TETRA TECH INC
Form SC 13G/A
February 12, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Schedule 13G

Under the Securities Exchange Act of 1934
(Amendment No. 5)*

TETRA TECH, INC.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

88162G103

(CUSIP Number)

Check the following box if a fee is being paid with this statement ____. (A fee is not required only if the filing person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7.)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on following page(s))

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CUSIP NO. 88162G103 13G Page 2 of 5 Pages

1 Name of Reporting Person
S.S. or I.R.S. Identification No. of Above Person

T. ROWE PRICE ASSOCIATES, INC.
52-0556948

2 Check the Appropriate Box if a Member of a Group*

(a) _____
(b) _____

NOT APPLICABLE

3 SEC Use Only

____

4 Citizenship or Place of Organization

MARYLAND

Number of	5 **	Sole Voting Power
Shares		615,439
Beneficially	6 **	Shared Voting Power
Owned By Each		-0-
Reporting	7 **	Sole Dispositive Power
Person		4,343,300
With	8	Shared Dispositive Power
		-0-

9 Aggregate Amount Beneficially Owned by Each Reporting Person

4,343,300

10 Check Box if the Aggregate Amount in Row (9) Excludes Certain Shares*

NOT APPLICABLE

11 Percent of Class Represented by Amount in Row 9

7.9%

12 Type of Reporting Person*

IA

*SEE INSTRUCTION BEFORE FILLING OUT!
**Any shares reported in Items 5 and 6 are also reported in Item 7.

SCHEDULE 13G
PAGE 3 OF 5

Item 1(a) Name of Issuer:

Reference is made to page 1 of this Schedule 13G

Item 1(b) Address of Issuer's Principal Executive Offices:

3475 E. Foothill Boulevard, Pasadena, California 91107

Item 2(a) Name of Person(s) Filing:

(1) T. Rowe Price Associates, Inc. ("Price Associates")

(2) ______________________________________

______ Attached as Exhibit A is a copy of an agreement between the Persons Filing (as specified hereinabove) that this Schedule 13G is being filed on behalf of each of them.

Item 2(b) Address of Principal Business Office:

100 E. Pratt Street, Baltimore, Maryland 21202

Item 2(c) Citizenship or Place of Organization:

(1) Maryland

(2) ________

Item 2(d) Title of Class of Securities:

Reference is made to page 1 of this Schedule 13G

Item 2(e) CUSIP Number: 88162G103

Item 3 The person filing this Schedule 13G is an:

X Investment Adviser registered under Section 203 of the Investment Advisers Act of 1940

______ Investment Company registered under Section 8 of the Investment Company Act of 1940

Item 4 Reference is made to Items 5-11 on page 2 of this Schedule 13G.

SCHEDULE 13G
PAGE 4 OF 5

Item 5 Ownership of Five Percent or Less of a Class.

X Not Applicable.

______ This statement is being filed to report the fact that, as of the date of this report, the reporting person(s) has (have) ceased to be the beneficial owner of more than five percent of the class of securities.

Item 6 Ownership of More than Five Percent on Behalf of Another Person

(1) Price Associates does not serve as custodian of the assets of any of its clients; accordingly, in each instance only the client or the client's custodian or trustee bank has the right to receive dividends paid with respect to, and proceeds from the sale of, such securities.

The ultimate power to direct the receipt of dividends paid with respect to, and the proceeds from the sale of, such securities, is vested in the individual and institutional clients which Price Associates serves as investment adviser. Any and all discretionary authority which has been delegated to Price Associates may be revoked in whole or in part at any time.

Except as may be indicated if this is a joint filing with one of the registered investment companies sponsored by Price Associates which it also serves as investment adviser ("T. Rowe Price Funds"), not more than 5% of the class of such securities is owned by any one client subject to the investment advice of Price Associates.

(2) With respect to securities owned by any one of the T. Rowe Price Funds, only State Street Bank and Trust Company, as custodian for each of such Funds, has the right to receive dividends paid with respect to, and proceeds from the sale of, such securities. No other person is known to have such right, except that the shareholders of each such Fund participate proportionately in any dividends and distributions so paid.

Item 7 Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company.

Not Applicable.

Item 8 Identification and Classification of Members of the Group.

Not Applicable.

SCHEDULE 13G
PAGE 5 OF 5

Item 9 Notice of Dissolution of Group.

Not Applicable.

Item 10 Certification.

By signing below I (we) certify that, to the best of my (our) knowledge and belief, the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purpose or effect. T. Rowe Price Associates, Inc. hereby declares and affirms that the filing of Schedule 13G shall not be construed as an admission that Price Associates is the beneficial owner of the securities referred to, which beneficial ownership is expressly denied.

Signature.

After reasonable inquiry and to the best of my (our) knowledge and belief, I (we) certify that the information set forth in this statement is true, complete and correct.

Dated: February 13, 2004

T. ROWE PRICE ASSOCIATES, INC.

By: /s/ Henry H. Hopkins
Henry H. Hopkins, Vice President

Note: This Schedule 13G, including all exhibits, must be filed with the Securities and Exchange Commission, and a copy hereof must be sent to the issuer by registered or certified mail not later than February 14th following the calendar year covered by the statement or within the time specified in Rule 13d-1(b)(2), if applicable.

12/31/2003

ave been prepared by management and are unaudited.

CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited
(In thousands, except per share data)

	March 31, 2011	December 31, 2010
ASSETS		
Utility plant:		
Utility plant	$ 1,869,420	$ 1,843,766
Less accumulated depreciation and amortization	(561,055)	(549,469)
Net utility plant	1,308,365	1,294,297
Current assets:		
Cash and cash equivalents	40,869	42,277
Receivables:		
Customers	21,231	25,813
Regulatory balancing accounts	15,004	14,784
Other	9,349	5,386
Unbilled revenue	15,216	13,925
Materials and supplies at weighted average cost	6,072	6,058
Taxes, prepaid expenses and other assets	21,388	17,967
Total current assets	129,129	126,210
Other assets:		
Regulatory assets	238,542	229,577
Goodwill	2,615	2,615
Other assets	36,460	39,367

Total other assets	277,617	271,559
	$ 1,715,111	$ 1,692,066
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $.01 par value; 25,000 shares authorized, 20,876 and 20,833, outstanding in 2011 and 2010, respectively	$ 209	$ 208
Additional paid-in capital	217,813	217,517
Retained earnings	214,113	217,801
Total common stockholders equity	432,135	435,526
Long-term debt, less current maturities	478,974	479,181
Total capitalization	911,109	914,707
Current liabilities:		
Current maturities of long-term debt	2,367	2,380
Short-term borrowings	28,860	23,750
Accounts payable	36,135	39,505
Regulatory balancing accounts	2,561	3,025
Accrued interest	11,020	4,651
Accrued expenses and other liabilities	36,562	34,037
Total current liabilities	117,505	107,348
Unamortized investment tax credits	2,244	2,244
Deferred income taxes, net	114,720	107,084
Pension and postretirement benefits other than pensions	163,087	155,224
Regulatory and other liabilities	84,471	82,204
Advances for construction	186,388	186,899
Contributions in aid of construction	135,587	136,356
Commitments and contingencies		
	$ 1,715,111	$ 1,692,066

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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

