UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2005

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 number ____1-13883__________________________

CALIFORNIA WATER SERVICE GROUP

(Exact name of registrant as specified in its charter)

Delaware	77-0448994
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification No.)
1720 North First Street, San Jose, CA.	95112
(Address of principal executive offices)	(Zip Code)

408-367-8200

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 checkmark whether the Registrant is an accelerated filer (as defined in rule 12b-2 of the Act)
Yes _X_ No ___

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).
Yes ___ No _X_

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common shares outstanding as of November 1, 2005 - 18,389,996.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

The condensed consolidated financial statements presented in this filing on Form 10-Q have been prepared by management and are unaudited.

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED BALANCE SHEETS
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(In thousands, except per share data) Unaudited	September 30, 2005	December 31, 2004
<S>	<C>	<C>
ASSETS		
Utility plant:		
Utility plant	$ 1,199,681	$ 1,144,074
Less accumulated depreciation and amortization	366,019	343,769
	833,662	800,305
Current assets:		
Cash and cash equivalents	23,791	18,820
Receivables, net of allowances for uncollectible accounts of $416 at September 30, 2005 and $287 at December 31, 2004		
Customers	22,779	15,867
Income taxes	--	7,298
Other	3,865	3,147
Unbilled revenue	14,271	9,307
Materials and supplies, at average cost	4,017	3,161
Prepaid pension expense	2,599	3,671
Taxes and other prepaid expenses	4,055	9,122
Total current assets	75,377	70,393
Regulatory assets	55,449	53,477
Other assets	20,329	18,678
	$ 984,817	$ 942,853
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $.01 par value	$ 184	$ 184
Additional paid-in capital	131,991	131,271
Retained earnings	162,410	156,851
Accumulated other comprehensive loss	(701)	(701)
Total common stockholders' equity	293,884	287,605

Preferred stock	3,475	3,475
Long-term debt, less current maturities	274,361	274,821
Total capitalization	571,720	565,901
Current liabilities:		
Current maturities of long-term debt	1,144	1,100
Accounts payable	29,541	19,745
Accrued expenses and other liabilities	51,440	36,367
Total current liabilities	82,125	57,212
Unamortized investment tax credits	2,721	2,721
Deferred income taxes	56,741	54,826
Regulatory and other liabilities	36,328	35,986
Advances for construction	139,298	131,292
Contributions in aid of construction	95,884	94,915
Commitments and contingencies	--	--
	$ 984,817	$ 942,853

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See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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

	For the three months ended:		For the nine months ended:	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
<S>	<C>	<C>	<C>	<C>
Operating revenue	$101,128	$ 97,104	$242,888	$246,189
Operating expenses:				
Water production costs	39,205	40,052	88,420	94,776
Other operations	22,307	22,404	66,054	64,628
Maintenance	3,877	3,640	11,295	9,853
Depreciation and amortization	7,287	6,518	21,289	19,557
Income taxes	8,968	7,050	14,571	14,852
Property and other taxes	3,381	2,942	9,438	8,551
Total operating expenses	85,025	82,606	211,067	212,217
Net operating income	16,103	14,498	31,821	33,972
Other income and expenses:				
Non-regulated income, net	778	650	2,121	1,773
Gain on sale of non-utility property	669	6	728	7
Total other income and expenses	1,447	656	2,849	1,780
Interest expense:				
Interest expense	4,660	4,615	13,959	14,013
Less capitalized interest	225	250	675	550
Total interest expense	4,435	4,365	13,284	13,463
Net income	$ 13,115	$ 10,789	$ 21,386	$ 22,289
Earnings per share				
Basic	$ 0.71	$ 0.59	$ 1.16	$ 1.27
Diluted	$ 0.71	$ 0.59	$ 1.16	$ 1.27
Weighted average shares outstanding				
Basic	18,384	18,345	18,376	17,418
Diluted	18,422	18,362	18,412	17,433

Dividends per share of common stock	$ 0.2850	$ 0.2825	0.8550	$ 0.8475

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See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

CALIFORNIA WATER SERVICE GROUP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
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(In thousands)
Unaudited

For the nine months ended:	September 30, 2005	September 30, 2004
<S>	<C>	<C>
Operating activities		
Net income	$ 21,386	$ 22,289
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,289	19,557
Deferred income taxes, investment tax credits, regulatory assets and liabilities, net	204	12,153
Gain on sale of non-utility assets	(728)	(7)
Changes in operating assets and liabilities:		
Receivables	(338)	(5,233)
Unbilled revenue	(4,964)	(4,370)
Taxes and other prepaid expenses	6,140	168
Accounts payable	9,795	2,993
Other current assets	(857)	(319)
Other current liabilities	15,072	4,938
Other changes, net	(347)	(836)
Net adjustments	45,266	29,044
Net cash provided by operating activities	66,652	51,333
Investing activities:		
Utility plant expenditures:		
Company-funded	(47,560)	(35,969)
Developer-funded	(9,726)	(13,107)
Acquisitions	(467)	(900)
Proceeds from sale of non-utility assets	743	13
Net cash used in investing activities	(57,010)	(49,963)
Financing activities:		
Net changes in short-term borrowings	--	(6,454)
Retirement of long-term debt, net	(734)	(378)
Advances for construction	11,612	10,660
Refunds of advances for construction	(3,606)	(3,589)
Contributions in aid of construction	3,164	4,809
Issuance of common stock	720	36,913
Dividends paid	(15,827)	(14,865)
Net cash (used in) provided by financing activities	(4,671)	27,096
Change in cash and cash equivalents	4,971	28,466
Cash and cash equivalents at beginning of period	18,820	2,856
Cash and cash equivalents at end of period	$ 23,791	$ 31,322

</TABLE>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

CALIFORNIA WATER SERVICE GROUP

Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2005

Note 1. Organization and Operations

California Water Service Group (the Company) is a holding company with five wholly owned subsidiaries that provide 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. In addition, these entities and CWS Utility Services provide non-regulated water utility and utility-related services.

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

Note 2. Summary of Significant Accounting Policies

The interim financial information is unaudited. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments that are necessary to provide a fair presentation of the results for the periods covered. The adjustments consist only of normal recurring adjustments. The results for interim periods are not necessarily indicative of the results of the entire year. The condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2004, included in its Form 10-K as filed with the Securities and Exchange Commission on March 15, 2005.

