CALIFORNIA WATER SERVICE CO
Form 424B5
April 08, 2009

Table of Contents

This prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-158484

Subject to Completion, Dated April 8, 2009

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated April 8, 2009)

California Water Service Company

$100,000,000
% First Mortgage Bonds due 20 , Series LL
fully and unconditionally guaranteed by

California Water Service Group

The bonds will mature on , 20 . We will pay interest on the bonds on and of each year, beginning , 2009. The bonds will be issued only in denominations of $1,000 and integral multiples of $1,000 above that amount. We may redeem some or all of the bonds at any time at the make-whole redemption price described in this prospectus supplement. See Description of Bonds Optional Redemption. There is no sinking fund for the bonds. The bonds will be unconditionally guaranteed on a senior unsecured basis by California Water Service Group, our parent company. The guarantee will be effectively subordinated to mortgages and other secured indebtedness of California Water Service Group and to all of the indebtedness of its subsidiaries.

The bonds are secured by the lien of our mortgage and rank equally with all of our other first mortgage bonds from time to time outstanding. The lien of our mortgage is discussed under Description of First Mortgage Bonds and Guarantees Security on page 8 of the accompanying prospectus.

We do not intend to list the bonds on any securities exchange or to include them in any automated quotation system.

Investing in our bonds involves risks. See Risk Factors beginning on page S-8 of this prospectus supplement.

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.

	Per Bond	Total
Price to public(1)	%	$
Underwriting discount	%	$

Proceeds, before expenses, to us	%	$

(1) Plus accrued interest, if any, from April , 2009.

The bonds are expected to be delivered in global form through the book-entry delivery system of The Depository Trust Company, including for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking société anonyme, against payment in New York, New York on or about April , 2009.

Robert W. Baird & Co.

April , 2009

Table of Contents

Prospectus Supplement	
About This Prospectus Supplement	i
Forward-Looking Statements	S-1
Summary	S-3
Risk Factors	S-8
Use of Proceeds	S-11
Capitalization	S-12
Description of Bonds	S-13
Material U.S. Federal Income Tax Considerations	S-15
Underwriting	S-19
Legal Matters	S-19

Prospectus	
About This Prospectus	1
Risk Factors	2
Forward-Looking Statements	2
California Water Service Group	3
California Water Service Company	4
Use of Proceeds	5
Ratios of Earnings to Fixed Charges and to Fixed Charges and Preferred Stock Dividends	5
Description of First Mortgage Bonds and Guarantees	6
Description of Preferred Stock	20
Description of Common Stock	23
Anti-Takeover Effects of Our Certificate of Incorporation, Amended Bylaws and Delaware Law	23
Plan of Distribution	25
Legal Matters	26
Experts	26
Where You Can Find More Information	26

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 the bonds. 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, and the underwriter has 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 underwriter is 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 the bonds. 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 Company and the term CWSG refers to California Water Service Group.

Information contained on our Web site and CWSG s Web site is not a part of this prospectus supplement.

Table of Contents

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 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;

§ 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;

§ implementation of new information technology systems;

§ 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 elsewhere in this prospectus supplement, accompanying prospectus 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 supplement or as of the date of any document incorporated by reference in this prospectus supplement, as applicable. When considering forward-looking statements, you should keep in mind the cautionary statements in this prospectus supplement, 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.

Table of Contents

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 bonds, 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 Company and California Water Service Group

CWSG is a holding company primarily for regulated water utilities in California, Washington, New Mexico and Hawaii. CWSG s business is conducted through its operating subsidiaries, which include us, Washington Water Service Company, New Mexico Water Service Company, Hawaii Water Service Company, CWS Utility Services, and HWS Utility Services LLC. CWSG s principal business is the production, purchase, storage, purification, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. CWSG also provides 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.

We are a direct wholly-owned subsidiary of CWSG and are the largest of CWSG s operating companies, representing approximately 94% of CWSG s regulated customers and approximately 95% of CWSG s consolidated operating revenue for the year ended December 31, 2008. CWSG s California water operations are conducted by us and CWS Utility Services, which provide service to more than 460,000 customers in 83 California communities through 26 separate districts.

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

The Offering

The following is a brief summary of the terms of this offering. For a more complete description of the terms of the bonds, see Description of Bonds beginning on page S-13 of this prospectus supplement and Description of First Mortgage Bonds and Guarantees beginning on page 6 of the accompanying prospectus.

Issuer	California Water Service Company, a California corporation
Guarantor	California Water Service Group, a Delaware corporation
Bonds Offered	$100 million aggregate principal amount of bonds
Interest Payment Dates	Interest on the bonds will be payable semi-annually in arrears on and of each year, beginning on , 2009.
Maturity Date	Unless earlier redeemed by us, the bonds will mature on 20 .
Optional Redemption	

	We may redeem some or all of the bonds at any time, at our option, at the applicable make-whole redemption price described under Description of Bonds Optional Redemption, plus accrued and unpaid interest to the redemption date.
Ranking	The bonds will be secured by the lien of the mortgage indenture, as defined in the accompanying prospectus, and will rank equally with all other outstanding first mortgage bonds under the mortgage indenture. See Description of First Mortgage Bonds and Guarantees Security. As of December 31, 2008, we had outstanding approximately $17.8 million in aggregate principal amount of first mortgage bonds under the mortgage indenture as well as approximately $5.9 million in aggregate principal amount of first mortgage bonds under another indenture of ours. In