For the three months ended	March 31, 2011	March 31, 2010
Operating revenue	$ 98,149	$ 90,272
Operating expenses:		
Operations:		
Water production costs	31,958	30,455
Administrative and general	20,502	17,444
Other operations	14,635	13,566
Maintenance	5,199	4,951
Depreciation and amortization	12,588	10,792
Income tax (benefit) expense	(1,241)	1,403
Property and other taxes	4,560	3,903
Total operating expenses	88,201	82,514
Net operating income	9,948	7,758
Other income and expenses:		
Non-regulated revenue	4,333	3,422
Non-regulated expenses, net	(3,424)	(3,546)
Income tax (expense) benefit on other income and expenses	(366)	55
Net other income (expenses)	543	(69)
Interest expense:		
Interest expense	8,488	6,490
Less: capitalized interest	(716)	(819)
Net interest expense	7,772	5,671
Net income	$ 2,719	$ 2,018
Earnings per share		
Basic	$ 0.13	$ 0.10
Diluted	$ 0.13	$ 0.10
Weighted average shares outstanding		
Basic	20,848	20,778
Diluted	20,856	20,793
Dividends declared per share of common stock	$ 0.3075	$ 0.2975

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
(In thousands)

For the three months ended:	March 31, 2011	March 31, 2010
Operating activities		
Net income	$ 2,719	$ 2,018
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,014	11,405
Change in value of life insurance contracts	(454)	(599)
Other changes in noncurrent assets and liabilities	8,388	3,219
Changes in operating assets and liabilities:		
Receivables	(892)	8,067
Accounts payable	(4,153)	(768)
Other current assets	(3,350)	(4,693)
Other current liabilities	8,684	2,871
Other changes, net	620	609
Net adjustments	21,857	20,111
Net cash provided by operating activities	24,576	22,129
Investing activities:		
Utility plant expenditures	(24,467)	(26,121)
Purchase of life insurance	(1,589)	(1,566)
Changes in restricted cash	(86)	24
Net cash used in investing activities	(26,142)	(27,663)
Financing activities:		
Short-term borrowings	5,110	7,100
Proceeds from long-term debt		7,805
Repayment of long-term borrowings	(220)	(991)
Advances and contributions in aid of construction	2,868	832
Refunds of advances for construction	(1,194)	(1,548)
Dividends paid	(6,406)	(6,178)
Net cash provided by financing activities	158	7,020
Change in cash and cash equivalents	(1,408)	1,486
Cash and cash equivalents at beginning of period	42,277	9,866
Cash and cash equivalents at end of period	$ 40,869	$ 11,352
Supplemental information		
Cash paid for interest (net of amounts capitalized)	$ 1,078	$ 906

Cash paid for income taxes				23
Supplemental disclosure of non-cash activities:				
Accrued payables for investments in utility plant	$	5,421	$	9,265
Utility plant contribution by developers		1,257		16,943

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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CALIFORNIA WATER SERVICE GROUP
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2011
(Amounts in thousands, except share and per share amounts)

Note 1. Organization and Operations and Basis of Presentation

California Water Service Group (the Company) is a holding company that provides water utility and other related services in California, Washington, New Mexico and Hawaii through its wholly-owned subsidiaries. California Water Service Company (Cal Water), Washington Water Service Company (Washington Water), New Mexico Water Service Company (New Mexico Water), and Hawaii Water Service Company, Inc. (Hawaii Water) provide regulated utility services under the rules and regulations of their respective state s regulatory commissions (jointly referred to herein as the Commissions). CWS Utility Services and HWS Utility Services LLC provide non-regulated water utility and utility-related services.

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

Basis of Presentation

The unaudited interim financial information has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission (SEC) and therefore do not contain all of the information and footnotes required by GAAP and the SEC for annual financial statements. The condensed consolidated financial statements should be read in conjunction with the Company s consolidated financial statements for the year ended December 31, 2010, included in its annual report on Form 10-K as filed with the SEC on March 1, 2011.

The preparation of the Company s condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses for the periods presented. Actual results could differ from these estimates.

In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments that are necessary to provide a fair presentation of the results for the periods covered. The results for interim periods are not necessarily indicative of the results for any future period.

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

The Company evaluated its operations through the time these financial statements were issued and determined there were no subsequent events requiring additional disclosures as of the time these financial statements were issued.

Note 2. Summary of Significant Accounting Policies

Revenue

Revenue includes monthly cycle customer billings for regulated water and wastewater services at rates authorized by regulatory commissions and billings to certain non-regulated customers. Revenue from metered customers includes billings to customers based on monthly meter readings plus an estimate for water used between the customer s last meter reading and the end of the accounting period. Flat rate customers are billed in advance at the beginning of the service period. The revenue is prorated so that the portion of revenue applicable to the current accounting period is included in that period s revenue, with the balance recorded as unearned revenue on the balance sheet and recognized as revenue when earned in the subsequent accounting period. In California, the Company uses a Water Revenue Adjustment Mechanism (WRAM) and the Modified Cost Balancing Account (MCBA), whereby Cal Water records the difference between what is billed to its regulated customers and that which is authorized by the California Public Utilities Commission (CPUC).

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Under the WRAM, Cal Water records the adopted level of volumetric revenues as authorized by the CPUC for metered accounts (adopted volumetric revenues). In addition to volumetric-based revenues, the revenue requirements approved by the CPUC include service charges, flat rate charges, and other items that are not subject to the WRAM. The adopted volumetric revenue considers the seasonality of consumption of water based upon historical averages. The variance between adopted volumetric revenues and actual billed volumetric revenues for metered accounts is recorded as a component of revenue with an offsetting entry to a current or long-term asset or liability regulatory balancing account (tracked individually for each Cal Water district). The variance amount may be positive or negative and represents amounts that will be billed or refunded to metered customers in the future.

Under the MCBA Cal Water tracks adopted expense levels for purchased water, purchased power and pump taxes, as established by the CPUC. Variances (which include the effects of changes in both rate and volume) between adopted and actual purchased water, purchased power, and pump tax expenses are recorded as a component of revenue, as the amount of such variances will be recovered from or refunded to the Company s metered and flat rate customers in the future. This is reflected with an offsetting entry to a current or long-term asset or liability regulatory balancing account (tracked individually for each Cal Water district).

The balances in the WRAM and MCBA assets and liabilities accounts fluctuate on a monthly basis depending upon the variance between adopted and actual results. The recovery or refund of the WRAM is netted against the MCBA over- or under-recovery for the corresponding district and is interest bearing at the current 90 day commercial paper rate. When the net amount for any district achieves a pre-determined level at the end of any calendar year (i.e., at least 2.5 percent over- or under-recovery of the approved revenue requirement), Cal Water will file with the CPUC to refund or collect the balance in the accounts. Account balances less than those levels may be refunded or collected in Cal Water s general rate case proceedings or aggregated with future calendar year balances for comparison with the recovery level. As of March 31, 2011 included in the net regulatory balancing accounts, current and long-term assets were $15.0 million and $20.1 million, respectively, and the net regulatory balancing accounts current and long-term liabilities were $2.6 million and $0.2 million, respectively. As of December 31, 2010, included in the net regulatory balancing accounts, current and long-term assets were $14.8 million and $16.8 million, respectively, and the net regulatory balancing accounts current and long-term liabilities were $3.0 million and $0.6 million, respectively.

Note 3. Stock-based Compensation

The Company has two stockholder-approved stock-based compensation plans.

