- Updated all vulnerability/security assessments in all districts and customer centers;
- Completed companywide office facilities strategic master plan; and
- Co-hosted Emergency Operation Center exercises with four communities.

2. ***Stockholder Value Goal –*** Achieve budgeted earnings per share of $1.20, return on equity on invested capital of 9.43%, and company-funded capital expenditures of $210 million.

Achieved Results for Stockholder Value – For 2017, the Group achieved the following result for the major objective in this category:

- Earnings per share of $1.40 or 117% of target, which represents a return on equity (as determined in accordance with GAAP) of 9.93% as reported in item 7 of the Group's Form 10-K for the year ended December 31, 2017 as filed with the SEC.
- Company-funded capital expenditures were $256.0 million, exceeding the 2017 Capital program by $46 million or 22%. The Group's 2017 achieved capital expenditures was $259.2 million as reported in item 7 of the Group's Form 10-K for the year ended December 31, 2017 as filed with the SEC. Excluding developer funded expenditures of $17.0 million and including accounts payable accruals of $13.8 million for capital project spend, the Group spent $256.0 million on company-funded capital expenditures for the 2017 performance period.

3. ***Regulatory Goal –*** Earn authorized annual escalation rate increases for 2018, conclude the Hawaii Water Service Company (Pukalani) GRC; file the Hawaii Water Service Company (Waikoloa) GRC.

Achieved Results for Regulatory – On December 15, 2016, the CPUC voted to approve Cal Water's 2015 GRC settlement agreement. As a part of the decision Cal Water was authorized to request annual escalation rate increases for 2018 for those districts that passed the earnings test. In November of 2017, Cal Water requested escalation rate increases in all of its regulated districts increasing adopted gross revenue by $15.9 million. The new rates became effective on January 1, 2018.

In December of 2016, Hawaii Water Service Company filed a GRC for its Pukalani wastewater system requesting an additional $1.3 million in revenues annually. On September 15, 2017, the Hawaii Public Utilities Commission (HPUC) issued a proposed decision authorizing a $0.8 million increase in revenues annually to be phased in over four years ($0.2 million per year). The first phase of the increase was effective on October 18, 2017.

In December of 2017, Hawaii Water filed GRC applications requesting and additional $3.8 million in revenues on an annual basis for its Waikoloa Village and Resort Systems with the HPUC.

4. ***Customer Service and Water Quality Goal –*** Complete key strategic projects in the areas of customer service and water quality including:

- Meet or exceed all customer service standards as set by the CPUC;
- Meet or exceed all water quality standards in every state, every day, with no water quality violations in 2017; and
- Meet or exceed all wastewater discharge standards in every system, every day, in 2017.

Achieved Results for Customer Service and Water Quality – During 2017, the Group completed key strategic objectives in the areas of customer service and water quality. Cal Water successfully exceeded the nine CPUC standards which encompass key measurements for telephone responsiveness, service responsiveness, billing accuracy, and general levels of customer complaints. The nine CPUC customer service standards are found in the CPUC's General Order 103-A.

Additional key objectives include:

- Planned, designed, and constructed treatment to meet the new limit of five parts per trillion for 1,2,3-Trichloropropane set by the California State Water Resources Control Board in July 2017 by the compliance deadline of January 2018;

- Developed and implemented response to new Environmental Protection Agency (EPA)/State of California guidance on the revised Lead and Copper Rule; and

- Company maintained an excellent environmental standards record throughout 2017.

5. ***Employee Retention and Development Goal*** – Implement key strategic projects in the area of employee retention and development.

Achieved Results for Employee Retention and Development – During 2017, the Group completed key strategic objectives in the area of employee retention and development, including:

- Successfully updated and enhanced the Group's Continuous Improvement program, piloting it in two districts;

- Completed the 2017 succession and employee development plan, including leadership development program and executive development program;

- Implemented a Critical Incident Response Management (CIRM) process to support the well-being of those members either directly or indirectly exposed to a critical incident;

- Continued focus on developing partnerships with local schools and other entities to build interest in individuals wanting a career in the water industry at Cal Water;

- Introduced and implement Lost Time Accidents rates to track the return to work program, reducing rates to 0.4 in 2017 from 1.4 in 2016, a 71% reduction;

- Recipient of the American Water Works Association's (AWWA) Larry C. Larson Safety Award for 2016-2017;

- Named a "Top 100 Workplace" in the San Francisco Bay Area for the sixth consecutive year; and

- Received certification as a Great Place to Work® by the Great Place to Work® Institute for the second consecutive year.

Once the Committee assesses the business results for each goal as described above, the Committee then reviews and discusses the overall performance of each executive and the competitive data provided by the independent consultant retained by the Committee. Once reviewed and agreed upon, the Committee recommends to the Board the base salaries for the executives (including the President & CEO). The following table shows the 2016, 2017, and 2018 base salaries for the NEOs:

Name	2016 Base Salary	2017 Base Salary	2018 Base Salary
Martin A. Kropelnicki	$ 825,000	$ 925,000	$ 958,000
Thomas F. Smegal	405,600	427,000	442,000
Lynne P. McGhee	275,600	293,000	304,000
Paul G. Townsley	345,050	368,000	391,000
Robert J. Kuta	306,000	322,000	334,000

The increases to salaries are intended to compensate the individuals for job performance and overall leadership while being within the "competitive range" of the market data for target total cash compensation for similar positions ("competitive range" is described in more detail above and below) when taking into account the short-term incentive compensation described below.

Performance-Based Short-Term Incentive Compensation

The Company maintains an annual performance-based short-term incentive compensation program for executives that aligns long-term goals with payouts dependent upon achievement of certain performance objectives over a one-year performance period.

For 2017, the performance criteria for the annual short-term incentive awards were tied to the same performance metrics used for the long-term performance-based RSUs that were eligible to be earned for 2017 performance, which are listed in the table that follows under "Performance and Time-Based Equity Compensation." The same metrics were utilized for two reasons. First, the Committee believes aligning incentives between short-term and long-term incentive compensation discourages short-term risk taking at the expense of the long-term health of the Group's regulated utilities, customers, and operations. Second, the metrics previously underwent regulatory review in our last general rate case, and as such, compensation payable based upon these metrics is currently included in customer rates through a rate recovery mechanism.

For 2017, the Committee granted the opportunity for executives (other than our President & CEO) to receive short- term performance incentive awards with a target payout equal to 20% of base salary (up from 15% in 2016) with an actual payout range of 0% to 200% of target, based on performance. For our President & CEO, the Committee granted the opportunity to receive a short-term performance based incentive award in 2017 with a target payout equal to 85% of base salary (up from 75% in 2016), with an actual payout range of 0% to 200% of target, based on performance.

Payment of the short-term performance incentive awards is typically made in March, following the Group's receipt of audited financial statements and the subsequent certification of the Group's performance by the Committee. However, due to the enactment of the Tax Cuts and Jobs Act (H.R.1), and the resulting changes to Section 162(m) of the Code (as discussed in more detail below), the Committee reviewed and certified preliminary achievement of the performance criteria for the annual short-term incentive awards and authorized payment of the award based upon preliminary achievement results in December 2017 to enable the Group to preserve the deductibility of those payments at the higher corporate tax rates in effect in 2017 (as compared to 2018 when the new law went into effect). In February 2018, following review of the audited financial statements, the Committee certified final achievement of the performance criteria (which was at a level greater than the preliminary performance results certified in December 2017) and payment of the remaining balance of the earned annual short-term incentive awards in early March 2018. See below for additional information regarding the performance goals and resulting payouts under the annual short-term incentive program for 2017.

Performance and Time-Based Equity Compensation

The purpose of the Group's long-term equity incentive compensation is to better align executive compensation with the interests of both stockholders and customers, to create incentives for executive recruiting and retention, to encourage long-term performance by the Group's executives, and to promote stock ownership. Risk is taken into account in determining the aggregate amount of incentive compensation and performance criteria, including assessment of risk management and risk mitigation.

As with target short-term incentive compensation, the Committee reviewed the competitive range of long-term equity compensation and total direct compensation for similar positions within the competitive market in making decisions regarding long-term equity compensation awards for 2017. However, the Committee also believes that, in the interest of fostering the Group's "One-Team" approach for the executive team, which strengthens and rewards teamwork and collaboration within the executive team, the annual equity incentive awards granted to each of the Group's executives (other than the President & CEO) should be based on the same objectives and methodology. The Committee recommended awarding the President & CEO a greater value of equity awards in 2017 than the other executives because of his substantially greater level of responsibility and ability to influence the Group's operational results.