Note 3. Stock-Based Compensation

The Company has an Equity Incentive Plan (the "Plan") approved by stockholders on April 27, 2005, that allows granting of non-qualified stock options and other equity instruments. No grants have been made under the Plan, which replaces the former Long-Term Incentive Plan under which options were granted, some of which are still outstanding. No further grants will be made under the Long-Term Incentive Plan.

The Company has adopted the 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 of FASB Statement No. 123," and as permitted by SFAS No. 123, applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," to its plan. All outstanding options had an exercise price equal to the market price on the date they were granted. No compensation expense was recorded for either of the three-month or nine-month periods ended September 30, 2005 or 2004 related to stock options. No options were granted during either period.

The table below illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provision of SFAS No. 123 to employee compensation.

<TABLE>
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(In thousands, except per share data)

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
<S>	<C>	<C>	<C>	<C>
Net income, as reported	$13,115	$10,789	$21,386	$22,289
Less preferred dividends	38	38	115	115
Net income available to common stockholders	13,077	10,751	21,271	22,174
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	12	16	36	49
Pro forma net income	$13,065	$10,735	$21,235	$22,125
Earnings per share				
Basic - as reported	$ 0.71	$ 0.59	$ 1.16	$ 1.27
Basic - pro forma	$ 0.71	$ 0.59	$ 1.16	$ 1.27
Diluted - as reported	$ 0.71	$ 0.59	$ 1.16	$ 1.27
Diluted - pro forma	$ 0.71	$ 0.59	$ 1.16	$ 1.27

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Note 4. Seasonal Business

Due to the seasonal nature of the water business, the results for interim periods are not indicative of the results for a 12-month period. Revenue and income are generally higher in the warm, dry summer months when water usage and sales are greater. Revenue and income are lower in the winter months when cooler temperatures and rainfall curtail water usage and sales.

Note 5. Earnings Per Share Calculations

The computations of basic and diluted earnings per share are noted below.

Common stock options outstanding to purchase common shares were 98,750 and 143,250 at September 30, 2005 and September 30, 2004, respectively. All options are dilutive and the dilutive effect is shown in the table below.

<TABLE>
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(In thousands, except per share data)

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
<S>	<C>	<C>	<C>	<C>
Net income, as reported	$13,115	$10,789	$21,386	$22,289
Less preferred dividends	38	38	115	115
Net income available to common shareholders	$13,077	$10,751	$21,271	$22,174
Weighted average common shares, basic	18,384	18,345	18,376	17,418
Dilutive common stock options (treasury method)	38	15	36	15
Shares used for dilutive calculation	18,422	18,360	18,412	17,433
Earnings per share - basic	$ 0.71	$ 0.59	$ 1.16	$ 1.27
Earnings per share - dilutive	$ 0.71	$ 0.59	$ 1.16	$ 1.27

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Note 6. Income Taxes

In October 2004, the American Jobs Creation Act of 2004 (the "Act") was signed into law and provides a new federal income tax deduction from qualified U.S. production activities, which is being phased in from 2005 through 2010. Under the Act, qualified production activities include production of potable water, but excludes the transmission and distribution of the potable water. In December 2004, the FASB issued FASB Staff Position No. 109-1 and proposed that the deduction should be accounted for as a "special deduction" in accordance with SFAS No. 109. As such, the special deduction had no effect on deferred tax assets and liabilities existing at the enactment date. Rather, the impact of the deduction is being reported in the year in which the deduction is claimed on the Company's tax return. During the third quarter of fiscal 2005, the Company completed its initial evaluation of the provisions of the Act and included an estimate for 2005 of the deduction in the provision for income taxes. The impact was to lower the tax provision for the three and nine months ending September 30, 2005 by $131,000.

Note 7. Pension Plan and Other Postretirement Benefits

The Company provides a qualified defined benefit, non-contributory pension plan for substantially all employees. The Company makes annual contributions to fund the amounts accrued for the qualified pension plan. 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 offers medical, dental, vision and life insurance benefits for retirees and their spouses and dependents. Participants are required to pay a premium, which offsets a portion of the cost.

Payments by the Company related to pension plan and other postretirement benefits were $4,274,000 and $4,421,000 for the three and nine months ended September 30, 2005, respectively. The estimated funding for 2005 is

$6,600,000.

The following table lists components of the pension plans and other postretirement benefits. The data listed under "pension plan" includes the qualified pension plan and the non-qualified executive supplemental retirement plan. The data listed under "other benefits" is for all other postretirement benefits.

<TABLE>
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(In thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	Pension Benefit		Other Benefits		Pension Benefit		Other Benefits	
	2005	2004	2005	2004	2005	2004	2005	2004
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Service cost	$ 863	$ 1,182	$ 234	$ 380	$ 3,251	$ 3,456	$ 1,120	$ 990
Interest cost	1,135	1,482	335	382	4,133	4,210	1,231	1,066
Expected return on plan assets	(1,207)	(1,208)	(120)	(83)	(3,963)	(3,646)	(314)	(255)
Recognized net initial APBO*	N/A	N/A	69	69	N/A	N/A	207	207
Amortization of prior service cost	523	420	17	18	1,497	1,268	55	56
Recognized net actuarial loss	38	174	58	130	146	242	448	298
Net periodic benefit cost	$ 1,352	$ 2,050	$ 593	$ 896	$ 5,064	$ 5,530	$ 2,747	$ 2,362

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*APBO - Accumulated postretirement benefit obligation

The "other benefits" amount of $593,000 and $ 2,747,000 for the quarter and year-to-date ended September 30, 2005 include a reduction of $581,000 and $945,000, respectively, representing the estimated reduction for Medicare subsidies to comply with FASB Staff Position (FSP) No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which was implemented by the Company in the third quarter of 2004. For the quarter and year-to-date ended September 30, 2004 the net periodic benefit cost reflected a reduction of $604,000.

Postretirement benefit expenses for "other benefits" recorded in the three-month periods ended September 30, 2005 and 2004 were $312,000 and $251,000, respectively. Postretirement benefit expense for "other benefits" recorded in the nine-month periods ended September 30, 2005 and 2004 was $936,000 and $1,034,000, respectively. As of September 30, 2005, the Company had a regulatory asset of $10,830,000 related to postretirement benefits, which is expected to be recovered through future customer rates.

During the third quarter of 2005 and 2004, the Company received a revised estimate of its annual expense for pension and postretirement benefits from its actuaries. The Company has adjusted its monthly provision accordingly to reflect this change in estimate. In 2005, an expense reduction of $563,000 was recognized for the nine month period. In 2004, the adjustment resulted in additional expense of $393,000 for the nine month period.

