

CALIFORNIA WATER SERVICE GROUP  
Form 424B5  
March 21, 2013

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Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-181329

## CALCULATION OF REGISTRATION FEE

<b>Title of each class of securities offered</b>	<b>Maximum aggregate offering price</b>	<b>Amount of registration fee</b>
Common Stock, par value \$0.01	\$110,687,500(1)	\$15,097.78(2)

(1) Assuming exercise in full of the underwriters' over-allotment option.

(2) The filing fee of \$15,097.78 is calculated in accordance with Rule 457(r) of the Securities Act of 1933.

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**PROSPECTUS SUPPLEMENT**  
**(To Prospectus dated May 11, 2012)**

## **California Water Service Group**

### **5,000,000 Shares of Common Stock**

We are offering 5,000,000 shares of our common stock. Our common stock is listed on the New York Stock Exchange under the symbol "CWT". On March 15, 2013, the last reported sale price of our common stock on the New York Stock Exchange was \$20.34 per share.

**Investing in our common stock involves risks. See "Risk Factors" beginning on page 2 of the accompanying prospectus for a description of various risks you should consider in evaluating an investment in the shares.**

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$ 19.25	\$ 96,250,000
Underwriting discount	\$ 0.77	\$ 3,850,000
Proceeds, before expenses, to us	\$ 18.48	\$ 92,400,000

The underwriters have a 30-day option to purchase up to 750,000 additional shares of common stock from us on the same terms set forth above to cover over-allotments, if any.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

## **Baird**

Brean Capital

J.J.B. Hilliard, W.L. Lyons, LLC  
Prospectus Supplement dated March 20, 2013

Janney Montgomery Scott

The Williams Capital Group, L.P.

## **Wells Fargo Securities**

Ladenburg Thalmann & Co. Inc.

Blaylock Robert Van, LLC

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, provides more general information about the securities that we may offer from time to time, some of which may not apply to this offering. You should read this prospectus supplement along with the accompanying prospectus, as well as additional information described under "Where You Can Find More Information" in the accompanying prospectus before investing in our common stock. These documents contain information you should consider when making your investment decision. You should rely only on the information contained or incorporated by reference into this prospectus supplement or the accompanying prospectus. We have not,

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and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different, additional or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates, or in the case of the documents incorporated by reference, the date of such documents regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sales of our common stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless the context otherwise requires, references in this prospectus supplement to "we," "us" and "our" refer to California Water Service Group.

Information contained on our web site is not a part of this prospectus supplement.

## **FORWARD-LOOKING STATEMENTS**

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference contain forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995.

Forward-looking statements in this prospectus supplement, the accompanying prospectus and in the documents incorporated by reference are based on currently available information, expectations, estimates, assumptions and projections, and our management's beliefs, assumptions, judgments and expectations about us, the water utility industry and general economic conditions. These statements are not statements of historical fact. When used in our documents, statements that are not historical in nature, including words like "expects," "intends," "plans," "believes," "may," "estimates," "assumes," "anticipates," "projects," "predicts," "forecasts," "should," "seeks," or variations of these words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. They are based on numerous assumptions that we believe are reasonable, but they are open to a wide range of uncertainties and business risks. Consequently, actual results may vary materially from what is contained in a forward-looking statement.

Factors which may cause actual results to be different than expected or anticipated include, but are not limited to:

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;

changes in the capital markets and access to sufficient capital on satisfactory terms;

new legislation;

changes in accounting valuations and estimates;

changes in accounting treatment for regulated companies, including adoption of International Financial Reporting Standards, if required;

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;

litigation that may result in damages or costs not recoverable from third parties;

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acquisitions and the ability to successfully integrate acquired companies;

the ability to successfully implement business plans;

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;

our ability to attract and retain qualified employees;

labor relations matters as we negotiate with the unions;

federal health care law changes that could result in increases to Company health care costs and additional income tax expenses in future years;

changes in federal and state income tax regulations and treatment of such by regulatory commissions;

implementation of new information technology systems;

changes in operations that result in an impairment to acquisition goodwill;

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;

general economic conditions, including changes in customer growth patterns and our ability to collect billed revenue from customers;

changes in customer water use patterns and the effects of conservation;

the impact of weather on water sales and operating results;

the ability to satisfy requirements related to the Sarbanes-Oxley Act and Dodd-Frank Act and other regulations on internal controls; and

the risks set forth in "Risk Factors" included in the accompanying prospectus and in the documents incorporated by reference, including the Annual Report on Form 10-K for the year ended December 31, 2012.

In light of these risks, uncertainties and assumptions, investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this prospectus supplement or as of the date of the accompanying prospectus or any document incorporated by reference in this prospectus supplement, as applicable. When considering forward-looking statements, you should keep in mind the cautionary

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statements in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

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## SUMMARY

*This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement. Because this is a summary, it is not complete and does not contain all of the information that may be important to you. For a more complete understanding of us and this offering of our common stock, we encourage you to read this prospectus supplement and the accompanying prospectus in their entirety, as well as additional information described under "Where You Can Find More Information."*

### California Water Service Group

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

Our business is conducted through our operating subsidiaries. The bulk of the business consists of the production, purchase, storage, treatment, testing, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. We also provide non-regulated water-related services under agreements with municipalities and other private companies. The non-regulated services include full water system operation, billing and meter reading services. Non-regulated operations also include the lease of communication antenna sites, lab services, and promotion of other non-regulated services.

Cal Water began operations in 1926 and is currently the largest of our operating companies. Cal Water provides regulated water services to customers in California and is subject to the jurisdiction of the California Public Utilities Commission. As of December 31, 2012, Cal Water provided services to approximately 473,100 water and wastewater customers in 83 California communities through 25 separate districts. Cal Water accounted for approximately 94% of our total customers and approximately 94% of our consolidated operating revenue in 2012.

Washington Water provides services in the Tacoma and Olympia areas in Washington. Washington Water's utility operations are regulated by the Washington Utilities and Transportation Commission. As of December 31, 2012, Washington Water provided services to approximately 15,800 water and wastewater customers. Washington Water accounted for approximately 3% of our total customers and approximately 2% of our total consolidated operating revenue in 2012.

New Mexico Water provides services in the Belen, Los Lunas and Elephant Butte areas in New Mexico. New Mexico Water's utility operations are regulated by the New Mexico Public Regulation Commission. As of December 31, 2012, New Mexico Water provided services to approximately 7,600 water and wastewater customers. New Mexico Water accounted for approximately 2% of our total customers and approximately 1% of our total consolidated operating revenue in 2012.

Hawaii Water provides services on the islands of Maui and Hawaii, including several large resorts and condominium complexes. Hawaii Water's utility operations are regulated by the Hawaii Public Utilities Commission. As of December 31, 2012, Hawaii Water provided services to approximately 4,200 water and wastewater customers. Hawaii Water accounted for less than 1% of our total customers and approximately 3% of our total operating revenue in 2012.

Our principal executive office is located at 1720 North First Street, San Jose, California 95112, and our telephone number is 408-367-8200.



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**Recent Developments**

On February 27, 2013, we announced 2012 net income of \$48.8 million, up 29.5%, or \$11.1 million, from 2011, and diluted earnings per share of \$1.17, an increase of 30.0%, or \$0.27, over the prior year. Included in the results for 2012 were the following one-time benefit items:

a \$0.15 per diluted common share benefit related to state income tax repairs and maintenance deductions

a \$0.04 per diluted common share benefit related to the Water Revenue Adjustment Mechanism

a \$0.04 per diluted common share unrealized pre-tax gain in our benefit plan insurance investments

For more information regarding our 2012 results of operations, please refer to our Annual Report on Form 10-K for the year ended December 31, 2012, which is incorporated herein by reference.

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**The Offering**

The following is a brief summary of the terms of this offering. For a more complete description of our common stock, see "Description of Common Stock" beginning on page 23 of the accompanying prospectus.

Issuer	California Water Service Group
Common stock offered	5,000,000 shares (plus up to 750,000 additional shares that may be issued by us upon exercise of the underwriters' over-allotment option).
Common stock outstanding after the offering <sup>(1)</sup>	46,908,218 shares. If the underwriters exercise their over-allotment option in full, we will issue an additional 750,000 shares, which will result in 47,658,218 shares outstanding.
Current indicated annual dividend per share <sup>(2)</sup>	\$0.64 (see "Market Price, Dividends and Dividend Policy" included elsewhere in this prospectus supplement).
NYSE symbol	CWT

- (1) The number of shares of our common stock outstanding after the offering set forth above is based on 41,908,218 shares of common stock outstanding as of March 4, 2013 and includes the shares to be sold by us in this offering. The number of shares outstanding after the offering excludes 782,834 shares issuable upon exercise of options, warrants and rights outstanding on March 4, 2013 and 1,217,166 shares of common stock reserved for future issuance under our equity compensation plans.
- (2) Based upon the first quarter of 2013 dividend rate of \$0.1600 per share annualized. Future dividends, if any, may be declared and paid at the discretion of our board of directors and will depend on our future earnings, financial condition and other factors.

Table of Contents**Summary Consolidated Financial Data**

The following tables set forth our summary consolidated financial data. The summary consolidated financial data for each of the years in the three-year period ended December 31, 2012 were derived from our audited consolidated financial statements. You should read the following data in connection with our consolidated financial statements and notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2012, which is incorporated herein by reference.

<i>(Dollars in thousands, except per share amounts)</i>	<b>Year Ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Summary of Operations</b>			
Total operating revenue	\$ 559,966	\$ 501,814	\$ 460,399
Operating expenses	486,123	434,647	398,586
Interest expense, other income and expenses, net	25,015	29,455	24,157
<b>Net income</b>	<b>\$ 48,828</b>	<b>\$ 37,712</b>	<b>\$ 37,656</b>
<b>Balance Sheet Data</b>			
Net utility plant	\$ 1,457,056	\$ 1,381,119	\$ 1,294,297
Total assets	1,995,924	1,854,587	1,692,066
Long-term debt including current portion	481,250	488,165	481,561
Capitalization ratios:			
Common stockholders' equity	49.6%	48.0%	47.5%
Long-term debt	50.4%	52.0%	52.5%
Book value per common share	\$ 11.30	\$ 10.76	\$ 10.45

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## **USE OF PROCEEDS**

We will receive approximately \$91,650,000 in net proceeds from the sale of the common stock we are offering pursuant to this prospectus supplement, after deducting an aggregate of approximately \$4,600,000 in underwriting discounts and commissions and estimated offering expenses. If the underwriters' over-allotment option is exercised in full, we estimate that our net proceeds will be approximately \$105,510,000 million.

The principal purpose of this offering is to fund capital expenditures to enhance our general operations. We intend to add the net proceeds from the sale of the common stock to our general funds to be used for general corporate purposes, such as investing in our subsidiaries, increasing our working capital, making capital expenditures, acquiring assets and taking advantage of other business opportunities. Specific allocations of the proceeds to such purposes have not been determined. Initially, the net proceeds may also be used to temporarily reduce borrowings under our \$100 million unsecured revolving credit facility or Cal Water's \$300 million unsecured revolving credit facility. As of March 15, 2013, the outstanding borrowings under our \$100 million unsecured revolving credit facility were \$67.0 million and the outstanding borrowings under Cal Water's \$300 million unsecured revolving credit facility were \$25.0 million. Based on our anticipated future funding requirements, we expect that we will, from time to time, engage in additional financings of a character and in amounts to be determined and that the balances under our credit facilities may be increased above the level prevailing after the initial use of proceeds.

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Our common stock is listed on the New York Stock Exchange under the symbol "CWT". The following table sets forth the high and low closing sale prices on the New York Stock Exchange and the cash dividends declared on the common stock for the periods indicated. The data included in the following table reflect the retroactive effect of the two-for-one stock split effective June 10, 2011.

<b>Period</b>	<b>High</b>	<b>Low</b>	<b>Dividends</b>
<b>2010:</b>			
First Quarter	\$ 19.05	\$ 17.63	\$ 0.1488
Second Quarter	19.85	16.91	0.1488
Third Quarter	18.87	16.93	0.1488
Fourth Quarter	19.25	18.01	0.1488
<b>2011:</b>			
First Quarter	\$ 19.18	\$ 17.28	\$ 0.1538
Second Quarter	19.16	18.06	0.1538
Third Quarter	19.37	16.65	0.1538
Fourth Quarter	19.20	16.81	0.1538
<b>2012:</b>			
First Quarter	\$ 19.25	\$ 17.67	\$ 0.1575
Second Quarter	18.60	17.14	0.1575
Third Quarter	19.05	17.93	0.1575
Fourth Quarter	18.90	16.84	0.1575
<b>2013:</b>			
First Quarter (through March 15, 2013)	\$ 21.11	\$ 18.33	\$ 0.1600

On March 15, 2013, the last reported closing price of our common stock on the New York Stock Exchange was \$20.34 per share and we had approximately 2,500 holders of record of our common stock.