Long-Term Incentive Plan

The long-term incentive plan was replaced on April 27, 2005, by a stockholder-approved equity incentive plan. The Long-Term Incentive Plan allowed granting of nonqualified stock options, some of which are currently outstanding. There will be no future grants made under the long-term incentive plan. The Company had accounted for options using the intrinsic value method. Options were granted at an exercise price that was not less than the per share common stock market price on the date of grant. The options vested at a 25% rate on their anniversary date over their first four years and are exercisable over a ten-year period. At March 31, 2011, 32,500 options are fully vested and exercisable at a weighted average price of $25.15. The intrinsic value of the vested shares at March 31, 2011 was $0.4 million and the weighted average fair value at date of grant was $4.67 per share. No options were granted for the three-month period ended March 31, 2011 and 2010.

Equity Incentive Plan

Under the Company s Equity Incentive Plan, which was approved by shareholders on April 27, 2005, the Company is authorized to issue up to 1,000,000 shares of common stock. In the first quarters of 2011 and 2010, the Company granted Restricted Stock Awards (RSAs) of 42,713 and 38,268 shares, respectively, of common stock both to officers and to directors of the Company. Employee RSAs vest over forty-eight months, while director RSAs vest at the end of twelve months. In the first quarters of 2011 and 2010, the RSAs were valued at $34.87 and $35.48 per share, respectively, based upon the fair market value of the Company s common stock on the date of grant.

The Company has recorded compensation costs for the RSAs and previously granted stock appreciation rights (SARs) in Operating Expense in the amount of $0.3 million for both the quarter ended March 31, 2011, and March 31, 2010.

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Note 4. Earnings Per Share Calculations

The computations of basic and diluted earnings per share are noted below. Basic earnings per share are computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts were exercised or converted into common stock. RSAs are included in the weighted stock outstanding as the shares have all the same voting and dividend rights as issued and unrestricted common stock. The SARs outstanding of 180,210 shares were anti-dilutive for the first quarter of 2011 and 2010. All RSAs are dilutive and the dilutive effect is shown in the table below.

(In thousands, except per share data)

	Three Months Ended March 31	
	2011	**2010**
Net income available to common stockholders	$ 2,719	$ 2,018
Weighted average common shares, basic	20,848	20,778
Dilutive common stock options (treasury method)	8	15
Shares used for dilutive computation	20,856	20,793
Net income per share basic	$ 0.13	$ 0.10
Net income per share diluted	$ 0.13	$ 0.10

Note 5. Pension Plan and Other Postretirement Benefits

The Company provides a qualified, defined-benefit, non-contributory pension plan for substantially all employees. The Company makes annual contributions to fund the amounts accrued for the qualified pension plan. The Company also maintains an unfunded, non-qualified, supplemental executive retirement plan.

The Company offers medical, dental, vision, and life insurance benefits for retirees and their spouses and dependents. Participants are required to pay a premium, which offsets a portion of the cost.

The Company did not make cash contributions to the pension or other postretirement benefits plans during the three months ended March 31, 2011. The estimated cash contribution to the pension plans for 2011 is $25.9 million. The estimated contribution to the other benefits plan for 2011 is $6.3 million.

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

	Three Months Ended March 31			
	Pension Plan		**Other Benefits**	
	2011	**2010**	**2011**	**2010**
Service cost	$ 3,141	$ 2,451	$ 979	$ 793
Interest cost	3,742	3,332	833	783
Expected return on plan assets	(2,244)	(2,051)	(341)	(279)
Recognized net initial APBO (1)	N/A	N/A	69	69
Amortization of prior service cost	1,580	1,649	29	29
Recognized net actuarial loss	1,079	524	425	392
Net periodic benefit cost	$ 7,298	$ 5,905	$ 1,994	$ 1,787

(1) APBO Accumulated postretirement benefit obligation

Note 6. Short-term and Long-term Borrowings

On October 27, 2009, the Company and Cal Water entered into three-year syndicated unsecured revolving line of credit agreements with sixteen banks to provide unsecured revolving lines of credit of $50 million and $250 million, respectively. The base loan rate can vary from prime plus 50 basis points to prime plus 125 basis points depending on the Company s total

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capitalization ratio. Likewise, the unused commitment fee can vary from 25 basis points to 35 basis points based on the same ratio. California Water Service Group and subsidiaries which it designates may borrow under the facilities. Borrowings by California Water Service Company will be repaid within twelve months unless otherwise authorized by the CPUC.

These unsecured credit agreements contain affirmative and negative covenants and events of default customary for credit facilities of this type including, among other things, limitations and prohibitions relating to additional indebtedness, liens, mergers, and asset sales. Also, these unsecured credit agreements contain financial covenants governing the Company and its subsidiaries consolidated total capitalization ratio and interest coverage ratio.

As of March 31, 2011 and December 31, 2010, the outstanding borrowings on the Company lines of credit were $28.9 million and $23.8 million, respectively, and borrowings on the Cal Water lines of credit was zero for both periods. The average interest rate for these borrowings was 2.86% for the quarter ended March 31, 2011 and 2.38% for the quarter ended March 31, 2010..

Note 7. Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Measurement of the deferred tax assets and liabilities is at enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

During 2010, the Company filed an application for a change in accounting method (Section 481 adjustment) with the State of California to change its plant-in-service state tax depreciation method from the double-declining method to the straight line method at the respective assets mid-life. The Company s application was approved by the State of California during Q1 2011. California uses the flow-through method of accounting for income tax depreciation. As a result, the Company reduced its 2010 income tax obligation by $1.6 million, net of federal income taxes for the quarter ended March 31, 2011.

The California Franchise Tax Board (FTB) is auditing the Company s 2008 and 2009 California income tax returns. It is uncertain when the FTB will complete its audit. The Company believes that the final resolution of the FTB audit will not have a material adverse impact on its financial condition or results of operations. The Company is not under audit by any other jurisdiction.

Note 8. Regulatory Assets and Liabilities

During the first quarter of 2011, Cal Water added balancing accounts for its pension plans and conservation program. Both balancing account effective dates were January 1, 2011. The pension plans balancing account is a two-way balancing account that tracks the differences between actual expenses and adopted rate recovery which will result in either a regulatory asset or liability. The conservation program is a one-way balancing account that tracks the differences between actual expenses and adopted rate recovery which may result in a regulatory liability if actual conservation expenses are less than adopted over the three year period ending December 31, 2013. As of March 31, 2011, there was a regulatory liability of $0.9 million for both balancing accounts.

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Note 9. Commitment and Contingencies

Commitments

The Company has significant commitments to lease certain office spaces and water systems, and for the purchase of water from water wholesalers. These commitments are described in Note 15 of the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K.

Contingencies

Groundwater Contamination

The Company has been and is involved in litigation against third parties to recover past and future costs related to ground water contamination in our service areas. The cost of litigation is expensed as incurred and any settlement is first offset against such costs. Any settlement in excess of the cost to litigate is accounted for on a case by case basis, depending upon the nature of the settlement.

The Company is involved in a lawsuit against major oil refineries regarding the contamination of the ground water as a result of the gas additive Methyl tert-butyl ether (MTBE).

The Company filed an application request with the Commission to determine the appropriate regulatory treatment of the MTBE settlement proceeds. The administrative law judge (ALJ) directed the Company to use these proceeds on MTBE qualified capital investments. This treatment removed from rate base certain remediation capital projects which were constructed to replace or treat for MTBE effective January 1, 2011. In March 2011, the Commission issued its Decision directing the Company to review all remaining issues in the Company s next GRC.