Based on the methodology described above, the grant values for 2017 were unchanged from 2016's grant values. For 2017, the Committee set the total value for the equity compensation awards at $575,000 for our President & CEO, $150,000 for vice presidents, and $90,000 for all other executives, assuming a target level of performance. All equity awards for executives were granted 50% in the form of time-based RSAs vesting over three years and 50% in the form of performance-based RSUs with a three-year performance period and the opportunity to earn up to 200% of the target performance-based RSU award based on achievement with respect to Committee-approved objectives.

The performance-based RSUs awarded to our President & CEO and other executives provide for a three-year performance period with vesting based solely upon the achievement of objective performance criteria. Each year of the performance period, the performance of each metric is certified and approved by the Committee. At completion of the three-year performance period, the annual performance is aggregated to attain the three-year performance period's final achievement. The number of shares awarded at the end of the three-year performance period is based on the extent the performance criteria is met over such time and subject to the executive's continued employment through such date. Each year following the performance period, the Committee establishes performance metrics with respect to each of the performance criteria described below. As noted above, for 2017, the performance criteria for our annual short-term incentive program are the same metrics applicable to the performance-based RSUs for 2017.

The following section provides a more detailed look at each performance metric, along with the maximum, target, and threshold levels for each:

- **Water Quality:** This metric is based only upon performance of the Group's largest subsidiary, Cal Water. The CPUC has authority to set drinking water standards. It has adopted the California State Water Resources Control Board, Division of Drinking Water

(DDW) standards, which also incorporate U.S. Environmental Protection Agency (EPA) drinking water standards.

- A primary drinking water standard violation is related to public health, either acute or long-term.
- A secondary drinking water standard violation is related to taste or aesthetics, such as excessive iron and manganese, and can generate customer complaints.
- A procedural violation is a missed sample or other non-compliance item that is not a violation of a primary or secondary standard.

Performance is evaluated based on number of procedural violations and violations of primary and secondary drinking water standards. Cal Water makes it a priority to meet all water quality standards, every day, in every service area. For this reason, the target performance level was set for no primary water standard violations, two or fewer secondary water standard violations, and no more than four procedural violations.

Performance Level*	Primary Water Standards Violations	Secondary Water Standards Violations	Procedural Violations	Goal Achieved
Maximum	0	0	0	200%
Target	0	2 or fewer	Up to 4	100%
Threshold	1 or fewer	4 or fewer	Up to 8	50%

* An additional tier applies between the target and maximum level.

- **Customer Service:** A combination of nine CPUC standards and one internal Cal Water performance indicator which encompass key measurements for telephone responsiveness, service responsiveness, billing accuracy, and general levels of customer complaints comprises this metric. The nine CPUC customer service standards are found in the CPUC's General Order 103-A. This metric is evaluated each quarter for 10 measurements in 20 California service areas for an annual target of 760-767 and a maximum annual metric measurement of 800.

Performance Level*	Criteria	Goal Achieved
Maximum	99% of maximum annual metric	200%
Target	95% of maximum annual metric	100%
Threshold	92% of maximum annual metric	25%

* Multiple tiers apply between the threshold and target level and between the target and maximum level.

- **Utility Plant Investment:** The annual Board-approved capital expenditures budget is the target for this metric. Investment in utility plant, property, and equipment is a driver of stockholder return and a key component of providing reliable, high-quality water service to customers. This metric is updated each year to reflect the annual approved capital program and budget for the Group and its subsidiaries. For 2017, the annual Board-approved capital expenditure budget and target performance level was set at

$210 million, an increase of $20 million over 2016's Board-approved capital expenditure budget.

Performance Level*	2017 (In Millions)	Goal Achieved
Maximum	$230	200%
Target	$210	100%
Threshold	$195	25%

* Multiple tiers apply between the threshold and target level and between the target and maximum level

- **Return on Equity (ROE):** The return on equity of 9.43% on invested capital is the target for this metric. Return on equity is defined using net income divided by average common stockholders' equity. This metric measures the effectiveness of the Group's financial management and regulatory strategy. It provides for a substantial increase in the award for performance above the authorized ROE (20% increase for a 5 basis points [bps] increase in ROE) and a more graduated downside measure (20% decrease in award for a 50 bps decrease in ROE) due to the regulatory mechanisms in place which limit the possibility of achieving high returns on equity. For 2017, the ROE authorized by the CPUC was 9.43%.

Performance Level*	Each Annual Period	Goal Achieved
Maximum	9.96%	200%
Target	9.43%	100%
Threshold	7.46%	20%

* Multiple tiers apply between the threshold and target level and between the target and maximum level.

- **SAFETY:** This metric is measured annually for Cal Water and is the sum of two broadly used indices of a company's workplace safety. Those indices are the federal Occupational Safety and Health Administration Reportable Incident Rate (ORIR) and lost productivity measured in employee days away, restricted, or transferred (DART). The Group's executive team has been focused on improving its management of the safety program and has set this metric to improve performance from the 2016 achieved results. The two measures are aggregated, so performance at the 50% level for each metric would be the equivalent of a 100% performance on this metric as a whole.

Performance Level*	ORIR Measure Performance Target	Numeric Equivalent	Goal Achieved
Maximum	40% improvement over 2016 achieved results	3.4	100%
Target	25% improvement over 2016 achieved results	4.2	50%
Threshold	10% improvement over 2016 achieved results	5.1	25%

* An additional tier applies between the target and maximum level.

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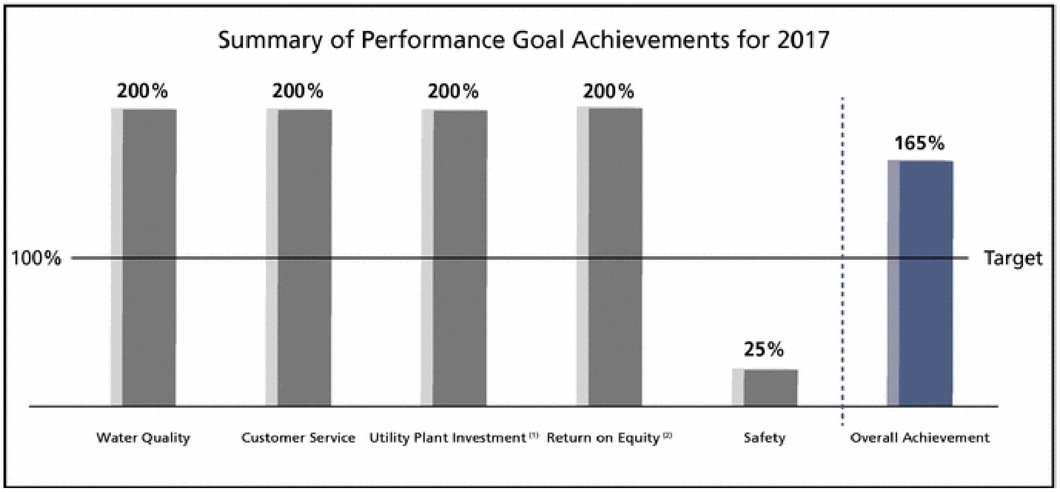
Performance Level*	DART Measure Performance Target	Numeric Equivalent	Goal Achieved
Maximum	40% improvement over 2016 achieved results	2.0	100%
Target	25% improvement over 2016 achieved results	2.6	50%
Threshold	10% improvement over 2016 achieved results	3.0	25%

* An additional tier applies between the target and maximum level.

Summary of Performance Goal Achievements for 2017

The following chart sets forth the performance goals used for short-term and long-term compensation for 2017, and the achievement of each goal as certified by the committee for 2017. The RSU/cash award component weighting is 20% for each of the five performance goals as follows:



- Water Quality was above target with no primary, secondary, or procedural violations.
- Customer Service was above target with 780 annual aggregate metrics met.
- Utility Plant Investment was above target with $220 million in company-funded capital expenditures.
- Return on Equity was above target at 9.93%.*
- Safety was below target at 4.3 ORIR and 3.3 DART.

Total 2017 RSU achievement for all executives = 165%

Total 2017 short-term incentive award achievement for all executives = 165% (award cannot exceed 200%)

(1) The Group's 2017 achieved capital expenditures was $259.2 million as reported in item 7 of the Group's Form 10-K for the year ended December 31, 2017, as filed with the SEC. Excluding developer-funded expenditures of $17.0 million and including accounts payable accruals of

$13.8 million for capital project spend, the Group spent $256.0 million on company-funded capital expenditures for the 2017 performance period.