Note 8. Gains on Sale of Property

In 1995, the California Legislature enacted the Water Utility Infrastructure Improvement Act of 1995 (Infrastructure Act) to encourage water utilities to sell surplus properties and reinvest in needed water utility facilities. In September 2003, the California Public Utilities Commission (CPUC) issued decision D.03-09-021 in Cal Water's 2001 GRC filing. In this decision, the CPUC ordered Cal Water to file an application setting up an Infrastructure Act memorandum account with an up-to-date accounting of all real property that was at any time in rate base and that Cal Water had sold since the effective date of the Infrastructure Act. The decision also ordered Cal Water to file an application for approval to replace the operations and customer centers in its Chico District and treatment of the gain on sale proceeds.

Decision D.03-09-021 also directed the CPUC staff to file a detailed report on its review of Cal Water's application. On January 11, 2005, the Office of Ratepayer Advocates (ORA) issued a report expressing its opinion that Cal Water had not proven that surplus properties sold since 1996 were no longer necessary and useful to provide utility service. ORA also recommended that Cal Water be fined $160,000 and that gains from property sales should generally benefit ratepayers.

During the period under review, Cal Water's cumulative gains from surplus property sales were $19.2 million, which included an inter-company gain related to a transaction with CWS Utility Services and a like-kind exchange with a third party. If the CPUC finds any surplus property sale or transfer was recorded inappropriately, Cal Water's rate base could be reduced, which would lower future revenues, net income, and cash flows.

In early April, the parties submitted testimony and briefs and the Administrative Law Judge held an evidentiary hearing. Management believes it has fully complied with the Infrastructure Act and that ORA's conclusions and recommendations are without merit. Accordingly, Cal Water has not accrued a liability in the financial statements for ORA's recommendations.

On October 27, 2005, the CPUC extended the statutory period for the proceeding to January 3, 2006. On November 2, 2005, Administrative Law Judge issued his Proposed Decision (PD). The PD finds that Cal Water appropriately reclassified all properties as non-utility property prior to being sold. The criteria Cal Water used to reclassify its properties were reasonable and consistent with the requirements of the CPUC. Since the properties were properly reclassified, CPUC approval was not required prior to the sale and no penalty is warranted. Furthermore, the PD finds that Cal Water should be allowed to include in rate base the full value of the new Chico customer center. This would result in an increase revenue requirement of approximately $171,000.

However, the PD does not approve the amount of sales proceed (or gains) which qualifies for reinvest under the Infrastructure Act. The PD defers the issues regarding treatment of sale proceeds and allocation of gains on sale to its R.04-09-003 proceeding, where the CPUC intents to set guidelines and a specific rule on allocation of the gain on sale between shareholders and ratepayers. Cal Water has no knowledge when this proceeding will be concluded.

Note 9. Commitments

On September 21, 2005, Cal Water entered into an agreement with Kern County Water Agency to obtain treated water for the Company's operations. The term of the agreement is to January 1, 2035, or until the repayment of the Agency's bonds (described below) occurs. This agreement supersedes the prior agreement with Kern County Water Agency, as amended, dated June 13, 1974.

Under the terms of the agreement, Cal Water is obligated to purchase 20,500 acre feet of treated water per year, which is an increase from the 11,500 acre feet in the prior agreement. The Company is obligated to pay the Capital Facilities Charge and the Treated Water Charge regardless of whether it can use the water in its operation and is obligated for these charges even if the Agency cannot produce an adequate amount to supply the 20,500 acre feet in the year.

Three other parties are also obligated to purchase a total of 32,500 acre feet per year under separate agreements with the Agency. These other participating entities are North of the River Municipal Water District, East Niles Community Services District, and the City of Bakersfield. Further, the Agency has the right to proportionally reduce the water supply provided to all of the participants if it cannot produce adequate supplies. The participation of all parties in the transaction for expansion of the Agency's facilities, including the Water Purification Plant, purchase of the water and payment of interest and principal on the bonds being issued by the Agency to finance the transaction is required as a condition to the obligation of the Agency to proceed with expansion of the Agency's facilities. If any of the other parties does not use its allocation, that party is obligated to pay its contracted amount, but may make arrangements for the other parties to purchase some or all of its allocation.

The Agency is planning to issue bonds to fund the project and will use the payments of the Capital Facilities Charges by California Water Service Company and the other contracted parties to meet the Agency's obligations to pay interest and repay principal on the bonds. If any of the parties were to default on making payments of the Capital Facilities Charge, then the other parties are obligated to pay for the defaulting party's share on a pro-rata basis. If there is a payment default by a party and the remaining parties have to make payments, they also are entitled to a pro-rata share of the defaulting party's water allocation.

The Company expects to use all its contracted amount of water in its operations every year. In addition, if the Company were to pay for and receive additional amounts of water due to a default of another participating party, the Company believes it could use this additional water in its operations without incurring substantial incremental cost increases. If additional treated water is available, all parties have an option to purchase this additional treated water, subject to the Agency's right to allocate the water among the parties.

The total obligation of all participants, excluding Cal Water, is approximately $108,000,000 to the agency. Based on the credit worthiness of the other participants which are government entities, it is believed to be highly unlikely that Cal Water would be required to assume any other participants' obligations under the contract due to their default. In the event of default by a Participant, Cal Water would receive entitlement to the additional water for assuming any obligation.

Once the project is complete, the Company is obligated to pay a Capital Facilities Charge and a Treated Water Charge that together total $4,739,000 annually, which equates to $231 per acre foot. Annual payments of $1,951,000 for the Capital Facilities Charge will begin when the Agency issues bonds to fund the project. Some of the Treated Water Charge of $2,788,000 is expected to begin July 1, 2007, when a portion of the planned capacity is expected to be available. The expanded water treatment plant is expected to be at full capacity by July 1, 2008, and at that time, the full annual payments of $4,739,000 would be made and continue through the term of the agreement. Once treated water is being delivered, the Company will also be obligated for its portion of the operating costs; that portion is currently estimated to be $69 per acre foot. The actual amount will vary due to variations from estimate, inflation and other changes in the cost structure. The Company's overall estimated cost of $300 per acre foot is less than the estimated cost of procuring untreated water (assuming water rights could be obtained) and then providing treatment.