Table of Contents

	addition, upon the closing of this offering, we will be required to issue approximately $260 million aggregate principal amount of first mortgage bonds in exchange for our outstanding unsecured senior notes with a like aggregate principal amount. We also expect that concurrently with the closing of this offering we will amend and restate our $17.8 million in outstanding Series CC bonds under the mortgage indenture and we will issue $2.9 million in first mortgage bonds in exchange for our outstanding Series K bonds outstanding under another indenture of ours. See Recent Developments.
Guarantee	The bonds are fully and unconditionally guaranteed as to the payment of principal, premium, if any, and interest by California Water Service Group.
Sinking Fund	There is no sinking fund for the bonds.
Use of Proceeds	We intend to make an intercompany loan to CWSG of a portion of the net proceeds from the sale of the bonds. We intend to use the net proceeds of the offering, and CWSG intends to use the net proceeds we loan to CWSG, to repay the balance on our and CWSG s lines of credit under our and CWSG s loan agreements with Bank of America, N.A. As of December 31, 2008, there was a combined outstanding balance of $40 million on our and CWSG s lines of credit under our and CWSG s loan agreements with Bank of America and the weighted average interest rate on these borrowings was approximately 1.75%. As of December 31, 2008 our lines of credit were scheduled to expire on April 30, 2012. We used these borrowings for general corporate purposes. We also intend to use the net proceeds of the offering for general corporate purposes, such as increasing our working capital, making capital expenditures, acquiring assets and taking advantage of other business opportunities. Pending application of the net proceeds as described above, we may invest the proceeds in short-term securities.
Trustee	U.S. Bank National Association
Governing Law	The mortgage indenture is, and the bonds will be, governed by and construed in accordance with the laws of the State of California.
Purchase Limitation	In order to comply with a CPUC order applicable to us, the underwriter has agreed to allocate sales of the bonds such that no person will be the beneficial owner, as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), of more than $20,000,000 aggregate principal amount of bonds at the completion of this offering.

Table of Contents

Summary Financial and Other Data

California Water Service Group

The following tables set forth summary consolidated financial data of CWSG. The summary consolidated financial data for each of the years in the three-year period ended December 31, 2008 were derived from CWSG s audited consolidated financial statements. You should read the following data in connection with CWSG s consolidated financial statements and notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included in CWSG s Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated herein by reference.

	Year Ended December 31,		
(Dollars in thousands)	**2008**	**2007**	**2006**
Summary of Operations			
Operating revenue			
Residential	$ 284,913	$ 253,745	$ 232,811
Business	75,620	65,457	60,366
Industrial	18,932	17,403	16,286
Public authorities	21,042	17,952	15,728
Other	9,805	12,525	9,526
Total operating revenue	410,312	367,082	334,717
Operating expenses	352,843	322,912	294,411
Interest expense, other income and expenses, net	17,664	13,011	14,726
Net income	$ 39,805	$ 31,159	$ 25,580
Long-term debt interest coverage	4.21	3.59	3.21
Balance Sheet Data			
Net utility plant	$ 1,112,367	$ 1,010,196	$ 941,475
Total assets	1,418,107	1,184,499	1,165,019
Long-term debt including current portion	290,316	291,921	293,592
Capitalization ratios:			
Common stockholders equity	58.1%	56.9%	56.0%
Preferred stock		0.5%	0.5%
Long-term debt	41.9%	42.6%	43.5%

	Year Ended December 31,		
	2008	**2007**	**2006**
Consolidated Ratios of Earnings to Fixed Charges*	3.89	3.46	2.99

* 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.

California Water Service Company

The following tables set forth our summary financial and other data. The summary financial and other data for each of the years in the three-year period ended December 31, 2008 (excluding the data under the heading Other Data) were derived from our condensed consolidating financial information contained in Note 17 to CWSG s audited consolidated financial statements included in CWSG s Current Report on Form 8-K filed with the SEC on April 7, 2009. You should read the following data in connection with CWSG s consolidated financial statements and notes included in CWSG s Current Report on Form 8-K filed with the SEC on April 7, 2009 and Management s Discussion and Analysis of Financial

Table of Contents

Condition and Results of Operations included in CWSG s Annual Report on Form 10-K for the year ended December 31, 2008, which are incorporated herein by reference.

	Year Ended December 31,		
(Dollars in thousands)	**2008**	**2007**	**2006**
Summary of Operations			
Operating revenue			
Residential	$ 271,895	$ 243,009	$ 222,916
Business	71,560	62,757	57,803
Industrial	18,022	16,568	15,452
Public authorities	20,779	17,737	15,518
Other	7,403	11,027	8,110
Total operating revenue	389,659	351,098	319,799
Operating expenses	333,205	308,877	281,207
Interest expense, other income and expenses, net	18,075	13,512	14,942
Net income	$ 38,379	$ 28,709	$ 23,650
Long-term debt interest coverage	4.17	3.43	3.09
Balance Sheet Data			
Net utility plant	$ 1,036,877	$ 963,012	$ 897,364
Total assets	1,331,036	1,128,695	1,111,832
Long-term debt including current portion	285,941	286,958	288,128
Capitalization ratios:			
Common stockholders equity	56.6%	55.4%	54.9%
Preferred stock		0.5%	0.5%
Long-term debt	43.4%	44.1%	44.6%

	Year Ended December 31,		
(Dollars in thousands, except customer data)	**2008**	**2007**	**2006**
Other Data			
Estimated water production (million gallons)			
Wells and surface supply	68,128	67,318	67,349
Purchased	64,645	70,530	62,790
Total estimated water production	132,773	137,848	130,139
Metered customers	389,068	387,524	383,772
Flat-rate customers	73,075	74,918	75,927
Customers at year-end*	462,143	462,442	459,699
New customers added	(299)	2,743	4,181
Revenue per customer	$ 843	$ 759	$ 693
Utility plant per customer	2,244	2,082	1,952
Employees at year-end	810	808	804

* Includes customers of the City of Hawthorne and City of Commerce

Recent Developments

Issuances of Additional Series of First Mortgage Bonds

We currently have outstanding fifteen series of unsecured senior notes with an aggregate principal amount of $260 million. Pursuant to the note purchase agreements and supplements thereto under which our outstanding unsecured senior notes have been issued, in the event that we issue one or more additional series of first mortgage bonds under our mortgage indenture, we are required to issue a new series of first mortgage bonds in exchange for each outstanding series of unsecured senior notes with a like aggregate principal amount. The issuance of the bonds offered by this prospectus supplement will trigger this exchange provision. Accordingly, upon the closing of the issuance of the bonds, we will be required to issue an additional series of first mortgage bonds under the mortgage indenture with a like aggregate principal amount to the holders of each series of our outstanding unsecured senior notes in exchange for each such series of notes.