As previously reported, the Company has jointly filed with the City of Bakersfield a lawsuit in the Superior Court of California that names potentially responsible parties that manufactured and distributed products containing 1,2,3 trichloropropane (TCP) in California. TCP has been detected in the ground water. The lawsuit seeks to recover treatment costs necessary to remove TCP. The Court has now coordinated the Company s action with other water purveyor cases in San Bernardino County. No trial date has yet been set.

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The Company has filed in San Mateo County Superior Court a complaint (California Water Service Company v. The Dow Chemical Company, et al. CIV 473093) against potentially responsible parties that manufactured and distributed products in California containing perchloroethylene, also known as tetrachloroethylene (PCE) for recovery of past, present, and future treatment costs. The case has not been consolidated with other PCE cases. Discovery is continuing. No trial date has yet been set.

Other Legal Matters

From time to time, the Company has been named as a co-defendant in asbestos-related lawsuits. Several of these cases against the Company have been dismissed without prejudice. In other cases the Company s contractors and insurance policy carriers have settled the cases with no effect on the Company s financial statements. As such, the Company does not currently believe there is any potential loss that is probable to occur related to these matters and therefore no accrual or contingency has been recorded.

From time to time, the Company is involved in various disputes and litigation matters that arise in the ordinary course of business. The status of each significant matter is reviewed and assessed for potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount of the range of loss can be estimated, a liability is accrued for the estimated loss in accordance with the accounting standards for contingencies. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based on the best information available at the time. While the outcome of these disputes and litigation matters cannot be predicted with any certainty, the Company does not believe when taking into account existing reserves the ultimate resolution of these matters will materially affect the Company s financial position, results of operations, or cash flows.

Note 10. Fair Value of Financial Instruments

For those financial instruments for which it is practicable to estimate a fair value, the following methods and assumptions were used. For cash equivalents, accounts receivable and accounts payable, the carrying amounts approximated the fair value because of the short-term maturity of the instruments. The fair value of the Company s long-term debt was estimated at $546 million and $537 million as of March 31, 2011 and December 31, 2010, respectively, using the published quoted market price, if available, or the discounted cash flow analysis, based on the current rates available to the Company for debt of similar maturities and credit risk. The carrying value of the long-term debt was $479 million as of March 31, 2011 and December 31, 2010. The fair value of advances for construction contracts was estimated at $73 million and $76 million as of March 31, 2011 and December 31, 2010, respectively, using broker quotes. The carrying value of advances for construction contracts was $186 million and $187 million as of March 31, 2011 and December 31, 2010, respectively.

Note 11. Condensed Consolidating Financial Statements

Certain Cal Water First Mortgage Bonds, are fully and unconditionally guaranteed by California Water Service Group (Parent Company). The following tables present the condensed consolidating statements of income of California Water Service Group (Guarantor and Parent), Cal Water (issuer and wholly-owned consolidated subsidiary of California Water Service Group) and other wholly-owned subsidiaries of the Company for the three-month periods ended March 31, 2011 and 2010, the condensed consolidating statements of cash flows for the three-months ended March 31, 2011 and 2010 and the condensed consolidating balance sheets as of March 31, 2011 and December 31, 2010. The information is presented utilizing the equity method of accounting for investments in consolidating subsidiaries.

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CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATING BALANCE SHEET
As of March 31, 2011
(In thousands)

	Parent Company	Cal Water	All Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Utility plant:					
Utility plant	$ 324	$ 1,734,996	$ 141,299	$ (7,199)	$ 1,869,420
Less accumulated depreciation and amortization	(9)	(534,532)	(27,806)	1,292	(561,055)
Net utility plant	315	1,200,464	113,493	(5,907)	1,308,365
Current assets:					
Cash and cash equivalents	389	38,966	1,514		40,869
Receivables and unbilled revenue		57,546	3,254		60,800
Receivables from affiliates	10,771	1,700	3,479	(15,950)	
Other current assets	165	25,967	1,328		27,460
Total current assets	11,325	124,179	9,575	(15,950)	129,129
Other assets:					
Regulatory assets		236,362	2,180		238,542
Investments in affiliates	430,544			(430,544)	
Long-term affiliate notes receivable	32,123	7,868	1,909	(41,900)	
Other assets	847	31,412	7,022	(206)	39,075
Total other assets	463,514	275,642	11,111	(472,650)	277,617
	$ 475,154	$ 1,600,285	$ 134,179	$ (494,507)	$ 1,715,111
CAPITALIZATION AND LIABILITIES					
Capitalization:					
Common stockholders equity	$ 432,135	$ 399,727	$ 36,491	$ (436,218)	$ 432,135
Affiliate long-term debt	9,778		32,122	(41,900)	
Long-term debt, less current maturities		474,971	4,003		478,974
Total capitalization	441,913	874,698	72,616	(478,118)	911,109
Current liabilities:					
Current maturities of long-term debt		1,709	658		2,367
Short-term borrowings	28,860				28,860
Payables to affiliates	4,699	156	11,095	(15,950)	

Accounts payable		35,049	3,647		38,696
Accrued expenses and other liabilities	241	42,317	4,980	44	47,582
Total current liabilities	33,800	79,231	20,380	(15,906)	117,505
Unamortized investment tax credits		2,244			2,244
Deferred income taxes, net	(559)	113,423	2,339	(483)	114,720
Pension and postretirement benefits other than pensions		163,087			163,087
Regulatory and other liabilities		76,324	8,147		84,471
Advances for construction		184,830	1,558		186,388
Contributions in aid of construction		106,448	29,139		135,587
	$ 475,154	$ 1,600,285	$ 134,179	$ (494,507)	$ 1,715,111

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CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2010
(In thousands)

	Parent Company	Cal Water	All Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Utility plant:					
Utility plant	$ 324	$ 1,710,213	$ 140,428	$ (7,199)	$ 1,843,766
Less accumulated depreciation and amortization		(522,486)	(28,244)	1,261	(549,469)
Net utility plant	324	1,187,727	112,184	(5,938)	1,294,297
Current assets:					
Cash and cash equivalents	188	40,446	1,643		42,277
Receivables		56,068	3,840		59,908
Receivables from affiliates	3,478	4,907	3,621	(12,006)	
Other current assets	181	22,842	1,002		24,025
Total current assets	3,847	124,263	10,106	(12,006)	126,210
Other assets:					
Regulatory assets		227,440	2,137		229,577
Investments in affiliates	434,322			(434,322)	
Long-term affiliate notes receivable	34,517	7,880	1,928	(44,325)	
Other assets	848	34,153	7,186	(205)	41,982
Total other assets	469,687	269,473	11,251	(478,852)	271,559
	$ 473,858	$ 1,581,463	$ 133,541	$ (496,796)	$ 1,692,066
CAPITALIZATION AND LIABILITIES					
Capitalization:					
Common stockholders equity	$ 435,526	$ 402,402	$ 37,611	$ (440,013)	$ 435,526
Affiliate long-term debt	9,808		34,517	(44,325)	
Long-term debt, less current maturities		475,030	4,151		479,181
Total capitalization	445,334	877,432	76,279	(484,338)	914,707
Current liabilities:					
Current maturities of long-term debt		1,709	671		2,380
Short-term borrowings	23,750				23,750
Payables to affiliates	5,265	56	6,685	(12,006)	