Note 10. Recent Accounting Standards

In November 2004, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards (SFAS) No. 151, "Inventory Costs - an Amendment to ARB no. 43, Chapter 4." The statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. The statement is effective for fiscal years beginning after June 15, 2005. The adoption of this statement is not expected to impact the Company's financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 153, "Exchange of Nonmonetary Assets." The statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with the general exception for exchanges of nonmonetary assets that do not have commercial substance. The statement is effective for fiscal years beginning after June 15, 2005. The adoption of this statement is not expected to impact the Company's financial position, results of operations, or cash flows.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment," which revised SFAS 123, "Accounting for Stock-Based Compensation." The statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). On April 14, 2005, the SEC revised the effective date to fiscal years beginning after June 15, 2005. The adoption of this statement is not expected to materially impact the Company's financial position, results of operations, or cash flows for the equity instruments previously granted.

In December 2004, the FASB issued FASB Staff Position (FSP) No. 109-1, "Application of FASB Statement No. 109, Accounting for Income Tax, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004." FSP No. 109-1 provides guidance on the application of SFAS No. 109 to the provision within the American Jobs

Creation Act of 2004 (the Act) that allows a tax deduction on qualified production activities. The guidance states that the deduction should be accounted for as a special deduction in accordance with SFAS No. 109. The adoption of this guidance is not expected to materially impact the Company's financial position, results of operations or cash flows.

In March 2005, the FASB issued Interpretation No. 46R-5, "Implicit Variable Interests under FASB Interpretation No. 46 (revised December 2003)", which amends Interpretation No.46, "Consolidation of Variable Interest Entities." The revision relates to issues commonly arising in leasing arrangements among related parties and other types of arrangements involving related and unrelated parties. The original guidance under Interpretation No. 46 in January 2003 is still applicable. Interpretation Nos. 46 and 46R-5 provide guidance for determining when a primary beneficiary should consolidate a variable interest entity or equivalent structure that functions to support the activities of a primary beneficiary. Interpretation No. 46R-5 is effective for the first reporting period beginning after March 3, 2005. The adoption of Interpretation No. 46R-5 did not impact the Company's financial position, results of operations, or cash flows.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations - an interpretation of FASB Statement No. 143." Interpretation No. 47 provides guidelines as to when a company is required to record a conditional asset retirement obligation. In general, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred - generally upon acquisition, construction, or development and (or) through the normal operation of the asset. The Interpretation is effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005, for calendar-year enterprises). The implementation of this Interpretation is not expected to have a material impact on the Company's financial position, results of operations, or cash flows.

In May 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3." Statement No. 154 replaces APB Opinion No. 20, "Accounting Changes," and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for and the reporting of a change of an accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Statement is effective for all fiscal years beginning after December 15, 2005. The implementation of this Statement is not expected to have a material impact on the Company's financial position, results of operations, or cash flows.

Item 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

This quarterly 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, including decisions on proper disposition of property; changes in regulatory commissions' policies and procedures; the timeliness of regulatory commissions' actions concerning rate relief; new legislation; the ability to satisfy requirements related to the Sarbanes-Oxley Act and other regulations on internal controls; 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 current or future debt that could increase financing costs or affect the ability to borrow, make payments on debt, or pay dividends; and other risks and unforeseen events. When considering forward-looking statements, the reader should keep in mind the cautionary statements included in this paragraph. For additional information relating to the risks of the Company's business, see "Risk Factors" in the Company's Annual Report on Form 10-K. The Company assumes no obligation to provide public updates on forward-looking statements.

CRITICAL ACCOUNTING POLICIES

The Company maintains its accounting records in accordance with accounting principles generally accepted in the United States of America and as directed by the regulatory commissions to which the Company is 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 historical experience and an understanding of current facts and circumstances. Management believes that the following accounting policies are critical because they involve a higher degree of complexity and judgment, and can have a material impact on the results of operations and financial condition.

Revenue Recognition
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Revenue consists of monthly cycle customer billings for regulated water and wastewater services at rates authorized by the governmental and regulatory commissions (Commissions) and billings to certain non-regulated customers.

Revenue from metered customers includes billings to customers based on monthly meter readings plus an estimate for water used between the customer's last meter reading and the end of the accounting period. The unbilled revenue amount is recorded as a current asset on the balance sheet under the caption "Unbilled Revenue." At September 30, 2005, the unbilled revenue amount was $14,271,000 and at December 31, 2004, the amount was $9,307,000. The unbilled revenue amount is generally higher during the summer months when water sales are higher. The amount recorded as unbilled revenue varies depending on water usage in the preceding period; the number of days between meter reads for each billing cycle; and the number of days between each cycle's meter reading and the end of the accounting cycle.

Flat-rate customers are billed in advance at the beginning of the service period. The revenue is prorated so that the portion of revenue applicable to the current accounting period is included in that period's revenue. The portion related to a subsequent accounting period is recorded as unearned revenue on the balance sheet and recognized as revenue when earned in the subsequent accounting period. The unearned revenue liability was $2,191,000 and $2,193,000 at December 31, 2004. This liability is included in "accrued expenses and other liabilities" on the balance sheet.

Expense Balancing and Memorandum Accounts
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Expense-balancing accounts and memorandum accounts are used to track suppliers' rate changes for purchased water, purchased power, and pump taxes that are not included in customer water rates. The cost changes are referred to as "offsetable expenses," because under certain circumstances, they are refundable from customers (or refunded to customers) in future rates designed to offset cost changes from suppliers. 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. The cumulative net recoverable amount in the expense balancing accounts and memorandum accounts as of September 30, 2005, was approximately $4,000,000. This amount includes certain amounts that have been filed for recovery but have not yet been authorized, or amounts that have not yet been filed for recovery. See Regulatory Matters--Other Regulatory Matters below for cumulative net balances of expense balancing and memorandum accounts that have been authorized for recovery.

Regulated Utility Accounting

Because the Company operates extensively in a regulated business, it is subject to the provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." Regulators establish rates that are expected to permit the recovery of the cost of service and a return on investment. In the event a portion of the Company's operations were no longer subject to the provisions of SFAS No. 71, it would be required to write off related regulatory assets that are not specifically recoverable and write off of liabilities that are not realizable, and determine if other assets might be impaired. If a regulatory commission determined that a portion of the Company's assets were not recoverable in customer rates, the Company would be required to determine if it had suffered an asset impairment that would require a write-down in the assets' valuation. There have been no such asset impairments as of September 30, 2005.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred taxes assets and liabilities are recognized for 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 the deferred tax assets and liabilities of a change in tax rate is recognized in the period that includes the enactment date. The Company must also assess the likelihood that deferred tax assets will be recovered in future taxable income and, to the extent recovery is unlikely, a valuation allowance would be recorded. If a valuation allowance were required, it could significantly increase income tax expense. In management's view, a valuation allowance is not required at September 30, 2005.

