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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ....to...................
Commission file No. 1-13883

CALIFORNIA WATER SERVICE GROUP

(Exact name of registrant as specified in its charter)

Delaware	77-0448994
(State of Incorporation)	(I.R.S. 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
Preferred Share Purchase Rights	New York Stock Exchange

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

None
(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]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes _X_ No ___

The aggregate market value of the common stock held by non-affiliates of the Registrant was $427 million on June 30, 2003, the last business day of the registrant's most recently completed second fiscal quarter. The valuation is based on the closing price of the registrant's common stock as traded on the New York Stock Exchange.

Common stock outstanding at March 4, 2004 - 16,932,046 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, 2003 (2003 Annual Report) are incorporated by reference in Part I (Item 1and 2) and Part II (Items 5, 6, 7, 7A and 8).

Designated portions of the Registrant's Proxy Statement (Proxy Statement) relating to the 2004 annual meeting of stockholders are incorporated by reference in Part III (Items 10, 11, 12 and 14).

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PART I

Item 1 Business.

Forward Looking Statements

This annual report, including all documents incorporated by reference, contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 (Act). The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the Act. Forward-looking statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the Company, the water utility industry and general economic conditions. Such words as expects, intends, plans, believes, estimates, assumes, anticipates, projects, predicts, forecasts or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. They are subject to uncertainty and changes in circumstances. Actual results may vary materially from what is contained in a forward-looking statement. Factors that may cause a result different than expected or anticipated include: governmental and regulatory commissions' decisions; changes in regulatory commissions' policies and procedures; the timeliness of regulatory commissions' actions concerning rate relief; new legislation; electric power interruptions; increases in suppliers' prices and the availability of supplies including water and power; fluctuations in interest rates; changes in environmental compliance and water quality requirements; acquisitions and our ability to successfully integrate acquired companies; the ability to successfully implement business plans; changes in customer water use patterns; the impact of weather on water sales and operating results; access to sufficient capital on satisfactory terms; civil disturbances or terrorist threats or acts, or apprehension about the possible future occurrences of acts of this type; the involvement of the United States in war or other hostilities; restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends; and, other risks and unforeseen events. When considering forward-looking statements, you should keep in mind the cautionary statements included in this paragraph. We assume no obligation to provide public updates of forward-looking statements.

a. General Development of Business

California Water Service Group is a holding company incorporated in Delaware with five operating subsidiaries: California Water Service Company (Cal Water), CWS Utility Services (Utility Services), New Mexico Water Service Company (New Mexico Water), Washington Water Service Company (Washington Water) and Hawaii Water Service Company, Inc. (Hawaii Water). Cal Water, New Mexico Water, Washington Water and Hawaii Water are regulated public utilities. The regulated utility entities also provide some non-regulated services. Utility Services provides non-regulated services to private companies and municipalities.

Cal Water, which began operation in 1926, is a public utility supplying water service to 446,000 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 439,900 customers. An additional 6,100 customers receive service through a long-term lease of the City of Hawthorne system by Cal Water, which is not subject to CPUC regulation. Cal Water accounts for 96% of the total customers and 96% of the total operating revenue.

Washington Water started operations in 1999 through the acquisition of two water companies. It provides domestic water service to 14,700 customers in the Tacoma and Olympia areas. Washington Water's utility operations are regulated by the Washington Utilities and Transportation Commission. Washington Water accounts for 3% of the total customers and 2% of the total operating revenue.

New Mexico Water began providing non-regulated meter reading services in 2000, and assumed regulated operations in July 2002 with the purchase of the assets of Rio Grande Utility Corporation. New Mexico Water provides service to 2,400 water and 1,700 wastewater customers south of Albuquerque, New Mexico. Its regulated operations are subject to the jurisdiction of the New Mexico Public Regulation Commission. New Mexico Water accounts for 1% of the total customers and 1% of the total operating revenue

Hawaii Water was formed in May 2003 with the acquisition of Kaanapali Water Corporation. Hawaii Water provides water service to 500 customers on the island of Maui, including several large resorts and condominium complexes. Its regulated operations are subject to the jurisdiction of the Hawaii Public Utilities Commission. Hawaii Water accounts for less than 1% of the total customers and 1% of the total operating revenue.

Utility Services has only non-regulated activities. Included in Utility Services operations is a long-term lease agreement with the City of Commerce which serves approximately 1,100 customers. Non-regulated activities are primarily contracted in Utility Services and include contracting with other private companies and municipalities to operate water systems and provide meter reading and billing services. Other non-regulated activities include leasing communication antenna sites, operating recycled water systems, providing brokerage services for water rights, providing lab services and selling non-utility property. Due to the different mix of services we provide, customers are not tracked for non-regulated activities. Excluding sales of non-operating property, non-regulated activities comprised 6% of the total net income in 2003.

The regulatory entities governing our regulated operations are referred to as the Commissions in this report. Rates and operations for regulated customers are subject to the jurisdiction of the respective state's regulatory commission. The Commissions require that water and wastewater rates for each regulated district be independently determined. The Commissions are expected to authorize rates sufficient to recover normal operating expenses and allow the utility to earn a fair and reasonable return on capital. Rates for the City of Hawthorne and City of Commerce water systems are established in accordance with an operating agreement and are subject to ratification by the respective city council. Fees for other non-regulated activities are based on contracts negotiated between the parties.

Our mailing address and contact information are:

California Water Service Group
1720 North First Street
San Jose, California 95112-4598
telephone number: 408-367-8200
www.calwatergroup.com

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports are available free of charge through our website. We make these reports available on our website on the same day they appear on the SEC's website.

During the year ended December 31, 2003, there were no significant changes in the kind of products produced or services we rendered or those provided by our operating subsidiaries, or in our markets or methods of distribution.

b. Financial Information about Industry Segments

We operate primarily in one business segment, the supply and distribution of water and providing water-related utility services.

c. Narrative Description of Business

California Water Service Group is the sole shareholder of the five operating subsidiaries: California Water Service Company, New Mexico Water Service Company, Washington Water Service Company, Hawaii Water Service Company, Inc. and CWS Utility Services.

We conduct business through our operating subsidiaries. Our business consists of the production, purchase, storage, purification, testing, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. We also provide water-related services under agreements with municipalities and other private companies which are non-regulated. The non-regulated services include full water system operation, and billing and meter reading services. Nonregulated operations also include the lease of communication antenna sites, lab services and water rights brokerage. Our earnings may be significantly enhanced by the sale of non-utility, surplus real property.

The operating 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 our service areas. Our revenue, expenses and income are affected by changes in water sales. Costs, such as payroll and benefits, depreciation, interest rates on long-term debt and property taxes are more predictable, remain fairly constant, and are not significantly impacted by 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 our service territories.

We distribute water in accordance with accepted water utility methods. Where applicable, we hold franchises and permits in the cities and communities where we operate. The franchises and permits allow us to operate and maintain facilities in public streets and right of ways as necessary.

We operate the City of Hawthorne and the City of Commerce water systems under lease agreements. In accordance with the lease agreements, we receive all revenue from operating the systems and we are responsible for paying the operating costs. Under other contract arrangements, we operate municipally owned water systems, privately owned water systems and recycled water distribution systems, but we are not responsible for all operating costs. These contracts are fee per service, fixed-fee or cost-plus contracts. We also provide billing and customer services to a number of municipalities.

We intend to continue exploring opportunities to expand our regulated and nonregulated businesses in the western United States. The opportunities could include system acquisitions, lease arrangements similar to the City of Hawthorne contract, full service system operation and maintenance agreements, meter reading and billing contracts and other utility related services. We believe that a holding company structure facilitates providing non-regulated utility services, which are not subject to Commission jurisdiction.

Geographical Service Areas and Number of Customers at Year-end

Our principal markets are users of water within our service areas. Our geographical service areas or districts are regulated. In addition, City of Hawthorne and City of Commerce are included due to similarities in structure and risk of operations. The approximate number of customers served in each area are listed below:

Regulated Customers, City of Hawthorne and City of Commerce Customers at December 31, 2003

<TABLE>

<S>	<C>
SAN FRANCISCO BAY AREA	
Mid-Peninsula (serving San Mateo and San Carlos)	36,100
South San Francisco (including Colma and Broadmoor)	16,600
Bear Gulch (serving Menlo Park, Atherton, Woodside and Portola Valley)	17,600
Los Altos (including portions of Cupertino, Los Altos Hills, Mountain View and Sunnyvale)	18,400
Livermore	17,600
	106,300
SACRAMENTO VALLEY	
Chico (including Hamilton City)	25,200
Oroville	3,500
Marysville	3,800
Dixon	2,900
Willows	2,300
Redwood Valley (Lucerne, Duncans Mills, Guerneville, Dillon Beach, portion of Santa Rosa)	1,900
	39,600
SALINAS VALLEY	
Salinas	27,700
King City	2,300
	30,000
SAN JOAQUIN VALLEY	

Bakersfield	60,900
Stockton	42,000
Visalia	33,300
Selma	5,600
Kern River Valley (Bodfish, Kernville, Lakeland, Mountain Shadows, Onyx, Squirrel Valley, South Lake and Wofford Heights)	4,200
Antelope Valley (Fremont Valley, Lake Hughes, Lancaster and Leona Valley)	1,300
	147,300
LOS ANGELES AREA	
East Los Angeles (including portions of the cities of Commerce and Montebello)	27,600
Hermosa Redondo (serving Hermosa Beach, Redondo Beach and a portion of Torrance)	25,900
Dominguez (Carson and portions of Compton, Harbor City, Long Beach, Los Angeles and Torrance)	33,400
Palos Verdes (including Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates and Rolling Hills)	23,900
Westlake (a portion of Thousand Oaks)	7,000
Hawthorne (leased municipal system)	6,100
	123,900
CALIFORNIA TOTAL	447,100
NEW MEXICO	4,100
HAWAII	500
WASHINGTON	14,700
COMPANY TOTAL	466,400

</TABLE>

Rates and Regulation

Our 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 our operations and earnings.

Since our 24 California regulated operating districts are not physically integrated, rates are set independently for each district as required by the CPUC. General office (headquarters) expenses and plant investments are considered separately and allocated ratably to the operating districts.

General and Step Rate Increases

General rate case (GRC) applications in California address district and general office operating costs and capital requirements for a forward-looking three-year period. GRC decisions typically authorize an immediate rate increase and annual step rate increases for the three-year cycle. Step rate increases are generally effective at the start of each calendar year, and are designed to maintain the return on equity (ROE) authorized in the initial decision in succeeding years. Effective January 1, 2003, we are required to file a GRC for each operating district every three years. Cal Water's GRC applications are normally submitted in July of each year. According to the CPUC's processing time line, a final decision should be expected about 12 months after the filings are accepted by the CPUC. During 2003, we received decisions for our 2001 GRC applications in September, 26 months after they were submitted. We expect to return to a more normal cycle for the 2004 filings. The 2002 GRC was re-filed in January 2003 and approval was received for interim rate increases for inflation and establishment of an effective date of October 2003. Except for the interim rate increases, GRC filings initiated in 2002 and 2003 are pending as of the date of this report.

Because districts are on different three-year GRC rate case cycles, the number of customers affected by GRC filings varies from year to year.

Water rates for our Washington Water and New Mexico Water regulated operations are set based on historic 12-month data. We are allowed to submit GRC applications annually. Water rates for Hawaii Water are set based on a forward-looking methodology and are allowed to be filed annually. In these states, regulatory procedures do not provide for step rate increases or offset increases.

Offsettable Expenses and Balancing Accounts

In California, we charge to expense increases in purchased water, purchased power and pump taxes as they are incurred. Expenses for these categories above levels included in prior GRC decisions are tracked in off-line expense balancing or memorandum accounts. The cost increases are referred to as "offsetable expenses". When the CPUC authorizes a rate increase to recover the costs tracked in expense balancing or memorandum accounts, the rate increase is referred to as an offset rate increase. We do not record revenue related to the balancing accounts until authorized by the CPUC, and then only as the increased costs are included in customers' monthly billings. Currently, recovery of balancing and memorandum accounts is subject to limitation based on a review of district earnings for the past calendar year. If recorded return on net utility plant (rate base) exceeds the rate authorized by the Commission, recovery of the balancing account balance is adjusted by the amount of earnings above the authorized return.

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-- RATES AND REGULATIONS" section for more information on rates and regulation.

Water Supply

Cal Water obtains its water supply from wells, surface runoff or diversion, and by purchase from public agencies and other wholesale suppliers. Our supply has been adequate to meet customer demand; however, during periods of drought some of our 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 and Hawaii receive rain in all seasons with the majority falling during winter months. Washington Water and Hawaii Water draw all their water supply by pumping from wells.

New Mexico Water's normal rainfall occurs in all seasons, but is heaviest in the summer monsoon season. New Mexico Water pumps all of its water supply from wells based on its water rights.

Our water business is seasonal in nature and weather conditions can have a pronounced effect on customer usage and thus our operating revenues and net income. Customer demand for water generally is lower during the normally cooler and rainy winter months. Demand increases in the spring when warmer weather returns and the rains end, and customers use more water for outdoor purposes, such as landscape irrigation. Warm temperatures during the generally dry summer months result in increased demand. Water usage declines during the fall as temperatures decrease and the rainy season begins.

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. 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. When summer temperatures are cooler than normal, water usage is generally lower and can result in us receiving lower revenue and a reduction in our earnings. A warmer than normal summer can result in higher customer usage and an increase in our 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 develop and certain customers may be required to reduce consumption to preserve available supply. As an example, from 1987 to 1993 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 period, some of our districts issued water-rationing requirements to their customers. In certain districts, penalties were assessed on customers who exceeded monthly allotments which was approved by the CPUC. During past drought periods, the CPUC has allowed modifications to our customer billings that provided us a means to recover a portion of revenue that was deemed lost due to conservation measures.

As noted above, Washington Water, New Mexico Water and Hawaii Water obtain their entire water supply from wells. Historically, about half of Cal Water's water supply is purchased from wholesale suppliers with the balance pumped from wells. During 2003, approximately 49 percent of the Cal Water supply was obtained from wells, 49 percent was purchased from wholesale suppliers and 2 percent was obtained from surface supplies. Well water is generally less expensive and Cal Water strives to maximize the use of its well sources in districts where there is an option between well or purchased supply sources.

We have five California water treatment plants in our Bakersfield, Bear Gulch, Kernville, Oroville and Redwood Valley districts. A new plant was put into service during 2003 in Bakersfield, with a capacity of 20 million gallons per day. Water for operation of the plant is drawn from the Kern River under a long-term contract with the City of Bakersfield. We removed from service the existing, smaller Bakersfield treatment plant when the new plant became fully functional. The other four plants have a capacity of 13 million gallons per day.

During 2003, we delivered 132 billion gallons of water to our customers, approximately the same amount as in 2002. Our 2003 average daily water production was 361 million gallons, while the maximum single day production was 661 million gallons. By comparison, in 2002 our average daily water production was 352 million gallons and the maximum single day production was 647 million gallons.

The following table shows the quantity of water we purchased and the percentage of purchased water to total water production in each California operating district during 2003.

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District	(MG) Water Production Purchased	Supply Purchased	Source of Purchased Supply
<S>	<C>	<C>	
SAN FRANCISCO BAY AREA			
Mid-Peninsula	5,990	100%	San Francisco Water Department
South San Francisco	3,277	100%	San Francisco Water Department
Bear Gulch	4,089	91%	San Francisco Water Department
Los Altos	3,360	70%	Santa Clara Valley Water District
Livermore	2,789	72%	Alameda County Flood Control and Water Conservation District
SACRAMENTO VALLEY			
Oroville	984	93%	Pacific Gas and Electric Co. and County of Butte
Redwood Valley	154	74%	County of Lake
SAN JOAQUIN VALLEY			
Antelope/Kern	92	12%	Antelope Valley East Kern Water District
Bakersfield	5,085	20%	Kern County Water Agency and City of Bakersfield
Stockton	6,557	61%	Stockton-East Water District
LOS ANGELES AREA			
East Los Angeles	4,966	74%	Central Basin Municipal Water District
Dominguez	10,777	80%	West Basin and Central Basin Municipal Water Districts
City of Commerce	95	27%	West Basin Municipal Water District
Hawthorne	1,597	100%	West Basin Municipal Water District
Hermosa Redondo	3,810	80%	West Basin Municipal Water District
Palos Verdes	6,725	100%	West Basin Municipal Water District
Westlake	2,918	100%	Calleguas Municipal Water District

</TABLE>

MG = million gallons

The balance of our required supply for the above districts is obtained principally from wells. In our Bear Gulch district, we obtain a portion of the water supply from surface runoff from the local watershed. In our Oroville and Redwood Valley districts, the water we purchase is from a surface supply. The surface sources are processed through our water treatment plants before being delivered to the distribution system. In our Bakersfield district, we purchase surface supply then process the water through our treatment plant. In addition, we also purchase treated water as a component to our water supply.

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.

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

The water supplies we purchase for the Dominguez, East Los Angeles, Hermosa-Redondo, Palos Verdes, and Westlake districts, the City of Hawthorne system and the City of Commerce system are provided by public agencies pursuant to a statutory obligation of continued non-preferential 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 we have with the San Francisco Water Department (SFWD) expiring on June 30, 2009.

We anticipate that we 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 our control. We expect that we will be allowed to recover the wholesale water suppliers' rate increases in customer future rates, although recovery is subject to a decision by the CPUC.

Shown below are wholesaler price rates and increases that became effective for our operating districts in 2003, and estimated wholesaler price rates changes for 2004.

<TABLE>
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District	2003 Effective Month	2003 Percent Change	2003 Unit Cost	2004 Effective Month	2004 Percent Change	2004 Unit Cost
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Antelope/Kern	July	29.4%	$220/af	July	0.0%	$220/af
Bakersfield *	July	-16.1%	115/af	July	18.3%	136/af
Bear Gulch	July	25.0%	1.10/ccf	July	9.1%	1.20/ccf
City of Commerce	Jan	-3.4%	510/af	Jan	2.0%	520/af
Dominguez	Jan	-3.4%	510/af	Jan.	2.0%	520/af
East Los Angeles	July	-4.4%	457/af	July	2.2%	467/af
Hawthorne	Jan	-3.4%	510/af	Jan.	2.0%	520/af
Hermosa Redondo	Jan	-3.4%	510/af	Jan.	2.0%	520/af
Livermore	Jan.	2.5%	1.290/ccf	Jan.	0.0%	1.290/ccf
Los Altos	July	9.5%	460/af	July	7.6%	495/af
Oroville	Jan	0.0%	69,200/yr	Jan.	8.4%	75,000/yr
Palos Verdes	Jan	-3.4%	510/af	Jan.	2.0%	520/af
Mid Peninsula	July	25.0%	1.10/ccf	July	9.1%	1.20/ccf
Redwood Valley	May	5.0%	43.97/af	May	0.0%	43.97/af
So. San Francisco	July	25.0%	1.10/ccf	July	9.1%	1.20/ccf
Stockton	April	46.6%	342,146/mo	April	12.8%	385,800/mo
Westlake	Jan.	0.7%	564/af	Jan.	1.8%	574/af

</TABLE>

af = acre foot; ccf = hundred cubic feet; yr = fixed annual cost; mo = fixed monthly cost * treated water

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - WATER SUPPLY" concerning adequacy of supplies.

We continue to work with all local suppliers and agencies responsible for water supply to insure we have adequate, long-term supply for each system.

Nonregulated Operations

Our 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 that we receive from water system operations is generally determined on a fee per customer basis. With the exception of our agreement for operation of the City of Hawthorne and City of Commerce water systems, revenue and expenses from nonregulated operations are accounted for in other income and expense on a pretax basis in the Consolidated Statements of Income. We include revenue and expenses for the City of Hawthorne and City of Commerce lease in operating revenue and operating expenses because we are entitled to retain all customer billings and are generally responsible for all operating expenses.

We operate municipally owned water systems under contract for the various cities which collectively contribute less than 5% of total net income. In Washington, we operate numerous private water systems under contract arrangements. The City of Hawthorne lease is a 15 year lease and expires in 2011. The City of Commerce lease is a 15 year lease and expires in 2018. The terms of other operating agreements range from one-year to three-year periods with provisions for renewals.

We provide meter reading and customer billing services for several municipalities in California and in New Mexico for the County of Los Alamos. We also provide sewer and/or refuse billing services to several municipalities.