**Dividend Policy**

We have consistently paid a cash dividend on our common stock on a quarterly basis. Each quarter, our board of directors considers the declaration of a dividend.

After all cumulative dividends are declared and paid or set aside on any outstanding series of preferred stock, our board of directors may declare any additional dividends on our common stock. We can make dividend payments only from our surplus (the excess, if any, of our net assets over total paid-in capital) or if there is no surplus, the net profits for the current fiscal year or the fiscal year before which the dividend is declared. In addition, we can pay cash dividends only if after paying those dividends we would be able to pay our liabilities as they become due. Owners of our common stock cannot force us to pay dividends and dividends will only be paid if and when declared by our board of directors.

We cannot assure you that we will pay a dividend at any time in the future or that we will raise the level of dividends in the future. Our board of directors can elect at any time, and for an indefinite duration, not to declare dividends on our common stock. Future dividends will depend on our future earnings, financial condition and other factors, including whether we receive dividends from our operating subsidiaries. Our subsidiaries are separate and distinct legal entities and generally have no obligation to provide us with funds for dividends. Moreover, our subsidiaries are obligated to give first priority to their own capital requirements and to maintain a capital structure consistent with that determined to be reasonable by the relevant commissions in their most recent decisions on capital structure in order that ratepayers not be adversely affected by the holding company structure. Furthermore, our right to receive cash or other assets upon the liquidation or reorganization of a subsidiary is generally subject to the prior claims of creditors of that subsidiary. If we are unable to obtain funds from our subsidiaries in a timely manner we may be unable to pay dividends.

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## **CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of certain material U.S. federal income tax considerations of the purchase, ownership and disposition of shares of our common stock. This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable Treasury Regulations promulgated thereunder, administrative rulings and judicial decisions in effect as of the date hereof, any of which may subsequently be changed, possibly retroactively, or interpreted differently by the Internal Revenue Service (the "IRS") so as to result in U.S. federal income tax consequences different from those discussed below. Except where noted, this summary deals only with a share of our common stock held as a capital asset (generally, for investment purposes) by a beneficial owner. This summary does not address all aspects of U.S. federal income taxes and does not deal with all tax consequences that may be relevant to holders in light of their personal circumstances or particular situations, such as:

tax consequences to holders who may be subject to special tax treatment, including dealers in securities or currencies, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, tax-qualified retirement plans, insurance companies, traders in securities that elect to use a mark-to-market method of accounting for their securities, controlled foreign corporations or passive foreign investment companies;

tax consequences to persons holding shares of our common stock as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle;

tax consequences to U.S. holders (as defined below) of shares of common stock whose "functional currency" is not the U.S. dollar;

tax consequences to corporations that accumulate earnings to avoid U.S. federal income tax;

tax consequences to investors in pass-through entities;

tax consequences to certain former citizens or residents of the United States;

alternative minimum tax consequences, if any;

any state, local or foreign tax consequences; and

estate or gift taxes.

If a partnership or entity treated as a partnership for U.S. federal income tax purposes holds shares of our common stock, the tax treatment of a partner in the partnership or an owner of the entity will generally depend upon the status of the partner or other owner and the activities of the partnership or other entity. If you are a partner in a partnership, or owner of an entity treated as a partnership for U.S. federal income tax purposes, holding the shares of our common stock, you should consult your tax advisors.

**If you are considering the purchase of shares of our common stock, you should consult your tax advisors concerning the U.S. federal income tax consequences to you in light of your own specific situation, as well as consequences arising under the laws of any other taxing jurisdiction.**

In this discussion, we use the term "U.S. holder" to refer to a beneficial owner of shares of our common stock that is, for U.S. federal income tax purposes:

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an individual, citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

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a trust, if it (i) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

We use the term "non-U.S. holder" to describe a beneficial owner (other than a partnership or entity treated as a partnership for U.S. federal income tax purposes) of shares of our common stock that is not a U.S. holder. Non-U.S. holders should consult their tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

## **Consequences to U.S. Holders**

### *Distributions*

Any distributions paid to a U.S. holder with respect to the shares of common stock will generally be included in a U.S. holder's income as ordinary dividend income to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends received by individuals will generally be taxed at the lower applicable long-term capital gains rates, provided certain holding period requirements are satisfied. Such lower rates will not, however, apply to dividends received to the extent that the U.S. holder elects to treat dividends as "investment income," which may be offset by investment expense. If a U.S. holder is a U.S. corporation, it will be able to claim the deduction allowed to U.S. corporations in respect of dividends received from other U.S. corporations equal to a portion of any dividends received, subject to generally applicable limitations on that deduction. In general, a dividend distribution to a corporate U.S. holder may qualify for the 70% dividends received deduction if the U.S. holder owns less than 20% of the voting power and value of our stock.

Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that is applied against and reduces, but not below zero, a U.S. holder's adjusted tax basis in shares of our common stock. Any remaining excess will be treated as gain realized on the sale or other disposition of our common stock. See "Consequences to U.S. holders Sale or other Taxable Disposition of Common Stock."

U.S. holders should consult their tax advisors regarding the holding period and other requirements that must be satisfied in order to qualify for the dividends-received deduction and the reduced maximum tax rate on dividends (if applicable).

### *Sale or other Taxable Disposition of Common Stock*

Upon the sale or other taxable disposition of our common stock, a U.S. holder generally will recognize capital gain or loss equal to the difference between (i) the amount of cash and the fair market value of any property received upon such taxable disposition and (ii) the U.S. holder's adjusted tax basis in the common stock. Such capital gain or loss will be long-term capital gain or loss if a U.S. holder's holding period in the common stock is more than one year at the time of the taxable disposition. In the case of certain non-corporate U.S. holders (including individuals), long-term capital gain generally will be subject to tax at a reduced rate of taxation. The deductibility of capital losses is subject to limitations.

### *Medicare Tax*

For taxable years beginning after December 31, 2012, a U.S. person that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. person's "net investment income" for the relevant taxable year and (2) the excess of the U.S. person's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000 depending on the individual's circumstances). Net investment income generally includes dividends, and net gains from the disposition of common stock, unless such income and gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or



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trading activities). A U.S. holder that is an individual, estate or trust should consult its tax advisor regarding the applicability of the Medicare tax to its income and gains in respect of its investment in our common stock.

***Backup Withholding and Information Reporting***

Information reporting requirements generally will apply to payments of dividends on shares of common stock and to the proceeds of a sale of a share of common stock paid to a U.S. holder unless the U.S. holder is an exempt recipient. A backup withholding tax will apply to those payments if the U.S. holder fails to provide its correct taxpayer identification number, or certification of exempt status, or if the U.S. holder is notified by the IRS that it has failed to report in full payments of interest and dividend income. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

**Consequences to Non-U.S. Holders**

***Dividends***

Subject to the discussions below regarding backup withholding and the Foreign Account Tax Compliance Act, any dividends paid to a non-U.S. holder with respect to the shares of common stock will be subject to withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business within the United States and, where a tax treaty applies, are attributable to a U.S. permanent establishment, are not subject to the withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated individual or corporate rates. Certain certification requirements and disclosure requirements must be complied with in order for effectively connected income to be exempt from withholding. Any such effectively connected income received by a foreign corporation may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of shares of our common stock that wishes to claim the benefit of an applicable treaty rate is required to satisfy applicable certification and other requirements. If a non-U.S. holder is eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, it may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

***Sale or other Taxable Disposition of Common Stock***

Subject to the discussions below regarding backup withholding and the Foreign Account Tax Compliance Act, gain realized by a non-U.S. holder on the sale or other taxable disposition of our common stock will generally not be subject to U.S. federal income tax unless one of the following apply:

That gain is effectively connected with a non-U.S. holder's conduct of a trade or business in the United States (and, if required by an applicable income treaty, is attributable to a U.S. permanent establishment). If such a non-U.S. holder is an individual, it will be subject to tax on the net gain derived from the sale or other taxable disposition under regular graduated U.S. federal income tax rates. If such non-U.S. holder is a foreign corporation it will be subject to tax on its net gain generally in the same manner as if it were a U.S. person as defined under the Code and, in addition, it may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits for that taxable year, or at such lower rate as may be specified by an applicable income tax treaty.

The non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition and certain other conditions are met. If such non-U.S. holder is an individual, he or she will be subject to a flat 30% tax on the gain derived from the sale or other taxable disposition, which may be offset by U.S. source capital losses, even though such holder is not considered a resident of the United States.

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We are or have been a "U.S. real property holding corporation" ("USRPHC") during the applicable statutory period and either (a) our common stock is not regularly traded on an established securities market, or (b) our common stock is regularly traded on an established securities market, and the non-U.S. holder owns actually or constructively (through certain family members, related entities and options), common stock with a fair market value on the relevant date of determination that is greater than 5% of the total fair market value of our common stock on such date. Because we have significant U.S. real estate holdings, we may be a USRPHC for U.S. federal income tax purposes, but we have made no determination to that effect. There can be no assurance that we do not currently constitute or will not become a USRPHC. If income from the sale or exchange of shares of our common stock is subject to tax based on our status as a "U.S. real property holding corporation," the non-U.S. holder will be subject to U.S. federal income tax on the net gain in the same manner as a U.S. holder and the transferee of such shares may be required to deduct and withhold a tax equal to 10% of the amount realized on the disposition, unless certain exceptions apply. Any tax withheld may be credited against the United States federal income tax owed by the non-U.S. holder for the year in which the sale or exchange occurs.

***Information Reporting and Backup Withholding***

Generally, we must report annually to the IRS and to non-U.S. holders the amount of dividends paid to non-U.S. holders and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which a non-U.S. holder resides under the provisions of an applicable income tax treaty or applicable tax information exchange agreement.

In general, you will not be subject to backup withholding with respect to payments of dividends that we make to you provided that we do not have actual knowledge or reason to know that you are a U.S. person, as defined under the Code, you provide your name and address on an IRS Form W-8BEN (or other applicable form), and you certify, under penalties of perjury, that you are not a U.S. person, or you otherwise establish an exemption.

In addition, a non-U.S. holder will be subject to information reporting and, depending on the circumstances, backup withholding with respect to payments of the proceeds of the sale of a share of our common stock within the United States or conducted through certain U.S.-related financial intermediaries, unless the statement described above has been received, and the payor does not have actual knowledge or reason to know that a holder is a U.S. person, as defined under the Code, that is not an exempt recipient, or the non-U.S. holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

***Foreign Account Tax Compliance Account***

Under the Foreign Account Tax Compliance Act ("FATCA"), Withholding taxes may apply to certain types of payments made to "foreign financial institutions" (as specially defined in the Code) and certain other non-United States entities. Specifically, a 30% withholding tax may be imposed on dividend payments on, and gross proceeds from the sale or other disposition of, our common stock paid to a foreign financial institution or to a non-financial foreign entity, unless (1) the foreign financial institution undertakes certain diligence and reporting, (2) the non-financial foreign entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, it must enter into an agreement with the United States Treasury requiring, among other things, that it undertake to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to non-compliant foreign financial institutions and certain other account holders.

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The obligation to withhold under FACTA is currently expected to apply to dividend payments made on or after January 1, 2014 and the gross proceeds from the sale or other disposition of stock received on or after January 1, 2017.

Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in our common stock.

*The preceding discussion of certain U.S. federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, holding and disposing of our common stock, including the applicability and effect of any state, local or foreign tax laws, and of any pending or subsequent changes in applicable laws.*

Table of Contents**UNDERWRITING**

Under an underwriting agreement dated March 20, 2013, we have agreed to sell the indicated number of shares of our common stock to the underwriters named below:

<b>Underwriter</b>	<b>Shares of Stock</b>
Robert W. Baird & Co. Incorporated	2,175,000
Wells Fargo Securities, LLC	1,025,000
Brean Capital, LLC	375,000
Janney Montgomery Scott LLC	375,000
Ladenburg Thalmann & Co. Inc.	375,000
J.J.B. Hilliard, W.L. Lyons, LLC	262,500
The Williams Capital Group, L.P.	262,500
Blaylock Robert Van, LLC	150,000
<b>Total</b>	<b>5,000,000</b>

The underwriting agreement provides that the underwriters are obligated to purchase all of the shares of our common stock in this offering if any are purchased, other than those shares covered by the over-allotment option we describe below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or this offering of our common stock may be terminated.