(2) The Group achieved a return on average common equity in 2017 of 9.93%, as reported in item 7 of the company's Form 10-K for the year ended December 31, 2017, as filed with the SEC.

The table below summarizes the total performance-based incentive compensation paid or earned by our President & CEO, CFO, and the three most highly compensated executives of the Group for the fiscal year ended December 31, 2017.

Name	2017 Performance Stock Earned ($)(1)	2017 Short-Term Incentive Award ($)(2)
Martin A. Kropelnicki	$773,841	$1,297,313
Thomas F. Smegal	189,962	140,910
Lynne P. McGhee	189,962	96,690
Paul G. Townsley	189,962	121,440
Robert J. Kuta	174,997	106,260

(1) The performance stock earned represents the 2017 tranche for the 2015, 2016, and 2017 performance stock awards. The shares for the 2015 performance stock award, which is comprised of the years 2015, 2016, and 2017, were granted following the end of the three-year performance period on March 6, 2018. The shares for the 2016 performance stock award, which is comprised of the years 2016, 2017, and 2018, will be granted following the end of the three-year performance period. The shares for the 2017 performance stock award, which is comprised of the years 2017, 2018, and 2019, will be granted following the end of the three-year performance period.

(2) The short-term incentive compensation is paid out annually following certification of the prior year's results by the Committee.

2018 Compensation

Incentive Awards for 2018

The Committee increased the target short-term compensation values from 2017 to 2018 under the annual incentive program. There was no increase to the target value of the equity compensation awards.

The equity awards vest over three years respectively, with 50% subject to the achievement of performance-based metrics and 50% subject to time-based vesting and continued employment.

On March 6, 2018, the following awards were granted:

- President & CEO – 7,489 shares of RSAs and 7,489 RSUs;
- Vice presidents – 1,954 shares of RSAs and 1,954 RSUs; and
- Other executives – 1,173 shares of RSAs and 1,173 RSUs.

The RSUs are subject to performance-based vesting.

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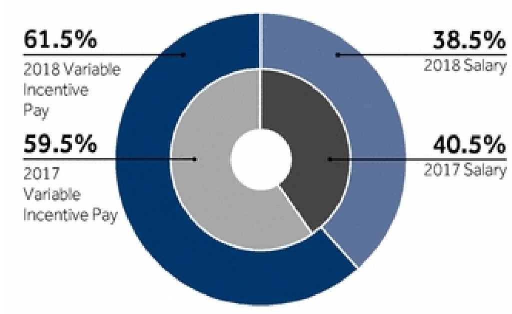
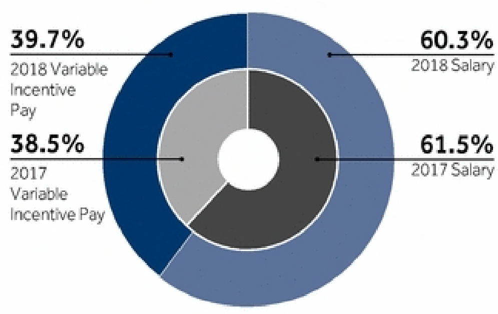
The following charts illustrate variable incentive pay as a percentage of compensation for 2017 and 2018:

Chief Executive Officer
2017-2018 Pay Mix



Other NEOs
2017-2018 Pay Mix



Basic and Supplemental Pension Plan Benefits

In addition to the tax-qualified defined benefit plan that covers all permanent employees, the Group provides supplemental retirement benefits to executives under the SERP. The SERP plan is designed primarily to compensate for limitations imposed by the Internal Revenue Code (Code) on allocations and benefits that may be paid to executives under the Group's tax-qualified plan. Because the Code restricts benefits under the tax-qualified plan, executives otherwise would not be eligible to receive the retirement benefits that are proportional to the benefits received by our employees that generally are based on compensation. The SERP is structured such that benefits are paid to executives on a "pay as you go" basis. The SERP is an unfunded, unsecured obligation of the Group and is designed to assist in attracting and retaining key executives while providing a competitive, total compensation program. Both the qualified pension and SERP expenses are fully recoverable in customer rates.

Deferred Compensation Plan

The Group maintains a deferred compensation plan for its directors, executives, and qualified managers. The plan is intended to promote retention by providing eligible employees, including the executives, with a long-term savings opportunity on an income tax-deferred basis. This plan is voluntary and funded by the individuals who elect to participate in the program. There are no company-matching contributions.

401(k) Plan

All employees satisfying the eligibility requirements are entitled to participate in our 401(k) plan and receive matching contributions from the Group. Pursuant to the plan, all employees, including executives, are entitled to contribute up to the statutory limit set by the Internal Revenue Service (IRS) and the Group matches 75% for each dollar contributed up to eight percent for a maximum company-matching contribution of six percent of employee's base salary.

Limited Perquisites

As part of the Group's automobile policy, the Group's executives have the use of a company-owned automobile, including excess liability insurance. The Committee believes that the use of a company-owned automobile allows the executives to work more efficiently because many of the geographic areas served by the Group are most effectively reached by automobile as opposed to other forms of transportation, such as air travel. Any personal mileage incurred by the executive is taxed as additional compensation in accordance with IRS regulations and paid for by the executive. The Group offers its executives a supplemental medical reimbursement plan providing proactive health protection services including executive physicals and emergency travel assistance. Additionally, the Group also has a relocation program assisting employees required to move on behalf of the company to remain as productive as possible during the relocation transition. Employees who receive relocation assistance are required to sign a repayment agreement. Other than these benefits, the Committee's general philosophy is not to provide perquisites and other personal benefits of substantial value to the executives.

Severance Arrangements

None of the executives is a party to an individual employment agreement with the Group that provides for severance benefits. Additionally, executives are not provided with single-triggered change in control benefits.

Consistent with the Group's compensation philosophy, the Committee believes that the interests of stockholders are best served if the interests of senior management are aligned with those of the Group's stockholders. To this end, the Group provides change in control severance benefits to executives under the Group's Executive Severance Plan to reduce any reluctance of the executives to pursue or support potential change in control transactions that would be beneficial to stockholders. The Group adopted the plan in 1998, and its purpose is to promote the continued employment and dedication of executives without distraction in the face of a potential change in control transaction. The Executive Severance Plan provides severance pay equal to three times base salary to each of the executives if their employment is terminated without good cause or they resign for good reason during the two-year period following a change in control. Each executive will also be eligible to receive a gross-up payment if the executive is required to pay an excise tax under Section 4999 of the Internal Revenue Code. This provision for a tax gross-up has been a part of the Executive Severance Plan since its inception in 1998 and has not been modified since then.

In the event of a termination not in connection with a change in control, each executive is covered by the Group's general severance policy which states that each non-union employee of Group whose employment is terminated without cause is entitled to severance pay of either one week's pay after completing two years of service or two weeks' pay after completing five or more years of service, provided in each case that at least two weeks' notice is given. Under the Group's policies, all executives are entitled to a pay-out of six weeks of vacation time upon termination of employment.

Determining Executive Compensation

Each year the Committee reviews, assesses, and recommends to the Board all compensation for executives after determining that the compensation for these individuals is competitive relative to companies of comparable size, complexity, location, and business nature (see below for additional discussion of this comparison). In addition, the Committee approves the retention, fees, and termination of any compensation consultant or compensation consulting firm used to assist in the evaluation of executive compensation. With respect to 2017 compensation decisions, the Committee retained the services of an independent compensation consultant, Veritas Executive Compensation Consultants (Veritas), for investigation into and advice on compensation for executives. The Committee believes that having an independent evaluation of compensation is a valuable tool for the Committee, the Group, and stockholders. Veritas is not engaged to perform any additional work for the Group. The Committee retained Veritas for several purposes, including:

- Constructing and reviewing compensation comparisons from readily available published survey and public filings data; and
- Performing a competitive assessment of the Group's compensation programs, practices, and levels for its directors and executives.

The Committee made a number of compensation recommendations, including those pertaining to the executives that were based on the competitive assessments provided by and through consultation with Veritas. The Committee's recommendations were made, however, entirely by the Committee, in its sole discretion.

Total compensation level for executives is based on one or more of the following factors:

- The individual's duties and responsibilities within the Group;
- The individual's experience and expertise;
- The compensation levels for the individual's peers within the Group;
- Compensation levels for similar positions based on a review of published compensation surveys; and
- The levels of compensation necessary to recruit, retain, and motivate executives.