Furthermore, in connection with the execution of the thirty-ninth supplemental indenture to our mortgage indenture, upon the closing of this offering we will amend and restate our $17.8 million in outstanding Series CC first mortgage bonds under our mortgage indenture. Concurrently with the closing of this offering we will also exchange all $2.9 million outstanding aggregate principal amount of our Series K first mortgage bonds under the indenture we assumed in connection with our acquisition of Dominguez Water Corporation for Series KK first mortgage bonds to be issued under the mortgage indenture.

We agreed to provide the Series CC first mortgage bonds, the Series KK first mortgage bonds, and two series of first mortgage bonds to be issued in connection with the exchange of unsecured senior notes, Series GGG and Series HHH, with certain rights and covenants in addition to those set forth in our mortgage indenture. For more information relating to the additional rights and covenants of the Series CC first mortgage bonds, the Series KK first mortgage bonds, the Series GGG first mortgage bonds and the Series HHH first mortgage bonds, see Description of First Mortgage Bonds and Guarantees Additional Terms of Certain Future Series of First Mortgage Bonds in the accompanying prospectus.

Redemption of Series J Bonds

Upon closing of this offering we plan to exercise our option to redeem the remaining $3.0 million of 8.86% Series J First Mortgage Bonds due 2023 we assumed in connection with our acquisition of Dominguez Water Corporation in 2000. The redemption will be effected pursuant to the terms of the indenture and supplemental indentures governing the Series J bonds. The Series J bonds will be redeemed at a redemption price equal to 100% of the outstanding principal amount of the Series J bonds plus a make-whole premium and accrued and unpaid interest to the date of redemption.

Amendments to Loan Agreements

At the closing of this offering we will enter into Amendment No. 2 to our Loan Agreement with Bank of America, N.A. (Lender) dated as of May 30, 2007, and CWSG, CWS Utility Services, New Mexico Water Service Company, Washington Water Service Company and Hawaii Water Service Company, Inc. will enter into Amendment No. 1 to their Loan Agreement with the Lender dated as of May 30, 2007. Pursuant to each amendment, (i) the availability period of the unsecured revolving line of credit under the applicable loan agreement will end 364 days after the date of such amendment rather than April 30, 2012, (ii) the interest rate payable in respect of borrowings under the line of credit under the applicable loan agreement will increase from the Lender s prime rate minus 1.5% to the Lender s prime rate minus 0.75%, (iii) the alternative interest rate payable in respect of borrowings under the line of credit under the applicable loan agreement will increase from LIBOR plus 0.25% to LIBOR plus 1.0% and (iv) the unused commitment fee payable under the applicable loan agreement will change from a flat rate of $12,000 (in the case of our loan agreement) or $4,400 (in the case of the CWSG loan agreement), payable annually, to a fee equal to 0.15% of the amount of unused available credit under the line of credit under the applicable loan agreement, payable quarterly. Banc of America Securities LLC has in the past served as placement agent in connection with our offerings of certain series of notes, including in connection with our most recent private offering, issue and sale of our Series O notes issued August 31, 2006 and due August 31, 2031.

Table of Contents

Risk Factors

Investing in the bonds involves risks. Before making an investment decision, you should carefully review the information contained in the other sections of this prospectus supplement and the accompanying prospectus and should particularly consider the following risk factors. Furthermore, you should carefully consider the risk factors and other information set forth or incorporated by reference in CWSG s Annual Report on Form 10-K for the year ended December 31, 2008 as well as other information incorporated by reference in this prospectus supplement and the accompanying prospectus, as such risk factors and other information may be updated from time to time by CWSG s subsequent reports and other filings under the Exchange Act.

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

Increased leverage may harm our financial condition and results of operations.

We may incur additional indebtedness in the future and the bonds do not restrict future incurrence of indebtedness. Any increase in our level of indebtedness will have several important effects on our future operations, including, without limitation:

§ we will have additional cash requirements in order to support the payment of interest on our outstanding indebtedness;

§ increases in our outstanding indebtedness and leverage will increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure; and

§ our ability to obtain additional financing for working capital, capital expenditures, general corporate and other purposes may be reduced.

Our ability to make payments of principal and interest on our indebtedness depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required, among other things, to:

§ seek additional financing in the debt or equity markets;

§ refinance or restructure all or a portion of our indebtedness, including the bonds;

§ sell selected assets; or

§ reduce or delay planned operating and investment expenditures.

These measures may not be sufficient to enable us to service our debt. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms.

The mortgage indenture contains limited covenants and other protections.

The mortgage indenture under which the bonds will be issued does not contain restrictive covenants that would protect you from several kinds of transactions that may adversely affect you. In particular, the mortgage indenture does not contain covenants that limit our ability to pay dividends or make distributions on or redeem our capital stock or limit our ability to incur additional indebtedness and does not impose similar limitations on CWSG. Therefore, the mortgage indenture may not protect you in the event of a highly leveraged transaction or other similar transaction. In addition, the limited covenants contained in the indenture do not require us or CWSG to achieve or maintain any minimum financial ratios relating to our or its financial position or results of operations.

The collateral might not be valuable enough to satisfy all the obligations secured by the collateral.

Our obligations under the bonds are secured by the pledge of substantially all of our fixed property and franchises, including certain after-acquired property. This pledge is also for the benefit of all holders of other series of our first mortgage bonds under the mortgage indenture. The value of the pledged assets in the event of a liquidation will depend upon market and economic conditions, the availability of buyers, and similar factors. No independent appraisals of any of the pledged property have been prepared by us or on our behalf in connection with this offering. We cannot assure you that the proceeds of any sale of the pledged assets following an acceleration of maturity of the bonds would be sufficient to satisfy amounts due on the bonds and the other debt secured by the pledged assets.