We have granted the underwriters a 30-day option to purchase on a pro-rata basis up to 750,000 additional shares at the public offering price less the underwriting discount. This option may be exercised only to cover over-allotments, if any, of our common stock.

The underwriters propose to offer our common stock at the public offering price on the cover page of this prospectus supplement and to selling group members at that price less a selling concession of up to \$0.40 per share. The underwriters and selling group members may allow a discount of not more than \$0.10 per share on sales to other broker/dealers. After the offering, the representatives may change the public offering price and selling concession and discount to dealers. As used in this section:

Underwriters are securities broker/dealers that are parties to the underwriting agreement and will have a contractual commitment to purchase shares of our common stock from us, and the representatives are the two firms acting on behalf of the underwriters.

Selling group members are securities broker/dealers to whom the underwriters may sell shares of common stock at the public offering price less the underwriting discount, but who do not have a contractual commitment to purchase shares from us.

Broker/dealers are firms registered under applicable securities laws to sell securities to the public.

The syndicate consists of the underwriters and the selling group members.

The following table summarizes the compensation that we will pay to the underwriters. The compensation we will pay to the underwriters will consist solely of the underwriting discount, which is equal to the public offering price per share of common stock less the amount the underwriters pay to us per share of common stock. The underwriters have not received and will not receive from us any other item of compensation or expense in connection with this offering considered by the Financial Industry Regulatory Authority to be underwriting compensation under its rule of fair price. The underwriting discount was determined through arm's length negotiations between us and the underwriters.

**Total**

	<b>Per Share</b>	<b>Without over- allotment</b>	<b>With over- allotment</b>
Underwriting discount	\$ 0.77	\$ 3,850,000	\$ 4,427,500

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We estimate that the expenses payable by us in connection with this offering, other than the underwriting discount, will be approximately \$750,000. Expenses include the fees and expenses of our accountants and attorneys, the fees of our registrar and transfer agent, the cost of printing this prospectus supplement and the accompanying prospectus, and filing fees paid to the Securities and Exchange Commission.

We, our executive officers and our directors have agreed not to offer or transfer, or file with the Securities and Exchange Commission a registration statement under the Securities Act of 1933, as amended, relating to any additional shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock without the prior written consent of Robert W. Baird & Co. Incorporated for a period of 90 days after the date of this prospectus supplement, except in certain limited circumstances, including in our case for grants of employee or director stock option awards under our equity incentive plans in effect on the date hereof and issuances of securities as a result of the exercise of any options or warrants outstanding on the date of this prospectus supplement.

We have agreed to indemnify the underwriters against liabilities under the Securities Act of 1933, as amended, or to contribute to payments that the underwriters may be required to make in that respect.

The shares of our common stock are traded on the New York Stock Exchange under the symbol "CWT".

The underwriters may engage in over-allotment transactions, stabilizing transactions and syndicate covering transactions in accordance with Regulation M under the Securities Exchange Act of 1934, as amended.

Over-allotment involves sales by the underwriter of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position.

Stabilizing transactions permit bids to purchase shares of our common stock so long as the stabilizing bids do not exceed a specified maximum.

Syndicate covering transactions involve purchases of our common stock in the open market after the distribution has been completed to cover syndicate short positions. These stabilizing transactions and syndicate covering transactions may cause the price of our common stock to be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

In connection with this offering, the underwriters (and selling group members) may also engage in passive market making transactions in the common stock on the New York Stock Exchange. Passive market making consists of displaying bids the New York Stock Exchange limited by the prices of independent market makers and effecting purchases limited by those prices in response to order flow. Rule 103 of Regulation M promulgated by the SEC limits the amount of net purchases that each passive market maker may make and the displayed size of each bid. Passive market making may stabilize the market price of the common stock at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

The underwriters may facilitate the marketing of this offering online directly or through their affiliates. In those cases, prospective investors may view offering terms and a prospectus online and place orders online or through their financial advisors.

Some of the underwriters or their affiliates have provided financial advisory and investment banking services to us in the past and may do so in the future. They receive customary fees and commissions for these services. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. Wells Fargo Bank, N.A., an affiliate of Wells Fargo Securities, LLC, is a lender and co-documentation agent under our \$100 million unsecured revolving credit facility and Cal Water's \$300 million unsecured revolving credit facility. As described in "Use of Proceeds," certain of the proceeds of this offering may be used to temporarily reduce our short-term debt, including the borrowings under these credit facilities.

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**Selling Restrictions**

**European Economic Area**

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of shares of our common stock may be made to the public in that Relevant Member State other than:

- A. to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriter for any such offer; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares of our common stock shall require us or the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

This prospectus supplement with accompanying prospectus has been prepared on the basis that any offer of shares of our common stock in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares of our common stock. Accordingly, any person making or intending to make an offer in that Relevant Member State of shares of our common stock that are the subject of the offer contemplated in this prospectus supplement may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the underwriters have authorized, nor do we or they authorize, the making of any offers of shares of our common stock in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

**United Kingdom**

In the United Kingdom, this prospectus supplement with accompanying prospectus is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This prospectus supplement with accompanying prospectus must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

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**Switzerland**

This prospectus supplement with accompanying prospectus does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations, and the common stock will not be listed on the SIX Swiss Exchange. Therefore, this document may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the shares of our common stock may not be offered to the public or in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the shares with a view to distribution. Any such investors may be individually approached by the underwriters from time to time.

**LEGAL MATTERS**

The validity of the shares of our common stock offered in this offering will be passed upon for us by Gibson, Dunn & Crutcher LLP, San Francisco, California. Certain legal matters will be passed upon for the underwriters by Faegre Baker Daniels LLP, Minneapolis, Minnesota.

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**PROSPECTUS**

## **California Water Service Group**

**1720 North First Street  
San Jose, CA 95112  
408-367-8200**

**Preferred Stock  
Common Stock  
Warrants  
Purchase Contracts  
Depository Shares  
Units**

## **California Water Service Company**

**1720 North First Street  
San Jose, CA 95112  
408-367-8200**

### **First Mortgage Bonds**

#### **Fully and unconditionally guaranteed by California Water Service Group**

California Water Service Group may offer from time to time its preferred stock, common stock, warrants, purchase contracts, depository shares and units. California Water Service Company, a wholly-owned subsidiary of California Water Service Group, may offer from time to time its first mortgage bonds. The first mortgage bonds will be fully and unconditionally guaranteed by California Water Service Group.

This prospectus provides you with a general description of the securities that may be offered. These securities may be offered as separate series, in amounts, prices and on terms determined at the time of the sale. These securities may be sold separately, together or as units with other securities offered under this prospectus. We will provide the specific terms of these securities in supplements to this prospectus. The prospectus supplements will also describe the specific manner in which these securities will be offered and may also supplement, update or amend information contained in this prospectus. You should read both this prospectus and any prospectus supplement, together with the additional information described under the heading "Where You Can Find More Information" beginning on page 28 of this prospectus, before you make your investment decision.

## Edgar Filing: CALIFORNIA WATER SERVICE GROUP - Form 424B5

The securities may be sold directly to you, through agents, or through underwriters and dealers. If agents, underwriters or dealers are used to sell these securities, we will name them and describe their compensation in a prospectus supplement.

California Water Service Group's common stock trades on the New York Stock Exchange under the symbol "CWT."

**Investing in these securities involves risks. See "Risk Factors" beginning on page 2 of this prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is May 11, 2012.

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Unless the context otherwise requires, throughout this prospectus, except under "Description of First Mortgage Bonds and Guarantees," the terms "we," "us" and "our" refer to California Water Service Group and the term "Cal Water" refers to California Water Service Company. As used under "Description of First Mortgage Bonds and Guarantees," the terms "we," "us" and "our" refer to California Water Service Company and the term "CWSG" refers to California Water Service Group.

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## **ABOUT THIS PROSPECTUS**

This document is called a prospectus and is part of an automatic shelf registration statement that we and Cal Water have filed with the Securities and Exchange Commission ("SEC") using a "shelf" registration process. Under this shelf process, we and Cal Water may, from time to time, sell any combination of the various securities described in this prospectus in one or more offerings.

This prospectus provides you with a general description of the securities we and Cal Water may offer. Each time we and Cal Water sell securities, we and Cal Water will provide a prospectus supplement containing specific information about the terms of the securities being offered. The prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading "Where You Can Find More Information." We may also prepare free writing prospectuses that describe particular securities. Any free writing prospectus should also be read in connection with this prospectus and with any applicable prospectus supplement. For purposes of this prospectus, any reference to an applicable prospectus supplement may also refer to a free writing prospectus, unless the context otherwise requires.

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and Cal Water and the securities offered under this prospectus. The registration statement, including the exhibits, can be obtained from the SEC Web site or at the SEC offices referenced under the heading "Where You Can Find More Information."

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## **RISK FACTORS**

Investing in our securities involves risks. Before making an investment decision, you should carefully review the information contained in the other sections of this prospectus and the applicable prospectus supplement. Furthermore, you should carefully consider the risk factors and other information set forth or incorporated by reference in our annual report on Form 10-K for the year ended December 31, 2011 as well as other information incorporated by reference in this prospectus and the applicable prospectus supplement, as such risk factors and other information may be updated from time to time by our subsequent reports and other filings under the Securities Exchange Act of 1934 (the "Exchange Act").

The risks and uncertainties described are not the only ones facing us and Cal Water. Additional risks and uncertainties not presently known to us or Cal Water or that we or Cal Water currently deem immaterial may also impair our and Cal Water's business operations, financial results and the value of our and Cal Water's securities.

## **FORWARD-LOOKING STATEMENTS**

This prospectus, any prospectus supplement, and the documents we and Cal Water have incorporated by reference contain forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this prospectus, any prospectus supplement and in the documents we and Cal Water incorporate by reference are based on currently available information, expectations, estimates, assumptions and projections, and our and Cal Water's management's beliefs, assumptions, judgments and expectations about us, Cal Water, the water utility industry and general economic conditions. These statements are not statements of historical fact. When used in our and Cal Water's documents, statements that are not historical in nature, including words like "expects," "intends," "plans," "believes," "may," "estimates," "assumes," "anticipates," "projects," "predicts," "forecasts," "should," "seeks," or variations of these words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. They are based on numerous assumptions that we and Cal Water believe are reasonable, but they are open to a wide range of uncertainties and business risks. Consequently, actual results may vary materially from what is contained in a forward-looking statement.

Factors which may cause actual results to be different than expected or anticipated include, but are not limited to:

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;

changes in the capital markets and access to sufficient capital on satisfactory terms;

new legislation;

changes in accounting valuations and estimates;

changes in accounting treatment for regulated companies, including adoption of International Financial Reporting Standards, if required;

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;

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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;

our ability to attract and retain qualified employees;

labor relations matters as we negotiate with the unions;

federal health care law changes that could result in increases to our health care costs and additional income tax expense in future years;

changes in federal and state income tax regulations and treatment of such by regulatory commissions;

implementation of new information technology systems;

changes in operations that result in an impairment to acquisition goodwill;

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;

general economic conditions, including changes in customer growth patterns and our ability to collect billed revenue from customers;

changes in customer water use patterns and the effects of conservation;

the impact of weather on water sales and operating results;

the ability to satisfy requirements related to the Sarbanes-Oxley and Dodd Frank Acts and other regulations on internal controls; and

the risks set forth in "Risk Factors" included elsewhere in this prospectus, prospectus supplement and in the documents we incorporate by reference.

In light of these risks, uncertainties and assumptions, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this prospectus or as of the date of any prospectus supplement or document incorporated by reference in this prospectus, as applicable. When considering forward-looking statements, you should keep in mind the cautionary statements in this prospectus, any prospectus supplement and the documents incorporated by reference. We and Cal Water are not under any obligation, and we and Cal Water expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

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## **CALIFORNIA WATER SERVICE GROUP**

We are a holding company incorporated in Delaware with six operating subsidiaries:

Cal Water,

New Mexico Water Service Company,

Washington Water Service Company,

Hawaii Water Service Company, Inc.,

CWS Utility Services, and

HWS Utility Services LLC.

Cal Water, New Mexico Water Service Company, Washington Water Service Company, and Hawaii Water Service Company, Inc. are regulated public utilities. These regulated public utilities also provide some non-regulated services. CWS Utility Services and HWS Utility Services provide non-regulated services to private companies and municipalities. Cal Water was the original operating company and began operations in 1926.