In order to determine competitive compensation practices for 2017, the Committee relied, in part, on published survey compensation data as well as proxy data for individual companies. The individual companies are referred to in this proxy statement as the "Peer Group." The Peer Group includes companies that are generally gas, water, or multi-utility-based organizations with one-half to two times the annual revenue size of the Group. For 2017, the Committee made a change to the peer group. The Committee added The Empire District Electric Company, MGE Energy, and Ormat Technologies, all of which are similar to the Group in size and industry scope.

On November 29, 2017, the Committee approved the following companies for inclusion in the Peer Group for 2017 for determining competitive compensation levels:

Allete, Inc.	Northwest Natural Gas Company
American States Water Company	NorthWestern Corp.
Aqua America, Inc.	Otter Tail Corporation
Avista Corporation	Ormat Technologies
Black Hills Corp.	PMN Resources
Chesapeake Utilities Corp.	Portland General Electric
El Paso Electric	San Jose Water Company
MGE Energy	South Jersey Industries, Inc.

Veritas utilized the data from these sources (competitive data) to compile the competitive pay information comparing each executive's compensation to market levels for his/her executive position.

After consideration of the competitive data, the Committee makes decisions regarding each individual executive's target total compensation opportunities based on the Group and individual performance and the need to attract, motivate, and retain an experienced and effective management team. The Committee examined the relationship of each executive's base salary, long-term equity incentives, short-term incentive awards, and total compensation to the competitive data from several perspectives by reviewing the following:

- The competitive data without any adjustments;
- Annual incentive or bonus valued at 50% of median of the market competitive data;
- The lower range of 20% below the median of the market competitive data;
- Target total direct compensation reduced by 20% from the median of the market competitive data; and
- Actual short-term incentive compensation reduced by 20% from the median of the market competitive data.

In making compensation recommendations for the 2017 fiscal year for the executives, the Committee's general objective was to set total compensation within a "competitive range" for each executive's position based on the competitive data. The Committee considers the "competitive range" to mean that compensation levels are within plus or minus 20% of the median compensation levels as determined by reference to the competitive data. Actual compensation decisions for the executives were, however, influenced by a variety of additional factors, including considerations of each individual's experience, expertise, performance and leadership, the Group's performance, and internal equity among the executives. With respect to 2017 compensation planning, the Committee retained the services of Veritas as the independent compensation consultant.

Other Compensation Policies

Stock Ownership Requirements

The Board adopted requirements for our executives and members of our Board to own shares of Group's stock to further align their interests with those of our stockholders. The requirements were adopted to promote a long-term perspective in managing the Group and to help align the interests of our stockholders, directors, and executives. Each non-employee director and executive must directly own Group stock having a market or intrinsic value (i.e., paper gain for vested, unexercised stock options); whichever is higher, equal to:

- For the Group's President & CEO, three times annual base salary;
- For vice presidents, one and one-half times annual base salary;
- For all other executives, one time annual base salary; and
- For non-employee directors, five times annual base retainer.

Executives must retain 50% of the net after-tax shares from equity awards until the relevant ownership requirement is achieved. Non-employee directors are required to achieve the relevant ownership threshold within five years following adoption of the requirements or five years after commencing service, whichever is later. For executives, the Committee reviews compliance with these requirements annually. The Nominating/Corporate Governance Committee reviews compliance with these requirements for non-employee directors annually.

Anti-hedging and No Pledging Policy

In 2012, the Board adopted an insider trading policy that prohibits our directors and executives from participating in put or call options transactions, hedging and pledging transactions, or other inherently speculative transactions with respect to Group stock. This policy was adopted as a matter of good corporate governance and, by prohibiting such transactions for executives, the compensatory value of equity awards on both the upside and the downside remains strong.

Executive Compensation Recovery ("Clawback") Policy

In 2012, the Board also adopted an executive compensation recovery, or "clawback," policy requiring the reimbursement of excess incentive-based compensation provided to the Group's executives in the event of certain restatements of the company's financial statements. The policy allows the Group to clawback incentive-based compensation from executives who were actually involved in the fraud or misconduct that triggered the accounting restatement to the extent that the compensation was in excess of what would have been paid under the accounting restatement. This policy is applicable to all incentive-based compensation paid after implementation of the policy, and it covers the three-year period preceding the date on which the Group is required to prepare the accounting restatement.

Tax and Section 162(m) Implications

When designing compensation policies and setting compensation levels, the Group considers the potential tax treatment of the compensation, but the primary factor influencing program design is the support of business objectives. The Committee has reviewed the Group's compensation structure in light of Section 162(m) of the Code (Section 162(m)), which limits the amount of compensation that the Group may deduct for federal income tax purposes in any given year to $1,000,000 for certain executive officers. For 2017, there were certain exceptions to this limit, one of which is for "performance-based compensation," as defined under Section 162(m). RSAs granted by the Group do not qualify as "performance-based compensation," and thus counted against the $1,000,000 deductibility limit in 2017. Despite the Committee's best intention to implement performance based awards eligible to qualify as tax deductible to the Group under Section 162(m) as in existence at the beginning of 2017, assurances cannot be made that compensation intended to satisfy the requirements for performance-based exemption from Section 162(m) will, due to the ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder.

Effective for taxable years beginning after December 31, 2017, the exemption from Section 162(m)'s deduction limit for performance-based compensation has been repealed. As such, compensation in excess of $1 million paid to applicable executive officers will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017.

In designing the executive compensation decisions for 2018, the Committee carefully considered the effect of the changes made to Section 162(m) together with our factors relevant to our business needs, but did not make any changes to the executive compensation program as a result of those changes.

Summary Compensation Table

The table below summarizes the total compensation paid or earned by our President & CEO, CFO, and the three most highly compensated executive of the Group for the fiscal years ended December 31, 2017, 2016, and 2015.

(a) Name and Principal Position	(b) Year	(c) Salary ($)	(e) Stock Awards ($)(1)	Non-equity Incentive Plan Compensation ($)(2)	(h) Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	(i) All Other Compensation ($)(4)	(j) Total ($)
Martin A. Kropelnicki	2017	$ 921,171	$ 590,985	$ 1,297,313	$ 4,990,347	$ 39,900	$ 7,839,716
President & CEO	2016	$ 824,308	$ 565,818	$ 841,500	$ 2,187,960	$ 29,363	$ 4,448,949
	2015	$ 768,712	$ 509,458	$ 385,000	$ 1,064,617	$ 32,009	$ 2,755,296
Thomas F. Smegal III	2017	426,180	150,297	140,910	1,140,173	42,411	1,899,971
Vice President,	2016	406,980	141,967	82,742	538,025	27,843	1,197,557
Chief Financial	2015	390,592	120,512	49,920	60,668	23,430	645,122
Lynne P. McGhee	2017	292,340	150,297	96,690	1,005,958	33,293	1,578,578
Vice President,	2016	275,834	141,967	56,222	537,848	30,047	1,041,918
General Counsel	2015	264,761	120,512	33,920	200,425	29,979	615,677
Paul G. Townsley	2017	367,131	150,297	121,440	558,960	29,788	1,227,616
Vice President,	2016	345,903	141,967	70,390	428,076	18,406	1,004,742
Rates and Regulatory Matters	2015	335,547	120,512	42,800	276,342	18,482	793,683
Robert J. Kuta	2017	321,390	145,216	106,260	356,131	46,358	975,355
Vice President,	2016	307,002	116,250	62,424	229,010	43,743	758,429
Engineering	2015	228,548	58,924	38,400	125,609	142,230	593,711

(1) Amounts reflect the full grant date fair value of RSAs and RSUs granted in the years shown, calculated in accordance with FASB Accounting Standards Codification (ASC) Topic 718, disregarding estimates for forfeitures and assuming target performance. Assumptions used in the calculation of these amounts are included in footnote 12 of Group's annual report on Form 10-K filed with the SEC on March 1, 2018. The amounts reported are as follows: Mr. Kropelnicki, RSAs of $302,195 and RSUs granted in 2017, 2016, and 2015 of $100,732, $97,265, and $90,793, with a maximum value of $201,464, $194,531, and $181,586; Mr. Smegal, RSAs of $78,829 and RSUs granted in 2017, 2016, and 2015 of $26,276, $25,380, and $19,813 with a maximum value of $52,553, $50,760, and $39,625; Ms. McGhee, RSAs of $78,829 and RSUs granted in 2017, 2016, and 2015 of $26,276, $25,380, and $19,813 with a maximum value of $52,553, $50,760, and $39,625; Mr. Townsley, RSAs of $78,829 and RSUs granted in 2017, 2016, and 2015 of $26,276, $25,380, and $19,813 with a maximum value of $52,553, $50,760, and $39,625; and Mr. Kuta, RSAs of $78,829 and RSUs granted in 2017, 2016, and 2015 of $26,276, $25,380, and $14,731 with a maximum value of $52,553, $50,760, and $29,462. The RSUs reported reflect the grant date fair value of the 2017 portion of the award as performance goals are set for each year of the performance period.