The Company anticipates that future rate action by the Commissions will reflect revenue requirements for the tax effects of temporary differences recognized, which have previously been passed 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 those received subsequent to 1991 were subject to California income tax. In 1996, the federal law, and in 1997, the California law, changed and only deposits for new services were taxable. In late 2000, federal regulations were further modified to exclude fire services from taxation.

Pension Benefits

The Company incurs costs associated with its pension and postretirement health care benefits 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. Different estimates used by management could result in significant variances in the cost recognized for pension benefit plans. The estimates used are based on historical experience, current facts, future expectations and recommendations from independent advisors and actuaries. The Company uses an investment advisor to provide advice in managing the plan's investments. Management anticipates that any increase in funding for the pension and postretirement health care benefits plans will be recovered in future customer rates.

RESULTS OF THIRD QUARTER 2005 OPERATIONS COMPARED TO THIRD QUARTER 2004 OPERATIONS

Summary

Third quarter net income was $13,115,000, equivalent to $0.71 per common share on a diluted basis, compared to net income of $10,789,000 or $0.59 per share on a diluted basis in the third quarter of 2004. The primary driver for the increase in net income was increased revenues from rate increases and new customers which were partially offset by higher operating expenses. Other income increased due to sale of non-utility properties this year verses last year.

Operating Revenue

Operating revenue increased $4,024,000, or 4%, to $101,128,000. As disclosed in the following table, the increase was due primarily to rate increases and new customers, partially offset by decreases in usage. Revenues from water usage decreased approximately 2% for the quarter as cooler temperatures continued in some of our service areas.

The factors that affected the operating revenue decrease for the third quarter of 2005 are presented in the following table:

Rate increases (net)	$ 4,395,000
Decrease in usage by existing customers	(1,559,000)
Usage by new customers	1,188,000
Net operating revenue increase	$ 4,024,000

The components of the net rate increase are listed in the following table:

Purchased Water Offset	$529,000
Balance Accounts 2003	(532,000)
Balance Accounts 2004	2,054,000
Balance Accounts 2005	76,000
General Rate Case (GRC)	
2001 Catch-up	(1,362,000)
GRC 2002	280,000
GRC 2003	115,000
GRC 2004	1,658,000
Step rate 2005	1,466,000
Hawthorne	76,000
New Mexico	56,000
Hawaii	(21,000)
Total	$ 4,395,000

The number of customers from regulated and non-regulated, full system operations increased 1.3% compared to September 2004.

Total Operating Expenses

Total operating expenses were $85,025,000 for the three months ended September 30, 2005, versus $82,606,000 for the same period in 2004, a 2.9% increase.

Water production expense consists of purchased water, purchased power and pump taxes. It represents the largest component of total operating expenses, accounting for approximately 46.1% of total operating expenses. Water production expenses decreased 2% compared to last year.

For California operations, sources of water production as a percent of total water production are listed on the following table:

	Three Months Ended September 30	
	2005	2004
Well production	50.8%	49.9%
Purchased	45.9%	46.5%
Surface	3.3%	3.6%
Total	100%	100%

Washington Water, New Mexico Water and Hawaii Water obtain all of their water supply from wells.

The components of water production costs are shown in the table below:

Three Months Ended September 30

	2005	2004	Change
Purchased water	$ 28,559,000	$ 28,838,000	$ (279,000)
Purchased power	7,649,000	8,460,000	(811,000)
Pump taxes	2,997,000	2,754,000	243,000
Total	$ 39,205,000	$ 40,052,000	$ (847,000)

Purchased water cost decreased due to lower usage of purchased water, partially offset by higher prices from water wholesalers. Included in the purchased water amounts are credits received from certain wholesale suppliers and the sale of unused water rights. The amounts of the credits were $324,000 and $366,000 for the quarter ended September 30, 2005 and 2004, respectively. Purchased power and pump taxes decreased primarily due to lower usage and lower prices.

Other operations expenses were $22,307,000, increasing $97,000 or 0.5%. Payroll and benefits charged to operations expense increased $607,000 or 4.3%. Wages for union employees increased 2.5%, effective January 1, 2005. Overall payroll costs (expensed and capitalized) increased 4.4% due to increases in the number of employees and higher wage rates. Employee and retiree medical costs increased $72,000 or 23.8%. The above increases were offset by lower administration and general expenses which were $12,201,000, decreasing $171,000 or 1.4%. Pension costs decreased $561,000, or 33.5% due to year-to-date true-up of the annual pension cost estimate based on an actuarial calculation report received during the quarter. Workers' compensation expense decreased $308,000, or 40.8% due to a decrease from the prior year claims experience. Regulatory Commission expense decreased $120,000 or 79.0%. At September 30, 2005, there were 846 employees and at September 30, 2004, there were 830 employees.

Maintenance expense was up for the quarter ended September 30, 2005, increasing $237,000, or 6.5% due to increases in main repairs of $160,000 and reservoirs and tank repairs of $46,000, which were partially offset by lower well expense of $90,000.

Depreciation and amortization expense increased $769,000, or 12% because of additional depreciation expense due to 2004 capital expenditures and due to increased depreciation rates authorized by the Commission in eight districts as part of the 2004 GRC decision.

Federal and state income taxes increased $1,918,000 due to the increase in taxable income. The effective tax rate was 40.6% in the third quarter of 2005 and 39.5% for the prior year's third quarter.

Other Income and Expense

Other income was $1,447,000 for the quarter ended September 30, 2005, compared to $656,000 for the prior year's third quarter, an increase of $791,000, primarily due to gain on sale of non-utility property of $669,000. A gain of $6,000 was recognized in the quarter ended September 30, 2004. Non-regulatory income totaled $778,000 and increase of $128,000 or 19.7%

Interest Expense

Total interest expense increased $70,000, or 1.6%. This was due to an increase in capitalized interest in the prior year on construction projects.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 2005 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 2004

Summary

Net income for the nine-month period ended September 30, 2005 was $21,386,000, equivalent to $1.16 per common share on a diluted basis, compared to net income of $22,289,000 or $1.27 per share on a diluted basis, for the nine-months ended September 30, 2004. The primary driver for the decrease in net income was the unfavorable weather conditions experienced in each of the quarters of 2005 compared to the same prior year periods.