Our business is conducted through our operating subsidiaries. The bulk of the business consists of the production, purchase, storage, treatment, testing, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. We also provide non-regulated water-related services under agreements with municipalities and other private companies. The non-regulated services include full water system operation, billing and meter reading services. Non-regulated operations also include the lease of communication antenna sites, lab services, and promotion of other non-regulated services.

Our common stock is traded on the New York Stock Exchange under the symbol "CWT."

## **CALIFORNIA WATER SERVICE COMPANY**

Cal Water is our direct wholly-owned subsidiary and is the largest of our operating companies, representing approximately 94% of our regulated customers and approximately 94% of our consolidated operating revenue for the year ended December 31, 2011. Our regulated California water operations are conducted by Cal Water, which provides service to more than 470,000 customers in 83 California communities through 26 separate districts. Of these 26 districts, 24 districts are regulated water systems, which are subject to regulation by the California Public Utilities Commission ("CPUC"). The other 2 districts, the City of Hawthorne and the City of Commerce, are governed through their respective city councils and are considered non-regulated because they are outside of the CPUC's jurisdiction.

None of Cal Water's securities are listed on a national securities exchange.



Table of Contents**USE OF PROCEEDS**

Unless otherwise specified in a prospectus supplement accompanying this prospectus, we intend to add the net proceeds from the sale of the securities to our general funds to be used for general corporate purposes. We use general funds to, among other things, invest in our subsidiaries, increase our working capital, make capital expenditures, repay our short-term borrowings, refinance existing long-term debt, make acquisitions and take advantage of other business opportunities.

**RATIOS OF EARNINGS TO FIXED CHARGES AND TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

The following table sets forth our consolidated ratios of earnings to fixed charges and to fixed charges and preferred stock dividends for the periods shown. For the purposes of calculating these ratios, earnings consist of income from continuing operations before income taxes and fixed charges. Fixed charges consist of interest on indebtedness, amortization of debt premium, and the interest component of rentals.

	<b>Year Ended December 31,</b>				
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Ratio of Earnings to Fixed Charges	2.75	3.13	3.61	3.89	3.46
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends	2.75	3.13	3.61	3.87	3.43

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## DESCRIPTION OF FIRST MORTGAGE BONDS AND GUARANTEES

As used in this section, except as otherwise noted, the terms "we," "us" and "our" refer to California Water Service Company.

### General

We may issue first mortgage bonds in one or more series under an indenture, dated as of April 1, 1928, between us and U.S. Bank National Association, as successor trustee, as amended and supplemented by the thirty-ninth supplemental indenture thereto dated as of April 17, 2009 between us and the trustee. In the following discussion, we refer to the indenture, as amended and supplemented by the thirty-ninth supplemental indenture, as the "mortgage indenture," and we refer to all of our first mortgage bonds under the mortgage indenture, including those already issued and those to be issued in the future, as "first mortgage bonds." As of December 31, 2011, an aggregate principal amount of \$464.7 million first mortgage bonds was outstanding.

We have summarized the material provisions of the mortgage indenture below. The summary is not complete. The mortgage indenture has been filed as an exhibit to the registration statement of which this prospectus is a part, and you should read the mortgage indenture for provisions that may be important to you. You can obtain copies of the mortgage indenture by following the directions described under the caption "Where You Can Find More Information." Furthermore, the mortgage indenture has been qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and you should refer to the Trust Indenture Act for certain provisions that apply to the first mortgage bonds. In the summary below, we have included references to applicable section numbers of the mortgage indenture so that you can more easily locate the relevant provisions.

### Terms of a Particular Series

The first mortgage bonds may from time to time be issued in one or more series. When we offer to sell a particular series of first mortgage bonds under this prospectus, we will describe the specific terms of the first mortgage bonds of each series in a supplement to the mortgage indenture and a prospectus supplement, which will include the following terms, as applicable to that series:

the title of the first mortgage bonds;

any limit on the aggregate principal amount of the first mortgage bonds;

the date or dates on which the principal of any first mortgage bonds is payable;

the rate or rates at which the first mortgage bonds will bear interest, if any, the date or dates from which any interest will accrue, the interest payment dates on which any interest will be payable and the record date for any interest payable on any interest payment date;

any redemption terms, including mandatory redemption through a sinking fund or otherwise, redemption at our option and redemption at the option of the holder;

whether payments of principal of, or any premium or interest on, the first mortgage bonds will be determined with reference to a financial or economic measure or pursuant to a formula, and the manner in which these amounts will be determined;

the portion of the principal amount of the first mortgage bonds payable upon declaration of acceleration of the maturity of the first mortgage bonds if other than the full principal amount;

if other than by a resolution of our board of directors, the manner in which we may elect to defease any first mortgage bonds or that such first mortgage bonds are not defeasible;

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any deletion of, addition to or change in the events of default and any change in the right of the trustee or the requisite holders of the first mortgage bonds to declare the principal amount due and payable;

any deletion of, addition to or change in the covenants that apply to the first mortgage bonds;

the terms and conditions upon which the first mortgage bonds will be guaranteed by CWSG and, if applicable, upon which such guarantees may be subordinated to other indebtedness of CWSG;

whether the first mortgage bonds shall be convertible into, or exchangeable for, any other securities issued by us or any other person and the terms and conditions, if any, upon which the first mortgage bonds shall be convertible or exchangeable; and

any other terms of the first mortgage bonds. (Section 2.01.)

We may issue additional first mortgage bonds of a particular series without the consent of the holders of the first mortgage bonds of such series outstanding at the time of the issuance. (Section 2.01.) Any such additional first mortgage bonds, together with all other outstanding first mortgage bonds of that series, will constitute a single series of first mortgage bonds under the mortgage indenture. The first mortgage bonds will be issued in denominations of \$1,000 or multiples of \$1,000. (Section 2.10.)

## **Form, Exchange and Transfer**

Subject to the terms of the mortgage indenture and the limitations applicable to global securities, first mortgage bonds may be presented for exchange or for registration of transfer at the office of the registrar. No service charge will be made for any registration of transfer or exchange of first mortgage bonds, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. We have appointed the trustee as the registrar, and the register will be kept at the corporate trust office of the trustee in San Francisco, California. (Sections 2.12 and 2.15.)

## **Principal and Interest Payments**

Unless otherwise indicated in the applicable prospectus supplement, payment of interest on a first mortgage bond (other than defaulted interest) on any interest payment date will be made to the person in whose name the security, or one or more predecessor securities, is registered at the close of business on the regular record date for payment of interest. (Section 2.20.) Payment of defaulted interest on a bond shall cease to be payable to the person in whose name the security is registered at the close of business on the regular record date for payment of interest and shall be payable as described in the mortgage indenture. (Section 2.20.)

Principal and interest on the first mortgage bonds will be payable or deliverable at the office of the paying agent or paying agents as we may designate for that purpose from time to time. Unless otherwise indicated in the applicable prospectus supplement, the corporate trust office of the trustee in San Francisco, California will be initially designated as our sole paying agent for payments and deliveries with respect to first mortgage bonds of each series. (Section 2.12.)

## **Issuance of Additional First Mortgage Bonds**

The maximum principal amount of first mortgage bonds that we may issue under the mortgage indenture is not limited, except as described below. We may at any time and from time to time issue additional first mortgage bonds in an aggregate principal amount not exceeding any of the following:

- 1)  $66\frac{2}{3}\%$  of the cost or fair value, whichever is less, of new or additional property acquired or permanent improvements, extensions or additions constructed after the date of the thirty-ninth supplemental indenture (the "Amendment Date") or the date of the most recent offering of first mortgage bonds, whichever is later, plus, if then available pursuant to the terms of the mortgage indenture, any existing and unused "additions credit";



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- 2) the amount of cash deposited with the trustee; and
- 3) the aggregate principal amount of any indebtedness secured by a lien prior to the mortgage indenture, or first mortgage bonds, to be paid, redeemed or refunded with the proceeds of the additional first mortgage bonds to be issued. (Sections 2.02, 2.07 and 2.08.)

We may not issue any additional first mortgage bonds on the basis of clauses (1) and (2) above, unless our earnings available for interest, reserves (other than any reserve for depreciation, replacements or renewals) and dividends, for a period of any 12 consecutive months within the 14 months immediately preceding the month in which application for the authentication of additional first mortgage bonds is made are equal to at least twice the annual interest requirements on all first mortgage bonds, including those about to be issued, and any obligations secured by liens prior to the lien of the mortgage indenture. In calculating the net earnings applicable to first mortgage bond interest, no more than 15% of our net earnings may come from nonutility sources. We may issue additional first mortgage bonds under clause (3) above without complying with the earnings test unless the first mortgage bonds to be paid, redeemed or refunded have a maturity of more than five years from when they are to be paid, redeemed or refunded and the first mortgage bonds issued have a higher interest rate than those to be paid, redeemed or refunded. (Sections 2.02, 2.03, 2.04, 2.07 and 2.08.)

As used herein, the term "new or additional property" shall mean any property subject to the lien of the mortgage indenture acquired by us after the Amendment Date that consists of plants, property and equipment acquired as an entirety or substantially as an entirety by us of any utility located in the State of California. (Section 2.02.)

As used herein, the term "permanent improvements, extensions or additions" shall mean any permanent improvement, extension or addition to any property subject to the lien of the mortgage indenture occurring after the Amendment Date. (Section 2.02.)

As used herein, the term "additions credit" shall mean an amount equal to the sum of (i) with respect to each prior issuance of first mortgage bonds under clause (1) above, the excess of (a) 66<sup>2</sup>/<sub>3</sub>% of the cost or fair value, whichever is less, of the permanent improvements, extensions or additions and new or additional property made the basis for such issuance of first mortgage bonds over (b) the principal amount of first mortgage bonds actually issued in such issuance, plus (ii) the aggregate principal amount of first mortgage bonds previously issued under the mortgage indenture which have been redeemed or repaid since the Amendment Date; *provided that* additions credit shall not include any amount that has previously been added to permanent improvements, extensions or additions or new or additional property in respect of a prior issuance of first mortgage bonds pursuant to clause (1) above or, with respect to first mortgage bonds previously issued under the mortgage indenture, any amount attributable to first mortgage bonds the redemption or repayment of which has been made the basis for the issuance of additional first mortgage bonds pursuant to clause (3) above. The foregoing notwithstanding, in no event shall any additions credit be available at any time prior to the repayment in full or other satisfaction in full of amounts owing in respect of the Series CC, the Series KK, the Series GGG and the Series HHH first mortgage bonds, unless otherwise agreed to by holders holding a majority in aggregate principal amount of each of the Series CC, the Series KK, the Series GGG and the Series HHH first mortgage bonds.

We may withdraw cash deposited under clause (2) above in an amount equal to the first mortgage bonds issuable under clause (1) above without regard to our net earnings. If we have not withdrawn such cash in lieu of first mortgage bonds within two years of its deposit, the cash may be returned to us or applied by the trustee to the purchase or redemption of first mortgage bonds. (Section 2.07.)

## Security

The first mortgage bonds when issued will be secured, equally and ratably with all of the first mortgage bonds now outstanding or hereafter issued under the mortgage indenture, by the lien on all of our properties, premises, rights, franchises and interests, and such properties, premises, rights, franchises and interests hereafter acquired by us, subject to the exceptions referred to below, the permitted liens and the prior lien of the trustee for compensation, expenses and liability. (Granting Clauses First, Second and Third.)

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Property that is excepted from the lien of the mortgage indenture includes the following:

cash, cash equivalents and the deposit, brokerage and securities accounts holding such cash and cash equivalents, to the extent not consisting of the proceeds of any disposition of collateral;

automobiles, rail cars, vessels, aircraft and other motor vehicles and parts, accessories and supplies used in connection with our business;

oil, gas and other minerals and all timber, and all rights and interests in the foregoing;

all leases, licenses, franchises, contracts, property rights or agreements to which we are a party if the grant of a security interest constitutes abandonment of our interest therein or the breach of our obligations thereunder; and

assets subject to a lien securing indebtedness to finance the purchase or lease of such assets if prohibited by the terms of the contract to which such lien is granted. (Excepted Property Clause.)

