

EXHIBIT 4

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December 22, 2005

Mr. John Tootle
Acting Chief Financial Officer
California Water Service Group
1720 North First Street
San Jose, California 95112-4598

Revised SFAS 106 Net Periodic Postretirement Benefit Cost for 2005

Dear John:

Enclosed is an exhibit showing the revised SFAS 106 expense for California Water Service Group's retiree health benefits for the fiscal year ending December 31, 2005. We have revised the expense as follows:

	<u>Assumption</u>		<u>SFAS 106 Expense</u>
	<u>Prior</u>	<u>Revised</u>	
Initial calculation			\$ 3,661,000
% of Medicare Part D Subsidy reduce employer costs	80%	100%	(315,000)
Retiree medical premiums as % of employer costs			
Medicare Ineligible (pre-65)	50%	50%	
Medicare Eligible (post-65)	40%	40%	(928,000)
Administrative expenses	4%	0%	(377,000)
Revised SFAS 106 Expense			\$ 2,043,000

After the close of the 2005 fiscal year, we will provide you with the balance sheet disclosure items as of December 31, 2005. Our current projection of the SFAS 106 expense for 2006 is \$2,035,000. This will likely change once we obtain the census, asset and health cost data as of December 31, 2005.

The expense was calculated using an attribution period ending on the first eligibility age, as required by SFAS 106. Using an attribution period of total utility service life (as stated in CPUC Decision 92-12-015), the expense for 2005 would have been \$1,884,000, a 7.8% decrease. If you have any questions, please call me at (415) 403-1333, extension 116.

Sincerely,

Richard A. Wright

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CALIFORNIA WATER SERVICE GROUP
SFAS 106 Net Periodic Postretirement Benefit Cost

	<u>For the Fiscal Year Ending 12/31/2005</u>		
	<u>Without MMA</u>	<u>Effect of MMA*</u>	<u>Total*</u>
Service cost - benefit earned during the period	\$ 1,509,000	\$ (490,000)	\$ 1,019,000
Interest cost on accumulated postretirement benefit obligation	1,612,000	(524,000)	1,088,000
Expected return on plan assets	(419,000)	0	(419,000)
Amortization of:			
a. Transition amount	276,000	0	276,000
b. Prior service cost	74,000	0	74,000
c. (Gain) or loss	<u>565,000</u>	<u>(560,000)</u>	<u>5,000</u>
d. Total amortizations	915,000	(560,000)	355,000
 Net periodic postretirement benefit cost	 \$ 3,617,000	 \$(1,574,000)	 \$ 2,043,000

* The effect of the Medicare Modernization Act (MMA) is a reduction in service cost and APBO due to expected future Medicare drug subsidy payments to the employer. The subsidy payments will not be subject to federal income tax. Therefore, the calculation of any deferred tax asset should be based on the net periodic postretirement benefit cost prior to reflection of the subsidy payments.

Assumptions as of 12/31/2004

Discount rate:	6.00%
Long-term rate of return on assets:	8.00%
Medical trend:	Initial rate of 8.5%, reduced 1.0% per year to an ultimate rate of 4.5%
Retiree premium increases:	Initial rate of 8.5%, reduced 1.0% per year to an ultimate rate of 4.5%
Administrative expenses:	None

Smegal, Tom

From: rich.wright@milliman.com
Sent: Thursday, December 22, 2005 5:06 PM
To: Tootle, John
Cc: kurt.schneider@milliman.com
Subject: Revised SFAS 106 Expense

Attachments: @

Hi John -

Attached is a letter documenting the SFAS 106 expense for 2005 of \$2,043,000. If we were to use the attribution period in CPUC 92-12-015 (total service life), the expense for 2005 would have been \$1,884,000. Since the decrease is less than 10%, you are permitted to use the SFAS 106 attribution period for ratemaking purposes.

I'll be out of the office on Friday. Have a happy holiday!

Rich

(See attached file: Ycw1222_e.pdf)

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