Accounts payable		38,204	4,326		42,530
Accrued expenses and other liabilities	67	34,444	4,145	32	38,688
Total current liabilities	29,082	74,413	15,827	(11,974)	107,348
Unamortized investment tax credits		2,244			2,244
Deferred income taxes, net	(559)	105,786	2,340	(483)	107,084
Pension and postretirement benefits other than pensions		155,224			155,224
Regulatory and other liabilities		74,057	8,147		82,204
Advances for construction		185,332	1,567		186,899
Contributions in aid of construction		106,975	29,381		136,356
	$ 473,857	$ 1,581,463	$ 133,541	$ (496,795)	$ 1,692,066

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CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATING STATEMENT OF INCOME
For the three months ended March 31, 2011
(In thousands)

	Parent Company	Cal Water	All Other Subsidiaries	Consolidating Adjustments	Consolidated
Operating revenue	$	$ 91,675	$ 6,474	$	$ 98,149
Operating expenses:					
Operations:					
Purchased water		25,480	51		25,531
Purchased power		2,940	1,911		4,851
Pump taxes		1,468	108		1,576
Administrative and general		18,544	1,958		20,502
Other		12,984	1,779	(128)	14,635
Maintenance		5,040	159		5,199
Depreciation and amortization	5	11,929	685	(31)	12,588
Income taxes (benefit)	(152)	(1,021)	(446)	378	(1,241)
Taxes other than income taxes		4,032	528		4,560
Total operating expenses (income)	(147)	81,396	6,733	219	88,201
Net operating income (loss)	147	10,279	(259)	(219)	9,948
Other Income and Expenses:					
Non-regulated revenue	523	3,022	1,598	(810)	4,333
Non-regulated expense		(2,251)	(1,173)		(3,424)
Income tax benefit (expense) on other income and expense	(213)	(314)	(204)	365	(366)
Net other income (expense)	310	457	221	(445)	543
Interest:					
Interest expense	367	8,222	582	(683)	8,488
Less: capitalized interest		(531)	(185)		(716)
Net interest expense	367	7,691	397	(683)	7,772
Equity earnings of subsidiaries	2,629			(2,629)	
Net income (loss)	$ 2,719	$ 3,045	$ (435)	$ (2,610)	$ 2,719

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CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATING STATEMENT OF INCOME
For the three months ended March 31, 2010
(In thousands)

	Parent Company	Cal Water	All Other Subsidiaries	Consolidating Adjustments	Consolidated
Operating revenue	$	$ 83,613	$ 6,659	$	$ 90,272
Operating expenses:					
Operations:					
Purchased water		23,867	(2)		23,865
Purchased power		3,306	1,863		5,169
Pump taxes		1,294	127		1,421
Administrative and general		15,440	2,004		17,444
Other		11,773	1,919	(126)	13,566
Maintenance		4,805	146		4,951
Depreciation and amortization		10,167	658	(33)	10,792
Income taxes (benefits)	(24)	1,483	(251)	195	1,403
Taxes other than income taxes		3,381	522		3,903
Total operating expenses (income)	(24)	75,516	6,986	36	82,514
Net operating income (loss)	24	8,097	(327)	(36)	7,758
Other Income and Expenses:					
Non-regulated revenue	240	2,460	1,154	(432)	3,422
Non-regulated expense		(2,582)	(964)		(3,546)
Income tax benefit (expense) on other income and expense	(98)	50	(79)	182	55
Net other income (expense)	142	(72)	111	(250)	(69)
Interest:					
Interest expense	60	6,370	366	(306)	6,490
Less: capitalized interest		(554)	(265)		(819)
Net interest expense	60	5,816	101	(306)	5,671
Equity earnings of subsidiaries	1,912			(1,912)	
Net income (loss)	$ 2,018	$ 2,209	$ (317)	$ (1,892)	$ 2,018

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CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the three months ended March 31, 2011
(In thousands)

	Parent Company	Cal Water	All Other Subsidiaries	Consolidating Adjustments	Consolidated
Operating activities:					
Net income (loss)	$ 2,719	$ 3,045	$ (435)	$ (2,610)	$ 2,719
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Equity earnings of subsidiaries	(2,629)			2,629	
Dividends received from affiliates	6,406			(6,406)	
Depreciation and amortization	5	12,320	720	(31)	13,014
Other changes in noncurrent assets and liabilities		8,427	(39)		8,388
Change in value of life insurance contracts		(454)			(454)
Changes in operating assets and liabilities:					
Net advance to affiliates	(5,707)	3,307	2,400		
Other changes, net	491	312	94	12	909
Net adjustments	(1,434)	23,912	3,175	(3,796)	21,857
Net cash provided by (used in) operating activities	1,285	26,957	2,740	(6,406)	24,576
Investing activities:					
Utility plant expenditures		(22,658)	(1,809)		(24,467)
Proceeds from affiliates long-term debt	241	11	18	(270)	
Purchase of life insurance		(1,589)			(1,589)
Restricted cash		(86)			(86)
Net cash provided by (used in) investing activities	241	(24,322)	(1,791)	(270)	(26,142)
Financing Activities:					
Short-term borrowings	5,110				5,110
Proceeds from long-term debt					
Repayment of long-term borrowings		(59)	(161)		(220)
Repayment of affiliates long-term borrowings	(29)		(241)	270	
		2,848	20		2,868

Advances and contributions in aid for construction					
Refunds of advances for construction		(1,185)	(9)		(1,194)
Dividends paid to non-affiliates	(6,406)				(6,406)
Dividends paid to affiliates		(5,719)	(687)	6,406	
Net cash provided by (used in) financing activities	(1,325)	(4,115)	(1,078)	6,676	158
Change in cash and cash equivalents	201	(1,480)	(129)		(1,408)
Cash and cash equivalents at beginning of period	188	40,446	1,643		42,277
Cash and cash equivalents at end of period	$ 389	$ 38,966	$ 1,514	$	$ 40,869

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CALIFORNIA WATER SERVICE GROUP
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the three months ended March 31, 2010
(In thousands)

	Parent Company	Cal Water	All Other Subsidiaries	Consolidating Adjustments	Consolidated
Operating activities:					
Net income (loss)	$ 2,018	$ 2,209	$ (317)	$ (1,892)	$ 2,018
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Equity earnings of subsidiaries	(1,912)			1,912	
Dividends received from affiliates	6,178			(6,178)	
Depreciation and amortization		10,756	682	(33)	11,405
Other changes in noncurrent assets and liabilities		3,190	29		3,219
Change in value of life insurance contracts		(599)			(599)
Changes in operating assets and liabilities:					
Net advance to affiliates	(3,228)	1	3,227		
Other changes, net	38	4,429	1,606	13	6,086
Net adjustments	1,076	17,777	5,544	(4,286)	20,111
Net cash provided by (used in) operating activities	3,094	19,986	5,227	(6,178)	22,129
Investing activities:					
Utility plant expenditures		(21,434)	(4,687)		(26,121)
Proceeds from affiliates long-term debt	1,387			(1,387)	
Purchase of life insurance		(1,566)			(1,566)
Restricted cash		24			24
Net cash provided by (used in) investing activities	1,387	(22,976)	(4,687)	(1,387)	(27,663)
Financing Activities:					
Short-term borrowings	2,100	5,000			7,100
Proceeds from long-term debt		5,805	2,000		7,805
Repayment of long-term borrowings		(45)	(946)		(991)
Repayment of affiliates long-term borrowings			(1,387)	1,387	
		795	37		832

Advances and contributions in aid for construction					
Refunds of advances for construction		(1,529)	(19)		(1,548)
Dividends paid to non-affiliates	(6,178)				(6,178)
Dividends paid to affiliates		(5,665)	(513)	6,178	
Net cash provided by (used in) financing activities	(4,078)	4,361	(828)	7,565	7,020
Change in cash and cash equivalents	403	1,371	(288)		1,486
Cash and cash equivalents at beginning of period	532	6,000	3,334		9,866
Cash and cash equivalents at end of period	$ 935	$ 7,371	$ 3,046	$	$ 11,352

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Item 2
MANAGEMENT S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollar amounts in thousands, except where otherwise noted and per share amounts)
FORWARD LOOKING STATEMENTS

This quarterly report, including all documents incorporated by reference, contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 (Act). Forward-looking statements in this quarterly report 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 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 those 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;

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

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 other regulations on internal controls; and

the risks set forth in Risk Factors included in the Company s Annual Report on Form 10-K.