As used herein the term "permitted lien" means as of any particular time, any of the following:

to the extent we consolidate with, or merge into, or purchase all or substantially all of the assets of, another entity, liens on the assets of such entity in existence on the date of such consolidation, merger or purchase and securing indebtedness of such entity, provided that such indebtedness and liens were not created or incurred in anticipation of such consolidation, merger or purchase and do not extend to any other property of our company subject to the lien of the mortgage indenture in existence immediately prior to the consolidation, merger or purchase;

liens on any asset owned by us securing indebtedness incurred in the ordinary course of business to finance the purchase, lease or improvement of such asset, or the replacement or refinancing of such indebtedness, if the contract or other agreement in which such lien is granted (or the documentation providing for such indebtedness) does not prohibit the creation of any other lien on such asset, provided that such liens do not extend to any asset other than the asset acquired, leased or improved, and provided further that the principal amount of the indebtedness secured by such lien does not exceed the cost or fair market value, whichever is lower, of the property acquired, leased or improved on the date of such acquisition, lease or improvement;

as to after-acquired property, liens existing at the time of the acquisition, provided that such liens do not extend to any other property subject to the lien of the mortgage indenture, and provided further that the principal amount of the indebtedness secured by such liens does not exceed the cost or fair market value, whichever is lower, of the property acquired on the date of such acquisition;

liens for taxes, assessments and other governmental charges which are not delinquent or which are being contested in good faith by appropriate proceedings;

mechanics', workmen's and other liens incident to construction and liens of any of our employees for salary or wages earned, but not yet payable, arising in the ordinary course of business which are not delinquent or which are being contested in good faith and by appropriate proceedings;

easements, encumbrances and defects in title to the property subject to the lien of the mortgage indenture; provided, however, that such easements, encumbrances or defects do not materially impair the use by us of such property;

defects in title to real property subject to rights-of-way or other similar rights in favor of us or used by us primarily for right-of-way purposes or real property held under lease or similar right; provided, however, that (1) we have obtained from the apparent owner of such real property a sufficient right to such use, (2) we have power under eminent domain or similar statutes to remove such defects or (3) such defects may be otherwise remedied without undue effort or expense;



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leases existing on the date of the thirty-ninth supplemental indenture and any renewals thereof and leases affecting the property subject to the lien of the mortgage indenture that (1) have terms of not more than 20 years or (2) do not materially impair the use by us of such property;

liens vested in lessors, licensors, franchisors or permitors for rent or other amounts to become due or for other obligations or acts to be performed, so long as the payment or the performance of such obligations is not delinquent or is being contested in good faith and by appropriate proceedings;

controls or other burdens imposed by federal, state, municipal or other law, or by rules, regulations or orders of governmental authorities upon the property subject to the lien of the mortgage indenture;

rights which governmental authorities may have by virtue of franchises, grants, licenses, permits or contracts, or by virtue of law, to purchase, recapture or designate a purchaser of or order the sale of the property subject to the lien of the mortgage indenture, to terminate franchises, grants, licenses, permits, contracts or other rights or to regulate our property and business; and any and all obligations of ours correlative to any such rights;

liens required by law or governmental regulations (1) as a condition to the transaction of any business, (2) to enable us to maintain self-insurance, (3) in connection with workers' compensation, unemployment insurance, social security, any pension or welfare benefit plan or (4) to share in the privileges or benefits required for companies participating in one or more of the arrangements described in clauses (2) and (3) above;

liens on the property subject to the lien of the mortgage indenture or any part thereof which are granted by us to secure duties or public or statutory obligations or to secure, or serve in lieu of, surety, stay or appeal bonds;

rights reserved to or vested in others to take or receive any part of any coal, ore, gas, oil and other minerals, any timber or any electric capacity or energy, gas, water, steam and any other products, developed, produced, manufactured, generated, purchased or otherwise acquired by us or by others on our property;

(1) rights and interests of persons other than us arising out of contracts, agreements and other instruments to which we are a party and which relate to the common ownership or joint use of property; and (2) all liens on the interests of persons other than us in property owned in common by such persons and us if and to the extent that the enforcement of such liens would not adversely affect our interests in such property in any material respect;

any restrictions on assignment or requirements of any assignee to qualify as a permitted assignee or a public utility or public service corporation;

any liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made;

liens granted in favor of the trustee pursuant to the mortgage indenture and the first mortgage bonds; and

liens securing loans made by The California Department of Water Resources or other governmental agency to us in connection with the installation, upgrade, or replacement of infrastructure to ensure the quality of drinking water and the protection of public health. (Section 1.01.)

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The mortgage indenture permits our consolidation or merger with, or the conveyance of all or substantially all of our property to, any other corporation; provided, that the successor corporation assumes the due and punctual payment of the principal and interest on the first mortgage bonds of all series then outstanding under the mortgage indenture and assumes the due and punctual performance of all the terms, covenants and conditions of the mortgage indenture. (Section 9.02.)

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**Release and Substitution of Assets**

Until the occurrence of an event of default under the mortgage indenture and receipt of notice from either the trustee or not less than a majority in aggregate principal amount of the outstanding first mortgage bonds that such rights are suspended, the mortgage indenture permits the following releases from its lien, in each case without any release or consent by the trustee:

the sale or other disposal of any machinery, equipment, tools, implements or other property subject to the lien of the mortgage indenture upon replacing the same or substituting for the same with machinery, equipment, tools, implements or other property with an aggregate value at least equal to the aggregate original value of such property disposed of so long as such substituted property becomes subject to the lien of the mortgage indenture; provided that we may dispose of damaged, worn-out or obsolete equipment that is immaterial in the ordinary course of business without replacing the same;

the surrender and modification of any franchise, license or permit subject to us operating the property subject to the lien of the mortgage indenture in accordance with good industry practice as determined by our good faith judgment;

the cancellation, change or alteration of permitted liens, easements, rights-of-way and similar rights; and

the grant of any permitted lien or the taking of title to additional property subject to any permitted lien. (Section 5.02.)

**Covenants**

The mortgage indenture contains several covenants, including covenants relating to

title of the property subject to the lien of the mortgage indenture;

maintaining the mortgage property free and clear of any lien, other than permitted liens, provided that the aggregate principal amount of all indebtedness secured by liens prior to the lien of the mortgage indenture on any property at any time subject to the lien of the mortgage indenture (excluding taxes for the then current year and taxes and assessments not yet delinquent) shall never exceed 25% of the aggregate principal amount of (a) all first mortgage bonds then outstanding, (b) all first mortgage bonds for the authentication and delivery of which application is then being made under the mortgage indenture and (c) all indebtedness secured by such prior lien or liens;

payment of principal and interest on the first mortgage bonds;

maintenance of an office or agency where notice, presentations and demands upon us with respect to the mortgage indenture may be made and where payments or principal and interest on the first mortgage bonds may be made;

preservation of our corporate existence and our rights, permits and franchises necessary for the property subject to the lien of the mortgage indenture;

payment of taxes and other governmental charges;

compliance with requirements of governmental authorities;

maintenance of insurance;

maintenance of the property subject to the lien of the mortgage indenture;

recording of the mortgage indenture; and

the filing of reports with the SEC and the trustee.

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Any covenants that may apply to a particular series of debt securities will be described in the applicable prospectus supplement. Unless the applicable prospectus supplement provides differently, there are no other provisions which limit our ability to incur additional debt or which protect holders of first mortgage bonds if we were to engage in a highly leveraged or similar transaction or in the event of our change in control. (Article III and Section 11.03.)

## **Redemption**

The prospectus supplement that describes a particular series of first mortgage bonds will set forth any terms for the optional or mandatory redemption of that particular series. (Article IV.)

## **Sinking Funds**

Sinking fund provisions applicable to a series of first mortgage bonds, if any, will be as set forth in the applicable prospectus supplement for such series.

## **Events of Default**

The mortgage indenture generally defines an "event of default" with respect to any series of first mortgage bonds as any one of the following events:

- 1) failure to pay when due the principal of any first mortgage bonds of such series;
- 2) failure for 30 days to pay any interest due on first mortgage bonds of such series;
- 3) the default on any of our other indebtedness, if that default (a) is caused by a failure to make a payment when due or (b) results in the acceleration of such indebtedness prior to its stated maturity, and, in each of (a) and (b), the principal amount of any such indebtedness, together with the principal amount of any other such indebtedness under which there has been a default as described in (a) or an acceleration of maturity as described in (b), totals \$10.0 million or more in the aggregate;
- 4) failure to perform or observe for 90 days after notice of that failure by the trustee or holders of at least 25% in principal amount of the first mortgage bonds of all series under which such failure to perform or observe has occurred, any other covenant, agreement or condition of the mortgage indenture applicable to such series of first mortgage bonds;
- 5) certain events involving our bankruptcy, insolvency or reorganization; or
- 6) any other event defined as an event of default with respect to first mortgage bonds of a particular series indicated in the applicable prospectus supplement. (Section 7.01.)

Upon the occurrence of an event of default, other than an event of default referred to in clause (5) above, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding first mortgage bonds may declare the principal and interest on first mortgage bonds of all such series immediately due and payable. Upon the occurrence of an event of default described in clause (5) above, the principal and interest on first mortgage bonds of all series then outstanding will automatically become immediately due and payable without any further action. If, after the payment of principal and interest has been accelerated as provided above, all defaults have subsequently been cured, the holders of a majority in principal amount of the outstanding first mortgage bonds may rescind and annul such declaration. (Section 7.01.)

The holders of not less than 66<sup>2</sup>/<sub>3</sub>% in aggregate principal amount of the outstanding first mortgage bonds of all series under which an event of default has occurred may waive any past default under the mortgage indenture with respect to the first mortgage bonds of all such series, except a default in the payment of the principal of (or premium, if any) or interest on any first mortgage bond when due. (Section 7.20.)

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Upon the occurrence and during the continuation of an event of default, the trustee has the right and power to take appropriate judicial proceedings for the protection and enforcement of the rights of the first mortgage bond holders and the trustee may proceed by other appropriate remedy, to enforce payment of the first mortgage bonds and to foreclose the first mortgage indenture and to sell the property subject to the lien of the mortgage indenture under the judgment of a court of competent jurisdiction, in each case in accordance with the terms of the mortgage indenture. No first mortgage bond holder has the right to institute any proceeding for the foreclosure of the first mortgage indenture or for the enforcement of any other remedy under the first mortgage indenture, unless (1) such first mortgage bond holder previously gave notice to the trustee of the event of default, (2) holders of not less 25% in aggregate principal amount of the outstanding first mortgage bonds shall have requested the trustee in writing to act, (3) such first mortgage bond holder offered the trustee satisfactory security and indemnity, and (4) the trustee refused or neglected to comply with such request for a period of 60 calendar days. (Sections 7.05 and 7.06.) In addition, the holders of at least a majority in aggregate principal amount of the outstanding first mortgage bonds of all series then outstanding may direct the time, method and place of conducting any proceedings for any remedy available to, or conferred by the mortgage indenture upon, the trustee, provided, that the trustee may decline to follow any such direction if such action or proceeding so directed may not be lawfully taken or if the trustee in good faith determines that the action so directed would subject the trustee to personal liability or the trustee will not be sufficiently indemnified for any expenditures or is unjustifiably prejudicial to the non-assenting first mortgage bond holders. (Section 7.08.)

We are required to furnish to the trustee annually a statement by certain of our officers as to whether or not we, to our knowledge, are in default in the performance or observance of any of the terms, provisions and conditions of the mortgage indenture and, if so, specifying all known defaults.

Street name and other indirect holders should consult their banks and brokers for information on their requirements for giving notice or taking other actions on a default.

## **Legal Defeasance and Covenant Defeasance**

*Legal Defeasance.* The mortgage indenture provides, at our option, that we will be deemed to be discharged from our obligations with respect to the first mortgage bonds of any series on the date the conditions set forth below are satisfied with respect to such series, except for our obligations with respect to issuing temporary first mortgage bonds, registration of such first mortgage bonds, mutilated, destroyed, lost or stolen first mortgage bonds and the maintenance of an office or agency for payment and money for security payments held in trust, and the rights, powers, trusts, duties and immunities of the trustee, and our obligations in connection therewith. (Section 14.04.)

*Covenant Defeasance.* The mortgage indenture provides that we may elect, at our option and subject to satisfaction of the conditions set forth below, that our failure to comply with certain restrictive covenants, including those that may be described in the applicable prospectus supplement, and the occurrence of certain events of default which are described above in clause (4) under "Events of Default" above and any that may be described in the applicable prospectus supplement, will not constitute an event of default with respect to such first mortgage bonds. (Section 14.04.)