(2) Amounts in this column reflect the amount paid to each executive pursuant to the performance-based short-term incentive compensation program for the applicable year.

(3) Amounts in this column are actuarial increases or decreases in the present value of the accrued pension liability and are included in customer rates through a rate recovery mechanism. Fluctuation in the present value of the accrued pension benefit occur year-to-year due to a number of valuation assumptions including changes in the discount rate, changes in mortality rates, changes in compensation, years of service, and vesting. In 2014, the mortality assumption was updated to the RP-2014 Mortality Table, as prescribed by the Society of Actuaries in October 2014, and replaced the RP-2000 Healthy Mortality Table consistent with Section 430 of the Internal Revenue Code. The interest rate and mortality rate assumptions are consistent with those used in the Group's financial

statements and include amounts which the executives may not be entitled to receive due to vesting requirements consistent with the plans. For further information, see the "Basic and Supplemental Pension Plan Benefits" section of this Proxy Statement. Earnings on the nonqualified deferred compensation plan are noted on the Nonqualified Deferred Compensation table for those executives participating in the plan. Earnings have been excluded from this table since earnings were not at above market or at preferential rates.

(4) All other compensation for 2017 is comprised of 401(k) matching contributions made by the Group on behalf of the executive, the personal use of company-provided vehicles and associated insurance, supplemental medical reimbursement plan, and relocation benefits. The value of the 401(k) matching contributions made by Group on behalf of the named executives was $16,200 for all five listed executives. The reported value attributable to personal use of company-provided cars are as follows: Mr. Kropelnicki, $12,468; Mr. Smegal, $14,979; Ms. McGhee, $14,321, Mr. Townsley, $2,356, and Mr. Kuta, $9,926. The reported values of the supplemental medical reimbursement plan are as follows: Mr. Kropelnicki, $11,232; Mr. Smegal, $11,232; Ms. McGhee, $3,972; Mr. Townsley, $11,232; and Mr. Kuta, $11,232. Additionally, the amount for Mr. Kuta in 2017 includes a housing allowance incurred in connection with his relocation to San Jose, California as approved by the Organization and Compensation Committee.

Grants of Plan-Based Awards for Fiscal Year Ended 2017

The table below sets forth certain information with respect to awards granted during the fiscal year ended December 31, 2017, to each of our NEOs.

		Estimated Payouts Under Non-Equity Incentive Plan Awards ($)(1)			Estimated Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Options Awards ($)
Name (a)	**Grant Date (b)**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(i)**	**(l)**
Martin A. Kropelnicki(3)	2/28/2017	$ 0	$ 786,250	$ 1,572,500	0	8,223	16,446	8,223	$ 604,391
Thomas F. Smegal III(3)	2/28/2017	0	85,400	170,800	0	2,145	4,290	2,145	157,658
Lynne P. McGhee(3)	2/28/2017	0	58,600	117,200	0	2,145	4,290	2,145	157,658
Paul G. Townsley(3)	2/28/2017	0	73,600	147,200	0	2,145	4,290	2,145	157,658
Robert J. Kuta(3)	2/28/2017	0	64,400	128,800	0	2,145	4,290	2,145	157,658

(1) The threshold, target, and maximum values reported are for the performance-based short-term incentive compensation program.

(2) The threshold, target, and maximum units reported are for the full RSU award.

(3) The RSAs granted to the executives on February 28, 2017, pursuant to the Incentive Plan vest over three years, with one-third of the RSAs vesting on the first anniversary of the grant date and the remaining RSAs vesting in equal quarterly installments thereafter. The RSUs reported reflect the grant date fair value of the 2017 portion of the award as performance goals are set for each year of the performance period.

Outstanding Equity Awards at Fiscal 2017 Year-End

	Option Awards				Stock Awards		Equity Incentive Plan Awards	
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1) (h)	Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(1)
Martin A. Kropelnicki	—	—	—	—	935(2)	42,402	11,209(2)	508,328
	—	—	—	—	4,833(4)	219,177	11,593(4)	525,743
	—	—	—	—	8,223(5)	372,913	8,223(5)	372,913
Thomas F. Smegal III	—	—	—	—	204(2)	9,251	2,446(2)	110,926
	—	—	—	—	1,262(4)	57,232	3,025(4)	137,184
	—	—	—	—	2,145(5)	97,276	2,145(5)	97,276
Lynne P. McGhee	—	—	—	—	204(2)	9,251	2,446(2)	110,926
	—	—	—	—	1,262(4)	57,232	3,025(4)	137,184
	—	—	—	—	2,145(5)	97,276	2,145(5)	97,276
Paul G. Townsley	—	—	—	—	204(2)	9,251	2,446(2)	110,926
	—	—	—	—	1,262(4)	57,232	3,025(4)	137,184
	—	—	—	—	2,145(5)	97,276	2,145(5)	97,276
Robert J. Kuta	—	—	—	—	154(3)	6,984	1,846(3)	83,716
	—	—	—	—	1,262(4)	57,232	3,025(4)	137,184
	—	—	—	—	2,145(5)	97,276	2,145(5)	97,276

(1) The market value of the stock awards represents the product of the closing price for the Group's common stock on the New York Stock Exchange as of December 31, 2017, which was $45.35, and the number of shares underlying each such award.

(2) Awards were granted on March 3, 2015, with 33.3% vesting on the first anniversary of the grant date and the remaining 66.7% vesting ratably over 24 months. RSUs are for performance periods 2015, 2016, and 2017 and vest on March 3, 2018.

(3) Awards were granted on May 5, 2015, with 33.3% vesting on March 3, 2016 and the remaining 66.7% vesting ratably over 24 months. RSUs are for performance periods 2015, 2016, and 2017 and vest on March 3, 2018.

(4) Awards were granted on March 1, 2016, with 33.3% vesting on March 1, 2017, and the remaining 66.7% vesting ratably over 24 months. RSUs are for performance periods 2016, 2017, and 2018 and vest on March 1, 2019.

(5) Awards were granted on February 28, 2017, with 33.3% vesting on February 28, 2018, and the remaining 66.7% vesting ratably over 24 months. RSUs are for performance periods 2017, 2018, and 2019 and vest on February 28, 2020.

Option Exercises and Stock Vested

For Fiscal Year Ended 2017

	Option Awards		Stock Awards	
Name (a)	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise ($) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting ($) (e)
Martin A. Kropelnicki	—	—	26,117	$ 965,594
Thomas F. Smegal III	—	—	6,329	234,088
Lynne P. McGhee	—	—	6,329	234,088
Paul G. Townsley	—	—	6,329	234,088
Robert J. Kuta	—	—	2,379	90,053

Pension Benefits

For Fiscal Year Ended 2017

The table below shows the present value of accumulated benefits payable to each of the NEOs, including the number of years of service credited to each executive under the California Water Service Pension Plan ("Pension Plan") and the SERP, each of which is described elsewhere in this Proxy Statement.

Name (a)	Plan Name (b)	Number of Years Credited Service (#)(1) (c)	Present Value of Accumulated Benefit ($)(2) (d)
Martin A. Kropelnicki President & CEO	California Water Service Pension Plan	11.80	$ 917,514
	Supplemental Executive Retirement Plan	11.80	10,750,287
Thomas F. Smegal III Vice President, Chief Financial Officer and Treasurer	California Water Service Pension Plan	20.67	1,316,601
	Supplemental Executive Retirement Plan	15.00	3,644,997
Lynne P. McGhee Vice President, General Counsel	California Water Service Pension Plan	14.56	1,064,254
	Supplemental Executive Retirement Plan	14.56	2,526,786
Paul G. Townsley Vice President, Rates and Regulatory Matters	California Water Service Pension Plan	4.83	492,804
	Supplemental Executive Retirement Plan	4.83	1,263,554
Robert J. Kuta Vice President, Engineering	California Water Service Pension Plan	2.71	233,898
	Supplemental Executive Retirement Plan	2.71	476,852

(1) Assumptions used in the calculation of the present value are included in footnote 11 of Group's annual report on Form 10-K filed with the SEC on March 1, 2018.