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 quarterly report or as of the date of any document incorporated by reference in this report, as applicable. When considering forward-looking statements, investors should keep in mind the cautionary statements in this quarterly report 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.

CRITICAL ACCOUNTING POLICIES

We maintain our accounting records in accordance with accounting principles generally accepted in the United States of America (GAAP) and as directed by the regulatory commissions to which we are subject. The process of preparing financial statements in accordance with GAAP requires the use of estimates and assumptions on the part of management. The estimates and assumptions used by management are based on historical experience and our understanding of current facts and circumstances. Management believes that the following accounting policies are critical because they involve a higher degree of complexity and judgment, and can have a material impact on our results of operations and financial condition. These policies and their key characteristics are discussed in detail in the 2010 Form 10-K. They include:

revenue recognition and the water revenue adjustment mechanism;

expense balancing and memorandum accounts;

modified cost balancing accounts;

regulatory utility accounting;

income taxes;

pension benefits;

workers compensation and other claims;

goodwill accounting and evaluation for impairment; and

contingencies.

For the period ended March 31, 2011, there were no changes in the methodology for computing critical accounting estimates, no additional accounting estimates met the standards for critical accounting policies, and there were no material changes to the important assumptions underlying the critical accounting estimates.

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RESULTS OF FIRST QUARTER 2011 OPERATIONS COMPARED TO
FIRST QUARTER 2010 OPERATIONS
Amounts in thousands except share data

Overview

Net income for the first quarter of 2011 was $2.7 million equivalent to $0.13 per share of common stock on a diluted basis, as compared to net income of $2.0 million or $0.10 per share of common stock on a diluted basis in the first quarter of 2010. The increase in net income was primarily attributable to a nonrecurring income tax adjustment, rate increases which were partially offset by higher operating and interest expenses, and a reduction of costs to evaluate potential acquisitions.

Operating Revenue

Operating revenue increased $7.9 million or 9% to $98.1 million in the first quarter of 2011. As disclosed in the following table, the increase was due to increases in rates. The decrease in usage by existing customers was offset by revenue recognized from the WRAM and MCBA.

The factors that impacted the operating revenue for the first quarter of 2011 compared to 2010 are as follows:

Rate increases	$ 7,114
Net change due to actual versus adopted results, usage, and other	763
Net operating revenue increase	$ 7,877

The net change due to actual versus adopted results, usage, and other in the above table refers primarily to the revenue impact year over year of the change in revenue recognized by the WRAM and MCBA. The WRAM is impacted by changes in consumption patterns from our historical trends as well as an increase in conservation efforts. The MCBA, which records the differences in production costs from the adopted costs, is recorded as an element of revenue as it represents pass through costs which are billed to customers. The MCBA is impacted by changes in total production quantities, the production mix of the source of water, the price paid for purchased water and power, and the amount of pump taxes paid.

The components of the rate increases are as follows:

Purchased water offset increases	4,660
General rate case (GRC) increases	$ 1,478
Step rate increases	797
Other	179
Total increase in rates	$ 7,114

Total Operating Expenses

Total operating expenses were $88.2 million for the first quarter of 2011, versus $82.5 million for the same period in 2010, a 7% increase.

Water production expense consists of purchased water, purchased power, and pump taxes. It represents the largest component of total operating expenses, accounting for approximately 36% of total operating expenses in the first quarter of 2011. Water production expenses increased 5% compared to the same period last year mostly due to increased costs for purchased water. Our wholly-owned operating subsidiaries, Washington Water, New Mexico Water, and Hawaii Water obtain all of their water supply from wells.

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Sources of water as a percent of total water production are listed in the following table:

	Three Months Ended March 31	
	2011	2010
Well production	43%	45%
Purchased	50%	50%
Surface	7%	5%
Total	100%	100%

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

	Three Months Ended March 31		
	2011	2010	Change
Purchased water	$ 25,531	$ 23,865	$ 1,666
Purchased power	4,851	5,169	(318)
Pump taxes	1,576	1,421	155
Total	$ 31,958	$ 30,455	$ 1,503

Purchased water costs increased primarily due to price increases from water wholesalers. Total water production measured in acre feet was the same for the first quarter of 2011 and the first quarter of 2010.

Administrative and general expense and other operations expense increased 13% to $35.1 million. The primary reasons for the increase were increases in employee benefits and wage costs, and conservation program expenses during the first quarter of 2011. Wage increases became effective January 1, 2011, and there was also an increase in the number of employees. At March 31, 2011, there were 1,125 employees and at March 31, 2010, there were 1,024 employees.

Maintenance expense increased by 5% to $5.2 million in the first quarter of 2011 compared to $5.0 million in the first quarter of 2010, due to an increase in main water treatment facilities and transmission and distribution mains repairs.

Depreciation and amortization expense increased $1.8 million, or 17%, mostly due to depreciation rate changes in Cal Water s 2009 GRC effective January 1, 2011, and 2010 capital additions.

Federal and state income taxes charged to operating expenses decreased $2.6 million, from a provision of $1.4 million in the first quarter of 2010 to a benefit of $1.2 million in the first quarter of 2011, due to a nonrecurring income tax adjustment of $1.6 million and a $1.0 million decrease in income taxes due to a decrease in operating pretax income. We expect the effective tax rate to be between 37% and 40% for fiscal year 2011.

Other Income and Expense

Non-regulated revenue, net of related expenses reflected a gain of $0.6 million for the first quarter of 2011, compared to a loss of $0.1 million in the same period last year, which was an increase of $0.5 million. The change from the prior year was mostly due to a $0.8 million reduction of costs to evaluate potential acquisitions.

Interest Expense

Net interest expense, net of interest capitalized, increased $2.1 million to $7.8 million for the first quarter of 2011 compared to the same period last year. The increase was attributable to the issuance of the $100 million first mortgage bond, series PPP, in November 2010, additional borrowings on the short-term lines of credit, and a reduction of capitalized interest charged to construction projects during the first quarter of 2011.

Company Health Care Benefits

During the month of March 2010, both the federal Patient Protection and Affordable Care Act (P.L. 111-148) and Health Care and Education Reconciliation Act (H.R. 4872) were enacted. The new federal health care laws eliminated future Company federal and state income tax deductions of an aggregate of approximately $11.4 million. We have not determined the impact of this legislation on the Company s health care costs during 2011 and in future years. However, we anticipate that the Company s health care and other costs will increase as a result of the new federal health care laws and based on available information. A new memorandum account was established, effective January 1, 2011, to account for health care cost changes due to federal legislation, as these costs were not included in the 2009 GRC decision.