Since February 1996, we have operated the City of Hawthorne water system under terms of a 15-year agreement. The system, which is located near our Hermosa-Redondo district, serves about half of Hawthorne's population. The lease required us to make an up-front $6.5 million lease payment to the city which we are amortizing over the lease term. Additionally, we make annual lease payments to the city of $0.1 million indexed to changes in water rates. Under the lease, we are responsible for all aspects of system operation and capital improvements, although title to the system and system improvements reside with the city. At the end of the lease, the city is required to reimburse us for the unamortized value of capital improvements we made during the term of the lease. In exchange, we receive all revenue from the water system, which was $5.4 million in 2003.

In July 2003, we negotiated an agreement with the City of Commerce to lease and operate its water system, and are operating under the terms of the lease. At this time, the lease has not been formally executed by the parties. The lease requires us to pay $0.8 million per year in monthly installments and pay $200 dollars per acre foot for water usage exceeding 2,000 acre feet per year plus a percentage of certain operational savings that may be realized. Under the lease agreement, we are responsible for all aspects of the system's operations. The City is responsible for capital expenditures and title to the system and system improvements resides with the city. We have risks of operation and collection of amounts billed to customers. The agreement has a process to request rate increases for costs outside of our control and other cost increases. In exchange, we receive all revenue from the system, which was $0.8 million for the six month period ended December 2003.

During 1997, we signed an agreement with the Rural North Vacaville Water District near our Dixon district to design and build a water distribution system. Construction of the system has been completed and we began operating the system in February 2003 under a contract with the water district. The new system will initially provide water to about 300 customers.

We lease antenna sites to telecommunication companies which place equipment at various sites. Individual lease payments range from $700 to $2,600 dollars per month. The antennas are used in cellular phone and personal communication applications. We continue to negotiate new leases for similar uses.

We provide laboratory services to San Jose Water Company and Great Oaks Water Company and for the systems that we serve under operation and maintenance agreements, and for numerous small water systems.

Utility Plant Construction

We continually extend, enlarge and replace our facilities as required to meet increasing demands and to maintain the water systems. We obtain construction financing from operations, short-term bank borrowings, advances for construction and contributions in aid of construction that are funded by developers. The amounts received from these sources are shown in our "Statements of Cash Flows" in our annual report, which is incorporated into this document by reference. Advances for construction are cash

deposits from developers for construction of water facilities or water facilities deeded from 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. We cannot control the amount received from developers. This amount fluctuates from year to year as the level of construction activity carried on by developers varies. This activity is impacted by the demand for housing, commercial development and general business conditions, including interest rates.

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - LIQUIDITY AND CAPITAL RESOURCES" for additional information.

Sale of Surplus Real Properties

When properties are no longer used and useful for public utility purposes, we are no longer allowed to earn a return on our investment in the property in the regulated business. The surplus property may be transferred out of the regulated operations and can be offered for sale. Income from the sale of surplus properties depends not only on changes in operations, but also on local real estate market conditions.

California Energy Situation

Our business uses electrical power primarily to pump water from our sources and move it through the distribution systems. The California energy crisis was well publicized. In response to supply shortages, electric power rates were increased significantly in prior years. Electricity rates stabilized during 2003 and we received credits from the electrical power companies. Expenses in electrical power costs are described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - RESULTS OF OPERATIONS."

There is still uncertainty about the state's ability to avoid future rolling electric blackouts, although we did not experience any major electric blackouts during 2003. We continue to use power as efficiently as we believe possible and at the lowest cost to our customers. We maintain backup power systems to continue water service to our customers if the power companies' supplies are interrupted. Many of our well sites are equipped with emergency electric generators. The generators are designed to produce electricity to keep the wells operating during power outages. Storage tanks also provide customers with water during blackout periods.

Security at Company Facilities

We have heightened security at our facilities and have taken added precautions to safeguard our employees and the water we deliver to our customers. While we do not make public comments about the details of our security programs, we have been in contact with federal, state and local law enforcement agencies to coordinate and improve water delivery systems security. In 2002, Federal legislation was enacted which resulted in new regulations concerning security of water facilities, including submitting vulnerability assessment studies to the Federal Government. The timing of submission of these studies was based on size of operations. We have submitted the studies that are required and plan to complete this program in 2004.

Quality of Water Supplies

We maintain operating practices to produce potable water in accordance with accepted water utility practices. Water entering the distribution systems from surface sources is treated in compliance with federal and state Safe Drinking Water Acts (SWDA) 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. We operate a state certified water quality laboratory at our 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 state certified labs provide water sample testing for the Washington, New Mexico and Hawaii operations.

In recent years, federal and state water quality regulations have continued to increase water testing requirements. The SDWA continues to be amended to reflect new public health concerns. We monitor water quality and upgrade our treatment capabilities to maintain compliance with the various regulations.

Competition and Condemnation

Our operating companies, Cal Water, Washington Water, New Mexico Water and Hawaii Water are regulated public utilities providing water service within filed service areas approved by the Commissions. New Mexico Water also provides regulated wastewater services. Under state laws, no privately owned public utility may compete within any service territory that we already serve without first obtaining a certificate of public convenience and necessity from the Commission. Issuance of such a certificate would only be made upon finding that our service is deficient. To our knowledge, no application to provide service to an area we serve has been made.

State 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. State statutes allow 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 our knowledge, no municipality, water district or other public agency is contemplating or has any action pending to acquire or condemn any of our 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. We participated in the industry consolidation by acquiring Dominguez Services Corporation in 2000 and by making other small acquisitions and pursuing expansion of our nonregulated operations. We intend to continue pursuit of opportunities to expand our business in the western United States.

Environmental Matters

Our operations are subject to environmental regulation by various governmental authorities. Our 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. We are actively involved in the formulation of air quality standards related to water utilities. Also, we actively investigate alternative technologies for meeting environmental regulations and continuing the traditional practices of water quality.

Human Resources

At year-end 2003, we had 813 employees, including 41 at Washington Water, 13 at New Mexico Water and 7 at Hawaii Water. We had 802 and 783 employees in 2002 and 2001, respectively. In California, most non-supervisory employees are represented by the Utility Workers Union of America, AFL-CIO, except certain engineering and laboratory employees are represented by the International Federation of Professional and Technical Engineers, AFL-CIO. At December 31, 2003, there were 541 union employees. In December 2002, we negotiated three-year agreements with both unions covering 2003 through 2005. Wage increases under the new agreements are 1% in 2003, 1.5% in 2004 and 2% in 2005. Improvements in employee benefit plans were also negotiated. Employees at Washington Water, New Mexico Water and Hawaii Water do not belong to unions.

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

We make no export sales.

Item 2. Properties.

Our 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 our Geographic Service Areas listed above in Item 1.c. "Narrative Description of the Business." Our 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.

The real properties that we own are held in fee simple title. Properties owned by Cal Water are subject to the indenture securing first mortgage bonds of which $27 million remained outstanding at December 31, 2003. Washington Water has long-term bank loans that are secured primarily by utility plant. New Mexico Water has outstanding bank loans which are secured by utility plant.

In Cal Water, we own 620 wells and operate ten leased wells. There were 382 owned storage tanks with a capacity of 247 million gallons, 31 managed storage tanks with a capacity of 29 million gallons and three reservoirs with a capacity of 220 million gallons. There are 5,200 miles of supply and distribution mains in the various systems.

In Washington Water, we own 300 wells and manage 82 wells. There are 109 owned storage tanks and 28 managed storage tanks with a storage capacity of 7.1 million gallons. There are 544 miles of supply and distribution lines.

In New Mexico Water, we own three wells. There are three storage tanks with a storage capacity of 2.5 million gallons. There are 44 miles of supply and distribution lines.

In Hawaii Water, we own six wells. There are three storage tanks with a storage capacity of 4.5 million gallons. There are 40 miles of supply and distribution lines.

In the leased City of Hawthorne and City of Commerce systems or in systems that we operate under contract for municipalities or private companies, title to the various properties is held exclusively by the municipality or private company.

Water supply, security, environmental, condemnation and utility plant construction items are discussed in Item 1.c, Narrative of the Business. Utility Plant construction items are also discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - LIQUIDITY AND CAPITAL RESOURCES."

Item 3. Legal Proceedings.

In 1995, the State of California's Department of Toxic Substances Control (DTSC) named Cal Water as a potential responsible party for cleanup of a toxic contamination plume in the Chico groundwater. 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. The DTSC contends that Cal Water's responsibility stems from its operation of wells in the surrounding vicinity that caused the contamination plume to spread. While we are cooperating with the cleanup effort, we deny any responsibility for the contamination or the resulting cleanup and intend to vigorously resist any action that may be brought against us. We have negotiated with DTSC regarding dismissal of Cal Water from the claim in exchange for our cooperation in the cleanup effort. However, no agreement has been reached with DTSC regarding dismissal of Cal Water from the DTSC action. In December 2002, Cal Water was named along with eight other defendants in a lawsuit filed by DTSC for the cleanup of the plume. The suit asserts that the defendants are jointly and severally liable for the estimated cleanup of $8.7 million. We believe that insurance coverage exists for this claim and that if we were ultimately held responsible for a portion of the cleanup costs, there would not be a material adverse effect on our financial position or results of operations. Our insurance carrier is currently paying the cost of legal representation in this matter.

In 2003, Cal Water was served with a lawsuit in state court naming it as one of several defendants for damages alleged to have resulted from waste oil contamination in the groundwater in the Marysville District. The suit did not specify a dollar amount. We do not believe that the complaint alleges any facts under which we may be held liable. The Court has twice dismissed the complaint on various grounds raised by us, but the Court has continued to grant the plaintiff leave to amend the complaint. If necessary, we intend to vigorously defend the suit. In 2002, the plaintiff in this action brought a suit against Cal Water in federal court with similar allegations concerning groundwater contamination. The suit was dismissed; however, the Court did not bar the plaintiff from filing a state claim. If an assessment were determined by a court, we believe that our insurance policy will cover costs related to this matter under the terms of the policy.

In December 2001, Cal Water and several other defendants were served with a lawsuit by the estate and immediate family members of a deceased employee of a pipeline construction contractor. The contractor's employee had worked on various Cal Water projects over a number of years. The plaintiffs allege that Cal Water and other defendants are responsible for an asbestos-related disease that is claimed to have caused the death of the contractor's employee. The complaint seeks damages in excess of $0.1 million, in addition to unspecified punitive damages. We have denied responsibility in the case and intend to vigorously defend ourself against the claim. Pursuant to an indemnity provision in the contracts between the contractor and us, the contractor has accepted liability for the claim against us and is reimbursing our defense costs.

In February 2003, the CPUC's Office of Ratepayer Advocates recommended that Cal Water be fined up to $9.6 million and refund $0.5 million in revenue for failing to report two acquisitions as required by the CPUC. One acquisition was completed prior to adoption of the reporting requirement by the CPUC; the other was inadvertently not reported. Cal Water acquired the two water systems, which serve 283 customers, for approximately $0.1 million. The staff's recommendation does not challenge the level of service provided or amounts charged for water service to the customers; it is based solely on the fact that Cal Water failed to report the acquisitions to the CPUC. On July 10, 2003, the CPUC issued Resolution W-4390. In this resolution, the CPUC's staff challenged whether Cal Water was properly authorized to make these two acquisitions, as a result of the failure to report. The resolution grants Cal Water's request to consult and work with the CPUC's Water Division to resolve the matters.

Since the CPUC's policy is to encourage large water utilities to acquire small water systems, we believe that a reasonable resolution will be reached. At this time, we cannot estimate the costs or the timing of the resolution of these issues. We do not believe that the staff's recommendation will be upheld when this matter is considered by the CPUC. Accordingly, no liability was accrued in the financial statements.

Periodically, we are involved in other proceedings or litigation arising in the ordinary course of business. We do not believe that the ultimate resolution of these matters will materially affect our financial position, results of operations or cash flows.

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 2003.

Executive Officers of the Registrant

<TABLE>
<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, and Merced California, where he had been employed for 32 years.	67
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.	56
Richard D. Nye (1)	Vice President, Chief Financial Officer and Treasurer since March 2003. Formerly Acting Chief Financial Officer (2001-2002) and Vice President of Finance and Administration (1998-2002) of Cornerstone Propane Partners, L.P., a propane distribution company, Previously served in various finance management positions with Frito-Lay, Inc., a snack food company (1989-1998).	49
Paul G. Ekstrom (3)	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.	51
Calvin L. Breed (4)	Controller, Assistant Secretary and Assistant Treasurer since Nov. 1994; previously Treasurer of TCI International, Inc. (1984-1994); a certified public accountant with Arthur Andersen & Co. (1980-1983)	48

</TABLE>

(1) Holds the same position with California Water Service Company, New Mexico Water Service Company, Washington Water Service Company, Hawaii Water Service Company, Inc. 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, Washington Water Service Company and Hawaii Water Service

Company, Inc.

(3) Vice President, Customer Service with California Water Service Company, and Corporate Secretary of California Water Service Company, New Mexico Water Service Company, Washington Water Service Company, Hawaii Water Service Company, Inc. and CWS Utility Services

(4) Holds the same position with California Water Service Company

<TABLE>
<CAPTION>

Name	Positions and Offices with California Water Service Group	Age
<S>	<C>	<C>
Francis S. Ferraro (1)	Vice President, Regulatory Matters and Corporate Development since May 2001; Vice President, Regulatory Matters, August 1989 to May 2001. Employed by the California Public Utilities Commission for 16 years, including 1985 through 1989 as an administrative law judge; an employee since 1989.	54

</TABLE>

<TABLE>
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Name	Positions and Offices with California Water Service Group	Age
<S>	<C>	<C>
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.	49
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.	57
Dan L. Stockton	Vice President, Information Systems since April 2001; from 1991 to 2001 he served as Chief Operating Officer of Great Oaks Water Company.	59
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.	58

</TABLE>

(1) Also, Vice President, Corporate Development with CWS Utility Services, and Vice President, Regulatory Matters with New Mexico Water Service Company.

(2) Also, Vice President, Engineering with CWS Utility Services.

<TABLE>
<CAPTION>

Name	Positions and Offices with California Water Service Group	Age
<S>	<C>	<C>
Michael P. Ireland	President since December 1999; previously President of Harbor Water Company, Gig Harbor, Washington from 1985 to 1999.	50

</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.

PART II

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

Our common stock is traded on the New York Stock exchange under the symbol "CWT". At December 31, 2003, there were 16,932,046 common shares and 139,000 preferred shares outstanding. As of December 31, 2003, there were 4,500 stockholders of record.

Additional information required by this Item is contained in the section captioned "Quarterly Financial Data" in our 2003 Annual Report to Stockholders and is incorporated herein by reference. The 2003

Annual Report to Stockholders is included with this report as Exhibit 13.1.

Item 6. Selected Financial Data.

The information required by this Item is contained in the section captioned "Ten-Year Financial Review" in our 2003 Annual Report to Stockholders and is incorporated herein by reference. The 2003 Annual Report to Stockholders is included with this report as Exhibit 13.1.

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," in our 2003 Annual Report to Stockholders and is incorporated herein by reference. The 2003 Annual Report to Stockholders is included with this report as Exhibit 13.1.

Item 7A Quantitative and Qualitative Disclosures About Market Risk

The information required by this Item is contained in the section captioned "Financial Risk Management" in our 2003 Annual Report to Stockholders and is incorporated herein by reference. The 2003 Annual Report to Stockholders is included with this report as Exhibit 13.1.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item is contained in the 2003 Annual Report to Stockholders and is incorporated herein by reference. The 2003 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.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision of and with the participation of our management, including our principal executive and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report, pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on their review of our disclosure controls and procedures, the principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective in timely alerting us to material information that is required to be included in periodic SEC filings.

(b) Changes to Internal controls

There was no change in our internal control over financial reporting that occurred during the last fiscal quarter of 2003 that has materially affected, or is reasonably likely to materially affect, such control.

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 sections captioned "Board Structure," of the 2004 Proxy Statement, "Proposals of the Board; Proposal No. 1 - Election of Directors" of the 2004 Proxy Statement, and "Other Matters - Code of Ethics" of the 2004 Proxy Statement, and is incorporated herein by reference. Information regarding executive officers is included in a separate section 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 "Director Compensation Arrangements" of the 2004 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 caption "Executive Compensation" of the 2004 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item is contained in the section captioned "Stock Ownership of Management and Certain Beneficial Owners" of the 2004 Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

Cal Water provides laboratory services to a subsidiary of SJW Corp., which has ownership of over 5% of the common stock outstanding. The rates charged are comparable to rates charged to other third parties. The revenue for 2003 was approximately $0.1 million. The revenue and income from these activities are not significant to our business.

Item 14. Principal Accountant Fees and Services

The information required by this Item is contained in the section captioned "Relationship with Independent Auditors" of the 2004 Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. 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 Sheets as of December 31, 2003 and 2002.

Consolidated Statements of Income for the years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Common Stockholders' Equity and Comprehensive Income for the years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001.

Notes to Consolidated Financial Statements, December 31, 2003, 2002 and 2001.

Independent Auditors' Report.

The above financial statements are contained in sections bearing the same captions in the 2003 Annual Report to Stockholders which is filed with this Form 10-K and incorporated herein by reference. Refer to Exhibit 13.1 of this Form 10-K.

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.

Reports were furnished (but not filed) on Form 8-K on October 23, 2003 regarding the results for the third quarter and on January 28, 2004, regarding the results for the 4th quarter and year end results for 2003. Both reports were furnished under Item 12 and included condensed statements of income and condensed balance sheets.

(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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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: February 25, 2004 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: February 25, 2004	/s/ Robert W. Foy ROBERT W. FOY Chairman, Board of Directors
Date: February 25, 2004	/s/ Douglas M. Brown DOUGLAS M. BROWN Member, Board of Directors
Date: February 25, 2004	/s/ Edward D. Harris, Jr. EDWARD D. HARRIS, JR., M.D. Member, Board of Directors
Date: February 25, 2004	/s/ Bonnie G. Hill BONNIE G. HILL Member, Board of Directors
Date: February 25, 2004	/s/ David N. Kennedy DAVID N. KENNEDY Member, Board of Directors
Date: February 25, 2004	/s/ Richard P. Magnuson RICHARD P. MAGNUSON Member, Board of Directors
Date: February 25, 2004	/s/ Linda R. Meier LINDA R. MEIER Member, Board of Directors
Date: February 25, 2004	/s/ Peter C. Nelson PETER C. NELSON President and Chief Executive Officer, Principal Executive Officer Member, Board of Directors
Date: February 25, 2004	/s/ George A. Vera GEORGE A. VERA Member, Board of Directors

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Date: February 25, 2004	/s/ Richard D. Nye RICHARD D. NYE Vice President, Chief Financial Officer and Treasurer; Principal Financial Officer
Date: February 25, 2004	/s/ Calvin L. Breed CALVIN L. BREED Controller, Assistant Secretary and Assistant Treasurer; Principal Accounting Officer

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(all page references will be updated at filing)

EXHIBIT INDEX

Exhibit
Number

Unless filed with this Form 10-K, the documents listed are incorporated by reference to the filings referred to:

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 Group Proxy Statement)

3.2 Restated By-laws of California Water Service Group as amended on January 26, 2000 (Exhibit E-2 to Form 8-K filed February 3, 2000)

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

4.1 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 dated February 13, 1998)

4.2 Certificate of Designations regarding Series D Participating Preferred Stock, as filed with Delaware Secretary of State on September 16, 1999 (relating to Shareholder Rights Plan)

4.3 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)

4.4 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)

4.5 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)

4.6 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)

4.7 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)

4.8 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)

4.9 First Supplement dated October 1, 2000, to Note Agreement of March 1, 1999, 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)

4.10 Second Supplement dated September 1, 2001, to Note Agreement of March 1, 1999, pertaining to issuance of $20,000,000, 7.13% Series D Unsecured Senior Notes, due November 1, 2031 (Exhibit 4.1 to Form 10-Q dated September 30, 2002)

4.11 Third Supplement dated May 1, 2002, to Note Agreement of March 1, 1999, pertaining to issuance of $20,000,000, 7.11% Series E Unsecured Senior Notes, due November 1, 2032 (Exhibit 4.1 to Form 10-Q dated June 30, 2002)

4.12 Fourth Supplement dated August 15, 2002, to Note Agreement of March 1, 1999, Note Agreement dated August 15, 2002, pertaining to issuance of $20,000,000, 5.90% Series F Unsecured Senior Notes, due November 1, 2017 (Exhibit 4.14 to Form 10-K dated December 31, 2002)

4.13 Fifth Supplement dated November 1, 2002, to Note Agreement of March 1, 1999, pertaining to issuance of $20,000,000, 5.29% Series G Unsecured Senior Notes, due November 1, 2022 (Exhibit 4.15 to Form 10-K dated December 31, 2002)

4.14 Sixth Supplement dated December 1, 2002, to Note Agreement of March 1, 1999, pertaining to issuance of $20,000,000, 5.29% Series H Unsecured Senior Notes, due December 1, 2022 (Exhibit 16 to Form 10-K dated December 31, 2002)

4.15 Ninth Supplement dated February 15, 2003, to Note Agreement of March 1, 1999, pertaining to issuance of $10,000,000, 4.58% Series K Unsecured Senior Notes, due June 30, 2010 (Exhibit 4.17 to Form 10-K dated December 31, 2002)

4.16 Tenth Supplement dated February 15, 2003, to Note Agreement of March 1, 1999, pertaining to issuance of $10,000,000, 5.48% Series L Unsecured Senior Notes, due March 18, 2018 (Exhibit 4.18

to Form 10-K dated December 31, 2002)

4.17 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)

4.18 Eleventh Supplemental Trust Indenture dated as of December 8, 1992, covering First Mortgage 8.86% Bonds, Series J (Exhibit 10.2 to Form 10-K as of December 31, 1997, and filed by Dominguez Services Corporation on March 31, 1998)

4.19 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)

4.20 Seventh Supplement dated May 1, 2003, to Note Agreement of March 1, 1999, pertaining to issuance of $10,000,000, 5.54% Series I Unsecured Senior Notes, due May 1, 2023 (Exhibit 4.22 to Form 10-Q dated March 31, 2003)

4.21 Eighth Supplement dated May 1, 2003, to Note Agreement of March 1, 1999, pertaining to issuance of $10,000,000, 5.44% Series J Unsecured Senior Notes, due May 1, 2018 (Exhibit 4.22 to Form 10-Q dated March 31, 2003)

4.22 Twelfth Supplement dated October 23, 2003 to Note Agreement of March 1, 1999, pertaining to the issuance of $20,000,000, 5.55%, Series N Unsecured Senior Notes due December 1, 2013 (Exhibit 4.24 to Form 10-Q filed September 30, 2003)

4.23 Eleventh Supplement dated November 3, 2003, to Note Agreement of March 1, 1999, pertaining to the issuance of $20,000,000, 5.52%, Unsecured Series M Senior Notes due November 1, 2013 (Exhibit 4.25 to Form 10-Q filed September 30, 2003)

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 exhibits are incorporated by reference to Form 10-K for fiscal year 1974).