Operating Revenue

Operating revenue decreased $3,301,000, or 1.3%, to $242,888,000. As disclosed in the following table, the decrease was due to decreases in usage, partially offset by increases in rates and revenue from new

customers. Weather impact was unfavorable as rainfall was much higher compared to prior year. Temperatures were slightly cooler, which resulted in a year-to-date decrease of approximately 6% in revenue from prior year water usage, with the largest monthly decrease of 14.0% occurring in April.

The factors that affected the operating revenue decrease are presented in the following table:

Rate increases (net)	$ 8,984,000
Decrease in usage by existing customers	(14,514,000)
Usage by new customers	2,229,000
Net operating revenue decrease	$ (3,301,000)

The components of the net rate increases are listed in the following table:

Purchase Water Offset	$ 930,000
Balance Accounts 2003	(936,000)
Balance Accounts 2004	4,503,000
Balance Accounts 2005	76,000
General Rate Case (GRC)	
2001 Catch Up	(3,470,000)
GRC 2002	1,782,000
GRC 2003	298,000
GRC 2004	1,658,000
Step Rate 2005	3,810,000
Hawthorne	280,000
Hawaii	(41,000)
New Mexico	94,000
Total increase in rates	$ 8,984,000

Total Operating Expenses

Total operating expenses were $211,067,000 for the nine-months ended September 30, 2005, versus $212,217,000 for the same period in 2004, a 0.5% decrease.

Water production expense consists of purchased water, purchased power and pump taxes. It represents the largest component of total operating expenses, accounting for approximately 41.9% of total operating expenses. Water production expenses decreased 6.7% compared to last year.

For California operations, sources of water production as a percent of total water production are listed on the following table:

	Nine Months Ended September 30	
	2005	2004
Well production	47.5%	47.4%
Purchased	48.6%	48.5%
Surface	3.9%	4.1%
Total	100%	100%

Washington Water, New Mexico Water and Hawaii Water obtain all of their water supply from wells.

The components of water production costs are shown in the table below:

	Nine Months Ended September 30		
	2005	2004	Change
Purchased water	$ 66,687,000	$ 70,580,000	$ (3,893,000)
Purchased power	15,770,000	18,012,000	(2,242,000)
Pump taxes	5,963,000	6,184,000	(221,000)

Total	$ 88,420,000	$ 94,776,000	$ (6,356,000)

Purchased water cost decreased due to lower usage, partially offset by higher prices from water wholesalers and lower purchased water credits. Included in purchased water are credits received from certain wholesale suppliers and the sale of unused water rights. The amounts of the credits were $1,091,000 and $2,942,000 for 2005 and 2004, respectively. Purchased power and pump taxes also decreased due to lower production.

Other operations expenses were $66,054,000, increasing $1,426,000 or 2.2% primarily due to administration and general expenses which were $36,137,000, increasing $1,169,000 or 3.3%. Payroll and benefits charged to operations expense increased $2,665,000, or 6.4%. Wages for union employees increased 2.5%, effective January 1, 2005. Overall payroll costs (expensed and capitalized) increased 4.5% due to increases in the number of employees and higher wage rates. Employee and retiree medical costs increased $675,000, or 10.5%. Outside services, which includes legal, auditor and consultants fees, increased $831,000, or 47.2% primarily due to higher consulting cost associated with information systems. Workers' compensation expenses decreased $822,000, or 47.2%. At September 30, 2005, there were 846 employees and at September 30, 2004, there were 830 employees.

Maintenance expense was up for the nine-months ended September 30, 2005, increasing $1,442,000, or 14.6%, due to increases in maintenance of meters of $130,000, well maintenance expense of $68,000, and repairs of the following: pumping equipment and plant of $327,000, water treatment equipment of $115,000 and mains of $507,000.

Depreciation and amortization expense increased $1,732,000, or 8.8%, because of 2004 capital expenditures and due to increased depreciation rates authorized by the Commission in eight districts as part of the 2004 GRC decision.

Federal and state income taxes decreased $281,000 due to lower taxable income. The effective tax rate was 40.5% in 2005 and 40.0% in 2004.

Other Income and Expense

Other income was $2,849,000 for the nine-months ended September 30, 2005, compared to $1,780,000 for the first nine months of 2004, an increase of $1,069,000 that is primarily due to gains on sale of non-utility properties and increase in net non-regulated income.

Interest Expense

Total interest expense decreased $179,000, or 1.3%, due to an increase in capitalized interest of $125,000, on construction projects and lower interest expense since short term borrowings were paid off.

REGULATORY MATTERS

Rate Case Proceedings

In January 2005, Cal Water received approval from the California Public Utilities Commission (CPUC) for step rate increases of $4.4 million on an annual basis, which were effective in January 2005.

In February 2005, the Hawaii Public Utilities Commission issued a general rate order that decreased rates for Hawaii Water Service Company's (HWSC) Kaanapali water system by approximately $68,000 annually. Additionally, HWSC was authorized to establish a tracking mechanism for recovering certain water treatment plant costs, approximately $50,000 annually, pending the outcome of litigation seeking recovery for treatment costs from the potentially responsible parties. These claims are not expected to materially affect the Company financial results.

In April 2005, the New Mexico Public Regulation Commission approved New Mexico Water Service Company's GRC for its wastewater operations. The approval was for a rate increase of $329,000 on an annual basis. Sixty-five percent of the amount was effective in April 2005, and the full amount will be effective on January 1, 2006.

In July 2005, the Company received a decision on its 2004 General Rate Case (GRC) filings that authorizes rate increases of $7.6 million to annual revenues. This GRC covers approximately 50% of the customers in the Company's California operations. The rates became effective in July 2005.

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Memorandum and Balancing Accounts
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In May 2005, the Company received authorization from the CPUC to recover in rates $822,000 on an annual basis to offset higher purchased water and pump tax costs in its Stockton district.

In July 2005, the Company received authorization from the CPUC to recover in rates $614,000 on an annual basis to offset higher purchased water in its Westlake district.

In September 2005, Cal Water received authorization from the CPUC to collect in rates approximately $899,000 previously recorded in a memorandum account for the Stockton district. Cal Water has pending memorandum account filings for 2004 and previous years offsettable expenses to refund to customers $1,258,000 over 12 months.