The rating of the bonds may affect the market price and marketability of the bonds.

We currently expect that, upon issuance, the bonds will be rated by one nationally recognized statistical rating organization. Any such rating would be limited in scope and would not address all material risks relating to an investment in the bonds, but rather would reflect only the view of such rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such credit rating will be issued or remain in effect for any given period of time or that such rating will not be decreased, suspended or withdrawn entirely by the rating agency, if, in such rating agency s judgment, circumstances so warrant. Holders of bonds will have no recourse against us in the event of a change in or suspension or withdrawal of such rating. Any decrease, suspension or withdrawal of such rating may have an adverse effect on the market price or marketability of the bonds. Ratings from credit rating agencies are not recommendations to buy, sell or hold the bonds and may be subject to revision or withdrawal at any time by the applicable rating agency and should be evaluated independently of any other ratings.

The one action rule in California may limit the ability of the trustee to foreclose on the mortgaged property and provide certain defenses to the enforcement of the guarantee of the bonds against CWSG.

The mortgaged property subject to the lien of the mortgage indenture securing the bonds is exclusively located in California. California law prohibits more than one judicial action to enforce a mortgage obligation, and some courts have construed the term judicial action broadly. The application of the California one-action rule may result in certain defenses to the enforcement of a guaranty of an obligation if that obligation is secured by real property located in California. Accordingly, the trustee is required to obtain advice of counsel prior to enforcing any of the bond holders rights under the lien of the mortgage indenture covering the mortgaged property. As a result, the ability to foreclose upon the mortgaged property may be significantly delayed and otherwise limited by the application of California law.

Because the California Public Utilities Commission may require that any purchaser of the mortgaged property assume an obligation to carry on the use of that property to provide public utility service, the trustee s ability to find a purchaser for the mortgaged property in foreclosure in order to satisfy the indebtedness of the bonds may be limited.

As a public utility operating in California, we are regulated by the California Public Utilities Commission, or CPUC. Pursuant to California law, authorization from the CPUC was required in order to issue the bonds encumbering our property used for public utility service. The mortgaged property includes such property used for public utility service. In the event of a foreclosure of the mortgaged property, the CPUC may require the purchaser of the mortgaged property to carry on the use of such property to provide public utility service. As a result, in the event the trustee seeks to foreclose on such property and sell such property in order to satisfy the indebtedness of the bonds, the trustee may have difficulty finding a purchaser who is able to use the mortgaged property for such purpose. Furthermore, a purchaser of such mortgaged utility property may be deemed a public utility by virtue of its ownership of utility property, thus potentially subjecting it to regulation by the CPUC. As a result, the pool of likely eligible purchasers of the mortgaged property upon foreclosure may be limited to other public utilities. Accordingly, the trustee s practical ability to foreclose upon the mortgaged property may be significantly limited.

An absence of a market for the bonds may affect the liquidity of the bonds.

The bonds constitute a new issue of securities with no established trading market. The underwriter has advised us that it may make a market in the bonds, but it has no obligation to do so and may discontinue market making at any time without notice. There can be no assurance that a market for the bonds will develop or, if it does develop, that it will continue. If an active public market for the bonds does not develop, the market price and liquidity of the bonds may be materially and adversely affected. Furthermore, we do not intend to apply for listing of the bonds on any securities exchange or automated quotation system.

Table of Contents

We may choose to redeem the bonds prior to maturity.

We may redeem the bonds at any time in whole, or from time to time in part, at the applicable redemption price specified in this prospectus supplement. If prevailing interest rates are lower at the time of redemption, holders of the bonds being redeemed may not be able to reinvest the redemption proceeds in a comparable security at an interest rate as high as the interest rate of the bonds being redeemed. Our redemption right may also adversely affect holders ability to sell their bonds.

CWSG s guarantee of the bonds could be voided.

CWSG s obligations under the guarantee of the bonds may be subject to review under state or federal fraudulent transfer laws in the event of CWSG s bankruptcy or other financial difficulty. Under those laws, in a lawsuit by an unpaid creditor or representative of creditors of CWSG, such as a trustee in bankruptcy, if a court were to find that when CWSG entered into the guarantee, CWSG received less than fair consideration or reasonably equivalent value for the guarantee and either:

§ was insolvent;

§ was rendered insolvent;

§ was engaged in a business or transaction for which CWSG s remaining unencumbered assets constituted unreasonably small capital;

§ intended to incur or believed that it would incur debts beyond its ability to pay as the debts matured; or

§ entered into the guarantee with actual intent to hinder, delay or defraud its creditors,

then the court could void the guarantee and CWSG s obligations under the guarantee, and direct the return of any amounts paid under the guarantee to CWSG or to a fund for the benefit of its creditors. Furthermore, to the extent that CWSG s obligations under the guarantee of the bonds exceed the actual benefit that CWSG receives from the issuance of the bonds, CWSG may be deemed not to have received fair consideration or reasonably equivalent value from the guarantee. As a result, the guarantee and CWSG s obligations under the guarantee may be void. The measure of insolvency for purposes of the factors above will vary depending on the law of the jurisdiction being applied. Generally, however, an entity would be considered insolvent if the sum of its debts (including contingent or unliquidated debts) is greater than all of its property at a fair valuation or if the present fair saleable value of its assets is less than the amount that will be required to pay its probable liability on its existing debts as they become absolute and matured.

As a holding company, CWSG depends on cash flow from its subsidiaries to meet its obligations under the guarantee; furthermore, CWSG s guarantee of the bonds is structurally subordinated and, as a result, other creditors may be entitled to repayment before CWSG s assets are available to satisfy its obligations under the guarantee.