*Conditions to Legal or Covenant Defeasance.* To exercise either legal or covenant defeasance with respect to the first mortgage bonds of any series:

we must irrevocably deposit with the trustee cash, government securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on the first mortgage bonds of such series when due;

in the case of legal defeasance, we shall have delivered to the trustee an opinion of counsel confirming that (1) we have received from, or there has been published by, the United States Internal Revenue Service a ruling, or (2) since the issuance of the first mortgage bonds of such series, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that the holders of the first mortgage bonds of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such

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legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

in the case of covenant defeasance, we shall have delivered to the trustee an opinion of counsel, reasonably acceptable to the trustee confirming that the first mortgage bond holders of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

no default (other than a default resulting from borrowing funds to make the deposit described in the first bullet point above and the granting of liens in connection therewith) shall have occurred and be continuing on the date of such deposit with respect to the first mortgage bonds of such series;

such legal or covenant defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the mortgage indenture) to which we are a party or by which we are bound;

we shall have delivered to the trustee an opinion of counsel to the effect that the trust funds with respect to first mortgage bonds of such series will not be subject to the effect of Section 547 of Title 11 of the United States Code;

we shall have delivered to the trustee an officers' certificate stating that the deposit was not made by us with the intent of defeating, hindering, delaying or defrauding any of our creditors or others; and

we shall have delivered to the trustee an officers' certificate and an opinion of counsel each stating that all conditions precedent relating to such legal or covenant defeasance have been complied with. (Section 14.05.)

**Modification of the Mortgage Indenture**

We and the trustee may, without the consent of any holders of the first mortgage bonds, modify and amend the mortgage indenture for the following purposes:

to evidence the succession of another corporation to our rights and the assumption by such successor of our covenants and obligations contained in the mortgage indenture and in the first mortgage bonds;

to add to our covenants for the benefit of the holders of the first mortgage bonds of all or any series;

to add additional events of default in respect of the first mortgage bonds of all or any series;

to supplement provisions of the mortgage indenture to permit or facilitate the defeasance and discharge of the first mortgage bonds of any series, provided that any such action shall not adversely affect the interests of the first mortgage bond holders in any material respect or release any mortgaged property from the lien of the mortgage indenture;

to evidence the acceptance of appointment of a successor trustee;

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to comply with the requirements of the SEC in connection with the qualification of the mortgage indenture under the Trust Indenture Act;

to cure any ambiguity, correct inconsistent provisions, or eliminate any conflict between the terms of the mortgage indenture, the first mortgage bonds and the Trust Indenture Act;

to make any other provisions with respect to matters or questions arising under the mortgage indenture which are not inconsistent with any provision of the mortgage indenture; provided that such other provisions shall not adversely affect in any material respect the interests of the first mortgage bond holders of any series;

to add guarantees for the benefit of any series of first mortgage bonds; or



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to establish the form or terms of first mortgage bonds of any series permitted to be issued under the mortgage indenture. (Section 12.01.)

Modifications and amendments of the mortgage indenture may be made by us and the trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding first mortgage bonds, the terms of such first mortgage bonds which are to be modified thereby, except that no modification or amendment may, without the consent of the holder of each outstanding first mortgage bond affected thereby,

change the stated maturity of any first mortgage bond;

reduce the principal amount of any first mortgage bond;

reduce the interest rate on any first mortgage bond;

change the currency in which payments on any first mortgage bond is denominated or payable;

impair the right to institute suit for the enforcement of any payment on any first mortgage bond;

alter any redemption provisions in a manner adverse to the holders of first mortgage bonds;

release any guarantor or collateral securing the first mortgage bonds (except in accordance with the terms of the mortgage indenture or the documents governing the related guarantee or the collateral, as applicable);

reduce the required percentage of holders of first mortgage bonds relating to actions that require their consent; and

release all or substantially all of the mortgaged property from the lien of the mortgage indenture or change the provisions of the mortgage indenture so that the lien granted to all applicable series of first mortgage bonds are not equal and ratable. (Section 12.02.)

## **Governing Law**

The mortgage indenture, the first mortgage bonds and the guarantees will be governed by, and construed in accordance with, the laws of the State of California, except to the extent that the Trust Indenture Act shall be applicable. (Section 15.04.)

## **Regarding the Trustee**

U.S. Bank National Association is the trustee under the mortgage indenture. U.S. Bank National Association currently provides trustee services to us and our affiliates in the ordinary course of business. U.S. Bank National Association does not provide commercial banking services to us and our affiliates.

## **Guarantees**

The first mortgage bonds we offer pursuant to this prospectus will be fully and unconditionally guaranteed as to the payment of principal, premium, if any, and interest by CWSG. The applicable prospectus supplement will describe the terms and conditions upon which the first mortgage bonds will be guaranteed by CWSG. The obligations of CWSG under any guarantee will be limited to the maximum amount permitted under applicable federal or state law. Any guarantees will be issued under the mortgage indenture and a guarantee to be entered into by CWSG

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in favor of the trustee. A form of guarantee is filed as an exhibit to the registration statement of which this prospectus is a part. The guarantee reflecting the terms and provisions of a particular guarantee of a series of first mortgage bonds will be filed with the SEC in connection with the offering. You can obtain copies of the form of guarantee by following the directions described under the caption "Where You Can Find More Information." You should read the more detailed provisions of the mortgage indenture and the guarantee and any additional terms relating to the particular series of first mortgage

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bonds to which the guarantee relates, which will be described in detail in the applicable prospectus supplement, for additional information that may be important to you.

**Additional Terms of Certain Series of First Mortgage Bonds**

In connection with obtaining the consent of holders to enter into the thirty-ninth supplemental indenture, we agreed to provide the Series CC, Series GGG and Series HHH first mortgage bonds with certain covenants and rights in addition to those set forth above. We also agreed to provide such additional covenants and rights to the Series KK first mortgage bonds issued in exchange for the Series K bonds previously outstanding under the indenture we assumed pursuant to our acquisition of Dominguez Water Corporation in 2000. We refer to each of the Series CC, Series GGG, Series HHH and Series KK first mortgage bonds as a "specified series".

The additional covenants and rights granted to each specified series include, among others, the following:

the right to receive default interest equal to a per annum rate of 2% during the occurrence and continuation of an event of default with respect to such specified series;

that the obligations under each specified series will be guaranteed by CWSG;

a covenant that we shall, upon request, deliver financial information and reports as may be reasonably necessary by a holder of first mortgage bonds in a specified series to evaluate its investments;

a covenant that no first mortgage bonds shall be issued under the mortgage indenture for the purpose of providing funds for us to keep or maintain the property subject to the lien of the mortgage indenture in good and business-like working order and condition, or merely to replace or in substitution for old or worn-out or abandoned property provided that whenever old or worn-out or abandoned property is replaced by property costing more than its original cost then such replacement or substitution is permitted;

a covenant that no event of default with respect to any series of first mortgage bonds may be waived unless also waived by the holders of not less than a majority in aggregate principal amount of each specified series;

a covenant that if we enter into, amend or modify any terms applicable to another series of first mortgage bonds in a manner that requires us to comply with or add a covenant, an event of default, a guarantee or collateral that either is not at such time applicable to such specified series or, if such covenant, event of default, guarantee or collateral shall already be applicable to such specified series, is, or contains related provisions that are, more restrictive upon us or any guarantor of such specified series than such existing covenant, event of default, guarantee or related provisions, each provision (including any related definitions) relating to such covenant, event of default, guarantee or security applicable to such other series of first mortgage bonds shall be automatically deemed to apply to such specified series; and

a covenant that, except with respect to a wholly-owned subsidiary, we shall not enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any affiliate except in the ordinary course of and pursuant to the reasonable requirements of our business and upon fair and reasonable terms no less favorable than it would obtain in a comparable arm's-length transaction with a person not an affiliate (with affiliate, for purposes of this covenant, meaning a person who directly or indirectly through one or more financial intermediaries controls, or is controlled by, or is under common control with us, or who beneficially owns or holds 5% or more of our outstanding common stock or equity).

**Book-Entry, Delivery and Form of First Mortgage Bonds**

We have obtained the information in this section concerning The Depository Trust Company ("DTC"), Clearstream Banking S.A. ("Clearstream"), and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and the book-entry system and procedures

from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

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Unless otherwise indicated in the applicable prospectus supplement, the first mortgage bonds will be issued in book-entry form through DTC. DTC will act as securities depository for the first mortgage bonds. Unless otherwise indicated in the applicable prospectus supplement, the first mortgage bonds will be issued only as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. The first mortgage bonds will be accepted for clearance by DTC. Beneficial interests in the first mortgage bonds will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Owners of beneficial interests in the first mortgage bonds will receive all payments relating to their first mortgage bonds in U.S. dollars. One or more fully registered global security certificates, representing the aggregate principal amount of first mortgage bonds issued, will be issued and will be deposited with DTC and will bear a legend regarding the restrictions on exchanges and registration of transfer referred to below.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in the first mortgage bonds, so long as the first mortgage bonds are represented by global security certificates.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, referred to as "indirect participants," such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a direct or indirect custodial relationship with a direct participant. The rules applicable to DTC and its participants are on file with the SEC.

Purchases of first mortgage bonds under the DTC system must be made by or through direct participants, which will receive a credit for the first mortgage bonds on DTC's records. The ownership interest of each beneficial owner of first mortgage bonds will be recorded on the direct or indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the first mortgage bonds are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interest in first mortgage bonds, except in the event that use of the book-entry system for the first mortgage bonds is discontinued. Under a book-entry format, holders may experience some delay in their receipt of payments, as such payments will be forwarded by the trustee to Cede & Co., as nominee for DTC. DTC will forward the payments to its participants, who will then forward them to indirect participants or holders. Beneficial owners of first mortgage bonds other than DTC or its nominees will not be recognized by the registrar and transfer agent as registered holders of the first mortgage bonds entitled to the rights of holders thereof. Beneficial owners that are not participants will be permitted to exercise their rights only indirectly through and according to the procedures of participants and, if applicable, indirect participants.

To facilitate subsequent transfers, all first mortgage bonds deposited by direct participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of first mortgage bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the first mortgage bonds; DTC's records reflect only the identity of the direct participants to whose

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accounts the first mortgage bonds are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to first mortgage bonds unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts first mortgage bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

DTC may discontinue providing its services as securities depository with respect to the first mortgage bonds at any time by giving reasonable notice to us or our agent. Under these circumstances, in the event that a successor securities depository is not obtained, certificates for the first mortgage bonds are required to be printed and delivered. We may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the first mortgage bonds will be printed and delivered to DTC.

As long as DTC or its nominee is the registered owner of the global security certificates, DTC or its nominee, as the case may be, will be considered the sole owner and holder of the global security certificates and all first mortgage bonds represented by these certificates for all purposes under the instruments governing the rights and obligations of holders of first mortgage bonds. Except in the limited circumstances referred to above, owners of beneficial interests in global security certificates:

will not be entitled to have such global security certificates or the first mortgage bonds represented by these certificates registered in their names;

will not receive or be entitled to receive physical delivery of securities certificates in exchange for beneficial interests in global security certificates; and

will not be considered to be owners or holders of the global security certificates or the first mortgage bonds represented by these certificates for any purpose under the instruments governing the rights and obligations of holders of first mortgage bonds.

Payments with respect to first mortgage bonds represented by the global security certificates and all transfers and deliveries of first mortgage bonds will be made to DTC or its nominee, as the case may be, as the registered holder of the first mortgage bonds. DTC's practice is to credit direct participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or its agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of that participant and not of DTC, the trustee, us or any of our agents, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of us or our agent, disbursement of such payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners will be the responsibility of direct and indirect participants.

Ownership of beneficial interests in the global security certificates will be limited to participants or persons that may hold beneficial interests through institutions that have accounts with DTC or its nominee. Ownership of beneficial interests in global security certificates will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by DTC or its nominee, with respect to participants' interests, or any participant, with respect to interests of persons held by the participant on their behalf. Payments, transfers, deliveries, exchanges, and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by DTC from time to time. Neither we nor any agent for us will have any responsibility

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or liability for any aspect of DTC's or any direct or indirect participant's records relating to, or for payments made on account of, beneficial interests in global security certificates, or for maintaining, supervising or reviewing any of DTC's records or any direct or indirect participant's records relating to these beneficial ownership interests.

Although DTC has agreed to the foregoing procedures in order to facilitate transfer of interests in the global security certificates among participants, DTC is under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. We will not have any responsibility for the performance by DTC or its direct or indirect participants under the rules and procedures governing DTC.

Because DTC can act only on behalf of direct participants, who in turn act only on behalf of direct or indirect participants, and certain banks, trust companies and other persons approved by it, the ability of a beneficial owner of first mortgage bonds to pledge the first mortgage bonds to persons or entities that do not participate in the DTC system may be limited due to the unavailability of physical certificates for the first mortgage bonds.

