (or the Claimant's duly authorized representative):

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- (a) may review pertinent documents;
- (b) may submit written comments or other documents; and/or
- (c) may request a hearing, which the Administrative Committee, in its sole discretion, may grant.

9.4 Decision on Review. The Administrative Committee shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of the denial, unless a hearing is held or other special circumstances require additional time, in which case the Administrative Committee's decision must be rendered within 120 days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

- (a) specific reasons for the decision; specific reference(s) to the pertinent Plan provisions upon which the decision was based; and
- (b) such other matters as the Administrative Committee deems relevant.

9.5 Legal Action. A Claimant's compliance with the foregoing provisions of this Article 9 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under this Plan.

ARTICLE 10
Funding

10.1 Establishment of the Trust. The Company may establish a Trust to fund benefit payments due under the Plan. Contributions shall be made at the discretion of the Employers and the Employers shall transfer over to the Trust such assets, if any, as the Employers determine, in their sole discretion. Benefits not paid by the Trust shall be paid from general assets of the Employers.

10.2 Interrelationship of the Plan and the Trust. The provisions of the Plan and the Plan Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of any Trust shall govern the rights of the Employers, Participants and the creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan. Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Employer's obligations under this Agreement.

ARTICLE 11
Miscellaneous

11.1 Unsecured General Creditor. A Participant and a Surviving Spouse, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of an Employer. Any and all of an Employer's assets shall be,

and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

- 11.2 Employer's Liability. An Employer's liability for the payment of benefits shall be defined only by the Plan. An Employer shall have no obligation to a Participant under the Plan except as expressly provided in the Plan.
- 11.3 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.
- 11.4 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, with or without cause, unless expressly provided in a written employment agreement.

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Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of any Employer or to interfere with the right of any Employer to discipline or discharge the Participant at any time.

- 11.5 Furnishing Information. A Participant or his or her Surviving Spouse will cooperate with the Administrative Committee by furnishing any and all information requested by the Administrative Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Administrative Committee may deem necessary.
- 11.6 Terms. Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and wherever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.
- 11.7 Captions. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 11.8 Governing Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of California without regard to its conflict of laws principles.

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- 11.9 Notice. Any notice or filing required or permitted to be given to the Administrative Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Chief Financial Officer
California Water Service Company
1720 North First Street

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

- 11.10 Successors. The provisions of this Plan shall bind and inure to the benefit of the Participant's Employer and its successors and assigns and the Participant and the Participant's Surviving Spouse.
- 11.11 Spouse's Interest. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.
- 11.12 Incompetent. If the Administrative Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or

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to a person incapable of handling the disposition of that person's property, the Administrative Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Administrative Committee may require proof of minority, incompetency, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

- 11.13 Court Order. The Administrative Committee is authorized to make any payments directed by court order in any action in which the Plan or Administrative Committee has been named as a party.
- 11.14 Distribution in the Event of Taxation. If, for any reason, all or any portion of a Participant's benefit under this Plan becomes taxable to the Participant prior to receipt, a Participant may petition the Administrative Committee for a distribution of that portion of his or her benefit that has become taxable. Upon the grant of such a petition, which grant shall not be unreasonably withheld, a Participant's Employer shall distribute to the Participant immediately available funds in an amount equal to the taxable portion of his or her benefit (which amount shall not exceed a Participant's unpaid Account Balance under the Plan). If the petition is granted, the tax liability distribution shall be made within 90 days of the date

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when the Participant's petition is granted. Such a distribution shall affect and reduce the benefits to be paid under this Plan.

IN WITNESS WHEREOF, _____ has signed this Plan document on _____, 200_.

By: _____

Title: _____