As a holding company, CWSG conducts substantially all of its operations through its subsidiaries and its only significant assets are investments in those subsidiaries. As CWSG s primary subsidiary, approximately 95% of CWSG s revenues are derived from our operations. As a result, CWSG is dependent on cash flow from its subsidiaries, and us in particular, to meet its obligations under the guarantee. Thus, in the event we are unable to make a payment on the bonds, CWSG would be required to obtain funds from a source other than us, such as one of its other subsidiaries (which account for approximately 5% of its revenues), to meet its obligations under the guarantee. If

CWSG is unable to obtain funds from its subsidiaries in a timely manner, CWSG may be unable to meet its obligations under the guarantee.

Furthermore, CWSG s guarantee of the bonds will be effectively subordinated to all of the indebtedness of its subsidiaries, including our indebtedness. CWSG s 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. As a result, the assets received by CWSG upon the liquidation or reorganization of a subsidiary may not be sufficient to satisfy its obligations under the guarantee.

Use of Proceeds

We estimate that we will receive approximately $ in net proceeds from the sale of the bonds we are offering pursuant to this prospectus supplement, after deducting an aggregate of approximately $ in underwriting discounts and commissions and $ in estimated offering expenses.

We intend to make an intercompany loan to CWSG of a portion of the net proceeds from the sale of the bonds. We intend to use the net proceeds of the offering, and CWSG intends to use the net proceeds we contribute to CWSG, to repay the balance on our and CWSG s lines of credit under our and CWSG s loan agreements with Bank of America, N.A. As of December 31, 2008, there was a combined outstanding balance of $40 million on our and CWSG s lines of credit under our and CWSG s loan agreements with Bank of America and the weighted average interest rate on these borrowings was approximately 1.75%. As of December 31, 2008 our lines of credit were scheduled to expire on April 30, 2012. We used these borrowings for general corporate purposes. We also intend to use the net proceeds of the offering for general corporate purposes, such as increasing our working capital, making capital expenditures, acquiring assets and taking advantage of other business opportunities. Pending application of the net proceeds as described above, we may invest the proceeds in short-term securities.

Table of Contents

Capitalization

The following table sets forth CWSG s unaudited consolidated capitalization as of December 31, 2008

§ on an actual basis;

§ on an as adjusted basis to give effect to the issuance of the bonds and the application of the gross proceeds, before underwriting discounts and commissions and offering expenses, of approximately $100 million from the sale of the bonds as described under Use of Proceeds ; and

§ on an as adjusted basis to give effect to (1) the issuance of the bonds and the application of the gross proceeds of approximately $100 million from the sale of the bonds as described under Use of Proceeds and (2) the exchanges of our unsecured notes for first mortgage bonds as described under Recent Developments.

The information presented in the table below should be read in conjunction with Use of Proceeds and Summary Financial and Other Data included elsewhere in this prospectus supplement as well as the consolidated historical financial statements and notes thereto incorporated in this prospectus supplement by reference.

	As of December 31, 2008		
	Actual	As adjusted for offering (thousands)	As adjusted for offering and exchanges
Cash and cash equivalents	$ 13,869	$ 73,869	$ 73,869
Common stockholders equity			
Common stock	$ 207	$ 207	$ 207
Additional paid-in capital	213,922	213,922	213,922
Retained earnings	188,820	188,820	188,820
Total equity	402,949	402,949	402,949
First mortgage bonds	23,700	123,700	382,791
Senior unsecured notes	259,091	259,091	
Other long-term debt	7,525	7,525	7,525
Short-term borrowings	40,000		
Total debt	330,316	390,316	390,316
Total capitalization (including short-term borrowings)	$ 733,265	$ 793,265	$ 793,265

Table of Contents

Description of Bonds

General

We refer you to the Description of First Mortgage Bonds and Guarantees in the accompanying prospectus, which you should read carefully. The following description of the particular terms of the bonds and guarantee offered by this prospectus supplement supplements, and to the extent inconsistent with the description in the accompanying prospectus replaces, that description. The bonds offered pursuant to this prospectus supplement will be issued 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 first through thirty-eighth supplemental indentures, the thirty-ninth supplemental indenture and the forty-first supplemental indenture, each to be dated the date of issuance of the bonds (such indenture as amended and supplemented by such supplemental indentures are collectively referred to as the mortgage indenture). This description and the Description of First Mortgage Bonds and Guarantees contained in the accompanying prospectus is subject to and qualified in its entirety by the mortgage indenture. The original indenture and the supplemental indentures are filed as exhibits to the registration statement of which this prospectus is a part and incorporated by reference into this prospectus. See Where You Can Find More Information in the accompanying prospectus.

The bonds will be issued in fully-registered form in denominations of $1,000 and its integral multiples. The bonds will be initially issued in book-entry form through the facilities of The Depository Trust Company, also referred to as DTC, as depositary. For as long as the bonds remain deposited with DTC, in DTC s book-entry system, transfers or exchanges of beneficial interests in the bonds may be effected only through records maintained by DTC or its nominee, and payments of principal, premium, if any, and interest will be made to DTC in immediately available funds as described under Description of First Mortgage Bonds and Guarantees Book-Entry, Delivery and Form of First Mortgage Bonds in the accompanying prospectus.

Principal Amount, Interest and Maturity

We will issue a total of $100,000,000 aggregate principal amount of the bonds. The bonds will mature on and will bear interest at a rate of % per annum. We will pay interest on the bonds semiannually in arrears on and of each year, commencing on , until the principal amount has been paid or made available for payment, to the persons in whose names the bonds are registered at the close of business on or , as the case may be, before each interest payment date. Interest on the bonds will be computed on the basis of a 360-day year of twelve 30-day months. The principal of and interest on the bonds will be payable in U.S. dollars or in such other currency of the United States that at the time of payment is legal tender for the payment of public and private debts.

Security

The bonds when issued will be secured, equally and ratably with all of the 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 certain exceptions and permitted liens and the prior lien of the trustee for compensation, expenses and liability. See Description of First Mortgage Bonds and Guarantees Security in the accompanying prospectus.