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

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 l0-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)

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)

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)

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)

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)

10.8 California Water Service Company Pension Plan (Exhibit 10.10 to Form 10-K for fiscal year 1992)

10.9 California Water Service Company Employees Savings Plan. (Exhibit 10.12 to Form 10-K for fiscal year 1992)

10.10 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)

10.11 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)

10.12 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)

10.13 Dividend Reinvestment and Stock Purchase Plan dated February 17, 1998 (Filed on Form S-3 dated February 17, 1998)

10.14 California Water Service Group Directors Retirement Plan (Exhibit 10.18 to Form 10-K for fiscal year 1997) *

10.15 $60,000,000 Business Loan Agreements between Bank of America as lead arranger/bank and California Water Service Group, and CWS Utility Services and California Water Service Company, and JCC Homes dated August 1, 2001; terminated February 28, 2003 (Exhibit 10.1 to Form 10-Q dated September 30, 2001)

10.16 $10,000,000 Business Loan Agreement between Bank of America and California Water Service Group and CWS Utility Services dated February 28, 2003 (Exhibit 10.17 to Form 10-K dated December 31, 2002)

10.17 $55,000,000 Business Loan Agreement between Bank of America and California Water Service Company dated February 28, 2003 (Exhibit 10.18 to Form 10-K dated December 31, 2002)

10.18 Executive Severance Plan (Exhibit 10.24 to Form 10K for the fiscal year 1998) *

10.19 California Water Service Group Long-Term Incentive Plan (filed as Appendix A of the 2000 California Water Service Group Proxy) *

10.20 California Water Service Group Deferred Compensation Plan effective January 1, 2001; this plan replaces the former Directors Deferred Compensation Plan (Exhibit 10.22 to Form 10-K for 2000) *

10.21 California Water Service Company Supplemental Executive Retirement Plan (SERP) effective January 1, 2001; this plan replaces a prior plan, see Exhibit 10.9 (Exhibit 10.23 to Form 10-K for 2000) *

10.22 Amendment to the California Water Service Company Supplemental Executive Retirement Plan (SERP) effective January 1, 2003, granting 60% retirement benefit after 15 years of service (Exhibit 10.23 to Form 10-K for dated December 31, 2002)*

10.23 Amendment No. 1 effective June 25, 2003, to agreement with Bank of America dated February 28, 2003 (Exhibit 10.24 to Form 10-Q dated June 30, 2003)

10.24 Water Supply Contract 99-73 between the City of Bakersfield and California Water Service Company, dated March 31, 1999 (Exhibit 10.25 to Form 10-Q dated September 30, 2003)

10.25 Amendment No. 1 to Water Supply Contract between the City of Bakersfield and California Water Service Company, dated October 3, 2001 (Exhibit 10.26 to Form 10-Q dated September 30, 2003)

10.26 Amendment No. 2 effective February 18, 2004, to agreement with Bank of America dated February 28, 2003

13. Annual Report to Security Holders, Form 10-Q or Quarterly Report to Security Holders:

    13.1 2003 Annual Report. Certain sections of the 2003 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 I, Item 1, Business; Part I, Item 2, Properties; Part II, Item 5, Market for Registrant's Common Equity and Related Stockholder 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 Statements and Supplementary Data.

21. Subsidiaries of the Registrant

23. Consents of Experts and Counsel

    23.1 Consent of KPMG LLP

31. Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

    31.1 Chief Executive Officer certification of financial statements pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

    31.2 Chief Financial Officer certification of financial statements pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32. Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan or arrangement

EXHIBIT 4.2

CERTIFICATE OF DESIGNATIONS

SERIES D PARTICIPATING PREFERRED STOCK

OF

CALIFORNIA WATER SERVICE GROUP, INC.

(Pursuant to Section 151 of the General Corporation Law of the State of Delaware)

California Water Service Group, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 151(g) thereof,

HEREBY CERTIFIES:

1. On August 18, 1999, the Board of Directors of the Corporation adopted a resolution designating 221,000 shares of Preferred Stock as Series D Participating Preferred Stock.

2. No shares of Series D Participating Preferred Stock have been issued.

3. Pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation of the Corporation, the following resolution was duly adopted by the Board of Directors on August 18, 1999 creating the series of Preferred Stock designated as Series D Participating Preferred Stock:

RESOLVED, that the Board of Directors, pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Certificate of Incorporation, a series of Preferred Stock of the Corporation be and hereby is created, and that the determination and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

"Series D Participating Preferred Stock":

Paragraph 1. Designation and Amount. The shares of such series shall be designated as "Series D. Participating Preferred Stock" (the "Series D Preferred Stock") and the number of shares constituting the Series D Preferred Stock shall be 221,000 and its part value is $0.01 per share. Such number of shares may be increased or decreased by resolution of the Board of Directors prior to the issuance of any Series D Preferred Stock.

Paragraph 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series D Preferred Stock with respect to dividends, the holders of shares of Series D Preferred Stock, in preference to the holders of Common Stock, no par value (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, as and when declared by the Board of Directors out of the surplus or net profits, dividends payable in cash on the same date as dividends upon the Corporation's Series C (each such payment date referred to herein as a "Dividend Payment Date") and in the same manner as dividends upon the Corporation's Series C, commencing on the first Dividend Payment Date after the first issuance of a share or fraction of a share of Series D Preferred Stock, in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of the Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Dividend Payment Date or, with respect to the first Dividend Payment Date, since the first issuance of any share or fraction of a share of Series D Preferred Stock. If the Corporation shall fail to pay any such dividends upon all the issued and outstanding Series D Preferred Stock, the deficiency in dividends shall be fully paid but without interest before any dividends shall be set apart or paid on the Common Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series D Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series D Preferred Stock as provided in paragraph (A) of this Paragraph 2 immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) The Board of Directors may fix a record date for the determination of holders of shares of Series D Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not less than 10 nor more than 60 days prior to the date fixed for the payment thereof.

Paragraph 3. Voting Rights. The holders of shares of Series D Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series D Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series D Preferred Stock were entitled immediately prior to such an event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares

of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Amendment to the Certificate of Incorporation or Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series D Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series D Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Paragraph 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series D Preferred Stock as provided in Paragraph 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series D Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series D Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series D Preferred Stock, except dividends paid ratably on the Series D Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the

Series D Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series D Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series D Preferred Stock, or any shares of stock ranking on a parity with the Series D Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Paragraph 4, purchase or otherwise acquire such shares at such time and in such manner.

Paragraph 5. Reacquired Shares. Any shares of Series D Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled

promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Amendment to the Certificate of Incorporation or Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Paragraph 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series D Preferred Stock unless, prior thereto, the holders of shares of Series D Preferred Stock shall have received a minimum of $100.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series D Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series D Preferred Stock, except distributions made ratably on the Series D Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series D Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Paragraph 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series D Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock into a greater or lesser number of shares of Common Stock), then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series D Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Paragraph 8. Redemption. The shares of Series D Preferred Stock may be redeemed at the option of the Corporation in whole or in part upon any Dividend Payment Date and in the manner prescribed in the Corporation's Certificate of Incorporation, upon at least 30 days notice to the holder of record thereof at a redemption price per share equal to 100 times the fair market value of one common share on such date, together with all accrued dividends on the Series D Preferred Stock.

Paragraph 9. Rank. The Series D Preferred Stock shall rank, (i) with respect to the payment of dividends in parity with the Series C Preferred Stock and (ii) with respect to the distribution of assets, junior to all other series of the Corporation's preferred shares.

Paragraph 10. Amendment. The Certificate of Incorporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series D Preferred Stock so as to affect them adversely without, in addition to any other vote of stockholders required by law, the affirmative vote of the holders of at least a majority of the outstanding shares of Series D Preferred Stock, voting together as a single class.

Paragraph 11. Fractional Shares. The Series D Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of the Series D Preferred Stock."

IN WITNESS WHEREOF, California Water Service Group, Inc. has caused this certificate to be duly executed this 14th day of September, 1999.

CALIFORNIA WATER SERVICE GROUP, INC.

By: /s/Peter C. Nelson
Peter C. Nelson
President and Chief Executive Officer

Attest:

/s/Paul Ekstrom
Paul Ekstrom
Secretary

EXHIBIT 10.26

Bank of America [Logo}

AMENDMENT NO. 2 TO LOAN AGREEMENT

AND ASSUMPTION AGREEMENT

This Amendment No. 2 and Assumption Agreement (the "Amendment") dated as of February 18, 2004 is among Bank of America, N.A. (the "Bank"), California Water Service Group ("Borrower 1"), CWS Utility Services ("Borrower 2") and New Mexico Water Service Company ("Borrower 3") ("Initial Borrowers") and Washington Water Service Company ("Borrower 4") and Hawaii Water Service Company, Inc. ("Borrower 5") ("New Borrowers"). (Borrower 1, Borrower 2, Borrower 3, Borrower 4 and Borrower 5 are sometimes referred to collectively as the "Borrowers" and individually as the "Borrower").

1. RECITALS

A. The Bank and Initial Borrowers entered into a certain Business Loan Agreement dated as of February 28, 2003 (together with any previous amendments, the "Agreement").

B. Initial Borrowers, New Borrowers and the Bank desire to amend certain terms and provisions of the Agreement as more specifically hereinafter set forth.

C. New Borrowers desire to be parties to and to assume the obligations under the Agreement jointly and severally with Initial Borrowers.

2. AGREEMENT

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meaning given to them in the Agreement.

2. Assumption. Borrower 4 and Borrower 5 unconditionally, jointly and severally assume each and every obligation under the Agreement, and by their respective signatures hereto they become parties to the Agreement.

3. Amendments. The Agreement is hereby amended as follows:

3.1 Throughout the Agreement, Borrower 1, Borrower 2, Borrower 3, Borrower 4 and Borrower 5, are sometimes referred to collectively as the "Borrower."

3.2 Paragraph 7.3 of the Agreement is amended to read in its entirety as follows:

"7.3 Reduction of Debt Period. To reduce the amount of advances outstanding under this Agreement to not more than Five Million Dollars ($5,000,000) for a period of at least thirty (30) consecutive days in each Line-Year. `Line-Year' means the period between January 1, 2004 and December 31, 2004, and each subsequent one-year period (if any). For the purposes of this paragraph `advances' does not include undrawn amounts of outstanding letters of credit."

3.3 In Paragraph 7.16 of the Agreement, the date "February 28, 2003" is added in the space provided.

4. Representations and Warranties. When the Borrowers sign this Amendment, each Borrower represents and warrants to the Bank that: (a) there is no event which is, or with notice or lapse of time or both would be, a default under the Agreement except those events, if any, that have been disclosed in writing to the Bank or waived in writing by the Bank, (b) the representations and warranties in the Agreement are true as of the date of this Amendment as if made on the date of this Amendment, (c) this Amendment does not conflict with any law, agreement, or obligation by which any Borrower is bound, and (d) this Amendment is within each Borrower's powers, has been duly authorized, and does not conflict with any of its organizational papers.

5. Conditions. This Amendment will be effective when the Bank receives, in form and content acceptable to the Bank, evidence that the execution, delivery and performance by Borrower 4 and Borrower 5 of this Amendment and any instrument or agreement required under this Amendment have been duly authorized.

6. Effect of Amendment. Except as provided in this Amendment, all of the terms and conditions of the Agreement shall remain in full force and effect.

7. Counterparts. This Amendment may be executed in counterparts, each of which when so executed shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

8. FINAL AGREEMENT. BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS DOCUMENT REPRESENTS THE FINAL AGREEMENT BETWEEN PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, (B) THIS DOCUMENT SUPERSEDES ANY COMMITMENT LETTER, TERM SHEET OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS RELATING TO THE SUBJECT MATTER HEREOF, UNLESS SUCH COMMITMENT LETTER, TERM SHEET OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS EXPRESSLY PROVIDES TO THE CONTRARY, (C) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (D) THIS DOCUMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

This Amendment is executed as of the date stated at the beginning of this Amendment.

<TABLE>

Borrower:	Bank:
California Water Service Group (Initial Borrower)	Bank of America, N.A.
By /s/ Richard D. Nye	By /s/ John C. Plecque
Richard D. Nye, Vice President, Chief Financial Officer and Treasurer	John C. Plecque, Senior Vice President
	By /s/ Chris P. Giannotti
	Chris P. Giannotti, Senior Vice President

</TABLE>

Borrower:

CWS Utility Services (Initial Borrower)

By /s/ Richard D. Nye

Richard D. Nye, Vice President, Chief Financial Officer and Treasurer

Borrower:

New Mexico Water Service Company (Initial Borrower)

By /s/ Richard D. Nye

Richard D. Nye, Vice President, Chief Financial Officer and Treasurer

Borrower:

Washington Water Service Company (New Borrower)

By /s/ Richard D. Nye

Richard D. Nye, Vice President, Chief Financial Officer and Treasurer

Borrower:

Hawaii Water Service Company, Inc. (New Borrower)

By /s/ Richard D. Nye

Richard D. Nye, Vice President, Chief Financial Officer and Treasurer

Exhibit 13.1

2003 Annual Report

Ten-Year Financial Review
California Water Service Group

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(Dollars in thousands, except common share data)	2003	2002	2001	2000	1999
SUMMARY OF OPERATIONS					
Operating revenue					
Residential	$194,903	$184,894	$173,823	$171,234	$163,681
Business	49,666	46,404	44,944	44,211	41,246
Industrial	11,255	11,043	9,907	11,014	12,695
Public authorities	12,789	12,706	11,860	11,609	10,898
Other	8,515	8,104	6,286	6,738	6,417
Total operating revenue	277,128	263,151	246,820	244,806	234,937
Operating expenses	246,894	232,404	221,116	211,610	201,890
Interest expense, other income and expenses, net	10,817	11,674	10,739	13,233	11,076
Net income	$ 19,417	$ 19,073	$ 14,965	$ 19,963	$ 21,971
COMMON SHARE DATA					
Earnings per share - diluted	$ 1.21	$ 1.25	$ 0.97	$ 1.31	$ 1.44
Dividend declared	1.125	1.120	1.115	1.100	1.085
Dividend payout ratio	93%	90%	115%	84%	75%
Book value	$ 14.44	$ 13.12	$ 12.95	$ 13.13	$ 12.89
Market price at year-end	27.40	23.65	25.75	27.00	30.31
Common shares outstanding at year-end (in thousands)	16,932	15,182	15,182	15,146	15,094
Return on average common stockholders' equity	9.1%	9.7%	7.6%	10.1%	11.5%
Long-term debt interest coverage	2.78	2.73	2.64	3.31	3.79
BALANCE SHEET DATA					
Net utility plant	$759,498	$696,988	$624,342	$582,782	$564,390
Utility plant expenditures	74,253	88,361	62,049	37,161	48,599
Total assets	873,035	798,478	710,214	666,605	645,507
Long-term debt including current portion	273,130	251,365	207,981	189,979	171,613
Capitalization ratios:					
Common stockholders' equity	47.0%	44.0%	48.8%	51.1%	53.0%
Preferred stock	0.7%	0.7%	0.9%	0.9%	0.9%
Long-term debt	52.3%	55.3%	50.3%	48.0%	46.1%
OTHER DATA					
Water production (million gallons)					
Wells and surface supply	68,416	67,488	65,283	65,408	65,144
Purchased	63,264	64,735	61,343	62,237	58,618

Total water production	131,680	132,223	126,626	127,645	123,762
Metered customers	387,579	380,087	371,281	366,242	361,235
Flat-rate customers	78,843	78,901	79,146	78,104	77,892
Customers at year-end	466,422	458,988	450,427	444,346	439,127
New customers added	7,434	8,561	6,081	5,219	6,727
Revenue per customer	$ 594	$ 579	$ 552	$ 554	$ 539
Utility plant per customer	$ 2,313	$ 2,182	$ 2,020	$ 1,916	$ 1,851
Employees at year-end	813	802	783	797	790

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	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
SUMMARY OF OPERATIONS					
Operating revenue					
Residential	$150,491	$158,210	$148,313	$132,859	$127,228
Business	38,854	40,520	37,605	35,873	33,712
Industrial	10,150	10,376	9,748	9,952	9,080
Public authorities	9,654	11,173	10,509	9,585	9,397
Other	5,777	4,886	4,083	4,833	3,767
Total operating revenue	214,926	225,165	210,258	193,102	183,184
Operating expenses	183,245	188,020	177,356	164,958	155,012
Interest expense, other income and expenses, net	11,821	11,388	11,502	11,176	11,537
Net income	$ 19,860	$ 25,757	$ 21,400	$ 16,968	$ 16,635
COMMON SHARE DATA					
Earnings per share - diluted	$ 1.31	$ 1.71	$ 1.42	$ 1.13	$ 1.17
Dividend declared	1.070	1.055	1.040	1.020	0.990
Dividend payout ratio	82%	62%	73%	90%	85%
Book value	$ 12.49	$ 12.15	$ 11.47	$ 10.97	$ 10.72
Market price at year-end	31.31	29.53	21.00	16.38	16.00
Common shares outstanding at year-end (in thousands)	15,015	15,015	15,015	14,934	14,890
Return on average common stockholders' equity	10.8%	14.5%	12.8%	10.6%	11.1%
Long-term debt interest coverage	3.64	4.37	3.81	3.41	3.49
BALANCE SHEET DATA					
Net utility plant	$538,741	$515,917	$495,985	$471,994	$455,769
Utility plant expenditures	41,061	37,511	40,310	31,031	32,435
Total assets	613,143	594,444	569,745	553,027	516,507
Long-term debt including current portion	152,674	153,271	151,725	154,416	138,628
Capitalization ratios:					
Common stockholders' equity	54.6%	53.8%	52.7%	50.9%	52.9%
Preferred stock	1.0%	1.0%	1.1%	1.1%	1.2%
Long-term debt	44.4%	45.2%	46.2%	48.0%	45.9%
OTHER DATA					
Water production (million gallons)					
Wells and surface supply	57,482	63,736	60,964	54,818	53,274
Purchased	54,661	59,646	56,769	57,560	59,850
Total water production	112,143	123,382	117,733	112,378	113,124
Metered customers	354,832	350,139	345,307	335,238	332,146
Flat-rate customers	77,568	77,878	77,991	78,330	79,159
Customers at year-end, including Hawthorne	432,400	428,017	423,298	413,568	411,305
New customers added	4,383	4,719	9,730	2,263	3,325

Revenue per customer	$ 500	$ 529	$ 502	$ 468	$ 447
Utility plant per customer	$ 1,768	$ 1,694	$ 1,632	$ 1,580	$ 1,520
Employees at year-end	759	752	740	738	729

</TABLE>

FORWARD-LOOKING STATEMENTS

This annual report, including the Letter to Stockholders and Management's Discussion and Analysis, contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 (Act). The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the Act. Forward-looking statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the Company, the water utility industry and general economic conditions. Such words as expects, intends, plans, believes, estimates, assumes, anticipates, projects, predicts, forecasts or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. They are subject to uncertainty and changes in circumstances. Actual results may vary materially from what is contained in a forward-looking statement. Factors that may cause a result different than expected or anticipated include: governmental and regulatory commissions' decisions; changes in regulatory commissions' policies and procedures; the timeliness of regulatory commissions' actions concerning rate relief; new legislation; electric power interruptions; increases in suppliers' prices and the availability of supplies including water and power; fluctuations in interest rates; changes in environmental compliance and water quality requirements; acquisitions and the ability to successfully integrate acquired companies; the ability to successfully implement business plans; changes in customer water use patterns; the impact of weather on water sales and operating results; access to sufficient capital on satisfactory terms; civil disturbances or terrorist threats or acts, or apprehension about the possible future occurrences of acts of this type; the involvement of the United States in war or other hostilities; restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends; and other risks and unforeseen events. When considering forward-looking statements, you should keep in mind the cautionary statements included in this paragraph. We assume no obligation to provide public updates of forward-looking statements.