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REGULATORY MATTERS

2009 California General Rate Case Filing

On July 2, 2009, Cal Water filed its required application for a general review of rates for all operating districts and general operations. The application, A.09-07-001, requested an annual increase in rates of $70.6 million on January 1, 2011, $24.8 million on January 1, 2012, and $24.8 million on January 1, 2013. On December 9, 2010, the CPUC issued Decision (D.) 10-12-017, which approved a settlement between Cal Water, the Division of Ratepayer Advocates, and several intervenors representing the interests of individual district customers. This decision allows for revenue increases of $25.4 million or 5.6% effective January 1, 2011. The decision also authorized Cal Water to file for increases of $9.6 million or 2.0% for 2012, and $9.0 million or 2.0% for 2013, in each case subject to adjustment for indexed inflation and contingent upon passing a weather normalized earnings test. This decision also allows for offset increases after construction of 77 large capital projects in various operating districts.

In addition, the Company was authorized to make a deviation from its escalation expense and exclude employee health care, retiree health insurance, and conservation expenses from it escalation filings in 2012 and 2013. For these three significant expense items, the CPUC has enumerated fixed three-year budgets for these expenses. It is anticipated that the budgets for these areas will more closely align with the actual expenses now that this change has been initiated.

The CPUC also authorized a Pension Balancing Account to track the difference between authorized pension contributions included in rates and the costs actually incurred. It is anticipated that this account will allow Cal Water to reduce some of the volatility it experiences in regard to these costs.

The Company was also authorized to combine the rates and tariffs of the South San Francisco and the Mid Peninsula Districts, located on the San Francisco peninsula, into a single ratemaking area in 2011. This new ratemaking area is known as the Bayshore District. Previously, the 2 separate districts had been operated out of a combined location.

Due to the transition between a phased rate case and a total company filing, the CPUC delayed the rate cases of 16 Cal Water districts. However, to compensate for this delay, the CPUC authorized interim rates from the authorized effective date under the old rate case plan. The difference between revenue requirements that were effective in the interim period and those calculated based on a final determination in the 2009 general rate case filing are being recovered as customer surcharges over a three-year period. Cal Water anticipates these surcharges will recover $3.3 million in 2011, $2.2 million in 2012, and $1.2 million in 2013.

Request for MTBE regulatory treatment

On October 14, 2010, in a separate industry-wide proceeding, the CPUC issued an interim decision in its review of general policies for accounting treatment of contamination proceeds. The interim decision would require all proceeds to be used first to pay transactional expenses, then to make ratepayers whole for costs to ensure the water system complies with the Commission s water quality standards. The interim decision allows for a risk-based consideration of proceeds which exceed the costs of the remediation described above and may result in some sharing of excess, or net proceeds. The interim decision also allows the utility to track litigation and settlement proceeds, along with transactional costs and remediation costs, in a memorandum account and directs the utility to include a request for disposition of its memorandum account in a general rate case.

Because treatment or replacement of Cal Water s MTBE contaminated wells will occur over a number of years, and because litigation continues with remaining defendants, a final disposition of Cal Water s memorandum account will occur at an unknown future date. On March 24, 2011, the CPUC adopted Decision (D.) 11-03-043, which approved a Memorandum of Understanding (MOU) regarding future processing of MTBE plant improvements until conclusion of litigation and remediation. Cal Water and the CPUC s Division of Ratepayer Advocates had agreed to the MOU and earlier filed a motion with the Commission to adopt it. The proceeding is closed. Cal Water will continue to monitor proceeds and remediation under the agreement and will report to the CPUC in its next GRC. Because of uncertainty surrounding eventual litigation proceeds, remediation capital and operating costs, and the eventual ratemaking treatment of net proceeds as defined by the CPUC, Cal Water cannot predict the future disposition of its partial MTBE settlement proceeds at this time.

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2011 Regulatory Activity to Date

In January 2011, Cal Water filed an advice letter to establish a conservation one-way balancing account in compliance with D.10-12-17. This balancing account tracks the difference between conservation program expenses and adopted rate recovery and would refund any underspending, subject to conditions, after January 1, 2014. This advice letter was approved by the CPUC staff and is effective.

In January 2011, Cal Water filed advice letters to establish a memorandum account for health care cost changes due to federal legislation and a balancing account for pension costs. These advice letters had been authorized in D.10-12-017. These advice letters were approved by the CPUC staff and are effective.

In February 2011, Cal Water filed advice letters to offset increased purchased water and pump tax rates in five of its regulated districts totaling $7.4 million in annual revenue. Under CPUC advice letter processing rules, Cal Water charges the rates in expense offset advice letters to its customers upon filing. These rates were approved in February 2010. However, expense offsets are dollar-for-dollar increases in revenue to match increased expenses and interact with the WRAM and MCBA mechanisms so that net operating income is not affected by an offset increase.

In March 2011, Cal Water filed an advice letter for seventeen districts to recoup the net balance of the WRAM and MCBA from 2008 through 2010. The total amount requested was $18.2 million. The recovery period requested was between twelve and thirty-six months, from the date of advice letter approval.

During the calendar year, Hawaii Water plans to file general rate increase applications with the Hawaii Public Utilities Commission (HPUC) for certain service areas. Hawaii Water expects the HPUC to rule within twelve months on its requests. The Ka anapali Rate Case was filed in December 2010 and is expected to be complete in the fourth quarter. Hawaii Water had requested an additional $1.5 million in revenues. Hawaii Water anticipates filing a general rate case for the Pukalani wastewater system in the second quarter. At this time, Hawaii Water cannot determine the final amount of rate relief these filings will generate.

During the calendar year, Washington Water plans to file a general rate increase application with the Washington Utilities and Transportation Commission (WUTC). At this time, Washington Water cannot determine the final amount of rate relief this filing will generate.

LIQUIDITY

Cash flow from Operations

Cash flow from operations for the first quarter of 2011 was $24.6 million compared to $22.1 million for the same period of 2010. Cash flow from operations is primarily generated by changes in our operating assets and liabilities. Cash generated by operations varies during the year which is dependent upon customer billings, timing of contributions to our benefit plans, and timing of estimated tax payments.

During the first quarter of 2011 and 2010, we did not make contributions to our pension and retiree health care plans. Prepaid income taxes increased approximately $3.4 million during the first quarter of 2011.

The water business is seasonal. Customer billings are lower in the cool, wet winter months when less water is used compared to the warm, dry summer months when water use is highest. This seasonality results in the possible need for short-term borrowings under the bank lines of credit in the event cash is not available during the winter period. The increase in cash flows during the summer allows short-term borrowings to be paid down. Customer water usage can be lower than normal in years when more than normal precipitation falls in our service areas or temperatures are lower than normal, especially in the summer months. The reduction in water usage reduces cash flows from operations and increases the need for short-term bank borrowings. In addition, short-term borrowings are used to finance capital expenditures until long-term financing is arranged.

Investing Activities

During the first quarter of 2011, we used $24.5 million of cash for both company-funded and developer-funded capital expenditures. For 2011, our capital budget is approximately $120 to $140 million.

Financing Activities

During the first quarter of 2011, there were no equity or debt offerings; however, we borrowed $5.1 million on our bank lines of credit. Dividend payments were higher than the prior year due to an increased dividend rate paid in the current year.