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Below is a list of rate filings approved by the CPUC in 2004 that impacted 2005 revenues due to recording revenues based upon customer billings. (See previous items on Operating Revenue).

February 2004 - increase of $700,000 annually for purchased water costs

April 2004 - step rate increases of $500,000 annually

April 2004 - increase of $3,600,000 annually for the 2002 GRCs in four districts

May 2004 - refund of $1,500,000 for balancing account over-collections related to offsettable expenses incurred over multiple years in the King City and Dominguez districts. Except for a minor amount refunded over 36-months, surcredits will be effective for 12-months.

June 2004 - surcharge to recover $400,000 in offsettable expenses for 2001 in the Salinas district.

July 2004 - increase of $1,100,000, annually, for the 2001 GRC in the Salinas district effective over 12 - months.

August 2004 - step rate increases of $500,000, annually, for four districts

September 2004 - increase of $400,000, annually, for the 2003 GRC in the South San Francisco and Bakersfield districts

September 2004 - increase of $500,000, annually, for higher purchased water and pump taxes in the Los Altos district

October to December 2004 - surcharges to recover $9,200,000 in offsettable expenses for 2002 and 2003 in multiple districts. Surcharges vary by district and are effective from 12 to 36 months.

There were no rate filings approved during 2004 for Washington Water Service Company, New Mexico Water Service Company, and Hawaii Water Service Company.

Other Regulatory Matters
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Cal Water recovered certain amounts being tracked in off-balance sheet expense balancing and memorandum accounts. Approvals to recover these amounts were received in 2004. (See "Expense Balancing and Memorandum Accounts" section in the Critical Accounting Policies.) The amounts remaining to be recovered from these approved filings as of September 30, 2005, and December 31, 2004, were $4,000,000 and $8,588,000, respectively. These amounts exclude pending amounts and amounts not yet filed for recovery.

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Surplus Property Sales
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In 1995, the California Legislature enacted the Water Utility Infrastructure Improvement Act of 1995 (Infrastructure Act) to encourage water utilities to sell surplus properties and reinvest in needed water utility facilities. In September 2003, the California Public Utilities

Commission (CPUC) issued decision D.03-09-021 in Cal Water's 2001 GRC filing. In this decision, the CPUC ordered Cal Water to file an application setting up an Infrastructure Act memorandum account with an up-to-date accounting of all real property that was at any time in rate base and that Cal Water had sold since the effective date of the Infrastructure Act. The decision also ordered Cal Water to file an application for approval to replace the operations and customer centers in its Chico District and treatment of the gain on sale proceeds.

Decision D.03-09-021 also directed the CPUC staff to file a detailed report on its review of Cal Water's application. On January 11, 2005, the Office of Ratepayer Advocates (ORA) issued a report expressing its opinion that Cal Water had not proven that surplus properties sold since 1996 were no longer necessary and useful to provide utility service. ORA also recommended that Cal Water be fined $160,000 and that gains from property sales should generally benefit ratepayers.

During the period under review, Cal Water's cumulative gains from surplus property sales were $19.2 million, which included an inter-company gain related to a transaction with CWS Utility Services and a like-kind exchange with a third party. If the CPUC finds any surplus property sale or transfer was recorded inappropriately, Cal Water's rate base could be reduced, which would lower future revenues, net income, and cash flows.

In early April, the parties submitted testimony and briefs and the Administrative Law Judge held an evidentiary hearing. Management believes it has fully complied with the Infrastructure Act and that ORA's conclusions and recommendations are without merit. Accordingly, Cal Water has not accrued a liability in the financial statements for ORA's recommendations.

On October 27, 2005, the CPUC extended the statutory period for the proceeding to January 3, 2006. On November 2, 2005, Administrative Law Judge issued his Proposed Decision (PD). The PD finds that Cal Water appropriately reclassified all properties as non-utility property prior to being sold. The criteria Cal Water used to reclassify its properties were reasonable and consistent with the requirements of the CPUC. Since the properties were properly reclassified, CPUC approval was not required prior to the sale and no penalty is warranted. Furthermore, the PD finds that Cal Water should be allowed to include in rate base the full value of the new Chico customer center. This would result in an increase revenue requirement of approximately $171,000.

However, the PD does not approve the amount of sales proceed (or gains) which qualifies for reinvest under the Infrastructure Act. The PD defers the issues regarding treatment of sale proceeds and allocation of gains on sale to its R.04-09-003 proceeding, where the CPUC intents to set guidelines and a specific rule on allocation of the gain on sale between shareholders and ratepayers. Cal Water has no knowledge when this proceeding will be concluded.

LIQUIDITY

Short-Term and Long-Term Debt

There were no outstanding short-term bank borrowings at September 30, 2005 or December 31, 2004, on either the Company's or Cal Water's credit facility. The Company has a $10,000,000 credit facility, which includes Washington Water, New Mexico Water, Hawaii Water, and CWS Utility Services. Cal Water has a $45,000,000 credit facility. Both agreements have a requirement for balances to be below certain thresholds for 30 consecutive days each calendar year. The Company has met this requirement in 2005 for both agreements. At September 30, 2005, the Company was in compliance with the covenants of both facilities.

In September 2004, Cal Water received authorization from the CPUC on its financing filing related to $250,000,000 of additional debt or equity available for issuance through the year 2009. No amounts have been utilized to date. This amount will be utilized on an as-needed basis. The balance remaining from the previous authorization did not carry over.

Debt Credit Ratings

Cal Water's debt is rated A2 by Moody's Investors Service (Moody's) and A+ by Standard & Poor's (S&P), both unchanged from the previous quarter. The rating from Moody's was last changed in February 2004, when the rating was changed from A1 to A2. The rating from S&P was last changed in the fourth quarter of 2002, when the rating was changed from AA- to A+.

Shelf Registration

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The Company has $35,648,175 in securities under the shelf registration filed with the SEC in 2003, which are available for future issuance.

Dividends
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The third quarter common stock dividend of $0.2850 per share was paid on August 19, 2005, compared to a quarterly dividend in the third quarter of 2004 of $0.2825. This was the Company's 243rd consecutive quarterly dividend. Annualized, the 2005 dividend rate is $1.14 per common share, compared to $1.13 in 2004. Based on the 12-month earnings per share at September 30, 2005, the dividend payout ratio is 83.6% of net income. For the entire year 2004, the payout ratio was 77% of net income. On a long-term basis, the Company's goal is to achieve a dividend payout ratio of 60% of net income accomplished through future earnings growth.