OVERVIEW

California Water Service Group provides water utility services to customers in California, Washington, New Mexico and Hawaii. The majority of the business is regulated by the respective state's public utility commission. Our California regulated water business comprises the majority of the business and contributed 96% of our revenues and 84% of our net income in 2003. We also have a regulated wastewater business in New Mexico. Non-regulated activities we provide relate primarily to the water utility business and include operating, maintenance, billing, meter reading and water testing services.

The regulatory entities governing our regulated operations are referred to as "the Commissions" in this report. Revenues, income and cash flows are earned primarily through delivering drinking water through pipes to homes and businesses. Rates charged to customers for the regulated business are determined by the Commissions. These rates are intended to allow us to recover operating costs and earn a reasonable rate of return on capital.

Major factors relevant to the drinking water industry and our Company are: the process and timing of setting rates charged to customers; weather; water quality standards; other regulatory standards; water supply; water quality; and level of capital expenditures.

The most significant risk and challenge to our business during the past several years has been obtaining timely rate increases to cover increased costs and investments. We are addressing this risk by having an experienced team dedicated solely to pursuing rate increases and managing Commission issues. Our business can also be impacted by weather, as it was in 2003. Weather risk is partially mitigated by having operations in both northern and southern California, as well as in three other states. Another risk in our industry is obtaining adequate financing, as the capital expenditures needed for infrastructure may significantly exceed the cash flow generated by operations. Management believes that the Company has a strong balance sheet and is capable of supporting the financing needs of the business through use of debt and equity. Finally, the water industry is highly regulated, and must comply with a multitude of standards related to water quality and service. To address compliance issues, we have a highly trained, focused team that uses state-of-the-art technology and works closely with government agencies to monitor supplies and operations.

For 2003, net income was $19.4 million compared to $19.1 million in 2002. Diluted earnings per share for 2003 were $1.21 compared to $1.25 in 2002. The decline in earnings per share was primarily due to delays in receiving rate relief on our large general rate case filing, higher rainfall which lowered sales and increased shares outstanding. Partially offsetting these factors were higher gains from property sales additional revenue from other rate filings, and increases in customers. We plan to continue to invest in the business, with budgeted capital expenditures of $66 million for 2004, which we plan to fund from operating cash flows, additional debt and issuance of common stock. Overall, we expect our 2004 operational performance and operating cash flows to improve due to the rate increases approved to date.

BUSINESS

California Water Service Group is a holding company incorporated in Delaware with five operating subsidiaries: California Water Service Company (Cal Water), CWS Utility Services (Utility Services), New Mexico Water Service Company (New Mexico Water), Washington Water Service Company (Washington Water) and Hawaii Water Service Company, Inc. (Hawaii Water). Cal Water, New Mexico Water, Washington Water and Hawaii Water are regulated public utilities. The regulated utility entities also provide some non-regulated services. Utility Services provides non-regulated services to private companies and municipalities.

Cal Water, which began operation in 1926, is a public utility supplying water service to 446,000 customers in 75 California communities through 25 separate districts. Cal Water's 24 regulated systems, which are subject to regulation by the California Public Utilities Commission (CPUC), serve 439,900 customers. An additional 6,100 customers receive service through a long-term lease of the City of Hawthorne's system by Cal Water, which is not subject to CPUC regulation. Cal Water accounts for 96% of the total customers and 96% of the total operating revenue.

Washington Water started operations in 1999 through the acquisition of two water companies. It provides domestic water service to 14,700 customers in the Tacoma and Olympia areas. Washington Water's utility operations are regulated by the Washington Utilities and Transportation Commission. Washington Water accounts for 3% of the total customers and 2% of the total operating revenue.

New Mexico Water began providing non-regulated meter reading services in 2000, and assumed regulated operations in July 2002 with the purchase of the assets of Rio Grande Utility Corporation. New Mexico Water provides service to 2,400 water and 1,700 wastewater customers south of Albuquerque, New Mexico. Its regulated operations are subject to the jurisdiction of the New Mexico Public Regulation Commission. New Mexico Water accounts for 1% of the total customers and 1% of the total operating revenue.

Hawaii Water was formed in May 2003 with the acquisition of Kaanapali Water Corporation. Hawaii Water provides water service to 500 customers on the island of Maui, including several large resorts and condominium complexes. Its regulated operations are subject to the jurisdiction of the Hawaii Public Utilities Commission. Hawaii Water accounts for less than 1% of the total customers and 1% of the total operating revenue.

Utility Services conducts only non-regulated activities. Included in Utility Services' operations is a long-term lease agreement with the City of Commerce, which serves approximately 1,100 customers. Non-regulated activities are primarily contracted in Utility Services and include contracting with other private companies and municipalities to operate water systems and provide meter reading and billing services. Other non-regulated activities include leasing communication antenna sites, operating recycled water systems, providing brokerage services for water rights, providing lab services and selling non-utility property. Due to the different mix of services we provide, customers are not tracked for non-regulated activities. Excluding sales of non-operating property, non-regulated activities comprised 6% of the total net income in 2003.

Rates and operations for regulated customers are subject to the jurisdiction of the respective state's regulatory commission. The Commissions require that water and wastewater rates for each regulated district be independently determined. The Commissions are expected to authorize rates sufficient to recover normal operating expenses and allow the utility to earn a fair and reasonable return on capital. Rates for the City of Hawthorne and City of

Commerce water systems are established in accordance with operating agreements and are subject to ratification by the respective city councils. Fees for other non-regulated activities are based on contracts negotiated between the parties.

RESULTS OF OPERATIONS

Earnings and Dividends. Net income in 2003 was $19.4 million compared to $19.1 million in 2002 and $15.0 million in 2001. Diluted earnings per common share were $1.21 in 2003, $1.25 in 2002 and $0.97 in 2001. The weighted average number of common shares outstanding used in the diluted earnings per share calculation was 15,893,000 in 2003, 15,185,000 in 2002, and 15,186,000 in 2001. As explained below, the decline in 2003 earnings per share resulted from these primary factors: delay in receiving rate relief on a general rate case filing, lower water sales to existing customers due to weather conditions and increased shares outstanding. The effects of these factors were almost entirely negated by higher gains from property sales, additional revenue from other rate increases and an increase in customers.

At the January 2003 meeting, the Board of Directors declared the quarterly dividend, increasing it for the 36th consecutive year. Dividends have been paid for 59 consecutive years. The annual dividend paid in 2003 was $1.125, a 0.4% increase over the $1.12 paid in 2002, which was an increase of 0.4% over the $1.115 paid in 2001. The dividend increases were based on projections that the higher dividend could be sustained while still providing adequate financial resources and flexibility. Earnings not paid as dividends are reinvested in the business for the benefit of stockholders. The dividend payout ratio was 93% in 2003, 90% in 2002 and 115% in 2001, an average of 98% during the three-year period.

Operating Revenue. Operating revenue, which includes revenue from the City of Hawthorne and City of Commerce leases, was $277.1 million, an increase of 5.3% over 2002. Operating revenue in 2002 was $263.2 million, an increase of 6.6% over 2001. The sources of changes in operating revenue were:

Dollars in millions	2003	2002
Customer usage	$ (4.6)	$ 6.9
Rate increases	12.6	6.6
Usage by new customers	6.0	2.8
Net change	$ 14.0	$ 16.3
Average revenue per customer (in dollars)	$ 594	$ 579
New customers added	7,400	8,600

Overall, temperatures in our service areas for 2003 were comparable to 2002. Rainfall in our California service areas was higher than normal between February and April. Partially offsetting higher rainfall in California was lower rainfall in our Washington service area during the summer, which had a positive impact on water usage. Higher rainfall in California was the primary factor for the $4.6 million decrease in revenue from customer usage in 2003. In 2002, the weather patterns were relatively normal. In 2001, the weather was cooler and more rainy than normal.

Rate increases added $12.6 million to 2003 revenues. The estimated impact of various rate increases were: step rate increases - $2.2 million; Bakersfield treatment plant - $2.3 million; balancing accounts - $1.9 million; 2001 General Rate Case (GRC) - $3.7 million; 2001 GRC "catch-up" surcharges - $1.3 million; purchased water rate increases - $0.9 million; and Washington Water rate increases - $0.3 million.

For 2002, rate increases added $6.6 million to revenue. Revenue from GRC decisions accounted for $2.7 million of the increase, $2.0 million came from step rate increases and $1.9 million came from offset rate increases to recover electric costs included in expense-balancing accounts for four California districts. No new GRC decisions were authorized by the CPUC during 2002. Washington Water received a GRC decision in 2002. The RATES AND REGULATION section of this report provides a detailed discussion of regulatory activity.

The December 31, 2003, customer count, including the City of Hawthorne and City of Commerce customers, was 466,400, an increase of 2% from the 459,000 customers at the end of 2002, which was an increase of

2% from the 450,400 customers at the end of 2001. The increase in customers is due to normal growth within existing service areas and acquisitions of water systems. The addition of Hawaii Water added 500 customers in 2003 and the addition of New Mexico Water added 4,100 customers in 2002. These are included in the customer count increases.

Water Production Expenses. Water production expenses, which consist of purchased water, purchased power and pump taxes, comprise the largest segment of total operating costs. Water production costs accounted for 44.2%, 45.6% and

45.3% of total operating costs in 2003, 2002 and 2001, respectively. The rates charged for wholesale water supplies, electricity and pump taxes are established by various public agencies. As such, these rates are beyond our control. The table below provides the amount of increases (decreases) and percent changes in water production costs during the past two years: Dollars in millions

<TABLE>
<CAPTION>

	2003			2002		
	amount	change	% change	amount	change	% change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Purchased Water	$ 80.8	$ 4.1	5%	$ 76.7	$ 3.5	5%
Purchased Power	21.9	(1.0)	(4%)	22.9	1.8	8%
Pump Taxes	6.3	--	--	6.3	0.4	7%
Total Water Production	$ 109.0	$ 3.1	3%	$ 105.9	$ 5.7	6%

</TABLE>

Two of the principal factors affecting water production expenses are the amount of water produced and the source of the water. Generally, water from wells costs less than water purchased from wholesale suppliers. The table below provides the amounts, percentage change and source mix for the respective years: Millions of gallons (MG)

<TABLE>
<CAPTION>

	2003		2002		2001	
	MG	% of total	MG	% of total	MG	% of total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Source:						
Wells	66,009	50.0%	68,663	51.9%	64,646	51.1%
% change from prior year	(4%)		6%			
Purchased	63,264	48.2%	62,811	47.5%	61,344	48.4%
% change from prior year	1%		2%			
Surface	2,407	1.8%	751	0.6%	638	0.5%
% change from prior year	221%		18%			
Total	131,680	100.0%	132,225	100.0%	126,628	100.0%
% change from prior year	(1%)		4%			

</TABLE>

Purchased water expenses are affected by quantity changes, supplier prices and cost differentials between wholesale suppliers. For 2003, the $4.1 million increase in purchased water costs was primarily driven by increased wholesale rates charged by wholesale suppliers in the Stockton and San Francisco Bay area districts. Overall, wholesale water rates increased 5%. Purchased power expenses are affected by water pumped from wells, water moved through the distribution system, rates charged by electric utility companies and rate structures applied for usage during peak and non-peak times of the day or season. The majority of the change in purchased power expenses is attributable to credits received from the electric utility companies (total of $0.9 million) and lower quantities of water pumped from wells.

In 2002, four wholesale water suppliers increased their rates, which increased purchased water costs. The increases ranged from 2% to 5%. One wholesale supplier reduced its rate by 9%. The 2002 purchased power expense increase was caused by higher electric rates paid through May 2002 as compared to 2001's electric rates and a 6% increase in well production. In December 2001, wholesale suppliers in the Los Angeles area refunded $1.4 million for over-collection of prior period water purchases. The refunds were recorded as a reduction of purchased water costs. There were no comparable refunds in 2002.

Administrative and General Expenses. The components of administrative and general expenses include payroll related to administrative and general functions, all company benefits charged to expense accounts, insurance expense, legal fees, audit fees, regulatory utility commissions' expenses, board of directors' fees and general corporate expenses.

During 2003, administrative and general expenses increased $3.8 million, or 10%, compared to 2002. Payroll expenses increased $0.6 million, or 9%, due to the addition of new employees and wage increases. Employee benefits increased $3.0 million due primarily to increases in retirement plan expense of $2.3 million (51%) and employee/retiree health expenses of $0.4 million (7%). The retirement plan cost increase was due primarily to changes in the pension plan effective January 1, 2003, which will improve benefits to employees. As part of the negotiations with the unions, lower pay increases were offset by increased pension benefits. Other expense elements contributed to the balance of the change, but none were individually significant.

During 2002, administrative and general expenses increased $1.2 million, or 3%, compared to 2001. Payroll expenses increased $1.2 million with the addition of new employees and wage increases that were effective in January 2002. However, the payroll increase was offset by the reduction of consultants who worked primarily on information systems projects. Certain consultants were replaced with permanent employees. As a result of these changes, consulting fees decreased $2.1 million. Employee benefits increased $2.3 million due to increases mainly in group health ($0.4 million), workers' compensation ($0.5 million) and retirement plan expenses ($1.3 million). The retirement plan cost increase was based on an actuarial report that considered asset performance and the cost of an improvement in the retirement benefit provided to employees. Partially offsetting these increases was an increased allocation of costs attributable to non-regulated operations of $0.3 million, which are reported in a separate line on the Consolidated Statements of Income. These allocations reduce administrative and general expenses.

Other Operations Expenses. The components of other operations expenses include payroll, material and supplies, and contract services costs of operating the regulated water systems, including the costs associated with water transmission and distribution, pumping, water quality, meter reading, billing and operations of district offices.

For 2003, other operating expenses increased $3.4 million or 10% from 2002. Payroll costs charged to other operating expenses increased $1.1 million, or 6%, due to general wage increases, labor related to the Bakersfield Treatment Plant and labor related to customer service in our district offices. Other major cost increases were related to lab expenses of $0.5 million (56%), chemicals and filters of $0.5 million (42%), uncollectible account expense of $0.4 million (73%) and rent expense of $0.4 million (45%). Other expense elements contributed to the balance of the change, but none were individually significant.

For 2002, other operating expenses were virtually unchanged compared to 2001. Payroll costs charged to other operating expenses declined approximately $1.1 million due to synergies realized from combining four Los Angeles operating districts at one location and by shifting of labor to support the increase in capital construction projects. Offsetting the decline in labor costs were increases in non-labor pumping and water quality expenses.

Maintenance. Maintenance expense increased $1.1 million (10%) in 2003 compared to 2002. For 2002, maintenance expense decreased $0.5 million (5%) compared to 2001. The variance is impacted by a variety of factors. In 2003, we completed more repairs related to leaks and breaks in mains and service lines. We also incurred increased maintenance costs for pumps. Additionally, we expended $0.2 million on a well and treatment plant in the City of Hawthorne.

Depreciation and Amortization. Depreciation and amortization expense increased due to the level of company-funded capital expenditures. See LIQUIDITY AND CAPITAL RESOURCES section for more information.

Non-Regulated Income, Net. The major components of non-regulated income are revenue and expenses related to the following activities: operating and maintenance services (O&M), meter reading and billing services, leases for cellular phone antennas, water rights brokering, and design and construction services. Overall, non-regulated income in 2003 was relatively flat compared to 2002, with increases primarily from O&M and cellular phone antennas offset by decreases in water rights brokerage income. Water rights brokerage income is sporadic and is affected by market opportunities and price volatility. See note 3 of the consolidated financial statements for additional information.

Gain on Sale of Non-Utility Property. Pretax gains from non-utility property sales were $4.6 million, $3.0 million, and $3.9 million in 2003, 2002 and 2001, respectively. The 2003 gains were primarily from three properties sold in the San Francisco Bay area. Earnings and cash flow from these transactions are sporadic and may or may not continue in future periods depending upon market conditions. We have other non-utility properties that may be marketed in the future based on real estate market conditions.

Interest Expense. Interest expense increased by $0.7 million (4%) and $0.8 million (5%) in 2003 and 2002, respectively. The increased expense was due primarily to higher borrowing of long-term debt. Refinancing activities and lower short-term interest rates partially offset the increase in interest expense. See LIQUIDITY AND CAPITAL RESOURCES section for more information.

RATES AND REGULATION

Following are summaries of approved and pending rate filings. The amounts reported are annual amounts; therefore, the impact to recorded revenue will generally be recognized over a twelve-month period from the effective date of the decision. Most increases are permanent in nature except for the increases related to the 2001 GRC "catchup" and the offsetable expenses, which have specific time frames for recovery.

2003 Regulatory Activity - Approved Filings. In January 2003, we received approval for step rate increases totaling $2.2 million. Step increases allow recovery of cost increases, primarily from inflation, between GRC filings. GRC filings are normally made every three years for each district.

In April 2003, the CPUC authorized a second advice letter filing related to the Bakersfield Treatment Plant. This advice letter allowed an increase in rates of $1.8 million on an annual basis. The plant became operational in the second quarter of 2003 and had a total project cost of approximately $50 million.

In May 2003, the CPUC authorized the recovery of $5.4 million in offsetable expenses (also known as balancing accounts), of which approximately $3.6 million will be collected from May 2003 through May 2004 and approximately $1.8 million will be collected from June 2004 through May 2005. Partially offsetting this increase is a $0.8 million decrease for one district, effective from June 2003 through June 2004.

In September 2003, the CPUC approved Cal Water's 2001 GRC applications. These filings were submitted in July 2001 for 14 of our 24 California districts. This GRC decision authorizes an 8.9% return on rate base and will add an estimated $12.8 million to annual revenues. In addition, we received approval to collect an additional $4.5 million in revenues over 12 months to reflect an effective date of April 3, 2003. The 2001 GRC also authorized the filing of step rate increases for $2.7 million annually for 2004 and 2005 that are effective in January of each year pending approval by the CPUC.

In the September 2003 to December 2003 period, the CPUC approved increases to recover higher purchased water costs for our districts in the San Francisco Bay area. The total annual amount of these increases is $4.8 million.

In October 2003, the CPUC authorized a third advice letter filing related to the Bakersfield Treatment Plant. This allowed an increase in rates of $4.2 million on an annual basis. Due to depreciation expense for the new plant beginning in January 2004, only $0.4 million was billed in the October 2003 to December 2003 period. The full $4.2 million annual amount was effective in January 2004.

No filings were approved during 2003 for Washington Water, New Mexico Water or Hawaii Water.