Guarantee

CWSG has agreed to fully and unconditionally guarantee the payment of the principal of, and premium, if any, and interest on, the bonds as these items become due and payable, whether at maturity, upon redemption or otherwise, according to the terms of the bonds and the mortgage indenture. If we fail to pay principal, premium, if any, or interest, then CWSG will cause these payments to be made as they become due and payable, whether at maturity, upon redemption, or otherwise, as if these payments were made by us. CWSG s obligations will be unconditional regardless of the validity or enforceability of, or the absence of any action to enforce, the bonds or the mortgage indenture, any waiver or consent by a holder of bonds, the recovery of any judgment against us or any action to enforce a judgment against us. CWSG will be subrogated to all rights of a holder of bonds against us with respect to any amounts paid by CWSG pursuant to the guarantee.

Table of Contents

Optional Redemption

We may redeem the bonds at our option in whole or in part at any time, on at least 30 days but not more than 60 days prior written notice mailed to the registered holders of the bonds at a price equal to the greater of:

§ 100% of the principal amount of the bonds being redeemed, plus accrued interest; and

§ the sum of the present values of the principal amount of the bonds being redeemed and the remaining scheduled payments of interest thereon, discounted from their respective scheduled payment dates to the redemption date semi-annually, assuming a 360-day year consisting of twelve 30-day months at a discount rate equal to the treasury yield plus basis points, plus accrued interest on the bonds to the redemption date.

The term treasury yield means, with respect to any redemption date, the annual rate equal to the semi-annual equivalent yield to maturity of the comparable treasury issue, assuming a price for the comparable treasury issue expressed as a percentage of its principal amount equal to the comparable treasury price for such redemption date.

The term comparable treasury issue means the United States treasury security selected by an independent investment banker as having a maturity comparable to the remaining term of the bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the bonds.

The term comparable treasury price means, with respect to any date of redemption:

§ the average of the reference treasury dealer quotations for that redemption date, after excluding the highest and lowest of the reference treasury dealer quotations; or

§ if the trustee obtains fewer than three reference treasury dealer quotations, the average of the reference treasury dealer quotations so received.

The term independent investment banker means an independent investment banking institution of national standing appointed by us and reasonably acceptable to the trustee.

The term reference treasury dealer means a primary U.S. Government securities dealer in New York City selected by us.

The term reference treasury dealer quotation means, with respect to the reference treasury dealer and redemption date, the average, as determined by us, of the bid and asked prices for the comparable treasury issue expressed in each case as a percentage of its principal amount and quoted in writing to us by the reference treasury dealer at 5:00 p.m., New York time, on the third business day preceding the redemption date.

Notice of redemption will be mailed by first class mail not less than 30 days and not more than 60 days prior to the redemption date to each holder of the bonds to be redeemed at its registered address.

If fewer than all the bonds are to be redeemed, the selection of bonds of such series for redemption shall be selected on a pro rata basis unless otherwise required by law or applicable stock exchange requirements not more than 60 days prior to redemption.

Unless we default in payment of the redemption price, from and after the date of redemption, the bonds or portions thereof called for redemption will cease to bear interest.

Governing Law

The mortgage indenture, the bonds and the guarantee will be governed by, and construed in accordance and enforced in accordance with, the laws of the State of California, without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

Table of Contents

Material U.S. Federal Income Tax Considerations

The following is a summary of the material U.S. federal income tax consequences of the acquisition, ownership, and disposition of the bonds. It is based on provisions of the U.S. Internal Revenue Code of 1986, as amended (the Code), existing and proposed Treasury regulations promulgated thereunder (the Treasury Regulations), and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change, possibly on a retroactive basis. No ruling from the United States Internal Revenue Service (IRS) has been or is expected to be sought with respect to any aspect of the transactions described herein. Accordingly, no assurance can be given that the IRS will agree with the views expressed in this summary, or that a court will not sustain any challenge by the IRS in the event of litigation. The following relates only to bonds that are acquired in the initial offering for an amount of cash equal to their issue price, which will equal the first price at which a substantial amount of the bonds is sold for cash to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), and that are held as capital assets (i.e., generally, property held for investment) within the meaning of Section 1221 of the Code.

This summary does not address all of the U.S. federal income tax consequences that may be relevant to particular holders in light of their personal circumstances, or to certain types of holders that may be subject to special tax treatment, such as

§ banks and other financial institutions,

§ employee stock ownership plans,

§ partnerships or other pass-through entities for U.S. federal income tax purposes or investors in such entities,

§ certain former citizens or residents of the United States,

§ controlled foreign corporations,

§ corporations that accumulate earnings to avoid U.S. federal income tax,

§ insurance companies,

§ tax-exempt entities,

§ dealers in securities or currencies,

§ brokers,

§ persons who hold the bonds as a hedge or other integrated transaction or who hedge the interest rate on the bonds,

§ persons deemed to sell bonds under the constructive sale provisions of the Code,

§ U.S. holders (as defined below) whose functional currency is not U.S. dollars,

§ thrifts,

§ regulated investment companies,

§ individual retirement accounts or qualified pension plans, or

§ investors in securities that elect to use a mark-to-market method of accounting for their securities holdings.

In addition, this summary does not include any description of the tax laws of any state, local, or non-U.S. jurisdiction that may be applicable to a particular holder and does not consider any aspects of U.S. federal tax law other than income taxation.

For purposes of this discussion, a U.S. holder is a beneficial owner of the bonds and that is, for U.S. federal income tax purposes:

§ an individual who is a citizen or resident of the United States;

§ a corporation (or other business entity treated as a corporation) created or organized in or under the laws of the United States or 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

§ a trust if a court within the United States can exercise primary supervision over its administration, and one or more United States persons have the authority to control all of the substantial decisions of that trust, or if the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

A non-U.S. holder is a beneficial owner of the bonds that is neither a U.S. holder nor a partnership or an entity treated as a partnership for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) that holds the bonds generally will depend on such partner s particular circumstances and on the activities of the partnership. Partners in such partnerships should consult their own tax advisors.