DTC has advised us that it will take any action permitted to be taken by a registered holder of any securities under the mortgage indenture only at the direction of one or more participants to whose accounts with DTC the first mortgage bonds are credited.

Clearstream and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories, which in turn will hold interests in customers' securities accounts in the depositories' names on the books of DTC. At the present time, Citibank, N.A. acts as U.S. depository for Clearstream and JPMorgan Chase Bank, N.A. acts as U.S. depository for Euroclear (the "U.S. Depositories").

Clearstream holds securities for its participating organizations ("Clearstream Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries.

Clearstream is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier and the Banque Centrale du Luxembourg, which supervise and oversee the activities of Luxembourg banks. Clearstream Participants are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the underwriters or their affiliates. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream Participant. Clearstream has established an electronic bridge with Euroclear as the operator of the Euroclear System (the "Euroclear Operator") in Brussels to facilitate settlement of trades between Clearstream and the Euroclear Operator.

Distributions with respect to the first mortgage bonds of a series held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by the U.S. Depository for Clearstream.

Euroclear holds securities and book-entry interests in securities for participating organizations ("Euroclear Participants") and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations, and may include the underwriters or their affiliates. Non-participants in Euroclear may hold and transfer beneficial interests in a global security through accounts with a Euroclear Participant or any other securities intermediary that holds a

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book-entry interest in a global security through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Distributions with respect to first mortgage bonds of a series held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depository for Euroclear.

Transfers between Euroclear Participants and Clearstream Participants will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between DTC's participating organizations ("DTC Participants"), on the one hand, and Euroclear Participants or Clearstream Participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its U.S. Depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (European time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depository to take action to effect final settlement on its behalf by delivering or receiving interests in the global security in DTC, and making or receiving payment in accordance with normal procedures for same-day fund settlement applicable to DTC. Euroclear Participants and Clearstream Participants may not deliver instructions directly to their respective U.S. Depositories.

Due to time zone differences, the securities accounts of a Euroclear Participant or Clearstream Participant purchasing an interest in a global security from a DTC Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear Participant or Clearstream Participant, during the securities settlement processing day (which must be a business day for Euroclear or Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interests in a global security related to a series of first mortgage bonds by or through a Euroclear Participant or Clearstream Participant to a DTC Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The information in this section concerning Euroclear and Clearstream and their book-entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy of that information.

None of us, any of the underwriters or the trustee will have any responsibility for the performance by Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of securities among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and they may discontinue the procedures at any time.

## **DESCRIPTION OF PREFERRED STOCK**

The following is a summary of the terms of the shares of our preferred stock. We may issue preferred stock in one or more series, as described below. This section summarizes the terms of our preferred stock that apply generally to all series as well as the terms of our Series D Participating Preferred Stock. We will describe the specific terms that apply



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to a particular series in the prospectus supplement relating to that series. Those specific terms will supplement and, if applicable, may modify or replace the general terms described in this section. If there are differences between the prospectus supplement relating to a particular series and this prospectus, the prospectus supplement will control.

When we refer to a series of preferred stock, we mean all of the shares of preferred stock issued as part of the same series under a certificate of designations filed as part of our certificate of incorporation. The following summary of the material provisions of preferred stock we may issue, and any additional disclosure that will be contained in the prospectus supplement relating to any particular series, is not complete. Each investor should refer to the certificate of designations authorizing the issuance of that series and to our certificate of incorporation for a complete description of the terms. Before we issue any series of preferred stock, our board of directors will adopt resolutions creating and designating the series and will file a certificate of designations stating the terms of that series with the Secretary of State of the State of Delaware. Our stockholders need not approve that certificate of designation or otherwise authorize the issuance of a series of preferred stock.

## **Shares Authorized and Shares Outstanding**

As of the date of this prospectus, we had 241,000 shares of authorized preferred stock, none of which were outstanding. Of these 241,000 shares of preferred stock, 221,000 shares have been designated for possible issuance as Series D Participating Preferred Stock, as explained below in "Series D Participating Preferred Stock," and 20,000 shares are undesignated.

Pursuant to our certificate of incorporation, we may issue the undesignated shares of our preferred stock from time to time in up to eight series without stockholder approval. Subject to limitations prescribed by Delaware law, our certificate of incorporation and our amended by-laws, our board of directors can determine the number of shares constituting each series of preferred stock and the designation, preferences, voting powers, qualifications, and special or relative rights or privileges of that series. These may include provisions concerning voting, redemption, dividends, dissolution, the distribution of assets, conversion or exchange, and other subjects or matters as may be fixed by resolution of the board or an authorized committee of the board. The preferred stock that may be offered by this prospectus will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights.

If we offer a specific series of preferred stock under this prospectus, we will describe the terms of the preferred stock of that series in the prospectus supplement for that offering and will file a copy of the certificate of designation establishing the terms of the preferred stock with the SEC and the Delaware Secretary of State. Among other things, the description will include:

the title, series designation and stated value;

the number of shares offered, the liquidation preference per share and the purchase price;

the dividend rate(s), period(s) and/or payment date(s), or method(s) of calculation for dividends;

whether dividends will be cumulative, partially cumulative or non-cumulative and, if cumulative or partially cumulative, the date from which the dividends will accumulate;

the procedures for any auction or remarketing, if any;

the provisions for a sinking fund, if any;

the provisions for redemption, if applicable;

any listing of the preferred stock on any securities exchange or market;

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whether the preferred stock will be convertible into any series of our common stock, and, if applicable, the conversion price (or how it will be calculated);

voting rights, if any, of the preferred stock;

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whether interests in the preferred stock will be represented by depositary shares;

a discussion of any material and/or special U.S. federal income tax considerations applicable to the preferred stock;

the relative ranking and preferences of the preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;

any limitations on issuance of any class or series of preferred stock ranking senior to or on parity with the series of preferred stock as to dividend rights and rights upon our liquidation, dissolution or winding up;

any other specific terms, preferences, rights, limitations or restrictions of the preferred stock; and

any transfer agent for the preferred stock.

Unless we specify otherwise in the applicable prospectus supplement, any future issuance of preferred stock, with respect to dividend rights and rights upon our liquidation, dissolution or winding up, will rank as follows:

senior to all classes or series of our common stock, and senior to all equity securities issued by us the terms of which specifically provide that they rank junior to the preferred stock with respect to those rights; and

on a parity with all equity securities we issue that do not rank senior or junior to the preferred stock with respect to those rights.

As used for these purposes, the term "equity securities" does not include convertible debt securities.

### **Series D Participating Preferred Stock**

On August 18, 1999, our board adopted a resolution designating 221,000 shares of our preferred stock as Series D Preferred Stock, par value \$0.01 per share. The number of shares may be increased or decreased by our board of directors prior to the issuance of any shares of this series.

We have not yet issued any Series D Preferred Stock. The right to purchase one one-hundredth of a share of Series D Preferred Stock was declared as a dividend for each outstanding share of common stock on January 28, 1998. The rights, however, expired on February 11, 2008.

Subject to the rights and the holders of any shares of any series of our preferred stock (or any similar stock) ranking prior and senior to our Series D Preferred Stock with respect to dividends, the holders of shares of our Series D Preferred Stock, in preference to the holders of our common stock and of any other junior stock, will be entitled to receive, as and when declared by our board, dividends payable in cash on the fifteenth (15th) day of February, May, August and November in each year. Each share of our Series D Preferred Stock will receive cumulative dividends (subject to certain adjustments) equal to 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in our common stock or a subdivision of our common stock (by reclassification or otherwise), declared on our common stock. We will be required to pay any of these dividends that are accrued and unpaid, without interest, before we may pay any dividends on our common shares.

If we declare or pay any dividend on our common stock payable in common stock, or we split, combine or consolidate our outstanding common stock (by means other than by payment of a dividend in common stock) into a greater or lesser number of shares, then the amount to which Series D Preferred stockholders were entitled immediately prior to that event will be adjusted. The adjustment would be determined by multiplying the amount to which the Series D Preferred Stockholders immediately prior to that event are entitled by a fraction, of which the numerator is the number of common shares outstanding after the event and the denominator is the number of common shares outstanding prior to the event. We will then declare a dividend or distribution on the Series D Preferred Stock immediately after we declare the dividend or distribution on the common stock (other than a dividend payable in common stock).



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Our Series D Preferred Stock entitles holders to 100 votes on all matters submitted to a stockholder vote, and the Series D Preferred Stock stockholders vote together as a class with the common stockholders. If we declare or pay any dividend on our common stock payable in common stock, or we split, combine or consolidate outstanding common stock (by means other than by payment of a dividend in common stock) into a greater or lesser number of shares, then the number of votes per share that the Series D Preferred stockholders are entitled to will be adjusted by multiplying the number of votes per share that the Series D Preferred stockholders are entitled to immediately prior to the event by a fraction, of which the numerator is the number of common shares outstanding after the event and the denominator is the number of common shares outstanding prior to the event.

If we liquidate, dissolve or wind up, no distribution shall be made 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 until the holders of shares of Series D Preferred Stock have received a minimum of \$100.00 per share, plus all accrued and unpaid dividends and distributions on the Series D Preferred Stock. In any event, the holders of Series D Preferred Stock will be entitled to receive an amount per share (subject to adjustment as discussed below) equal to 100 times the amount to be distributed per share to holders of common stock. Distributions to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series D Preferred Stock will be made on a pro rata basis with the Series D Preferred Stock.

If we declare or pay any dividend on our common stock payable in common stock, or we subdivide, combine or consolidate our common stock (by reclassification or otherwise than by payment of a dividend in common stock) into a greater or lesser number of shares, then the aggregate amount to which holders of shares of Series D Preferred Stock were entitled immediately prior to any of those events upon liquidation, dissolution or winding up will be adjusted so that the ratio of liquidation preference due per share of Series D Preferred Stock will be the same both before and after the event and that these payments will be made prior to any payments to securities which rank junior to the Series D Preferred Stock.

If we enter into any consolidation, merger, combination or other transaction in which our common stock is exchanged for or changed into other stock or securities, cash and/or any other property, each share of our Series D Preferred Stock will have a right to receive 100 times the aggregate consideration to which each common share is entitled.

Adjustments will be made to the consideration that our holders of Series D Preferred Stock are entitled to receive in the event we declare or pay any dividend on the common stock payable in our common stock, or subdivide, combine or consolidate our common stock (by reclassification or otherwise than by payment of a dividend in our common stock into a greater or lesser number) so as to prevent dilution.

Some or all of the Series D Preferred Stock may be redeemed at our option on any dividend payment date at a redemption price per share equal to 100 times the fair market value of a common share on that date, together with all accrued and unpaid dividends on the Series D Preferred Stock.

The Series D Preferred Stock ranks junior to all series of preferred stock with respect to the distribution of assets.

Our certificate of incorporation may 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 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, in addition to any other vote of stockholders required by law.

## **DESCRIPTION OF COMMON STOCK**

Our certificate of incorporation authorizes the issuance of up to 68,000,000 common shares, par value \$0.01 per share. There were 41,907,012 shares of our common stock issued and outstanding as of May 1, 2012.

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There were 2,399 stockholders of record of our common stock at May 1, 2012. Our common stock is listed on the New York Stock Exchange under the symbol "CWT." We intend to apply to the New York Stock Exchange to list any common stock issued under this prospectus and any prospectus supplement.

Holders of our common stock are entitled to vote at all elections of directors and to vote or consent on all stockholder questions at the rate of one vote per share and are not entitled to cumulate their votes for the election of directors.

Subject to the rights, privileges, preferences, restrictions and conditions attaching to any other class or series of our securities, holders of our common stock have the right to receive any dividends we declare and pay on our common stock. They also have the right to receive our remaining assets and funds upon liquidation, dissolution or winding-up, if any, after we pay to the holders of any series of our preferred stock the amounts they are entitled to, and after we pay all our debts and liabilities.

Our common stock is subject and subordinate to any rights and preferences granted under our certificate of incorporation and any rights and preferences which may be granted to any series of preferred stock by our board pursuant to the authority conferred upon our board under our certificate of incorporation.

After all cumulative dividends are declared and paid or set apart on any series of our preferred stock which may be outstanding, the board may declare any additional dividends on our common stock out of our surplus (the excess, if any, of our net assets over total paid-in capital) or if there is no surplus, the net profits for the current fiscal year or the fiscal year before which the dividend is declared. Our board may only declare cash dividends if after paying those dividends we would be able to pay our liabilities as they become due.