2004 Regulatory Activity - Approved Filings (through February 2004). In January 2004, we received approval for step rate increases totaling $4.2 million.

In February 2004, the CPUC authorized an advice letter for $0.7 million for one district related to increased wholesale purchased water rates.

Pending Filings. Annual amounts provided below reflect our requested increases; the CPUC has historically approved increases that are lower than those requested.

Cal Water 2002 GRC Applications - Applications have been filed for rate increases for several districts. As of this report date, the current proposed settlement is $4.0 million. The amount of the proposed settlement may or

may not be adjusted when final decisions are issued by the CPUC. At this time, we are unable to predict when the final decisions and rulings will be issued, their composition or their financial impact on revenues for future periods.

Cal Water 2003 GRC Applications - Applications have been filed for rate increases for two districts totaling approximately $5.7 million on an annual basis. The amount of the filing may or may not be adjusted when final decisions are issued by the CPUC. At this time, we are unable to predict when the final decisions and rulings will be issued, their composition or their financial impact on revenues for future periods.

Expense Balancing and Memorandum Accounts - Advice letters were filed for recovery of approximately $5.5 million related to balancing-type memorandum accounts. During the initial review process, the CPUC raised certain issues, requiring us to refile our request, which we expect to do in the 1st quarter of 2004. At this time, we cannot predict if adjustments will be made during the CPUC review process nor can we predict the timing of the decision on the filing.

No filings were pending as of this report date for Washington Water, New Mexico Water or Hawaii Water. We plan on filing during 2004 for increased rates for New Mexico Water's wastewater operations and for Hawaii Water. These filings are not expected to impact 2004 revenues significantly.

2002 Regulatory Activity - Approved. In January 2002, step increases of $2.0 million were approved by the CPUC.

In April 2002, Washington Water was granted by the Washington Utility

Trade Commission (WUTC) a $1.0 million increase in annual revenue to cover higher operating costs and capital expenditures.

In June 2002, the CPUC authorized an increase in rates for our Bakersfield District of $0.8 million on an annual basis related to the new treatment plant being constructed at that time. This decision was based on an advice letter filing to cover approximately $6 million of construction costs incurred as of the filing date.

Regulatory Tardiness and Legislative Initiative. Regulatory delays in obtaining CPUC decisions regarding GRC filings have been costly to California regulated water utilities. In recent years, we have experienced significant revenue losses due to regulatory delays. We normally file GRC applications in July, but filed later in 2002 and 2003 due to the delays in the 2001 GRC. The CPUC's rate processing timeline provides for a decision within 12 months of accepting a GRC application. When decisions are not issued in a timely manner, customer rates are not increased in line with cost increases. As a result, we lose revenue and do not fully recover costs during the period the decisions are delayed.

We have experienced significant revenue losses due to delays in obtaining GRC filing approvals in California. The estimated loss from CPUC delays was $9.3 million in revenue and $5.6 million in net income. This estimate covers the July 2002 through March 2003 period and was due to the delays concerning the 2001 GRC application. These figures represent the revenue and net income that would have been collected if the CPUC had issued its decision on the 2001 GRC in July 2002, which is when a decision would normally have been rendered on a September 2001 filing. The estimated impact of approval delays on our balancing accounts filings was not permanent and the loss of the time value of money is not deemed to be material.

California State Assembly Bill 2838 became effective on January 1, 2003, and applies to filings made in January 2003 and thereafter. It is designed to preserve the cash flow of regulated water utilities by providing interim rate relief if the CPUC has not issued a decision for a requested GRC rate increase in a timely manner. While the CPUC has not issued formal procedures for implementing the provisions of this bill, we believe interim rate increases will be authorized if the CPUC does not issue a final rate decision in a timely manner. In our initial application of this bill, we did receive approval to charge interim rates to cover inflation costs and we received approval for establishment of an effective date. While the impact to 2003 revenue was very minor, we view the approval of interim rate and establishment of an effective date as positive indications that the basic provisions of this law will be applied as intended.

Review of Property Sales by CPUC. In September 2003, the CPUC issued decision D. 03-09-021. In this decision, the CPUC ordered Cal Water to maintain and track sales records for each property that was at any time included in rate base and subsequently sold and to share these records with the CPUC. The CPUC's staff is reviewing our recording of proceeds and recognition of gain on sales of these non-utility, surplus properties. We believe the sales of surplus properties were properly recorded in accordance with the Water Utility Infrastructure Act of 1995 and the

CPUC's decision authorizing the holding company structure for California Water Service Group. Gains have been recognized outside of regulated operations, as the properties sold were not being used in the regulated operations and were excluded from rate base for rate-setting purposes. Also, proceeds from these sales have been reinvested in the regulated business of Cal Water. The CPUC has requested documentation to determine whether we appropriately removed these non-utility, surplus properties from rate base in a timely manner, and has requested documentation on the determination that they were no longer used and useful. If the CPUC finds that any surplus property sale or transfer was recorded inappropriately, then this could result in a reduction to rate base used to determine future rates charged to regulated customers. This could reduce future revenues, net income and cash flows. We are not able to provide estimates of the timing or what the ultimate resolution may be.

In Washington Water, New Mexico Water and Hawaii Water, we have not experienced regulatory tardiness or variations to established processes on rate filings.

WATER SUPPLY

Our source of supply varies among our operating districts. Certain districts obtain all of the supply from wells; some districts purchase all of the supply from wholesale suppliers; and other districts obtain supply from a combination of wells and wholesale suppliers. A small portion of the supply comes from surface sources and is processed through company-owned water treatment plants. We are currently meeting water quality, environmental and other regulatory standards.

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. New Mexico's rainfall is heaviest in the summer monsoon season. Hawaii receives precipitation throughout the year with the largest amounts in the winter months. Water usage in all service areas is highest during the warm and dry 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 2003-2004 water year has been above average. Water storage in California's reservoirs at the end of 2003 was at average levels. We believe that supply pumped from underground aquifers and purchased from wholesale suppliers should be adequate to meet customer demand during 2004 and beyond. We develop long-term water supply plans for each of our districts to help assure an adequate water supply under various operating and supply conditions. Some of our districts have unique challenges in meeting water quality standards; but we believe our supplies will meet current standards using current treatment processes. We are executing a plan to meet more stringent EPA standards related to arsenic, which will become effective in January 2006. Additional information on water supply is reported in our Form 10-K filing.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity.

Short-Term Financing. Our short-term liquidity is provided by bank lines of credit and internally generated funds. On a long-term basis, we obtain financing through access to debt and equity markets. Short-term bank borrowings were $6.5 million at December 31, 2003, and $36.4 million at December 31, 2002. Cash and cash equivalents were $2.9 million at December 31, 2003, and $1.1 million at December 31, 2002. Given our ability to access these lines of credit on a daily basis, we keep cash balances down to levels required for daily cash needs and use surplus cash to pay down lines of credit when available. Minimal operating levels of cash are maintained for Washington Water, New Mexico Water and Hawaii Water.

The water business is seasonal. Revenue is lower in the cool, wet winter months when less water is used compared to the warm, dry summer months when water use is higher. During the winter period, the need for short-term borrowings under the bank lines of credit increases. The increase in cash flow during the summer 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. In 2003, we used both long-term debt and the issuance of common stock to provide funding to pay down short-term borrowings. In years when more than normal precipitation falls in the Company's service areas or temperatures are lower than normal, especially in the summer months, customer water usage can be lower than normal. The reduction in water usage reduces cash flow from operations and increases the need for short-term borrowings.

During the first seven months of 2003, short-term borrowings were used as an initial funding source for capital expenditures. This caused short-term borrowings to increase through July 2003. In August 2003, we issued a secondary offering of common stock under a shelf registration. These proceeds were used to pay down the short-term borrowings and provide long-term funding for capital expenditures. During 2002, the need for short-term borrowings was high due to capital expenditures primarily related to construction of the Bakersfield Treatment Plant. Cash generated by operations was not sufficient to meet cash needs of the business, primarily due to company-funded capital expenditures. Capital was obtained through short-term borrowings and long-term borrowings.

Cal Water has a $45 million credit facility. The term of the agreement expires in April 2005. This agreement has a requirement for balances to be below certain thresholds for 30 consecutive days each calendar year. We met this requirement in 2003 and have already met this requirement in 2004. No other financial covenants apply, such as interest expense coverage or capitalization ratios. The agreement terms include a provision that allows the bank to call the loan and cancel the facility if Cal Water's debt ratings fall below investment grade (Moody's Baa3 or S&P BBB-). Cal Water's current debt ratings are A2 from Moody's and A+ from S&P. In addition to borrowings, the facility allows for letters of credit up to $10 million. We had one letter of credit outstanding for $0.5 million related to an insurance policy, which reduces the amount available to borrow. Interest is charged on a variable basis and fees are charged for unused amounts. As of December 31, 2003, we had borrowed $4.0 million against the facility.

A $10 million credit facility exists for California Water Service Group, Utility Services, Washington Water, New Mexico Water and Hawaii Water. Until recently modified, the agreement covered only California Water Service Group, Utility Services and New Mexico Water. The term of the agreement expires in April 2005. This agreement has a requirement for balances to be below certain thresholds for 30 consecutive days each calendar year. We met this requirement in 2003 and have already met this requirement in 2004. No other financial covenants apply, such as interest expense coverage or capitalization ratios. The agreement terms include a provision that allows the bank to call the loan and cancel the facility if Cal Water's debt ratings fall below investment grade. In addition to borrowings, the facility allows for letters of credit up to $5 million. We had no letters of credit outstanding at December 31, 2003. Interest is charged on a variable basis and fees are charged for unused amounts. As of December 31, 2003, we had no borrowings against the facility.

New Mexico Water has $2.5 million in loans that expire in May 2004. These loans do not have an out-of-debt compliance period. An additional $0.1 million is available for borrowing under the current arrangement. At this time, we believe these loans can be renewed at market rates. Washington Water has a $0.1 million credit facility that is currently unused. Hawaii Water does not have a credit facility or other third party loans as of December 31, 2003.

Generally, short-term borrowings under the commitments are converted annually to long-term borrowings.

Credit Ratings. Cal Water's first mortgage bonds are rated by Moody's Investors Service (Moody's) and Standard & Poor's (S&P). The bank credit facility agreements contain a provision that if Cal Water's Moody's or S&P's senior debt rating falls below investment grade, the credit line may be terminated by the bank and the loan accelerated. During the fourth quarter of 2003, management met separately with the two credit rating agencies during their annual rating reviews. In February 2004, Moody's issued a report lowering Cal Water's senior secured debt from A1 to A2 and noted the rating as stable. In November 2003, S&P issued a report keeping its rating of A+, but changing its outlook from stable to negative. Both cited concerns about the lack of timely rate relief from the CPUC and the projected capital expenditure requirements for water infrastructure and environmental compliance needs. Moody's also issued a report about the water industry, citing the difficulties small operators face in financing needed capital expenditures and delays in commission rulings as two main concerns. We believe that the rate increases received and pending will increase revenues, income and cash flows in 2004, which will increase our financial strength. The rating agencies may or may not agree with this assessment and may further change their ratings in the future. We would expect to be

able to meet financing needs even if our ratings were further downgraded, but a rating change may result in a higher interest rate on new debt.

Long-Term Financing. Long-term financing, which includes senior notes, other debt securities and common stock, has been used to replace short-term borrowings and fund capital expenditures. Internally-generated funds, after making dividend payments, provide positive cash flow, but have not been at a level to meet all of our capital expenditure needs. We expect this trend to continue given our plan for capital expenditures for the next 5 years. We believe that long-term financing is available to us through debt and equity markets.

In March 2002, the CPUC issued a decision granting Cal Water authority to complete up to $250 million of equity and debt financing through 2005, subject to certain restrictions. We currently have raised $206 million through additional debt, refinanced debt and a common stock offering. We plan to request an additional authorization for $250 million covering the next five years to address future capital needs. In addition to Company funds, construction projects are funded by developers' contributions in aid of construction, which are not refundable, and advances for construction, which are refundable.

During 2002, we initiated a program to refinance a portion of Cal Water's outstanding first mortgage bonds. The refinancing was intended to take advantage of the available lower interest rates. The total program was completed in three phases. The first phase of the program was completed in 2002 and included refinancing of Series S, BB and DD first mortgage bonds, and Series P that matured on November 1, 2002. Including Series P, the total first mortgage bond principal balance refinanced was $33.9 million. In addition, call premiums and transaction costs were incurred in the transactions. The refinancing was accomplished with funds from the issuance by Cal Water of two lower interest, unsecured senior notes. Series G Senior Notes for $20 million were issued in November 2002 and Series H Senior Notes for $20 million were issued in December 2002. The interest rate on both series is 5.29% and both mature in 2022. Each series requires annual sinking fund payments of $1.8 million commencing in 2012.

The second phase of the refinancing was completed in May 2003. Cal Water issued $10 million, 5.54%, 20-year Series I Senior Notes and $10 million, 5.44%, 15-year Series J Senior Notes. Both notes were unsecured. The proceeds from these borrowings were used to prepay the Series EE first mortgage bond that had an interest rate of 7.9%. The principal, call premiums and transaction costs were approximately $20 million.

The third phase was completed in November 2003. In October 2003, Cal Water issued a $20 million, 5.55%, Series N Senior Note. The note is unsecured and matures on December 1, 2013. Payment of principal is due at maturity. Funds received were used to prepay first mortgage bond Series FF, which accrued interest at a rate of 6.95% and had a principal balance of $19.1 million. In addition to the prepayment of the principal balance, funds were used to pay a call premium related to Series FF, transaction costs and for general corporate purposes. In November 2003, Cal Water issued a $20 million, 5.52%, Series M Senior Note. The note is unsecured and matures on November 1, 2013. Payment of principal is due at maturity. Funds received were used to prepay first mortgage bond Series GG, which accrued interest at a rate of 6.98% and had a principal balance of $19.1 million. In addition to the prepayment of the principal balance, funds were used to pay a call premium related to Series GG, transaction costs and for general corporate purposes.

The transactions described above concluded our refinancing program. Based on terms currently available in the marketplace, we have determined that additional refinancing at this time would be cost prohibitive. The refinanc-ing program encompassed approximately $100 million of long-term debt and we estimate it will save approximately $2.0 million in interest expense on an annual basis through the year 2013.

In 2002, long-term financing was provided by issuance of senior notes by Cal Water. In May 2002, Cal Water completed the issuance of $20 million, 7.11%, 30-year Series E Senior Notes. In August 2002, Cal Water completed the issuance of $20 million, 5.90%, 15-year Series F Senior Notes. These senior note issues do not require sinking fund payments.

In 2003, long-term financing was provided by issuance of senior notes by Cal Water and issuance of common stock by the Company.

In February 2003, Cal Water completed the issuance of $10 million, 4.58%, 7-year Series K Senior Notes and $10 million, 5.48%, 15-year Series L Senior Notes. Both notes were unsecured. The proceeds were used to pay down short-term borrowings and to fund capital expenditures.

On July 11, 2003, a shelf registration became effective, which provides for the issuance from time to time of up to $120 million in common stock, preferred stock and/or debt securities. We may issue any of these types of securities until the amount registered is exhausted, and will add the net proceeds from the sale of the securities to our general funds to be used for general corporate purposes, which may include investment in subsidiaries, working capital, capital expenditures, repayment of short-term borrowings, refinancing of existing long-term debt, acquisitions and other business opportunities.

On August 4, 2003, we announced the issuance of 1,750,000 additional shares of common stock from the shelf registration statement. A prospectus supplement and prospectus were filed with the SEC under Rule 424 (b) (2) on August 5, 2003. The shares were sold at $26.25 per share. The net proceeds to us were $43.8 million and the transaction was closed on August 7, 2003. The funds were used to pay down short-term borrowings and to invest in short-term money market instruments pending their use for general corporate purposes. After issuance of the 1,750,000 shares, there remains $74.1 million in securities under the shelf registration, which are available for future issuance.

Washington Water has long-term debt primarily from two banks to meet its operating and capital equipment purchase requirements at interest rates negotiated with the banks.

We do not utilize off-balance sheet financing or utilize special purpose entity arrangements. We do not have equity ownership through joint ventures or partnership arrangements.

Additional information regarding the bank borrowings and long-term debt is presented in notes 8 and 9 in the consolidated financial statements.

Dividend Reinvestment and Stock Purchase Plan. We have a Dividend Reinvestment and Stock Purchase Plan (Plan). Under the Plan, stockholders may reinvest dividends to purchase additional common stock without commission fees. The Plan also allows existing stockholders and other interested investors to purchase common stock through the transfer agent up to certain limits. Our transfer agent operates the Plan and purchases shares on the open market to provide shares for the Plan.

2004 Financing Plan. Our 2004 financing plan includes raising approximately $40-$50 million of new capital. The plan includes issuance of $20-$30 million in senior notes to institutional investors and issuance of $20-$30 million of common stock. As currently contemplated, the common stock offering will be accomplished with one issuance in 2004 pursuant to the shelf registration. The timing of the issuance has not been established. Beyond 2004, we intend to fund capital needs through a relatively balanced approach between long-term debt and equity.

Contractual Obligations. We have contractual obligations which are summarized in the table below. Long-term debt payments include annual sinking fund payments on first mortgage bonds, maturities of long-term debt and annual payments on other long-term obligations. Advances for construction represent annual contract refunds to developers for the cost of water systems paid for by the developers. The contracts are non-interest bearing and refunds are generally on a straight-line basis over a 40-year period. The total amount presented for operating leases is for a 20-year period.

Contractual Obligations (In thousands)	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Long-Term Debt	$273,130	$ 904	$ 1,688	$ 1,623	$268,915
Advances for Construction	121,952	4,728	8,714	8,279	100,231
Operating Leases	15,324	1,417	2,656	2,464	8,787
Take or Pay Purchase Agreements	53,978	8,138	17,265	18,674	9,901

Cal Water has water supply contracts with wholesale suppliers in 16 of its operating districts. For each contract, the cost of water is established by the wholesale supplier and is generally beyond our control. The amount paid annually to the wholesale suppliers is charged to purchased water expense on our statements of income. Most contracts do not require minimum annual payments and vary with the volume of water purchased.

The wholesale water contract with Stockton East Water District (SEWD) is a fixed fee contract. The SEWD payments totaled $3.8 million in 2003. We estimate the annual price to increase $0.8-$1.5 million for the

SEWD contract effective April 2004. SEWD rates include incorporating current year estimated costs and adjustments related to prior years costs and allocations with other customers. We are unable to estimate price changes beyond a one-year period.

We currently have two contracts, one in Los Altos and one in Bakersfield, that contain minimal purchase provisions (take or pay). These contract payments vary with the volume of water purchased. We plan to continue to purchase and use at least the minimum water requirement under these contracts in the future. Both contracts renew annually. Obligations were estimated assuming a five-year horizon beyond 2004.

Capital Requirements. Capital requirements consist primarily of new construction expenditures for expanding and replacing utility plant facilities and the acquisition of water systems. They also include refunds of advances for construction.

Company-funded utility plant expenditures were $53.9 million, $71.6 million and $53.4 million in 2003, 2002 and 2001, respectively. A major project during this time frame was the $50 million water treatment plant and related water transmission and distribution pipelines in Bakersfield, California. Expenditures to construct the plant were incurred over a five-year period, with the largest portion, $27.1 million, incurred in 2002. The plant became operational in 2003. Other major components of capital expenditures were mains and water treatment equipment.

For 2004, company-funded capital expenditures are budgeted at $65.8 million. For years beyond 2004, capital expenditures are estimated at $70-$80 million per year for the next 5 years and will primarily be for mains, related water distribution equipment, pumping and water treatment equipment.

Other capital expenditures are funded through developer advances and contributions in aid of construction (non-company funded). The expenditure amounts were $20.4 million, $16.8 million and $8.7 million in 2003, 2002 and 2001, respectively. The changes from year to year reflect expansion projects by developers in our service areas. Funds are received in advance of incurring costs for these projects. Advances are normally refunded over a 40-year period without interest. Future payments for advances received are listed under Contractual Obligations above.

We expect to incur non-company-funded expenditures in 2004. These expenditures will be financed by developers through refundable advances for construction and non-refundable contributions in aid of construction. Developers are required to deposit the cost of a water construction project with us prior to our commencing construction work, or the developers may construct the facilities themselves and deed the completed facilities to us. Because non-company-funded construction activity is solely at the discretion of developers, we cannot predict the level of future activity. The cash flow impact is expected to be minor due to the structure of the arrangements.