(2) Includes amounts the NEOs may not currently be entitled to receive because such amounts are not vested.

The benefits under the SERP are obtained by applying the benefit provisions of the Pension Plan, a tax-qualified plan, to all compensation included under the Pension Plan, without regard to these limits, reduced by benefits actually accrued under the Pension Plan. Under the SERP, all eligible executives are fully vested after 15 years of service and at age 60. SERP participants are eligible for early retirement starting at age 55 and would receive a reduced benefit ranging from 74% to 95% of their monthly SERP benefit upon early retirement between the ages of 55 and 60. Under the Pension Plan, all eligible employees, including executives, are fully vested after 35 years of service. The SERP is structured such that benefits are paid to executives on a "pay as you go" basis. None of the executives received any payments under the Pension Plan or SERP during 2017.

The combined maximum benefit payout under the SERP and Pension Plan achievable by an executive is 60% of the average, eligible compensation paid over the previous 36 months prior to retirement.

Nonqualified Deferred Compensation

For Fiscal Year Ended 2017

Name (a)	Executive Contributions in Last FY ($)(1) (b)	Aggregate Earnings in Last FY ($)(1) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last FY ($)(2) (f)
Martin A. Kropelnicki	$ 490,353	$ 139,139	$ —	$ 1,183,976
Thomas F. Smegal III	—	—	—	—
Lynne P. McGhee	—	3,214	—	22,579
Paul G. Townsley	40,152	20,506	—	198,790
Robert J. Kuta	3,121	576	—	6,988

(1) All of the amounts reported under "Executive Contributions in Last FY" are included in the Summary Compensation Table for 2017. None of the amounts reported under "Aggregate Earnings in Last FY" are included in the Summary Compensation Table for 2017.

(2) The amounts reported under "Aggregate Balance at Last FY" that are included in the Summary Compensation Table in years prior to 2017 are as follows: Mr. Kropelnicki, $419,250; Mr. Townsley, $128,581; and Mr. Kuta, $3,161.

The Deferred Compensation Plan provides specified benefits to a select group of management and highly compensated employees who contribute materially to the continued growth, development, and future business success of the Group. The Deferred Compensation Plan permits the Group's executives and eligible managers to defer up to 50% of their base salary. The Group does not make any contributions to the Deferred Compensation Plan. The Deferred Compensation Plan's investment options are similar, but not identical, to the Group's tax-qualified 401(k) plan and are funded by a Rabbi trust created for the funding of such benefits. Benefits under the Deferred Compensation Plan are payable by the Group upon separation from service with the Group either in lump sum at separation, in monthly installments over five years following separation, or in lump sum or installments commencing five years following separation.

Potential Payments upon Termination or Change in Control

The information below describes certain compensation that would have become payable under existing plans and contractual arrangements assuming a termination of employment, or a change in control and termination of employment, had occurred on December 31, 2017, given the executive's compensation and service levels as of such date. In addition to the benefits described below, upon any termination of employment, each of the executives would also be entitled to the benefits as described in the table of Pension Benefits for Fiscal Year 2016 and the amount shown in the column labeled "Aggregate Balance at Last FY" of the table of Nonqualified Deferred Compensation for Fiscal Year 2017 above.

On December 16, 1998, the Group adopted the Executive Severance Plan. The Executive Severance Plan provides that if within 24 months following a change in control of the Group, the executive's employment is terminated by the Group for any reason other than good cause or by the executive for good reason, the Group will make a cash payment to the executive in an amount equal to three times such executive's base salary on the date of the change in control or on the date that the executive's employment terminates, whichever is greater. The payments would be paid in three equal annual installments commencing on the first of the month following the month in which the executive's employment terminated and payable thereafter on the anniversary of the initial payment date. Each executive will also receive a gross-up payment if the executive is required to pay an excise tax under section 4999 of the Internal Revenue Code.

Each executive's entitlement to the severance payment is conditioned upon execution of a release agreement. Additionally, the executive forfeits the right to receive the severance payment if he or she violates the non-solicitation and confidentiality provisions of the Executive Severance Plan.

For purposes of the Executive Severance Plan, the term "change in control" means the occurrence of (i) any merger or consolidation of the Group in which the Group is not the surviving organization, a majority of the capital stock of which is not owned by the stockholders of the Group immediately prior to such merger or consolidation; (ii) a transfer of all or substantially all of the assets of the Group; (iii) any other corporate reorganization in which there is a change in ownership of the outstanding shares of the Group wherein thirty percent (30%) or more of the outstanding shares of the Group are transferred to any person; (iv) the acquisition by or transfer to a person (including all affiliates or associates of such person) of beneficial ownership of capital stock of the Group if after such acquisition or transfer such person (and their affiliates or associates) is entitled to exercise thirty percent (30%) or more of the outstanding voting power of all capital stock of the Group entitled to vote in elections of directors; or (v) the election to the Board of Directors of the Group of candidates who were not recommended for election by the Board of Directors of the Group in office immediately prior to the election, if such candidates constitute a majority of those elected in that particular election.

For purposes of the Executive Severance Plan, "good cause" will be deemed to exist if (i) the applicable executive engages in acts or omissions that result in substantial harm to the business or property of the Group and that constitute dishonesty, intentional breach of fiduciary obligation, or intentional wrongdoing; or (ii) the applicable executive is convicted of a criminal violation involving fraud or dishonesty.

For purposes of the Executive Severance Plan, "good reason" will be deemed to exist if, without the applicable executive's consent, (i) there is a significant change in the nature or the scope of the applicable executive's authority or in his or her overall working environment; (ii) the applicable executive is assigned duties materially inconsistent with his or her present duties, responsibilities and status; (iii) there is a reduction in the applicable executive's rate of base salary or bonus; or (iv) the Group changes by 100 miles or more the principal location in which the applicable executive is required to perform services. Had a change in control occurred during fiscal year 2017 and had their employment been terminated on December 31, 2017, either without good cause or by the executive for good reason, the NEOs would have been eligible to receive the payments set forth in the table below.

In addition to the Executive Severance Plan, each executive is covered by the Group's general severance policy. Under the severance policy, each non-union employee of Group whose employment is terminated without cause is entitled to severance pay of either one week's pay after completing two years of service or two weeks' pay after completing five or more years of service, provided at least two weeks' notice is given. In addition, all executives are entitled to a payout of six weeks of vacation time upon any termination of employment, to be paid in a lump sum at termination. In the absence of a change in control, had their employment been terminated on December 31, 2017, without cause, the executives would have been eligible to receive the payments set forth below.

Potential Payments upon Termination or Change in Control

Name	Change in Control and Termination of Employment Severance Amount ($)	Termination of Employment without a Change in Control Severance Amount ($)
Martin A. Kropelnicki	$ 2,775,000	$ 142,308
Thomas F. Smegal III	1,281,000	65,692
Lynne P. McGhee	879,000	45,077
Paul G. Townsley	1,104,000	49,538
Robert J. Kuta	966,000	43,346

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the ratio of the annual total compensation, calculated in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K of our median compensated employee and the annual total compensation of our President & CEO, Martin A. Kropelnicki.

The 2017 annual total compensation of the median compensated of all our employees who were employed on December 30, 2017, other than our President & CEO, was $127,258; Mr. Kropelnicki's 2017 annual total compensation was $7,839,716, inclusive of $4,990,347 which as previously disclosed represents the estimated present value changes in the actuarial projections of his future potential pension benefits under the groups authorized retirement plans; the ratio of these amounts was 1-to-62. Actual benefits earned are contingent upon a number of factors including years of service, age at retirement, expected life mortality tables, interest rates, and service level vesting requirements. Excluding the $4,990,347 estimated change in present value of the actuarially projected pension benefits, the 2017 annual total compensation of both Mr. Kropelnicki's and our median compensated employee would result in 2017 annual compensation of $2,849,367 and $88,243 respectively, the ratio of these amounts was 1-to-32.

The SEC's rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. As a result, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

The pay ratio reported above is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll and employment records and the methodology described below. For these purposes, we identified the median compensated employee by first including full-time, part-time, seasonal, and temporary employees, excluding the President & CEO, for a total of 1,178 employees in the median compensation pool. We used actual salary and compensation paid in 2017, as reflected in our payroll records, excluding equity awards and bonus payments as these are not broadly distributed, to determine the median employee. We then calculated the median employee's total compensation in accordance with SEC rules to determine the pay ratio. We did not annualize the compensation for any employee who did not work for the entire year. We identified our employee population as of December 30, 2017 based on our payroll records.