The common stock issued by this prospectus and any related prospectus supplement will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights. Except for any conversion rights that may be granted to any shares of our preferred stock, no holders of any of our capital stock are entitled to purchase or otherwise participate in any of our new or additional equity offerings.

American Stock Transfer & Trust Company LLC is the transfer agent, registrar and dividend paying agent for our common stock. Its phone number is (800) 937-5449.

## **DESCRIPTION OF WARRANTS**

We may issue warrants to purchase our equity securities or debt securities issued by Cal Water. Warrants may be issued independently of or together with any other offered securities and may be attached to, or separate from, such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent. The terms of any warrants to be issued and a description of the material provisions of the applicable warrant agreement will be set forth in the applicable prospectus supplement.

The applicable prospectus supplement will describe the following terms of any warrants in respect of which this prospectus is being delivered:

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the date on which the right to exercise such warrants shall commence and the date on which such right shall expire;

if applicable, the minimum or maximum amount of such warrants that may be exercised at any one time;

if applicable, the designation and terms of the securities with which such warrants are issued and the number of such warrants issued with each such security;

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if applicable, the date on and after which such warrants and the related securities will be separately transferable;

information with respect to book-entry procedures, if any;

if applicable, a discussion of any material United States federal income tax considerations; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

## **DESCRIPTION OF PURCHASE CONTRACTS**

We may issue purchase contracts, together with, or separate from, the securities registered hereby, for the purchase or sale of our equity securities or debt securities issued by Cal Water.

Each purchase contract will entitle the holder thereof to purchase or sell, and obligate us to sell or purchase, on specified dates, such securities at a specified purchase price, which may be based on a formula, all as set forth in the applicable prospectus supplement. We may, however, satisfy our obligations, if any, with respect to any purchase contract by delivering the cash value of such purchase contract or the cash value of the property otherwise deliverable, as set forth in the applicable prospectus supplement. The applicable prospectus supplement will also specify the methods by which the holders may purchase or sell such securities and any acceleration, cancellation or termination provisions or other provisions relating to the settlement of a purchase contract.

The purchase contracts may require us to make periodic payments to the holders thereof or vice versa, which payments may be deferred to the extent set forth in the applicable prospectus supplement, and those payments may be unsecured or prefunded on some basis. The purchase contracts may require the holders thereof to secure their obligations in a specified manner to be described in the applicable prospectus supplement.

## **DESCRIPTION OF DEPOSITARY SHARES**

We may offer fractional shares of our preferred stock rather than whole shares of our preferred stock. In the event we do so, we will issue receipts for depositary shares, each of which will represent a fraction (to be set forth in the prospectus supplement relating to offering of the depositary shares) of a share of the related series of preferred stock.

The shares of our preferred stock represented by depositary shares will be deposited under a deposit agreement between us and a bank or trust company selected by us having its principal office in the United States and that meets certain other requirements. Subject to the terms of the deposit agreement, each owner of a depositary share will be entitled, in proportion to the applicable fraction of a share of preferred stock, represented by the depositary share to all of the rights and preferences of the preferred stock represented by the depositary shares (including dividend, voting, redemption, conversion and liquidation rights).

## **DESCRIPTION OF UNITS**

We may issue units consisting of one or more of shares of common stock, shares of preferred stock, first mortgage bonds, guarantees, warrants, purchase contracts or depositary shares or any combination of such securities. The applicable prospectus supplement will describe:

the terms of the units and of the first mortgage bonds, shares of preferred stock, shares of common stock, warrants, purchase contracts and depositary shares comprising the units, including whether and under what circumstances the securities comprising the units may be traded separately;



a description of the terms of any unit agreement governing the units; and

a description of the provisions for the payment, settlement, transfer or exchange of the units.

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## **GLOBAL SECURITIES**

If we decide to issue preferred stock, warrants, purchase contracts or units in the form of one or more global securities, then we will register the global securities in the name of the depository for the global securities or the nominee of the depository, and the global securities will be delivered to the depository for credit to the accounts of the holders of beneficial interests in the global securities. The prospectus supplement will describe the specific terms of the depository arrangement for the securities that have been issued in global form. We, any payment agent and the security registrar will have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global securities or for maintaining, supervising or reviewing any records relating to these beneficial ownership interests.

## **ANTI-TAKEOVER EFFECTS OF OUR CERTIFICATE OF INCORPORATION, AMENDED BYLAWS AND DELAWARE LAW**

Our amended by-laws contain provisions requiring advance written notice of director nominations or other proposals by stockholders and requiring directors to be free of certain affiliations with certain of our competitors. Also, we have adopted severance arrangements with our executive officers as part of their compensation packages. Furthermore, under our certificate of incorporation, stockholders may not act by written consent, and all stockholder action must be taken at a properly called and noticed meeting of stockholders.

We are subject to Section 203 of the Delaware General Corporation Law, which provides, with certain exceptions, that a Delaware corporation may not engage in certain business combinations with a person or affiliate or associate of such person who is an "interested stockholder" for a period of three years from the date such person became an interested stockholder unless:

the transaction resulting in the acquiring person becoming an interested stockholder, or resulting in the business combination, is approved by our board of directors before the person becomes an interested stockholder;

the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by persons who are directors and also officers, and employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

on or after the date the person becomes an interested stockholder, the business combination is approved by our board of directors and by the holders of at least 66<sup>2</sup>/<sub>3</sub>% of the corporation's outstanding voting stock at an annual or special meeting, excluding shares owned by the interested stockholder.

An "interested stockholder" is defined as any person that is (x) the owner of 15% or more of the outstanding voting stock of the corporation or (y) an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock at any time within the three year period immediately prior to the date on which it sought to be determined whether such person is an interested stockholder.

## **PLAN OF DISTRIBUTION**

We and Cal Water may sell the securities through one or more of the following ways:

directly to purchasers;

to or through one or more underwriters or dealers;

through agents; or

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through a combination of any such methods of sale.

A prospectus supplement with respect to a particular issuance of securities will set forth the terms of the offering of those securities, including the following:

name or names of any underwriters, dealers or agents;

the purchase price of the securities and the estimated amount of proceeds we and Cal Water will receive;

any underwriting discounts and commissions; and

any public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

If we and Cal Water use underwriters in the sale, the underwriters will acquire the securities for their own account and they may resell them from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Underwriting syndicates represented by one or more managing underwriters or one or more independent firms acting as underwriters may offer the securities to the public. In connection with the sale of securities, we and Cal Water may compensate the underwriters in the form of underwriting discounts and commissions. The purchasers of the securities for whom the underwriters may act as agent may also pay them commissions. Underwriters may sell the securities to or through dealers, and these dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Unless otherwise set forth in the applicable prospectus supplement, the obligations of any underwriters to purchase the securities will be subject to conditions precedent, and the underwriters will be obligated to purchase all of the securities if any are purchased.

If we and Cal Water use dealers in the sale of the securities, we and Cal Water will sell the securities to the dealers as principals. The dealers may then resell the securities to the public at varying prices to be determined by the dealer at the time of resale. The applicable prospectus supplement will name any dealer, who may be deemed to be an underwriter, as that term is defined in the Securities Act of 1933 (the "Securities Act"), involved in the offer or sale of securities, and set forth any commissions or discounts we and Cal Water grant to the dealer.

If we and Cal Water use agents in the sales of the securities, the agents may solicit offers to purchase the securities from time to time. Any of these agents, who may be deemed to be an underwriter, as that term is defined in the Securities Act, involved in the offer or sale of the securities will be named, and any commissions payable by us and Cal Water to such agent will be set forth, in the applicable prospectus supplement. Any agent will be acting on a reasonable efforts basis for the period of its appointment or, if indicated in the applicable prospectus supplement, on a firm commitment basis.

We and Cal Water may also sell securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act with respect to resales. The terms of those sales would be described in the prospectus supplement.

If the prospectus supplement so indicates, we and Cal Water will authorize agents, underwriters and dealers to solicit offers to purchase securities from us and Cal Water at the public offering price set forth in the prospectus supplement pursuant to stock purchase or delayed delivery contracts providing for payment and delivery on a specified date in the future. The contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of the contracts.

Agents, dealers and underwriters may be entitled under agreements with us and Cal Water to indemnification against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the agents, dealers or underwriters may be required to make. Agents, dealers and underwriters or their affiliates may engage in transactions with, or perform services for, us, Cal Water or our subsidiaries for customary compensation.

If indicated in the applicable prospectus supplement, one or more firms may offer and sell securities in connection with a remarketing upon their purchase, in accordance with their terms, acting as principals for their own accounts or as our agents. Any remarketing firm will be identified and the terms of its agreement, if any, with us and Cal Water will be



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described in the applicable prospectus supplement. We and Cal Water may be obligated to indemnify the remarketing firm against certain liabilities, including liabilities under the Securities Act, and the remarketing firm may engage in transactions with or perform services for us, Cal Water or our subsidiaries for customary compensation.

Any underwriter may engage in over-allotment, stabilizing and syndicate short covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions involve bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate short covering transactions involve purchases of securities in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the underwriters to reclaim selling concessions from dealers when the securities originally sold by the dealers are purchased in covering transactions to cover syndicate short positions. These transactions may cause the price of the securities sold in an offering to be higher than it would otherwise be. These transactions, if commenced, may be discontinued by the underwriters at any time.

The prospectus supplement relating to each offering will set forth the anticipated date of delivery of the securities.

## LEGAL MATTERS

Gibson, Dunn & Crutcher LLP, San Francisco, California will issue a legal opinion with respect to the validity of the securities.

## EXPERTS

The consolidated financial statements incorporated in this Prospectus by reference from the Company's Annual Report on Form 10-K, and the effectiveness of California Water Service Group's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can inspect and copy, at prescribed rates, these reports, proxy statements and other information at the public reference facilities of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on its public reference room. The SEC also maintains a Web site that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>. You also can inspect reports and other information we file at the office of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

The SEC allows us to "incorporate by reference" into this prospectus certain information that we file with the SEC. This means that we can disclose important information to you by referring you to another document that we filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus, and later information that we file with the SEC will automatically update and supersede this information. You should read the information incorporated by reference because it is an important part of this prospectus. We incorporate by reference the documents we have filed with the SEC listed below and all documents we subsequently file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of the offering under this prospectus:

Annual Report on Form 10-K for the fiscal year ended December 31, 2011;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2012;

Current Reports on Form 8-K filed on January 25, 2012, April 25, 2012 and April 30, 2012;

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The portions of our Definitive Proxy Statement on Schedule 14A filed on April 13, 2012 that were incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2011, as indicated therein; and

The description of our common stock on Form 8-A filed on March 18, 1994 (under the name California Water Service Company) and any future amendment or report filed for the purpose of updating that description.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

California Water Service Group  
1720 North First Street  
San Jose, CA 95112-4598  
Attn: Investor Relations  
Phone: (408) 367-8200

Cal Water is our direct, wholly-owned subsidiary and the obligations of Cal Water under the first mortgage bonds Cal Water offers pursuant to this prospectus will be fully and unconditionally guaranteed by us. Cal Water is not currently subject to the information reporting requirements under the Exchange Act. Cal Water will be exempt from such information reporting requirements as long as it is 100% owned by us, any outstanding first mortgage bonds of Cal Water listed under the registration statement of which this prospectus is a part are fully and unconditionally guaranteed by us and we include in the footnotes to our audited consolidated financial statements summarized consolidated financial information concerning Cal Water.

We maintain a Web site at <http://www.calwatergroup.com> and Cal Water maintains a Web site at <http://www.calwater.com> where certain additional information about us and Cal Water may be found. We and Cal Water undertake no obligation to update the information found on these Web sites. The information on these Web sites is not a part of this prospectus, any prospectus supplement, or the registration statement, but is referenced and maintained as a convenience to investors.

You should rely only on the information contained in or incorporated by reference in this prospectus or the applicable prospectus supplement. We and Cal Water have not authorized anyone to provide you with different information. We and Cal Water may only use this prospectus to sell securities if it is accompanied by a prospectus supplement. We and Cal Water are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents.

**California Water Service Group**

**5,000,000 Shares of Common Stock**

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**Prospectus Supplement**

**March 20, 2013**

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**Baird**

**Wells Fargo Securities**

**Brean Capital**

**Janney Montgomery Scott**

**Ladenburg Thalmann & Co. Inc.**

**J.J.B. Hilliard, W.L. Lyons, LLC**

**The Williams Capital Group, L.P.**

**Blaylock Robert Van, LLC**

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