Capital Structure. In 2003, common stockholders' equity increased $45.3 million (22.7%), primarily due to the issuance of common stock in August 2003. The long-term debt portion of the capital structure increased in 2003 by $21.9 million, primarily due to issuance of Series K and Series L Senior Notes, which were $10 million each. See Long-Term Financing section above for additional information.

Total capitalization at December 31, 2003, was $520.2 million and $453.1 million at the end of 2002. We expect that our plan for using a balanced approach of common equity and long-term debt, coupled with increased earnings above dividend growth, will increase the equity portion of capitalization in future years. At December 31, capitalization ratios were:

	2003	2002
Common Equity	47.0%	44.0%
Preferred Stock	0.7%	0.7%
Long-term Debt	52.3%	55.3%

The return (from both regulated and non-regulated operations) on average common stockholders' equity was 9.1% in 2003 compared to 9.7% in 2002.

Acquisitions. Although there were no significant acquisitions in the periods presented, the following acquisitions are reported since they expanded operations into new states.

In July, 2002, we acquired certain assets of Rio Grande Utility Corporation (Rio Grande) through New Mexico Water. The purchase included the water and wastewater assets of Rio Grande, which serves 2,400 water and 1,700 wastewater customers about 30 miles south of Albuquerque, New Mexico. The purchase price was $2.3 million in cash, plus assumption of $3.1 million in outstanding debt. Rate base for the system is approximately $5.4 million. The results of operations include the operating results of Rio Grande since the acquisition date. Revenue for 2003 was $1.6 million and net income was $0.1 million.

In April 2003, we acquired the Kaanapali Water Corporation for $6.1 million in cash. After completing the acquisition, the entity's name was changed to Hawaii Water Service Company, Inc. (Hawaii Water). Hawaii Water provides water utility services to 500 customers in Maui, Hawaii. The final purchase price will be determined after certain events have occurred, principally the resolution of determining rate base after filing for a general rate case with the Hawaii Public Utilities Commission (HPUC). A filing is planned for 2004. At that time, the purchase price could be adjusted, which could result in additional refunds estimated between 0% and 5% of the purchase price. For 2003, revenue was $2.1 million and net income was $0.3 million. These amounts were for an eight-month period.

In June 2002, New Mexico Water signed an agreement to purchase National Utilities Corporation (National Utilities) and related assets for approximately $1.1 million. National Utilities serves 700 water customers located adjacent to the Rio Grande water system and another 900 water customers located 150 miles south of Albuquerque. The acquisition will entitle New Mexico Water to purchase up to 2,000 acre-feet of water annually as required for its operations. The purchase is not expected to have a material impact on revenues, net income, or cash flows. The purchase is subject to the approval of the New Mexico Public Regulation Commission. We estimate regulatory approval to be received prior to June 2004.

Real Estate Program. We own more than 900 real estate parcels. From time to time, certain parcels are deemed not necessary for or used in water utility operations. Most surplus properties have a low cost basis. A program was 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. Property sales produced pretax gains of $4.6 million, $3.0 million and $3.9 million in 2003, 2002 and 2001, respectively. As sales are dependent on real estate market conditions, future sales may or may not be at prior year levels.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We maintain our accounting records in accordance with accounting principles generally accepted in the United States of America and as directed by the regulatory commissions to which our operations are subject. The process of preparing financial statements requires the use of estimates on the part of management. The estimates used by management are based on historic experience and an understanding of current facts and circumstances. A summary of our significant accounting policies are listed in note 2 of the consolidated financial statements and other notes provide additional information. The following sections describe the level of subjectivity, judgment and variability of estimates that could have a material impact on the financial condition, operating performance and cash flows of the business.

Regulated Utility Accounting. Because we operate extensively in a regulated business, it is subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." Application of SFAS No. 71 requires accounting for certain transactions in accordance with regulations defined by the respective regulatory commission of that state. In the event that a portion of our operations were no longer subject to the provisions of SFAS No. 71, we would be required to write off related regulatory assets and liabilities that are not specifically recoverable and determine if other assets might be impaired. If a regulatory commission determined that a portion of our assets were not recoverable in customer rates, we would be required to determine if it had suffered an asset impairment that would require a write-down in the assets' valuation. There has been no such asset impairment as of December 31, 2003. Additional information relating to regulatory assets and liabilities are listed in note 2 of the consolidated financial statements.

Revenue Recognition. Revenue is estimated for metered customers for water used between the last reading of the customer's meter and the end of the accounting period. This estimate is based on the usage from the last bill to the customer, which normally covers a 30-day period, and is prorated from the last meter read date to the end of the

accounting period. The amount of variability is low at December 31, as this is one of the lowest usage months of the year and usage for the previous 30-day period is relatively consistent during this time of the year. Actual usage may vary from this estimate.

Flat-rate customers are billed in advance at the beginning of the service period. Since these are constant amounts, appropriate adjustments can be calculated to determine the revenue related to the applicable period.

Estimated Expenses. Some expenses are recorded using estimates, as actual payments are not known or processed by the accounting deadline. Estimates are made for unbilled purchased water, unbilled purchased power, unbilled pump taxes, payroll and other types of similar expenses. While management believes its estimates are reasonable, actual results could vary. Differences between actual results and estimates are recorded in the period when the information is known.

Expense-Balancing and Memorandum Accounts. Expense-balancing accounts and memorandum accounts (offsetable expenses) represent recoverable costs incurred, but not billed to our customers. The amounts included in these accounts relate to rate increases charged to us by suppliers of purchased water and purchased power, and increases in pump taxes. We do not record expense-balancing or memorandum accounts in our financial statements as revenue, nor as a receivable, until the CPUC and other regulators have authorized recovery of the higher costs and customers have been billed. Therefore, a timing difference may occur between when costs are recognized and the recognition of associated revenues. The balancing and memorandum accounts are only used to track the higher costs outside of the financial statements. The cost increases, which are beyond our control, are referred to as "offsetable expenses" because under certain circumstances they are recoverable from customers in future offset rate increases. In May 2003, the CPUC gave approval to charge customers for a portion of our offsetable expenses (See Rates and Regulations). Additionally, we have pending filings with the CPUC for offsetable expenses. The amounts requested may not be ultimately collected through rates, as amounts may be disallowed during the review process or subject to an earnings test. While the adjustments would not impact previously recorded amounts, the adjustments may impact future earnings and cash flows. We are not able to provide estimates of what the ultimate collection will be from these accounts.

Washington Water, New Mexico Water and Hawaii Water did not have material amounts in expense-balancing or memorandum accounts.

Income Taxes. Significant judgment is required in determining the provision for income taxes. The process involves estimating current tax exposure and assessing temporary differences resulting from treatment of certain items, such as depreciation, for tax and financial statement reporting. These differences result in deferred tax assets and liabilities, which are reported in the consolidated balance sheets. We must also assess the likelihood that deferred tax assets will be recovered in future taxable income. To the extent recovery is unlikely, a valuation allowance would be required. If a valuation allowance were required, it could significantly increase income tax expense. In management's view, a valuation allowance was not required at December 31, 2003. Detailed schedules relating to income taxes are provided in note 11 of the consolidated financial statements.

Employee Benefit Plans. We incur costs associated with our pension and postretirement benefit plans. To measure the expense of these benefits, management must estimate compensation increases, mortality rates, future health cost increases and discount rates used to value related liabilities and to determine appropriate funding. We work with independent actuaries to measure these benefits. Different estimates and/or actual amounts could result in significant variances in the costs and liabilities recognized for these benefit plans. The estimates used are based on historical experience, current facts, future expectations and recommendations from independent advisors and actuaries.

We use an investment advisor to provide expert advice for managing investments in these plans. To diversify investment risk, the plans' goal is to invest 60% of the assets in various equity mutual funds and 40% in bond funds. At December 31, 2003, 57% of the assets were invested in equity mutual funds and 43% in bond funds. Based on the market values of the investment funds for the year ended December 31, 2003, the total return on the pension plan assets was 19%. For 2002 and 2001, returns were a negative 3.3% and a positive 2.2%, respectively. Future returns on investments could vary significantly from estimates and could impact our earnings and cash flows. We would expect changes to these costs to be recovered in future rate filings, mitigating the financial impact.

For our measurement in 2003, we estimated the discount rate at 6.25%, which approximates the rate of Moody's AA rated bonds at December 2003. The discount rate used for 2002 was 6.7% using the same methodology. We assumed the rate of compensation to increase 1.5% in 2004, 2.0% in 2005 and 4.25% thereafter. Any change in these assumptions would have an effect on the service costs, interest costs and accumulated benefit obligations. Additional information related to employee benefit plans are listed in note 12 of the consolidated financial statements.

Workers' Compensation, General Liability and Other Claims. For workers' compensation, we utilize an actuary firm to estimate the discounted liability associated with claims submitted and claims not yet submitted based on historical data. These estimates could vary significantly from actual claims paid, which could impact our earnings and cash flows. For general liability claims and other claims, we estimate the cost incurred but not yet paid using historical information. Actual costs could vary from these estimates. We believe actual costs incurred would be allowed in future rates, mitigating the financial impact.

Contingencies. We did not record any provisions relating to the contingencies reported in note 15 of the consolidated financial statements, as these did not qualify for recording under SFAS No. 5 or other accounting standards. If our assessment is incorrect, these items could have a material impact on the financial condition, results of operations and cash flows of the business.

FINANCIAL RISK MANAGEMENT

We do not participate in hedge arrangements, such as forward contracts, swap agreements, options or other contractual agreements relative to the impact of market fluctuations on our assets, liabilities, production or contractual commitments. We operate only in the United States, and therefore, are not subject to foreign currency exchange rate risks.

Terrorism Risk. Since the September 11, 2001, terrorist attacks, we have heightened security at our facilities and have taken added precautions to protect our employees and the water we deliver to our customers. We have complied with EPA regulations concerning vulnerability assessments and have made filings to the EPA as required. In addition, communication plans have been developed as a component of our procedures related to this risk. While we do not make public comments on our security programs, we have been in contact with federal, state and local law enforcement agencies to coordinate and improve water delivery systems' security.

Interest Rate Risk. We are subject to interest rate risk, although this risk is lessened because we are regulated. If interest costs were to increase, we believe our rates would increase accordingly. The majority of debt is long-term, fixed-rate. Interest rate risk does exist on short-term borrowings within our credit facilities, as these interest rates are variable. We also have interest rate risk with new financing, as we may incur higher interest rates on new debt if interest rates increase.

Stock Price Risk. Because we operate primarily in a regulated industry, our stock price 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. In the past, we experienced stock price risk because of the impact on earnings caused by the delay of certain CPUC decisions. The adverse change in our stock price could make use of common stock financing more expensive in the future.

Stock Market Performance Risk. Although our stock price did not reflect the volatility of the general market over the past few years, we could be impacted by changes in the general market that may influence our stock price. In addition, we could be impacted by changes in the general stock and bond markets in other areas. We provide our employees a defined benefit pension plan and postretirement benefit plan. We are responsible for funding both of these plans and a portion of the plans' assets are invested in stock market equities (excluding our stock) and in corporate bonds. Poor performance of the equity and bond investments could result in a need for additional future funding and costs to make up for a loss of value in the equity investments. We believe we would be able to recover these costs associated with the benefit plans in customer rates.

Equity Risk. We do not have equity investments and, therefore, do not have equity risks.

RECENT ACCOUNTING PRONOUNCEMENTS AND RECENT LAW CHANGES

The description and impact of recent accounting pronouncements that are effective for the period reported are described in note 2 of the consolidated financial statements.

As of the filing date, there were no accounting pronouncements affecting future periods that would have a material impact on our financial condition, results of operations or cash flows.

The change in the law concerning Medicare for prescription drugs may have a positive impact on our business. We elected to defer incorporating the law change into the measurement of our postretirement plans. At this time, we are unable to estimate the impact and have not made any decisions on whether the plan will be amended due to this change in the law.

Consolidated Balance Sheets
California Water Service Group

In thousands, except per share data

<TABLE>
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December 31,	2003	2002
ASSETS		
Utility plant:		
Land	$ 12,318	$ 11,513
Depreciable plant and equipment	1,038,058	927,244
Construction work in progress	13,770	48,624
Intangible assets	14,829	13,929
Total utility plant	1,078,975	1,001,310
Less accumulated depreciation and amortization	319,477	304,322
Net utility plant	759,498	696,988
Current assets:		
Cash and cash equivalents	2,856	1,063
Receivables, net of allowance for uncollectible accounts:		
Customers	18,434	14,831
Other	5,125	9,130
Unbilled revenue	8,522	7,969
Materials and supplies at weighted average cost	2,957	2,760
Taxes and other prepaid expenses	5,609	5,130
Total current assets	43,503	40,883
Other assets:		
Regulatory assets	53,326	46,089
Unamortized debt premium and expense	9,071	6,798
Other	7,637	7,720
Total other assets	70,034	60,607
	$ 873,035	$ 798,478

</TABLE>

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<CAPTION>

	2003	2002
<S>	<C>	<C>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $0.01 par value; 25,000 shares authorized, 16,932 and 15,182 outstanding in 2003 and 2002, respectively	$ 169	$ 152
Additional paid-in capital	93,748	49,984
Retained earnings	150,908	149,215
Accumulated other comprehensive loss	(301)	(134)
Total common stockholders' equity	244,524	199,217
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 272,226	250,365	
Total capitalization	520,225	453,057
Current liabilities:		
Current maturities of long-term debt	904	1,000
Short-term borrowings	6,454	36,379
Accounts payable	23,776	23,706
Accrued taxes	2,074	1,365
Accrued interest	2,896	2,873
Other accrued liabilities	27,460	24,114
Total current liabilities	63,564	89,437
Unamortized investment tax credits	2,925	2,774
Deferred income taxes	38,005	31,371
Regulatory liabilities	16,676	17,201
Advances for construction	121,952	115,459
Contributions in aid of construction	90,529	77,576
Other long-term liabilities	19,159	11,603
Commitments and contingencies	--	--
	$ 873,035	$ 798,478

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income
California Water Service Group

In thousands, except per share data

<TABLE>
<CAPTION>

For the years ended December 31,	2003	2002	2001
<S>	<C>	<C>	<C>
Operating revenue	$277,128	$263,151	$246,820
Operating expenses:			
Operations:			
Purchased water	80,831	76,672	73,174
Purchased power	21,921	22,897	21,130
Pump taxes	6,272	6,344	5,910
Administrative and general	40,969	37,196	35,968
Other	37,476	34,073	34,109
Maintenance	12,717	11,587	12,131
Depreciation and amortization	23,256	21,238	19,226
Income taxes	12,898	12,568	9,728
Property and other taxes	10,554	9,829	9,740
Total operating expenses	246,894	232,404	221,116
Net operating income	30,234	30,747	25,704
Other income and expenses:			
Non-regulated income, net	2,097	2,187	1,426
Gain on sale of non-utility property	4,603	2,980	3,864
Total other income and expenses	6,700	5,167	5,290

Interest expense:			
Interest expense	19,512	18,314	16,887
Less capitalized interest	1,995	1,473	858
Net interest expense	17,517	16,841	16,029
Net income	$ 19,417	$ 19,073	$ 14,965
Earnings per share:			
Basic	$ 1.21	$ 1.25	$ 0.98
Diluted	$ 1.21	$ 1.25	$ 0.97
Weighted average number of common shares outstanding:			
Basic	15,882	15,182	15,182
Diluted	15,893	15,185	15,186

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Common Stockholders' Equity
and Comprehensive Income
California Water Service Group

<TABLE>
<CAPTION>

In thousands For the years ended December 31, 2003, 2002 and 2001	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2000	$ 151	$ 49,984	$ 149,185	$ (486)	$ 198,834
Net income	--	--	14,965	--	14,965
Other comprehensive loss	--	--	--	(330)	(330)
Comprehensive income	--	--	--	--	14,635
Acquisition	1	--	220	--	221
Dividends paid:					
Preferred stock	--	--	153	--	153
Common stock	--	--	16,918	--	16,918
Total dividends paid	--	--	17,071	--	17,071
Balance at December 31, 2001	152	49,984	147,299	(816)	196,619
Net income	--	--	19,073	--	19,073
Other comprehensive income	--	--	--	682	

682

Comprehensive income	--	--	--	--	19,755
Dividends paid:					
Preferred stock	--	--	153	--	153
Common stock	--	--	17,004	--	17,004
Total dividends paid	--	--	17,157	--	17,157
Balance at December 31, 2002	152	49,984	149,215	(816)	199,217
Net income	--	--	19,417	--	19,417
Other comprehensive loss	--	--	--	(167)	(167)
Comprehensive income	--	--	--	--	19,250
Issuance of common stock	17	43,764	--	--	43,781
Dividends paid:					
Preferred stock	--	--	153	--	153
Common stock	--	--	17,571	--	17,571
Total dividends paid	--	--	17,724	--	17,724
Balance at December 31, 2003	$ 169	$ 93,748	$ 150,908	$ (301)	$ 244,524

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
California Water Service Group

In thousands

<TABLE>
<CAPTION>

For the years ended December 31,	2003	2002	2001
<S>	<C>	<C>	<C>
Operating activities:			
Net income	$ 19,417	$ 19,073	$ 14,965
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,256	21,238	19,226
Deferred income taxes, investment tax credits and regulatory assets and liabilities, net	2,834	786	2,919
Gain on sale of non-utility property	(4,603)	(2,980)	(3,864)
Changes in operating assets and liabilities:			
Receivables	1,292	(1,088)	(2,186)
Unbilled revenue	(554)	(561)	673
Taxes and other prepaid expenses	(2,876)	(86)	(1,913)

Accounts payable	(301)	(431)	(2,461)
Other current assets	(197)	(613)	571
Other current liabilities	7,537	1,911	7,812
Other changes, net	(1,374)	(696)	(436)
Net adjustments	25,014	17,480	20,341
Net cash provided by operating activities	44,431	36,553	35,306
Investing activities:			
Utility plant expenditures:			
Company-funded	(53,884)	(71,553)	(53,379)
Developer advances and contributions in aid of construction	(20,369)	(16,808)	(8,670)
Proceeds from sale of non-utility assets	4,803	3,006	3,999
Acquisitions	(6,094)	(2,300)	(701)
Net cash used in investing activities	(75,544)	(87,655)	(58,751)
Financing activities:			
Net changes in short-term borrowings	(29,925)	12,435	7,402
Issuance of common stock, net of expenses	43,781	--	--
Issuance of long-term debt, net of expenses	80,114	79,718	20,507
Advances for construction	13,248	12,545	6,498
Refunds of advances for construction	(4,838)	(4,597)	(4,166)
Contributions in aid of construction	9,311	7,740	10,868
Retirement of long-term debt	(61,061)	(39,472)	(2,881)
Dividends paid	(17,724)	(17,157)	(17,071)
Net cash provided by financing activities	32,906	51,212	21,157
Change in cash and cash equivalents	1,793	110	(2,288)
Cash and cash equivalents at beginning of year	1,063	953	3,241
Cash and cash equivalents at end of year	$ 2,856	$ 1,063	$ 953
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ 17,672	$ 16,527	$ 14,785
Income taxes	6,188	10,205	11,775
Non-cash financing activity - common stock issued in acquisitions	--	--	899

</TABLE>

See accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements
California Water Service Group
December 31, 2003, 2002 and 2001
Amounts in thousands, except per share data and share data

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, New Mexico and Hawaii. California Water Service Company (Cal Water), Washington Water Service Company (Washington Water), New Mexico Water Service Company (New Mexico Water) and Hawaii Water Service Company, Inc. (Hawaii Water) provide regulated utility services under the rules and regulations of their respective state's regulatory commission (jointly referred to as the Commissions). CWS Utility Services provides non-regulated water utility and utility-related services. The Company operates primarily in one business segment, providing water and related utility services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Accounting Records. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. 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.

Reclassifications. Certain prior years' amounts have been reclassified, where necessary, to conform to the current presentation.

Use of Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 and wastewater 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.