Director Compensation

For Fiscal Year Ended 2017

The Group's non-employee directors receive retainers comprised of both a cash award and an equity award along with meeting fees for their service. The Nominating/Corporate Governance Committee is responsible for non-employee director compensation and makes recommendations to the Board. For 2017, the Nominating/Corporate Governance retained the services of Veritas for determining non-employee director compensation.

Our 2017 director compensation program is summarized in the table below:

2017 Director Compensation Program

Board Retainers:	
Annual Base Retainer – All Directors	$ 50,000
Chairman of the Board Retainer	$ 60,000
Lead Director Retainer	$ 22,000
Committee Chair Retainers:	
Audit Committee Chair Retainer	$ 15,000
Organization and Compensation Committee Chair Retainer	$ 12,000
Nominating and Corporate Governance Committee Chair Retainer	$ 9,500
Finance and Risk Management Committee Chair Retainer	$ 7,000
Board/Committee Meeting Attendance Fees:	
Chairman of the Board – Board Attendance Fee	$ 4,600
All other Directors – Board Attendance Fee	$ 2,300
Chairman of the Board – Committee Attendance Fee	$ 1,800
All other Directors – Committee Attendance Fees	$ 1,800
Equity:	
Annual RSA Equity Grants(1)	$ 72,000

(1) In 2017, non-employee directors received grants of restricted stock valued at $72,000 as the Board retainer. The restricted stock grants were made on March 1, 2017, and were fully vested on the first anniversary of the grant date.

In September of 2017, Veritas provided assistance to the Nominating/Corporate Governance Committee in the annual review of director compensation, with recommendations based on competitive positioning, both in terms of individual compensation components and total compensation. With consideration for this review, the Nominating/Corporate Governance Committee approved increases to the foregoing amounts, effective January 1, 2018, as follows: non-employee directors will receive an annual base retainer of $55,000 and a grant of restricted stock valued at $80,000. The Finance and Risk Management Committee chair will receive a retainer of $10,000, the Organization and Compensation Committee chair will receive a $13,500 retainer, the Nominating/Corporate Governance Committee chair will receive a $12,500 retainer, and the Audit Committee chair will receive a $15,000 retainer. Board and committee meeting fees for the chairman and other non-employee directors will remain unchanged for 2017. The chairman will receive a Board retainer of $55,000 and a chairman retainer of $60,000 for 2018. The lead director will receive a $22,000 retainer due to continued increased responsibilities, including stockholder engagement.

The Board of Directors requires non-employee directors to maintain a certain amount of stock ownership consistent with our stock ownership requirements. Pursuant to the Group's Corporate Governance Guidelines, available on the Group's website at http://www.calwatergroup.com, beneficial ownership of an aggregate amount of shares having a value of five times the amount of the annual base retainer is required. Non-employee directors are required to achieve the relevant ownership threshold within five years following adoption of the requirements or five years after commencing service, whichever is later. The Nominating/Corporate Governance Committee will review compliance with these requirements for non-employee directors on an annual basis.

Directors may elect to defer cash compensation payable to them under the Group's deferred compensation plan in the same manner as applicable to the Group's executives as described above. In addition, the Group maintains a Director Retirement Plan for the benefit of its non-employee directors. In December 2005, this plan was closed to new participants; however Mr. Magnuson and Mr. Vera were, at that time, participants in the plan and thus continues to accrue benefits thereunder. Under the Director Retirement Plan, a director who participates in the plan and retires after serving on the Board for a total of five or more years will receive a retirement benefit equivalent to $22,000 per year. This benefit will be paid for the number of years the director served on the Board, up to 10 years. Amounts were paid to directors under this program in 2017 for former directors Douglas M. Brown, Robert W. Foy, Bonnie G. Hill, and Linda R. Meier.

Non-Employee Director Compensation

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($)(2)(3) (c)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(4) (f)	Total ($) (h)
Peter C. Nelson(1) Chairman	$ 174,800	$ 75,705	$ —	$ 250,505
Richard P. Magnuson Lead Director	122,000	75,705	8,275	205,980
Gregory E. Aliff	83,300	75,705	—	159,005
Terry P. Bayer	79,200	75,705	—	154,905
Edwin A. Guiles	101,100	75,705	—	176,805
Bonnie G. Hill	31,334	31,164	4,922	67,420
Thomas M. Krummel, M.D.	100,700	75,705	—	176,405
Carol M. Pottenger	23,567	24,066		47,633
Lester A. Snow	81,500	75,705	—	157,205
George A. Vera	110,900	75,705	10,521	197,126

(1) Mr. Nelson's retainer consists of $60,000 for his role as Chairman of the Board.

(2) Amounts reflect the full grant date fair value of each RSA granted in 2017 to the non-employee directors, calculated in accordance with FASB ASC Topic 718, disregarding estimates for forfeitures. Assumptions used in the calculation of these amounts are included in footnote 12 of Group's annual report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2018.

(3) At the end of 2017, the aggregate number of RSAs held by each current non-employee director was as follows: Peter C. Nelson, 15,118; Gregory E. Aliff, 5,647; Terry P. Bayer, 9,231; Edwin A. Guiles, 25,562; Dr. Thomas M. Krummel, M.D., 19,652; Richard P. Magnuson, 28,112; Carol M. Pottenger, 573; Lester A. Snow, 15,982; and George A. Vera, 28,112.

(4) Amounts in this column represent the actuarial increase in the present value of the director benefits under the Group's Director Retirement Plan. In December 2005, this plan was closed to new participants; however, any director active in 2005 will continue to accrue benefits.

REPORT OF THE ORGANIZATION AND COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION

The Organization and Compensation Committee of the Group's Board of Directors has submitted the following report for inclusion in this Proxy Statement:

The Organization and Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on our review of and the discussions with management with respect to the Compensation Discussion and Analysis, the Organization and Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in the Group's annual report on Form 10-K for the fiscal year ended December 31, 2017, for filing with the SEC.

The foregoing report is provided by the following directors, who constitute the Organization and Compensation Committee:

ORGANIZATION AND COMPENSATION COMMITTEE
Thomas M. Krummel, M.D., Committee Chair
Terry P. Bayer
Edwin A. Guiles
Lester A. Snow

ORGANIZATION AND COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The following directors were members of the Organization and Compensation Committee during the 2017 fiscal year: Thomas M. Krummel, M.D., Committee Chair, Terry P. Bayer, Edwin A. Guiles, and Lester A. Snow. No member of the Organization and Compensation Committee was an executive or employee of the Group or any of its subsidiaries during 2017, nor was any such member previously an executive of the Group or any of its subsidiaries. No member of the Organization and Compensation Committee had any material interest in a transaction of the Group or a business relationship with, or any indebtedness to the Group, in each case that would require disclosure under "Procedures for Approval of Related Person Transactions" included elsewhere in this Proxy Statement.

None of the executives of the Group have served on the board of directors or on the compensation committee of any other entity, any of whose executives served either on the Board of Directors or on the Organization and Compensation Committee of the Group.

PROCEDURES FOR APPROVAL OF RELATED PERSON TRANSACTIONS

Transactions involving related persons are reviewed on a case-by-case basis and approved as appropriate. The Board's Nominating/Corporate Governance Committee is responsible for review, approval, or ratification of "related person transactions" involving the Group or its subsidiaries and related persons. Under rules of the Securities and Exchange Commission, a related person is a director, executive, nominee for director, or a greater than 5% stockholder of the Group since the beginning of the previous fiscal year. Potential related person transactions are brought to the attention of management and the Board in a number of ways. Each of our directors and executives is instructed and periodically reminded to inform the Corporate Secretary of any potential related person transactions. In addition, each director and executive completes a questionnaire on an annual basis designed to elicit information about any potential related person transactions.

Since the beginning of 2017, there were no related person transactions under the relevant standards.

PROPOSAL NO. 2 – ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

The Group is asking stockholders to vote on an advisory resolution to approve the Group's executive compensation programs as reported in this Proxy Statement in accordance with Section 14(A) of the Securities Exchange Act of 1934. The Board has adopted a policy providing for an annual advisory vote to approve executive compensation. Stockholders previously indicated their preference that the advisory vote on named executive compensation occur once every year.

At last year's Annual Meeting, 93% of the votes cast were "for" the 2016 compensation of our named executive officers as compared with 91% for the 2015 compensation and 92% for the 2014 compensation. We believe that our executive compensation program is now strongly aligned with the long-term interests of our stockholders as well as customers. As discussed in the Compensation Discussion and Analysis section of this Proxy Statement, the Board and the Organization and Compensation Committee considered the results of these "Say-on-Pay" votes and modified our executive compensation program for 2013 and continued to apply the same effective principles when making compensation decisions for 2017.