This summary is for general information only and is not tax advice. Each holder of the bonds is urged to consult the holder s own tax advisor with respect to the application of U.S. federal income tax laws in light of the holder s particular circumstances, as well as any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

U.S. Holders

Treatment of stated interest. It is expected that the bonds will be issued without original issue discount for federal income tax purposes. Accordingly, all stated interest on the bonds will generally be taxable to U.S. holders as ordinary interest income as the interest accrues or is paid in accordance with the holder s regular method of accounting for U.S. federal income tax purposes. If, however, the bonds stated redemption price at maturity (generally, the sum of all payments required under the bond other than payments of stated interest) exceeds the issue price by more than a *de minimis* amount, a U.S. holder will be required to include such excess in income as original issue discount, as it accrues, in accordance with a constant yield method based on a compounding of interest before the receipt of cash payments attributable to this income.

Sale, exchange, or other taxable disposition of the bonds. In general, upon the sale, exchange, redemption, retirement at maturity, or other taxable disposition of a bond, a U.S. holder will recognize taxable gain or loss equal to the difference between (1) the amount of the cash and the fair market value of any property received (less any portion allocable to any accrued and unpaid interest, which will be taxable as ordinary income to the extent not previously included in income) and (2) the U.S. holder s adjusted tax basis in the bond. A holder s adjusted tax basis in a bond generally will equal its cost. Gain or loss realized on the sale, retirement, or other taxable disposition of a bond will generally be capital gain or loss. The deductibility of capital losses is subject to limitations.

Backup withholding and information reporting. In general, a U.S. holder of the bonds will be subject to information reporting and backup withholding with respect to payments of interest, principal, gross proceeds from disposition of the bonds, and redemption premium, if any, at the applicable tax rate (currently 28%), unless such holder (a) is an entity that is exempt from withholding (including corporations, tax-exempt organizations and certain qualified nominees) and, when required, demonstrates this fact, or (b) provides the payor with its taxpayer identification number (TIN), certifies that the TIN provided to the payor is correct and that the holder has not been notified by the

IRS that such holder is subject to backup withholding due to underreporting of interest or dividends, and otherwise complies with applicable requirements of the backup withholding rules. In addition, such payments to U.S. holders that are not exempt entities will generally be subject to information reporting requirements. A U.S. holder who does not provide the payor with its correct TIN may be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against such holder s U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Non-U.S. Holders

Treatment of stated interest. Subject to the discussion of backup withholding below, a non-U.S. holder will generally not be subject to U.S. federal income tax (or any withholding tax) on payments of interest on the bonds, provided that:

§ the non-U.S. holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote;

§ the non-U.S. holder is not, and is not treated as, a bank receiving interest on an extension of credit pursuant to a loan agreement entered into in the ordinary course of its trade or business;

§ the non-U.S. holder is not a controlled foreign corporation that is related (directly or indirectly) to us;

§ the non-U.S. holder is not receiving such interest payments as income effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States; and

§ certain certification requirements are met.

Under current law, the certification requirement will be satisfied in any of the following circumstances:

§ If a non-U.S. holder provides to us or our paying agent a statement on IRS Form W-8BEN (or suitable successor form), together with all appropriate attachments, signed under penalties of perjury, identifying the non-U.S. holder by name and address and stating, among other things, that the non-U.S. holder is not a United States person.

§ If a bond is held through a securities clearing organization, bank or another financial institution that holds customers securities in the ordinary course of its trade or business, (i) the non-U.S. holder provides such a form to such organization or institution, and (ii) such organization or institution, under penalty of perjury, certifies to us that it has received such statement from the beneficial owner or another intermediary and furnishes us or our paying agent with a copy thereof.

§ If a financial institution or other intermediary that holds the bond on behalf of the non-U.S. holder has entered into a withholding agreement with the IRS and submits an IRS Form W-8IMY (or suitable successor form) and certain other required documentation to us or our paying agent.

If the requirements of the portfolio interest exemption described above are not satisfied, a 30% withholding tax will apply to the gross amount of interest on the bonds that is paid to a non-U.S. holder, unless either: (a) an applicable income tax treaty reduces or eliminates such tax, and the non-U.S. holder claims the benefit of that treaty by providing a properly completed and duly executed IRS Form W-8BEN (or suitable successor or substitute form) establishing qualification for benefits under the treaty, or (b) the interest is effectively connected with the non-U.S. holder s conduct of a trade or business in the United States and the non-U.S. holder provides an appropriate statement to that effect on a properly completed and duly executed IRS Form W-8ECI (or suitable successor form).

If a non-U.S. holder is engaged in a trade or business in the United States and interest on a bond is effectively connected with the conduct of that trade or business, the non-U.S. holder will be required to pay U.S. federal income tax on that interest on a net income basis (and the 30% withholding tax described above will not apply provided the duly executed IRS Form W-8ECI is provided to us or our paying agent) generally in the same manner as a U.S. person. If a non-U.S. holder is eligible for the benefits of an income tax treaty between the United States and its country of residence, and the non-U.S. holder claims the benefit of the treaty by properly submitting an IRS

Form W-8BEN, any interest income that is effectively connected with a U.S. trade or business will be subject to U.S. federal income tax in the manner specified by the treaty and generally will only be subject to such tax if such income is attributable to a permanent establishment (or a fixed base in the case of an individual) maintained by the non-U.S. holder in the United States. In addition, a non-U.S. holder that is treated as a foreign corporation for U.S. federal income tax purposes may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties, which may provide for a lower rate of withholding tax, exemption from or reduction of branch profits tax, or other rules different from those described above.