The Company provides an allowance for doubtful accounts. The balance of customer receivables is net of the allowance for doubtful accounts at December 31, 2003 and 2002 of $289 and $181, respectively. The activity in the reserve account is as follows:

	2003	2002
Beginning balance	$ 181	$ 224
Provision for uncollectible accounts	833	480
Net write off of uncollectible accounts	(725)	(523)
Ending balance	$ 289	$ 181

Non-regulated Revenue. Revenue from non-regulated operations and maintenance agreements is recognized when services have been rendered to companies or municipalities under such agreements. Expenses are netted against the revenue billed and are reported in Other Income and Expenses on the Consolidated Statements of Income. Other non-regulated revenue is recognized when title has transferred to the buyer, or ratably over the term of the lease. For construction and design services, revenue is generally recognized on the completed contract method, as most projects are completed in less than three months. One construction and design project spanned multiple years and revenue was recognized using the percentage-of-completion method based on a zero profit margin until project completion. See Note 3, Other Income and Expenses.

Expense Balancing and Memorandum Accounts. Expense balancing and memorandum accounts are used to track suppliers' rate increases for purchased water, purchased power and pump taxes that are not included in customer water rates. The cost increases are referred to as "Offsetable Expenses" because under certain circumstances they are recoverable from customers in future rate increases designed to offset the higher costs. The Company does not record the balancing and memorandum accounts until the Commission has authorized a change in customer rates and the customer has been billed.

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. When depreciable plant is retired, the cost is eliminated from utility plant accounts and such costs are charged against accumulated depreciation. Maintenance of utility plant is charged to operating expenses as incurred. Maintenance projects are not accrued for in advance. Interest is capitalized on plant expenditures during the construction period and amounted to $1,995 in 2003, $1,473 in 2002 and $858 in 2001.

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 and are amortized over their useful life. Included in intangible assets is $6,515 paid to the City of Hawthorne in 1996 to lease the City's water system and associated water rights. The asset is being amortized on a straight-line basis over the 15-year life of the lease.

The following table represents depreciable plant and equipment as of December 31:

	2003	2002
Equipment	$ 199,157	$ 163,946
Transmission and distribution plant	772,641	718,251
Office buildings and other structures	66,260	45,047
Total	$1,038,058	$ 927,244

Depreciation of utility plant for financial statement purposes is computed on a straight-line basis over the assets' estimated useful lives as follows:

	Useful Lives
Equipment	5 to 50 years

Transmission and distribution plant	40 to 65 years
Office buildings and other structures	40 to 50 years

The provision for depreciation expressed as a percentage of the aggregate depreciable asset balances was 2.5% in 2003, and 2.4% in 2002 and 2001. For income tax purposes, as applicable, the Company computes depreciation using the 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 money market funds.

Restricted Cash. Restricted cash primarily represents proceeds collected through a surcharge on certain customers' bills plus interest earned on the proceeds and is used to service California Safe Drinking Water Bond obligations. In addition, there are compensating balances at a bank in support of borrowings. All restricted cash is classified in other prepaid expenses. At December 31, 2003 and 2002, the amounts of restricted cash were $1,154 and $1,131, respectively.

Regulatory Assets and Liabilities. The Company records regulatory assets for future revenues expected to be realized in customers' rates when certain items are recognized as expenses for rate making purposes. The income tax temporary differences relate primarily to the difference between book and income tax depreciation on utility plant that was placed in service before the Commissions adopted normalization for rate making purposes. Previously the tax effect was passed onto customers. In the future, when such timing differences reverse, the Company will be able to include the impact in customer rates. The regulatory assets are net of adjustments related to deferred income taxes that were provided at prior tax rates and the amount that would be provided at current tax rates. The differences will reverse over the remaining book lives of the related assets.

In addition, regulatory assets include items that are recognized as liabilities for financial statement purposes, which will be recovered in future customer rates. The liabilities relate to postretirement benefits, vacation, self-insured workers' compensation and asset retirement obligations.

Regulatory liabilities represent future benefit to rate payers for tax deductions that will be allowed in the future for funds received as Advances for Construction and Contributions in Aid of Construction. Regulatory liabilities also reflect timing differences provided at higher than the current tax rate, which will flow through to future rate payers.

Regulatory assets and liabilities are comprised of the following as of December 31:

	2003	2002
REGULATORY ASSETS		
Income tax temporary differences	$30,157	$31,341
Asset retirement obligations	4,985	--
Postretirement benefits other than pensions	6,846	5,165
Accrued vacation and workers' compensation	11,338	9,583
Total regulatory assets	$53,326	$46,089
REGULATORY LIABILITIES		
Future tax benefits to ratepayers	$16,676	$17,201

Long-lived Assets. The Company regularly reviews its long-lived assets for impairment annually or when events or changes in business circumstances have occurred, which indicate the carrying amount of such assets may not be fully realizable. Potential impairment of assets held for use is determined by comparing the carrying amount of an asset to the future undiscounted cash flows expected to be generated by that asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. There have been no such impairments as of December 31, 2003 or 2002.

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. These amounts were $3,154, $2,449 and $0 in 2003, 2002 and 2001, respectively. Amortization expense included in interest expense was $415, $183 and $188 for 2003, 2002 and 2001, respectively.

Accumulated Other Comprehensive Loss. The Company has an unfunded Supplemental Executive Retirement Plan. The unfunded accumulated benefit obligation of the plan, less the accrued benefit, exceeds the unrecognized prior service cost resulting in an accumulated other comprehensive loss which 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 when they are no longer refundable in accordance with the contracts. Reclassifications were $1,813 in 2003 and $214 in 2002. Refunds on contracts entered into since 1982 are made in equal annual amounts over 40 years. At December 31, 2003 and 2002, the amounts refundable under the 20-year contracts were $1,350 and $3,248, respectively, and under 40-year contracts were $119,699 and $111,136, respectively. In addition, other Advances for Construction totaling $903 and $1,075 at December 31, 2003 and 2002, respectively, are refundable based upon customer connections. Estimated refunds of advances for each succeeding year (2004-2008) are $4,728, $4,492, $4,221, $4,221 and $4,058, and $100,231 thereafter.

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 assets acquired from 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 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.

Workers Compensation, General Liability and Other Claims. For workers compensation, the Company utilizes an actuary firm to estimate the discounted liability associated with claims submitted and claims not yet submitted based on historical data. For general liability claims and other claims, the Company estimates the costs incurred but not yet paid using historical information.

Earnings Per Share. Basic earnings per share (EPS) is calculated by dividing income available to common stockholders (net income less preferred stock dividends of $153) 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 including potentially dilutive shares as determined by application of the treasury stock method. The difference between basic and diluted weighted average number of common stock outstanding is the effect of dilutive common stock options outstanding.

Stock-based Compensation. The Company has a stockholder-approved Long-Term Incentive Plan that allows granting of nonqualified stock options. The Company has adopted the disclosure requirements of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No.148, "Accounting for Stock-Based Compensation - Transition Disclosure - An Amendment to SFAS No. 123," and as permitted by the statement, applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," for its plan. All of the Company's outstanding options have an exercise price equal to the market price on the date they were granted. No compensation expense was recorded for the years ended December 31, 2003, 2002 or 2001.

The table below illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of

SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation:

	2003	2002	2001
Net income, as reported	$ 19,417	$ 19,073	$ 14,965
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	68	70	57
Pro forma net income	$ 19,349	$ 19,003	$ 14,908
Earnings per share:			
Basic - as reported	$ 1.21	$ 1.25	$ 0.98
Basic - pro forma	$ 1.21	$ 1.24	$ 0.98
Diluted - as reported	$ 1.21	$ 1.25	$ 0.97
Diluted - pro forma	$ 1.21	$ 1.24	$ 0.97

Recent Accounting Pronouncements. In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which applies to legal obligations associated with the retirement of long-lived assets and the associated asset retirement costs. The Statement was effective for the

Company in the first quarter of 2003. The Company recorded a long-term liability associated with its obligation to retire wells in accordance with the Department of Health Services' regulations when wells are abandoned and are no longer useful for utility operations. The balance of the obligation was $7,707 as of December 31, 2003. A portion of the cost ($2,722) has been previously recognized as a component of depreciation expense. The remaining future obligation has been recorded as a regulatory asset, as it will be recovered in the customers' future rates. As the Company incurs the expense of asset retirements, the cost is offset against accumulated depreciation. The accretion element recognized each period is recorded as an increase in the regulatory asset.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This Statement requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS No. 146 did not impact the Company's financial position, results of operations or cash flows.

In November 2002, the FASB issued Interpretation No. 45, "Guarantors' Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." Interpretation No. 45 requires that a liability be recognized at the time a company issues a guarantee for the fair value of the obligations assumed under certain guarantee agreements. Interpretation No. 45 is effective for guarantees issued or modified after December 31, 2002. The disclosure requirements of the Interpretation expand existing disclosures required by a guarantor about its obligations under a guarantee. The adoption of Interpretation No. 45 did not impact the Company's financial position, results of operations or cash flows.

In December 2003, the FASB issued Interpretation No. 46R, "Consolidation of Variable Interest Entities," which amends Interpretation No. 46, "Consolidation of Variable Interest Entities." The revision exempted certain entities and modified the effective dates. The original guidance issued under Interpretation No. 46 in January 2003 is still applicable. Interpretation No. 46 and Interpretation No. 46R provide guidance for determining when a primary beneficiary should consolidate a variable interest entity or equivalent structure that functions to support the activities of the primary beneficiary. Interpretation No. 46R is effective for public entities for periods ending after March 15, 2004. The adoption of Interpretation No. 46R will not impact the

Company's financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." The Statement impacts the accounting for certain derivative contracts entered into after June 30, 2003. This Statement is effective for quarters beginning after June 15, 2003. The Company currently does not enter into derivative or hedging contracts. The adoption of SFAS No. 149 did not have an impact on the Company's financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." The Statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The Statement is effective for financial instruments entered into after May 31, 2003, and is otherwise effective for quarters beginning after June 15, 2003. In November 2003, the FASB issued a staff position, which deferred the application of several provisions of SFAS No. 150. The Company has not issued financial instruments that have characteristics of both liabilities and equity. The adoption of SFAS No. 150 did not have nor is expected to have an impact on the Company's financial position, results of operations or cash flows.

In December 2003, federal legislation was passed reforming Medicare and introducing the Medicare Part D prescription drug program. The Company has not yet determined the effects, if any, the new legislation will have on its postretirement benefit plan or calculations that are required under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," which are disclosed in Note 12. The legislation may provide a special subsidy to the Company that may affect the actuarial assumptions used in determining the utilization rates and medical cost trends. In addition, the FASB may take future action in response to the legislation.

3
OTHER INCOME AND EXPENSES

The Company conducts various non-regulated activities as reflected in the table below. Income reflects revenue less direct and allocated costs. Income taxes are not included.

<TABLE>
<CAPTION>

	2003		2002		2001	
	Revenue	Income	Revenue	Income	Revenue	Income
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Operating and maintenance	$ 4,137	$ 939	$ 4,007	$ 800	$ 3,724	$ 619
Meter reading and billing	1,337	473	1,179	464	1,130	204
Leases	1,190	781	1,050	661	818	469
Water rights brokering	196	112	1,382	515	483	309
Design and construction	1,305	204	6,267	206	7,185	400
Other and non-regulated expenses	320	(412)	262	(459)	411	(575)
Total	$ 8,485	$ 2,097	$14,147	$ 2,187	$13,751	$ 1,426

</TABLE>

Operating and maintenance services and meter reading and billing services are provided for water and wastewater systems owned by private companies and municipalities. The agreements call for a fee per service or a flat-rate amount per month due from companies and municipalities. Leases have been entered into with telecommunications companies for cellular phone antennas placed on the Company's property. Water right brokering activity involves purchasing water rights from third parties and reselling those rights to other third parties. Design and construction services are for the design and installation of water mains and other water infrastructure for others outside our regulated service areas.

4
ACQUISITIONS

In 2003, after receiving regulatory approval, the Company acquired the Kaanapali Water Corporation and renamed the corporation Hawaii Water Service Company, Inc. The purchase was for $6,094 in cash for the approximate amount of rate base. If the rate base is adjusted by the Commission in the next rate proceeding, the purchase price will be adjusted accordingly.

During 2002, after receiving regulatory approval, the Company acquired the assets of Rio Grande Utility Corporation (Rio Grande) through its wholly-owned subsidiary, New Mexico Water. The purchase includes the water and wastewater assets of Rio Grande, which serves water and wastewater customers in unincorporated areas of Valencia County, New Mexico. The purchase price was $2,300 in cash, plus assumption of $3,100 in outstanding debt. Rate base for the system is $5,400, including intangible water rights valued at $732.

In 2001, the Company acquired four companies operating in Cal Water's Visalia District. The acquisitions were completed in February 2001, in exchange for 36,180 shares of Company common stock worth $899 and assumed debt of $218. The acquisitions were accounted for under the pooling of interests method of accounting; however, due to the results from operations not being material to the Company's consolidated results from operations, prior periods were not restated. The net equity acquired was recorded as an increase to retained earnings at the beginning of the year. In addition, Washington Water purchased the assets of eight water companies for cash of $701.

Condensed balance sheets and pro forma results of operations for these acquisitions have not been presented since the effect of these purchases are not material. Acquisitions that involved purchase of assets were accounted for under the purchase method of accounting.

5 INTANGIBLE ASSETS

As of December 31, 2003 and 2002, intangible assets that will continue to be amortized and those not amortized were:

		2003			2002		
	Weighted Average Amortization Period (yrs.)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:							
Hawthorne lease	15	$ 6,515	$ 3,402	$ 3,113	$ 6,515	$ 2,968	$ 3,547
Water pumping rights	usage	1,046	8	1,038	1,046	2	1,044
Water planning studies	14	2,234	386	1,848	1,783	238	1,545
Leasehold improvements and other	15	2,338	952	1,386	2,160	1,027	1,133
Total	15	$12,133	$ 4,748	$ 7,385	$11,504	$ 4,235	$ 7,269
Unamortized intangible assets:							
Perpetual water rights	--	$ 2,696	--	$ 2,696	$ 2,425	--	$ 2,425

For the years ending December 31, 2003, 2002 and 2001, amortization of intangible assets was $713, $670 and $630, respectively. Estimated future amortization expense related to intangible assets for the succeeding five years is $788, $786, $770, $641 and $612 for 2004 to 2008, and $3,788 thereafter.

6 PREFERRED STOCK

As of December 31, 2003 and 2002, 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.

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 would be due to preferred stock shareholders upon voluntary liquidation of Series C. There is no premium in the event of an involuntary liquidation. Each Series C preferred share is entitled to sixteen votes, with the right to cumulative votes at any election of directors.

7 COMMON STOCKHOLDERS' EQUITY

The Company is authorized to issue 25 million shares of $0.01 par value common stock. As of December 31, 2003 and 2002, 16,932,046 shares and 15,182,046 shares, respectively, of common stock were issued and outstanding.

Dividend Reinvestment and Stock Repurchase Plan. Under the Plan, stockholders may reinvest dividends to purchase additional common stock without commission fees. The Plan also allows existing stockholders and other interested investors to purchase common stock through the transfer agent up to certain limits. The Company's transfer agent operates the Plan and purchases shares on the open market to provide shares for the Plan.

Stockholder Rights Plan. The Company's Stockholder Rights Plan (SRP) is designed to provide stockholders protection and to maximize stockholder value by encouraging a prospective acquirer to negotiate with the Board. The SRP 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 (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 that would cause 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 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 $0.001 per Right.

8 SHORT-TERM BORROWINGS

At December 31, 2003, the Company maintained a bank line of credit providing unsecured borrowings of up to $10 million at the prime lending rate or lower rates as quoted by the bank. Cal Water maintained a separate bank line of credit for an additional $45 million on the same terms as the Company's line of credit. Both agreements required a 30-day out-of-debt period for 2003, which was met. For 2004, the $10 million line has a requirement where the outstanding balance must be below $5 million for a 30-day consecutive period. The $45 million Cal Water line has a requirement that the outstanding balance must be below $10 million for a 30-day consecutive period. Both agreements include a provision that allows the bank to call the loan and cancel the facility if Cal Water's debt ratings fall below investment grade (Moody's Baa3 or S&P's BBB-). The Company and Cal Water were in compliance with all covenants as of December 31, 2003. At December 31, 2003, $4 million was outstanding on the Cal Water line and there were no borrowings on the Company line.

Washington Water has a loan commitment for $0.1 million from a bank to meet its operating and capital equipment purchase requirements at interest rates negotiated with the bank. At December 31, 2003, nothing was outstanding under the short-term commitment.

New Mexico Water has a $2.6 million credit agreement with a New Mexico bank that expires in May 2004. The interest rate for the agreement is based on prime rate plus 75 basis points. At December 31, 2003, the amount borrowed was $2.5 million.

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

	2003	2002	2001
Maximum short-term borrowings	$ 58,633	$ 52,285	$ 36,800
Average amount outstanding	$ 30,388	$ 25,495	$ 24,453
Weighted average interest rate	2.96%	3.44%	5.29%
Interest rate at December 31	4.08%	3.61%	3.16%

9
LONG-TERM DEBT

As of December 31, 2003 and 2002, long-term debt outstanding was:

	Series	Interest Rate	Maturity Date	2003	2002
First Mortgage Bonds:	J	8.86%	2023	$ 3,800	$ 4,000
	K	6.94%	2012	5,000	5,000
	CC	9.86%	2020	18,300	18,400
	EE	7.90%	2023	--	19,100
	FF	6.95%	2023	--	19,100
	GG	6.98%	2023	--	19,100
				27,100	84,700
Senior Notes:	A	7.28%	2025	20,000	20,000
	B	6.77%	2028	20,000	20,000
	C	8.15%	2030	20,000	20,000
	D	7.13%	2031	20,000	20,000
	E	7.11%	2032	20,000	20,000
	F	5.90%	2017	20,000	20,000
	G	5.29%	2022	20,000	20,000
	H	5.29%	2022	20,000	20,000
	I	5.54%	2023	10,000	--
	J	5.44%	2018	10,000	--
	K	4.58%	2010	10,000	--
	L	5.48%	2018	10,000	--
	M	5.52%	2013	20,000	--
	N	5.55%	2013	20,000	--
				240,000	160,000
California Department of Water Resources loans		3.0% to 7.4%	2003-33	2,747	2,797
Other long-term debt				3,283	3,868
Total long-term debt				273,130	251,365
Less current maturities				904	1,000
Long-term debt, less current maturities				$272,226	$250,365

The first mortgage bonds and unsecured senior notes are obligations of Cal Water. All bonds are held by institutional investors and are secured by substantially all of Cal Water's utility plant. The senior notes are held by institutional investors and require interest-only payments until maturity, except Series G and H Senior Notes, which have an

annual sinking fund requirement of $1.8 million starting in 2012. 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 financial institutions. Compensating balances of $228 as of December 31, 2003, are required by these institutions. Aggregate maturities and sinking fund requirements for each of the succeeding five years (2004 through 2008) are $904, $880, $808, $819 and $804, and $268,915 thereafter.

10
OTHER ACCRUED LIABILITIES

As of December 31, 2003 and 2002, other accrued liabilities were:

	2003	2002
Accrued pension and postretirement benefits	$11,828	$ 9,635
Accrued and deferred compensation	7,192	6,041
Accrued insurance	2,894	2,914
Other	5,546	5,524
	$27,460	$24,114

11
INCOME TAXES

Income tax expense (benefit) consists of the following:

		Federal	State	Total
2003	Current	$ 8,506	$ 2,604	$ 11,110
	Deferred	1,697	91	1,788
	Total	$ 10,203	$ 2,695	$ 12,898
2002	Current	$ 8,797	$ 2,406	$ 11,203
	Deferred	1,039	326	1,365
	Total	$ 9,836	$ 2,732	$ 12,568
2001	Current	$ 6,472	$ 2,136	$ 8,608
	Deferred	1,456	(336)	1,120
	Total	$ 7,928	$ 1,800	$ 9,728

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

<TABLE>
<CAPTION>

<S>	2003 <C>	2002 <C>	2001 <C>
Computed "expected" tax expense	$ 11,310	$ 11,074	$ 8,643
Increase (reduction) in taxes due to:			
State income taxes, net of federal tax benefit	1,846	1,818	1,170
Investment tax credits	(91)	(191)	(156)
Other	(167)	(133)	71
Total income tax expense	$ 12,898	$ 12,568	$ 9,728

</TABLE>

The components of deferred income tax expense were:

	2003	2002	2001
Depreciation	$ 3,110	$ 2,405	$ 2,337
Developer advances and contributions	(1,136)	(789)	(783)
Bond redemption premiums	911	806	(42)
Investment tax credits	(110)	(95)	(94)
Other	(987)	(962)	(298)
Total deferred income tax expense	$ 1,788	$ 1,365	$ 1,120

The tax effects of differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2003 and 2002 are presented in the following table:

<TABLE>
<CAPTION>

<S>	2003 <C>	2002 <C>
Deferred tax assets:		
Developer deposits for extension agreements and contributions in aid of construction	$42,517	$41,776
Federal benefit of state tax deductions	6,439	6,325
Book plant cost reduction for future deferred ITC amortization	1,728	1,639
Insurance loss provisions	1,179	876
Pension plan	1,359	1,136
Other	945	850

Total deferred tax assets	54,167	52,602
Deferred tax liabilities:		
Utility plant, principally due to depreciation differences	89,464	82,130
Premium on early retirement of bonds	2,708	1,843
Total deferred tax liabilities	92,172	83,973
Net deferred tax liabilities	$38,005	$31,371

</TABLE>

A valuation allowance was not required at December 31, 2003 and 2002. Based on historical 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.