The Group's goal for its executive compensation programs is to attract, motivate, and retain talented executives who will provide leadership for the Group. The Group seeks to accomplish this goal in a way that rewards performance and is aligned with the long-term interests of customers and stockholders. The Group believes that its executive compensation programs achieve this goal.

The "Compensation Discussion and Analysis" section of this Proxy Statement describes the Group's executive compensation programs and the decisions made by the Organization and Compensation Committee for 2017 in more detail. Highlights of the programs include the following:

- *Performance-based Equity Compensation;*
- *Short-term Performance-based Incentive Compensation;*
- *No Employment Agreements;*
- *No Single Trigger Change in Control Benefits;*
- *No Tax Gross-Ups on Perquisites;*
- *Limited Perquisites;*
- *Director and Executive Stock Ownership Requirements;*
- *Clawback Policy; and*
- *Anti-hedging and Anti-pledging Policies.*

For 2017, 50% of long-term equity awards granted to our executives are in the form of RSUs subject to performance-based vesting criteria and 50% are in the form of time-based RSAs. The performance-based RSUs provide for a three-year performance period and provide for vesting based solely upon the achievement of objective performance criteria. The performance criteria are tied to the following performance metrics: water quality, customer service, plant additions, return on assets, and safety.

Further, in 2014, we introduced annual performance-based short-term incentive compensation for executives as part of the Group's executive compensation program. The Committee believes that our executive compensation program provides a good mix of short-term and long-term compensation that supports the business strategies and creates long-term stockholder value.

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The Group is asking stockholders to support the named executive officer compensation as described in this Proxy Statement. The Organization and Compensation Committee and the Board believe that the policies and procedures articulated in the "Compensation Discussion and Analysis" are effective in achieving the Group's goals and that the compensation of the Group's named executive officers reported in this Proxy Statement has supported and contributed to the Group's success. Accordingly, the Group asks stockholders to vote "FOR" the following resolution at the Annual Meeting:

> "RESOLVED, that the stockholders of California Water Service Group approve, on an advisory basis, the compensation paid to California Water Service Group's named executive officers, as disclosed in this Proxy Statement pursuant to the SEC's compensation disclosure rules, including the Compensation Discussion and Analysis, the compensation tables and related narrative discussion."

This advisory resolution, commonly referred to as a "Say-on-Pay" resolution, is not binding upon the Group, the Organization and Compensation Committee, or the Board. However, the Board and the Organization and Compensation Committee, which is responsible for designing and administering the Group's executive compensation programs, value the opinions expressed by stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for named executive officers. After consideration of the vote of stockholders at the 2017 Annual Meeting of Stockholders and other factors, the Board decided to hold advisory votes on the approval of executive compensation annually until the next advisory vote on frequency occurs. Unless the Board modifies its policy on the frequency of future advisory votes, the advisory vote to approve the 2018 executive compensation will be held at the 2019 Annual Meeting.

Vote Required

Approval of Proposal No. 2 requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

Recommendation of the Board

Our Board of Directors unanimously recommends that you vote "FOR" this proposal.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Group's financial reporting process on behalf of the Board of Directors. The Audit Committee's purpose and responsibilities are set forth in the Audit Committee charter. The current charter is available on the Group's website at http://www.calwatergroup.com. The Audit Committee consists of four members, each of whom meet the New York Stock Exchange standards for independence and the Sarbanes-Oxley Act independence standards for Audit Committee membership, and three of the Audit Committee's four members meet the requirements of an Audit Committee financial expert. During 2017, the Audit Committee met five times.

The Group's management has primary responsibility for preparing the Group's financial statements and the overall reporting process, including the Group's system of internal controls. Deloitte & Touche LLP, the Group's independent registered public accounting firm, audited the financial statements prepared by the Group and expressed their opinion that the financial statements fairly present the Group's financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. Deloitte & Touche LLP also determined that the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017.

In connection with the December 31, 2017 financial statements, the Audit Committee:

(1) Reviewed and discussed the audited financial statements with management and Deloitte & Touche LLP;

(2) Discussed with Deloitte & Touche LLP the matters required to be discussed under applicable rules of the Public Company Accounting Oversight Board;

(3) Received from Deloitte & Touche LLP the written disclosures and the letter required by applicable rules of the Public Company Accounting Oversight Board regarding the firm's communications with the Audit Committee concerning independence, and also discussed with Deloitte & Touche LLP the firm's independence, and considered whether the firm's provision of non-audit services and the fees and costs billed for those services are compatible with Deloitte & Touche LLP's independence; and

(4) Met privately with Deloitte & Touche LLP and the Group's internal auditor, each of whom has unrestricted access to the Audit Committee, without management present, and discussed their evaluations of the Group's internal controls and overall quality of the Group's financial reporting and accounting principles used in preparation of the financial statements. The Committee also met privately with the Group's President & CEO, the CFO and the Controller to discuss the same issues.

Based upon these reviews and discussions, the Audit Committee recommended to the Board that the audited financial statements be included in the annual report on Form 10-K to be filed with the Securities and Exchange Commission.

AUDIT COMMITTEE
George A. Vera, Committee Chair
Gregory E. Aliff
Edwin A. Guiles
Richard P. Magnuson

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RELATIONSHIP WITH THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee is directly responsible for the appointment, compensation, retention, and oversight of the Group's independent registered public accounting firm. The Audit Committee evaluates the selection of the independent registered accounting firm each year. In addition, the Audit Committee considers the independence of the independent registered public accounting firm each year and periodically considers whether there should be a regular rotation of the independent registered public auditing firm. The Audit Committee also is involved in considering the selection of Deloitte & Touche LLP's lead engagement partner when rotation is required.

Deloitte & Touche LLP has served as the Group's independent auditor since fiscal 2008. After careful consideration of a number of factors, including the length of time the firm has served in this role, the firm's past performance, and an assessment of the firm's qualifications and resources, the Audit Committee has selected Deloitte & Touche LLP to serve as the Group's independent registered public accounting firm for the year ending December 31, 2018. The Committee's selection of Deloitte & Touche LLP as the Group's independent registered public accounting firm is being submitted for ratification by vote of the stockholders at this Annual Meeting.

The following fees relate to services provided by Deloitte & Touche LLP, the Group's independent registered public accounting firm for fiscal years 2016 and 2017.

Category of Services	2016	2017
Audit Fees(1)	$ 1,477,500	$ 1,434,268
Audit-Related Fees	0	0
Tax Fees	0	0
All Other Fees	0	221,358
Total	1,477,500	1,655,626

(1) The audit services included audits of the Group's annual financial statements for the years ended December 31, 2016 and 2017, and quarterly reviews of the Group's interim financial statements. Included also are fees related to the audit of the effectiveness of internal control over financial reporting.

Fees reported in the above table are those billed or expected to be billed for audit services related to that fiscal year and for other services rendered during that fiscal year.

The Audit Committee is responsible for overseeing audit fee negotiations associated with the retention of Deloitte & Touche LLP for the audit of the Group. Additionally, it is the policy of the Audit Committee, as set forth in its charter, to approve in advance all audit and permissible non-audit services to be provided by the independent registered public accounting firm, as well as related fees. Under applicable law, the Audit Committee may delegate preapproval authority to one or more of its members, and any fees preapproved in this manner must be reported to the Audit Committee at its next scheduled meeting.

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PROPOSAL NO. 3 – RATIFICATION OF SELECTION OF DELOITTE & TOUCHE LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018

After consideration, and as a matter of good corporate governance, the Board is requesting stockholder ratification of Deloitte & Touche LLP as the independent registered public accounting firm, to audit the Group's books, records, and accounts for the year ending December 31, 2018. The members of the Audit Committee and the Board believe that the continued retention of Deloitte & Touche LLP to serve as the Group's independent registered public accounting firm is in the best interests of the Group and its stockholders. Following the recommendation of the Audit Committee, the Board recommends a vote FOR the adoption of this proposal. Representatives of Deloitte & Touche LLP will be present at the meeting to answer questions and will have an opportunity to make a statement if they desire to do so. If the stockholders do not ratify this appointment, the Audit Committee will reconsider the selection of the independent registered public accounting firm.

Vote Required

Ratification of the selection of the independent registered public accounting firm for 2018 requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

Recommendation of the Board

Our Board of Directors unanimously recommends that you vote "FOR" this proposal.