At its October 26, 2005 meeting, the Board declared the Company's 244th consecutive dividend in the amount of $0.2850 per share, payable on November 18, 2005, to stockholders of record on November 7, 2005.

Dividend Reinvestment and Stock Purchase Plan
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The Company's transfer agent has a Dividend Reinvestment and Stock Purchase Plan (Plan). Under the Plan, stockholders may reinvest dividends to

purchase additional Company common stock without commission fees. The Plan also allows existing stockholders and other interested investors to purchase Company 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.

2005 Financing Plan
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The Company's 2005 financing plan includes raising approximately $20,000,000 of new capital in 2005. The plan includes issuance of long-term debt primarily to meet funding needs for capital expenditures. Depending upon the level of capital expenditures, this planned issuance of long-term debt may not occur in 2005 and would then be expected to occur in 2006. Currently, the Company does not plan to issue additional equity in 2005, although this may change depending on a variety of factors. Beyond 2005, management intends to fund capital needs through a relatively balanced approach between long-term debt and equity.

Book Value and Stockholders of Record
- -------------------------------------

Book value per common share was $15.98 at September 30, 2005, compared to $15.66 at December 31, 2004.

There are approximately 3,089 stockholders of record for the Company's common stock as of September 30, 2005.

Utility Plant Expenditures
- --------------------------

During the nine months ended September 30, 2005, capital expenditures totaled $57,286,000; $47,560,000 was from Company-funded projects and $9,726,000 was from third party-funded projects. The 2005 Company-funded capital expenditure budget is $85,000,000, but the actual amount may vary from the budget number due to timing of actual payments related to current year projects and prior year projects. The estimated cash payments for the full-year of 2005 for Company-funded capital expenditures is $70 million. The Company does not control third party-funded capital expenditures; therefore, it is unable to estimate the amount of such projects for 2005.

At September 30, 2005, construction work-in-progress was $43,491,000 compared to $13,248,000 at December 31, 2004. Work-in-progress includes projects that are under construction, but not yet complete and in service.

Sarbanes-Oxley Act, Section 404
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To comply with the Sarbanes-Oxley Act, Section 404 on internal controls, external costs of $900,000 were incurred related to 2004. For 2005, the

Company estimates incurring $500,000 to $600,000 in external costs.

WATER SUPPLY

Based on information from water management agencies and internally developed data, the Company believes that its various sources of water supply are sufficient to meet customer demand for the remainder of the year. Historically, about half of the water is purchased from wholesale suppliers with the other half pumped from underground wells. A small portion is developed through three local surface treatment plants.

Earlier this year, the Company requested its customers in the Salinas district to voluntarily cut down on peak hour water usage for a three-month period due to six wells that were shut off temporarily because of contamination. The Company also asked large commercial users to reduce water usage during peak hours and to store water during non-peak hours for later use. As of September 30, 2005, three wells have been put back on line and the Company is no longer asking customers to take additional steps to reduce water usage during peak hours. The Salinas district accounted for 4.4% of the Company's revenues for the third quarter and year-to-date ended September 30, 2005. The Company does not believe that its request to voluntary reduce water usage during peak hours materially impacted the financial results or cash flows of the Company.

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company does not hold, trade in or issue derivative financial instruments and therefore is not exposed to risks these instruments present. Its market risk-to-interest rate exposure is limited because the cost of long-term financing and short-term bank borrowings, including interest costs, are covered in consumer water rates as approved by the commissions. The Company does not have foreign operations; therefore, it does not have a foreign currency exchange risk. The Company's business is sensitive to commodity prices and is most affected by changes in purchased water and purchased power costs.

Historically, the CPUC's balancing account or offsettable expense procedures allowed for increases in purchased water and purchased power costs to be passed on to consumers. Traditionally, a significant percentage of our net income and cash flows comes from California regulated operations; therefore the CPUC's actions have a significant impact on the Company's business. See Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies --Expense Balancing and Memorandum Accounts" and "Regulatory Matters."

Item 4.

CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision of and with the participation of its management, including its principal executive officer 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(b) under the Securities Exchange Act of 1934. Based on their review of the Company's disclosure controls and procedures, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are functioning effectively to provide reasonable assurance that the information required to be disclosed in periodic SEC filings is reported within the time periods specified by SEC rules and regulations.

(b) Changes to Internal Control Over Financial Reporting

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

PART II OTHER INFORMATION

Item 1.

LEGAL PROCEEDINGS

(a) From time to time, the Company has been involved in a variety of legal proceedings. For a complete description, see the Company's annual report on Form 10-K for the year ended December 31, 2004. During the quarter ended September 30, 2005, there were no material developments with respect to previously disclosed existing procedures and no material proceeding not previously disclosed.

(b) The discussion under Part I, Financial Information, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Regulatory Matters: Surplus Property Sales" is incorporated by reference.

Item 6. EXHIBITS

The exhibit list required by this Item is incorporated by reference to the Exhibit Index attached to this report.

SIGNATURES

Pursuant to the requirement 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
Registrant

November 9, 2005

By: /s/ John S. Tootle
JOHN S. TOOTLE
Acting Vice President, Chief Financial Officer and Treasurer

Exhibit Index

Exhibit	Description
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

Exhibit 31.1

CERTIFICATIONS

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

1. I have reviewed this Form 10-Q for the quarter ended September 30, 2005 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 periods 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 by 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 third fiscal quarter of 2005 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: November 9, 2005

By: /s/ Peter C. Nelson

PETER C. NELSON
President and Chief Executive Officer
California Water Service Group

Exhibit 31.2

CERTIFICATIONS

I, John S. Tootle, Acting Chief Financial Officer and Treasurer of California Water Service Group, certify that:

1. I have reviewed this Form 10-Q for the quarter ended September 30, 2005 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 periods 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 by 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 third fiscal quarter of 2005 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: November 9, 2005

By: /s/ John S. Tootle

JOHN S. TOOTLE
Acting 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 Quarterly Report on Form 10-Q for the period ended September 30, 2005 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: November 9, 2005 /s/ Peter C. Nelson

PETER C. NELSON
Chief Executive Officer
California Water Service Group

Date: November 9, 2005 /s/ John S. Tootle

JOHN S. TOOTLE
Acting Chief Financial Officer and Treasurer
California Water Service Group