Table of Contents

Sale, exchange, or other taxable disposition of the bonds. Subject to the discussion of backup withholding below, a non-U.S. holder generally will not be subject to U.S. federal income tax (or any withholding thereof) on any gain realized by such holder upon a sale, exchange, redemption, retirement at maturity, or other taxable disposition of a bond, unless:

§ the non-U.S. holder is an individual present in the U.S. for 183 days or more during the taxable year of disposition and who has a tax home in the United States and certain other conditions are met; or

§ the gain is effectively connected with the conduct of a U.S. trade or business of the non-U.S. holder (and, if an applicable income tax treaty so provides, the gain is attributable to a U.S. permanent establishment of the non-U.S. holder or a fixed base in the case of an individual).

If the first exception applies, the non-U.S. holder generally will be subject to U.S. federal income tax at a rate of 30% on the amount by which its U.S.-source capital gains exceed its U.S.-source capital losses. If the second exception applies, the non-U.S. holder will generally be subject to U.S. federal income tax on the net gain derived from the sale, exchange, redemption, retirement at maturity or other taxable disposition of the bonds in the same manner as a U.S. person. In addition, corporate non-U.S. holders may be subject to a 30% branch profits tax on any such effectively connected gain. If a non-U.S. holder is eligible for the benefits of an income tax treaty between the United States and its country of residence, the U.S. federal income tax treatment of any such gain may be modified in the manner specified by the treaty.

Information reporting and backup withholding. When required, we or our paying agent will report to the IRS and to each non-U.S. holder the amount of any interest paid on the bonds in each calendar year, and the amount of U.S. federal income tax withheld, if any, with respect to these payments.

Non-U.S. holders who have provided certification as to their non-U.S. status or who have otherwise established an exemption will generally not be subject to backup withholding tax on payments of interest if neither we nor our agent have actual knowledge or reason to know that such certification is unreliable or that the conditions of the exemption are in fact not satisfied.

Payments of the proceeds from the sale or other disposition (including a redemption) of a bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, additional information reporting, but generally not backup withholding, may apply to those payments if the broker is one of the following:

§ a United States person,

§ a controlled foreign corporation for U.S. federal income tax purposes,

§ a foreign person 50 percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a U.S. trade or business, or

§ a foreign partnership with specified connections to the United States.

Payment of the proceeds from a sale or other disposition (including a redemption) of a bond to or through the United States office of a broker will be subject to information reporting and backup withholding unless the non- U.S. holder certifies as to its non-U.S. status or otherwise establishes an exemption from information reporting and backup withholding, provided that the broker does not have actual knowledge or reason to know that the holder is a United

States person or that the conditions of the applicable exemption are not, in fact, satisfied.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a non-U.S. holder will be allowed as a credit against such holder s U.S. federal income tax liability, if any, and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Underwriting

We have entered in to an underwriting agreement with Robert W. Baird & Co. Incorporated with respect to the bonds offered pursuant to this prospectus supplement. Subject to the terms and conditions contained in the underwriting agreement, we have agreed to sell and the underwriter has agreed to purchase from us $100,000,000 aggregate principal amount of bonds.

The underwriter proposes to offer the bonds initially at the public offering price on the cover page of this prospectus supplement and to the selling group members at that price less a selling concession of % of the principal amount of the bonds. The underwriter and selling group members may allow a discount of % of the principal amount of the bonds on sales to other broker-dealers. After the initial public offering, the underwriter may change the public offering price, selling concession and discount to broker-dealers.

We estimate the expenses payable by us in connection with this offering, excluding underwriting discounts and commissions, will be approximately $2,435,000.

We have agreed to indemnify the underwriter against certain liabilities, including but not limited to, liabilities under the Securities Act of 1933, as amended, or contribute to payments which the underwriter may be required to make in that respect.

The underwriter has provided, and may provide in the future, advisory and investment banking services to us and CWSG, for which it has received and would receive customary compensation. In particular, the underwriter acted as an underwriter in CWSG s 2006 public offering of common stock.

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

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

§ Stabilizing transactions permit bids to purchase bonds so long as the stabilizing bids do not exceed a specified maximum.

§ Syndicate covering transactions involve purchases of bonds in the open market after the distribution has been completed to cover syndicate short positions.

§ Penalty bids permit the underwriter to reclaim a selling concession from a syndicate member when the bonds originally sold by the syndicate member are purchased in a stabilizing transaction or a syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the bonds to be higher than the price that might otherwise exist in the open market. The underwriter may discontinue these transactions at any time.

In order to comply with a CPUC order applicable to us, the underwriter has agreed to allocate sales of the bonds such that no person will be the beneficial owner, as that term is defined under the Exchange Act, of more than $20,000,000 aggregate principal amount of bonds at the completion of this offering.

Legal Matters

Certain legal matters will be passed upon for us by John S. Tootle, our corporate counsel, and by Gibson, Dunn & Crutcher LLP, San Francisco, California. Certain regulatory matters under California law will be passed upon for us by Nossaman LLP, San Francisco, California. Certain legal matters will be passed upon for the underwriter by Foley & Lardner LLP, Milwaukee, Wisconsin.

Table of Contents

PROSPECTUS

California Water Service Group
1720 North First Street
San Jose, CA 95112
408-367-8200

Preferred Stock
Common Stock

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 and its common stock. 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 24 of this prospectus, before you make your investment decision.

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 April 8, 2009.

Table of Contents

About This Prospectus	1
Risk Factors	2
Forward-Looking Statements	2
California Water Service Group	3
California Water Service Company	4
Use of Proceeds	5
Ratios of Earnings to Fixed Charges and to Fixed Charges and Preferred Stock Dividends	5
Description of First Mortgage Bonds and Guarantees	6
Description of Preferred Stock	20
Description of Common Stock	23
Anti-Takeover Effects of Our Certificate of Incorporation, Amended Bylaws and Delaware Law	23
Plan of Distribution	25
Legal Matters	26
Experts	26
Where You Can Find More Information	26

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 each of our wholly-owned subsidiaries 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.

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.

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, 2008 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, foreca 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;