Short-Term and Long-Term Debt

Short-term liquidity is provided by bank lines of credit funds extended to us and certain of our subsidiaries and by internally generated funds. Long-term financing is accomplished through the use of both debt and equity. As of March 31, 2011, there were short-term borrowings of $28.9 million outstanding on the line of credit compared to $23.8 million as of December 31, 2010.

Given our ability to access our lines of credit on a daily basis, cash balances are managed to levels required for daily cash needs and excess cash is invested in short-term or cash equivalent instruments. Minimal operating levels of cash are maintained for Washington Water, New Mexico Water, and Hawaii Water.

On October 27, 2009, the Company and Cal Water entered into three-year syndicated unsecured revolving line of credit agreements with sixteen banks to provide an unsecured revolving line of credit of $50 million and $250 million, respectively. The base loan rate can vary from prime plus 50 basis points to prime plus 125 basis points depending on the Company s total capitalization ration. Likewise, the unused commitment fee can vary from 25 basis points to 35 basis points based on the same ratio. Based on the Company s planned capitalization during 2011 and future years, the Company expects its pricing to be prime plus 75 basis points with a 25 basis point unused commitment fee. California Water Service Group and subsidiaries which it designates may borrow under the facilities. Borrowings by California Water Service Company will be repaid within twelve months unless otherwise authorized by the CPUC.

These unsecured credit agreements contain affirmative and negative covenants and events of default customary for credit facilities of this type including, among other things, limitations and prohibitions relating to additional indebtedness, liens, mergers, and asset sales. Also, these unsecured credit agreements contain financial covenants governing the Company and its subsidiaries consolidated total capitalization ratio and interest coverage ratio. As of March 31, 2011, we have met all of the covenant requirements and are eligible to use the full amount of the commitment.

There were no new debt offerings during the first quarter of 2011, and we made principal payments on other long-term debt of $0.2 million during the first quarter of 2011.

Long-term financing, which includes senior notes, other debt securities, and common stock, has typically been used to replace short-term borrowings and fund capital expenditures. Internally generated funds, after making dividend payments, provide positive cash flow, but have not been at a level to meet the needs of our capital expenditure requirements. Management expects this trend to continue given our capital expenditures plan for the next five years. Some capital expenditures are funded by payments received from developers for contributions in aid of construction or advances for construction. Funds received for contributions in aid of construction are non-refundable, whereas funds classified as advances in construction are refundable. Management believes long-term financing is available to meet our cash flow needs through issuances in both debt and equity instruments.

Dividends, Book Value and Shareholders

The first quarter of 2011, common stock dividend of $0.3075 per share was paid on February 18, 2011, compared to a quarterly dividend in the first quarter of 2010 of $0.2975. This was our 264th consecutive quarterly dividend. Annualized, the 2011 dividend rate is $1.23 per common share, compared to $1.19 in 2010. For the full year 2010, the payout ratio was 66% of net income. On a long-term basis, our goal is to achieve a dividend payout ratio of 60% of net income accomplished through future earnings growth.

At its April 27, 2011 meeting, the Board declared the second quarter dividend of $0.3075 per share payable on May 20, 2011, to stockholders of record on May 9, 2011. This was our 265th consecutive quarterly dividend.

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2011 Financing Plan

We intend to fund our capital needs in future periods through a relatively balanced approach between long-term debt and equity. The Company and Cal Water have a three-year syndicated unsecured revolving line of credit of $50 million and $250 million, respectively for short-term borrowings. As of March 31, 2011, the Company s availability on these unsecured revolving lines of credit was $271.1 million.

Book Value and Stockholders of Record

Book value per common share was $20.70 at March 31, 2011 compared to $20.91 at December 31, 2010.

There were approximately 2,447 stockholders of record for our common stock as of March 31, 2011.

Utility Plant Expenditures

During the first quarter of 2011, capital expenditures totaled $24.5 million for company-funded and developer-funded projects. The planned 2011 company-funded capital expenditure budget is approximately $120 to $140 million. The actual amount may vary from the budget number due to timing of actual payments related to current year and prior year projects. We do not control third-party-funded capital expenditures and therefore are unable to estimate the amount of such projects for 2011.

At March 31, 2011, construction work in progress was $107.2 million compared to $103.0 million at March 31, 2010. Work in progress includes projects that are under construction but not yet complete and placed in service.

WATER SUPPLY

Our source of supply varies among our operating districts. Certain districts obtain all of their supply from wells; some districts purchase all of their supply from wholesale suppliers; and other districts obtain supply from a combination of wells and wholesale suppliers. A small portion of supply comes from surface sources and is processed through Company-owned water treatment plants. To the best of management s knowledge, we are meeting water quality, environmental, and other regulatory standards for all company-owned systems.

California s normal weather pattern yields little precipitation between mid-spring and mid-fall. The Washington Water service areas receive precipitation in all seasons, with the heaviest amounts during the winter. New Mexico Water s rainfall is heaviest in the summer monsoon season. Hawaii Water receives precipitation throughout the year, with the largest amounts in the winter months. Water usage in all service areas is highest during the warm and dry summers and declines in the cool winter months. Rain and snow during the winter months replenish underground water aquifers and fill reservoirs, providing the water supply for subsequent delivery to customers. As of April 1, 2011, the State of California snowpack water content and rainfall accumulation during the 2010 2011 water year is 147% of normal (per the California Department of Water Resources, Northern Sierra Precipitation Accumulation report). Precipitation in the prior year was also above average. Management believes that supply pumped from underground aquifers and purchased from wholesale suppliers will be adequate to meet customer demand during 2011 and beyond. Long-term water supply plans are developed for each of our districts to help assure an adequate water supply under various operating and supply conditions. Some districts have unique challenges in meeting water quality standards, but management believes that supplies will meet current standards using current treatment processes.

CONTRACTUAL OBLIGATIONS

During the three-months ended March 31, 2011, there were no material changes in contractual obligations outside the normal course of business.

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We do not hold, trade in or issue derivative financial instruments and therefore are not exposed to risks these instruments present. Our market risk to interest rate exposure is limited because the cost of long-term financing and short-term bank borrowings,

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including interest costs, is covered in consumer water rates as approved by the commissions. We do not have foreign operations; therefore, we do not have a foreign currency exchange risk. Our business is sensitive to commodity prices and is most affected by changes in purchased water and purchased power costs.

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

Item 4.

CONTROLS AND PROCEDURES

(a) *Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Accordingly, our disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives.

Our management, with the participation of our CEO and our CFO, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2011. Based on that evaluation, we concluded that our disclosure controls and procedures were effective at the reasonable assurance level

(b) *Changes to Internal Control Over Financial Reporting*

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

PART II OTHER INFORMATION

Item 1.

LEGAL PROCEEDINGS

Information with respect to this item may be found under the subheading Contingencies in Note 9 to the Unaudited Condensed Consolidated Financial Statements in Item 1 of Part 1 hereof, which is incorporated herein by reference.

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Item 6.
EXHIBITS

Exhibit	Description
31.1	Chief Executive Officer certification of financial statements pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
31.2	Chief Financial Officer certification of financial statements pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
32	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002

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SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	CALIFORNIA WATER SERVICE GROUP Registrant
May 5, 2011	By: /s/ Martin A. Kropelnicki Martin A. Kropelnicki Vice President, Chief Financial Officer and Treasurer

Exhibit Index

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