12
EMPLOYEE BENEFIT PLANS

Pension Plan. The Company provides a qualified defined benefit, non-contributory pension plan for substantially all employees. The Company also maintains an unfunded, non-qualified, supplemental executive retirement plan. The costs of the plans are charged to expense and utility plant. The Company makes annual contributions to fund the amounts accrued for pension cost. The Company estimates that the annual contribution to the pension plan will be $8,235 in 2004. Plan assets in the pension plan as of December 31, 2003 and 2002 (the measurement dates for the plan) were as follows:

Asset Category	Target	2003	2002
Bond Funds	40.0%	42.9%	52.6%
Equity Accounts	60.0%	57.1%	47.4%

The investment objective of the fund is to maximize the return on assets, commensurate with the risk the Company Trustees deem appropriate to meet the obligations of the Plan, minimize the volatility of the pension expense and account for contingencies. The Trustees utilize the services of an outside investment advisor and periodically measure fund performance against specific indexes, in an effort to generate a rate of return for the total portfolio that equals or exceeds the actuarial investment rate assumptions.

Pension benefit payments are generally done in the form of purchasing an annuity from a life insurance company. Benefit payments under the supplemental executive retirement plan are paid currently. Benefits expected to be paid in each year 2004 to 2008 are $3,711, $4,078, $4,817, $5,028 and $6,746, respectively. The aggregate benefit expected to be paid in the five years 2009 to 2013 is $44,861. The expected benefit payments are based upon the same assumption used to measure the Company's benefit obligation at December 31, 2003, and include estimated future employee service.

The accumulated benefit obligations of the pension plan are $62,368 and $58,318 as of December 31, 2003 and 2002, respectively. The fair value of pension plan assets was $63,216 and $56,303 as of December 31, 2003 and 2002, respectively. The unfunded supplemental executive retirement plan accumulated benefit obligations were $6,480 and $5,972 as of December 31, 2003 and 2002, respectively.

The data in the tables below includes the unfunded, non-qualified, supplemental executive retirement plan. In addition, the tables reflect a plan amendment effective January 1, 2003, which increased the annual minimum benefit, which is recognized over the estimated working lives of the employees.

Savings Plan. The Company sponsors a 401(k) qualified, defined contribution savings plan that allows participants to contribute up to 20% of pretax compensation. The Company matches fifty cents for each dollar contributed by the employee up to a maximum Company match of 4.0%. Company contributions were $1,433, $1,422 and $1,425, for the years 2003, 2002 and 2001, respectively.

Other Postretirement Plans. The Company provides substantially all active, permanent employees with medical, dental and vision benefits through a self-insured plan. Employees retiring at or after age 58 are offered, along with their spouses and dependents, continued participation in the plan by payment of a premium. Plan assets are invested in mutual funds and short-term money market funds. Retired employees are also provided with a life insurance benefit.

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, 2003 and 2002:

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Change in projected benefit obligation:				
Beginning of year	$ 79,569	$ 60,359	$ 17,503	$ 14,708
Service cost	3,879	2,968	1,033	815
Interest cost	5,374	4,404	1,224	1,037
Assumption change	6,662	30	1,462	699
Plan amendment	--	15,424	--	40
Experience loss	2,058	660	1,106	845
Benefits paid	(9,186)	(4,276)	(109)	(641)
End of year	$ 88,356	$ 79,569	$ 22,219	$ 17,503
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 56,303	$ 57,340	$ 2,465	$ 2,300
Actual return on plan assets	10,667	(2,377)	364	(79)
Employer contributions	5,432	5,616	977	885
Retiree contributions	--	--	580	470
Benefits paid	(9,186)	(4,276)	(689)	(1,111)
Fair value of plan assets at end of year	$ 63,216	$ 56,303	$ 3,697	$ 2,465
Funded status	$(25,140)	$(23,266)	$(18,522)	$(15,038)
Unrecognized actuarial loss	4,031	1,281	7,175	5,025
Unrecognized prior service cost	17,074	18,875	712	786
Unrecognized transition obligation	--	--	2,769	3,045
Unrecognized net initial asset	--	--	(276)	(276)
Net amount recognized	$ (4,035)	$ (3,110)	$ (8,142)	$ (6,458)

Amounts recognized on the balance sheets consist of:

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Accrued benefit costs	$(4,035)	$(3,110)	$(8,142)	$(6,458)
Additional minimum liability	(2,992)	(4,784)	--	--

Intangible asset	2,691	4,650	--	--
Accumulated other comprehensive loss	301	134	--	--
Net amount recognized	$(4,035)	$(3,110)	$(8,142)	$(6,458)

</TABLE>

Below are the actuarial assumptions used for the benefit plans:

<TABLE>
<CAPTION>

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Weighted average assumptions as of December 31:				
Discount rate	6.25%	6.70%	6.25%	6.70%
Long-term rate of return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increases	1.50 to 4.25%	1.00 to 4.25%	--	--

</TABLE>

The long-term rate of return assumption is the expected rate of return on a balanced portfolio invested roughly 60% in equities and 40% in fixed income securities. The average return for the plan for the last five and ten years was 6.2% and 8.6%, respectively.

Net periodic benefit costs for the pension and other postretirement plans for the years ending December 31, 2003, 2002 and 2001 included the following components:

<TABLE>
<CAPTION>

	Pension Plan			Other Benefits		
	2003	2002	2001	2003	2002	2001
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Service cost	$ 3,879	$ 2,968	$ 2,786	$ 1,033	$ 815	$ 625
Interest cost	5,374	4,404	4,333	1,224	1,037	858
Expected return on plan assets	(4,757)	(4,497)	(4,946)	(233)	(216)	(212)
Net amortization and deferral	1,861	1,166	855	637	500	363
Net periodic benefit cost	$ 6,357	$ 4,041	$ 3,028	$ 2,661	$ 2,136	$ 1,634

</TABLE>

Postretirement benefit expense recorded in 2003, 2002 and 2001 was $1,160, $1,157 and $885, respectively. A regulatory asset of $6,846 was recorded and is expected to be recoverable through future customer rates. The Company intends to make annual contributions to the plan up to the amount deductible for tax purposes.

For 2003 measurement purposes, the Company assumed a 6% annual rate of increase in the per capita cost of covered benefits for 2004. Thereafter, the Company assumed a 5% annual rate. 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:

<TABLE>
<CAPTION>

	1-percentage Point Increase	1-percentage Point Decrease
<S>	<C>	<C>
Effect on total service and interest costs	$ 487	$ (378)
Effect on accumulated postretirement benefit obligation	$ 3,926	$ (3,119)

</TABLE>

13
STOCK-BASED COMPENSATION PLAN

The Company has a stockholder-approved Long-Term Incentive Plan that allows granting of non-qualified 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. At December 31, 2003, 74,625 options were exercisable at a weighted average price of $24.45. No options were granted in 2003.

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:

	2003	2002	2001
Expected dividend	n/a	4.5%	4.3%
Expected volatility	n/a	14.4%	30.4%
Risk-free interest rate	n/a	3.25%	4.6%
Expected holding period in years	n/a	5.0	5.0

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

<TABLE>
<CAPTION>

<S>	Shares <C>	Weighted Average Exercise Price <C>	Weighted Average Remaining Contractual Life <C>	Options Exercisable <C>	Weighted Average Fair Value <C>
Outstanding at December 31, 2000	53,500	$ 23.06	9.5	--	--
Granted	58,000	25.94			$ 5.65
Cancelled	(12,000)	24.50			
Outstanding at December 31, 2001	99,500	24.57	8.8	11,875	--
Granted	55,000	25.15			2.05
Outstanding at December 31, 2002	154,500	24.77	8.2	36,750	--
Cancelled	(5,250)	24.78			
Outstanding at December 31, 2003	149,250	$ 24.77	7.2	74,625	--

</TABLE>

14
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, accounts receivables, accounts payables and short-term borrowings, 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 $272 million as of December 31, 2003, and $306 million as of December 31, 2002, 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 $48 million as of December 31, 2003 and $34 million as of December 31, 2002, based on data provided by brokers who purchase and sell these contracts.

15
COMMITMENTS AND CONTINGENCIES

Commitments. The Company leases office facilities in many of its operating districts. The total paid and charged to operations for such leases was $577 in 2003, $700 in 2002 and $620 in 2001.

The Company has long-term contracts with two wholesale water suppliers that require the Company to purchase minimum annual water quantities. Purchases are priced at the suppliers' then current wholesale water rate. The Company operates to purchase sufficient water to equal or exceed the minimum quantities under both contracts. The total paid under the contracts was $8,557 in 2003, $6,816 in 2002 and $6,208 in 2001.

The Company leases the City of Hawthorne water system, which in addition to the upfront lease payment, includes an annual payment. The 15-year lease expires in 2011. The annual payments in 2003, 2002 and 2001 were $111, $100 and $100, respectively. In July 2003 the Company entered into a 15-year lease of the City of Commerce water system. The lease includes an annual lease payment of $845 per year plus a cost savings sharing arrangement.

Payments for these contracts are summarized below:

	Office Leases	Water Contracts	System Leases
2004	$ 456	$ 8,138	$ 961
2005	379	8,463	961
2006	355	8,802	961
2007	285	9,154	961
2008	257	9,520	961
thereafter	441	9,901	8,346

The water supply contract with Stockton East Water District (SEWD) requires a fixed, annual payment and does not vary during the year with the quantity of water delivered by the district. Because of the fixed price arrangement, the Company operates to receive as much water as possible from SEWD in order to minimize the cost of operating Company-owned wells used to supplement SEWD deliveries. The total paid under the contract was $3,779 in 2003, $2,967 in 2002 and $3,496 in 2001. Pricing under the contract varies annually.

In 2002, New Mexico Water signed an agreement to purchase National Utilities Corporation and land for approximately $1.1 million in cash. The purchase of National Utilities is subject to the approval of the New Mexico Public Regulation Commission, which is expected in the first half of 2004.

Contingencies. In 1995, the State of California's Department of Toxic Substances Control (DTSC) named the Company as a potential responsible party for cleanup of a toxic contamination plume in the Chico groundwater. 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. 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. While the Company is cooperating with the cleanup effort, it 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 has negotiated with DTSC regarding dismissal of the Company from the claim in exchange for the Company's cooperation in the cleanup effort. However, no agreement has been reached with DTSC regarding dismissal of the Company from the DTSC action. In December 2002, the Company was named along with eight other defendants in a lawsuit filed by DTSC for the cleanup of the plume. The suit asserts that the defendants are jointly and severally liable for the estimated cleanup of $8.7 million. 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. The Company's insurance carrier is currently paying the cost of legal representation in this matter.

In 2003, the Company was served with a lawsuit in state court naming it as one of several defendants for damages alleged to have resulted from waste oil contamination in the groundwater in the Marysville District. The suit did not specify a dollar amount. The Company does not believe that the complaint alleges any facts under which it may be held liable. The Court has twice dismissed the complaint on various grounds raised by the Company, but the Court has continued to grant the plaintiff leave to amend the complaint. If necessary, the Company intends to vigorously defend the suit. In 2002, the plaintiff in this action brought a suit against the Company in federal court with similar allegations concerning groundwater contamination. The suit was dismissed; however, the Court did not bar the plaintiff from filing a state claim. If an assessment is determined by a court, the Company believes that its insurance policy will cover costs related to this matter under the terms of the policy.

In December 2001, the Company and several other defendants were served with a lawsuit by the estate and immediate family members of a deceased employee of a pipeline construction contractor. The contractor's employee had worked on various Company projects over a number of years. The plaintiffs allege that the Company and other defendants are responsible for an asbestos-related disease that is claimed to have caused the death of the contractor's employee. The complaint seeks damages in excess of $0.1 million, in addition to unspecified punitive damages. The Company denies responsibility in the case and intends to vigorously defend itself against the claim. Pursuant to an indemnity provision in the contracts between the contractor and the Company, the contractor has accepted liability for the claim against the Company and is reimbursing the Company for its defense costs.

The Company and City of Stockton (City) purchase water from Stockton East Water District (SEWD). The City believes that SEWD's meter, which recorded water deliveries to the City's system, malfunctioned for some period of time, and as a result the City overpaid for water deliveries from SEWD. If the City's assertion is correct, SEWD would owe the City a credit which may be recovered from its other customers, which is primarily the Company. SEWD has initially agreed with the City's assertion and has recommended a reimbursement to the City and a billing adjustment to the Company of $1.9 million over a 24-month period. At this time, the Company has not agreed with the assertion or the method in which the overcharging to the City was determined. The Company has not been formally notified by SEWD of a liability to the Company. The Company has been billed $0.7 million, and has paid in 2003 higher costs associated with this claim. These amounts were recorded as an expense in 2003. The Company has ceased further payments of this adjustment and has hired a consultant to perform a study on the situation. After completion of the study, the Company will negotiate with SEWD and the City. Given the assertion of the City, the estimated settlement is between $0.7 and $1.9 million. The Company believes that any additional expense associated with settlement would be recoverable in customers' rates.

In February 2003, the California Public Utilities Commission (CPUC) Office of Ratepayer Advocates recommended that Cal Water be fined up to $9.6 million and refund $0.5 million in revenue for failing to report two acquisitions as required by the CPUC. One acquisition was completed prior to adoption of the reporting requirement by the CPUC; the other was inadvertently not reported. Cal Water acquired the two water systems, which serve 283 customers, for approximately $0.1 million. The staff's recommendation does not challenge the level of service provided or amounts charged for water service to the customers; it is based solely on the fact that Cal Water failed to report the acquisitions to the CPUC. On July 10, 2003 the CPUC issued Resolution W-4390. In this resolution, the CPUC's staff challenged whether Cal Water was properly authorized to make these two acquisitions, as a result of the failure to report. The resolution grants Cal Water's request to consult and work with the CPUC's Water Division to resolve the matters. Since the CPUC's policy is to encourage large water utilities to acquire small water systems, Cal Water believes that a reasonable resolution will be reached. At this time, Cal Water cannot estimate the costs or the timing of the resolution of these issues. Cal Water does not believe that the staff's recommendation will be upheld when this matter is considered by the CPUC. Accordingly, no liability was accrued in the financial statements.

In September 2003, the CPUC issued decision D. 03-09-021. In this decision, the CPUC ordered Cal Water to maintain and track sales records for each property that was at any time included in rate base and subsequently sold and to share these records with the CPUC. The CPUC's staff is reviewing Cal Water's recording of proceeds and recognition of gain on sales of these non-utility, surplus properties. Cal Water believes the sales of surplus properties were properly recorded in accordance with the Water Utility Infrastructure Act of 1995 and the CPUC's decision authorizing the holding company structure for California Water Service Group. Gains have been recognized outside of regulated operations, as the properties sold were not being used in the regulated operations and were excluded from rate base for rate setting purposes. Also, proceeds from these sales have been reinvested in the regulated business of Cal Water. The CPUC has requested documentation to determine whether Cal Water appropriately removed these non-utility, surplus properties from rate base in a timely manner, and has requested documentation on the determination that these properties were no longer used and useful. If the CPUC finds any surplus property sale or transfer was recorded inappropriately, then this could result in a reduction to rate base used to determine future rates charged to regulated customers. This could reduce future revenues, net income and cash flows. The Company is not able to provide estimates of the timing or what the ultimate resolution may be.

The Company is involved in other proceedings or litigation arising in the ordinary course of operations. The Company believes the ultimate resolution of such matters will not materially affect its financial position, results of operations or cash flows.

16
QUARTERLY FINANCIAL DATA (UNAUDITED)

The Company's common stock is traded on the New York Stock Exchange under the symbol "CWT." Through 2003, dividends have been paid on common stock for 59 consecutive years and the rate has been increased each year since 1968.

<TABLE>
<CAPTION>

2003 - in thousands except per share amounts	First	Second	Third	Fourth
<S>	<C>	<C>	<C>	<C>
Operating revenue	$ 51,311	$ 67,994	$ 88,197	$ 69,626
Net operating income	2,625	7,548	12,519	7,542
Net income (loss)	(768)	4,585	8,587	7,013
Diluted earnings (loss) per share	(0.05)	0.30	0.53	0.41
Common stock market price range:				
High	26.27	30.97	29.98	27.99
Low	23.92	25.79	25.20	25.51
Dividends paid	.28125	.2812	.2812	.28125
2002 - in thousands except per share amounts				
Operating revenue	$ 51,611	$ 69,183	$ 81,440	$ 60,917
Net operating income	5,353	8,405	11,597	5,392
Net income	1,928	6,619	7,675	2,851
Diluted earnings per share	0.12	0.43	0.50	0.19
Common stock market price range:				
High	26.25	26.69	26.45	25.95
Low	23.20	23.40	21.60	23.65
Dividends paid	.2800	.2800	.2800	.2800

</TABLE>

Independent Auditors' Report

THE BOARD OF DIRECTORS AND STOCKHOLDERS
CALIFORNIA WATER SERVICE GROUP:

We have audited the accompanying consolidated balance sheets of California Water Service Group and subsidiaries as of December 31, 2003 and 2002, 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, 2003. 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.

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 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 California Water Service Group and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP
Mountain View, California
January 27, 2004

Certifications

As provided in the rules of the New York Stock Exchange (NYSE), the Company's Chief Executive Officer has certified to the NYSE in writing that, as of March 4, 2004, he was not aware of any violation by the Company of the NYSE's Corporate Governance listing standards. The Company has included as Exhibits 31.1 and 31.2 to its Annual Report on Form 10-K for the year ended December 31, 2003, certifications from its Chief Executive Officer and Chief Financial Officer regarding the quality of the Company's public disclosure.

Exhibit 21

Subsidiaries of the Registrant

Subsidiary Name	State of Incorporation	Business Name
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
Hawaii Water Service Company, Inc.	Hawaii	Hawaii Water Service Company

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

Exhibit 23.1

INDEPENDENT AUDITOR'S CONSENT

The Board of Directors and Stockholders
California Water Service Group

We consent to incorporation by reference in the registration statements (No. 333-103721 on Form S-3 and No. 333-60810 on Form S-8) of California Water Service Group of our report dated January 27, 2004, with respect to the consolidated balance sheets of California Water Service Group and subsidiaries as of December 31, 2003 and 2002, 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, 2003, which report appears in or is incorporated by reference in the December 31, 2003, annual report on Form 10-K of California Water Service Group.

/s/ KPMG LLP

Mountain View, California
February 25, 2004

Exhibit 31.1

CERTIFICATIONS

I, Peter Nelson, President and Chief Executive Officer of California Water Service Group, certify that:

1. I have reviewed this Form 10-K for December 31, 2003 of California Water Service Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered in this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the fourth fiscal quarter of 2003 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2004

By: /s/ Peter C. Nelson
PETER C. NELSON
President and Chief Executive Officer
California Water Service Group

Exhibit 31.2

CERTIFICATIONS

I, Richard Nye, Chief Financial Officer and Treasurer of California Water Service Group, certify that:

1. I have reviewed this Form 10-K for December 31, 2003 of California Water Service Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered in this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the fourth fiscal quarter of 2003 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2004

By: /s/ Richard D. Nye
RICHARD D. NYE
Chief Financial Officer and Treasurer
California Water Service Group

Exhibit 32

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies that this Annual Report on Form 10-K for the year ended December 31, 2003 fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of California Water Service Group.

Date: February 25, 2004

/s/ Peter C. Nelson
PETER C. NELSON
Chief Executive Officer
California Water Service Group

Date: February 25, 2004

By: /s/ Richard D. Nye
RICHARD D. NYE
Chief Financial Officer
California Water Service Group