

Net periodic benefit costs for the pension and other postretirement plans for the years ending December 31, 2002, 2001 and 2000 included the following components:

<i>In thousands</i>	<i>Pension Plan</i>			<i>Other Benefits</i>		
	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Service cost	\$ 2,968	\$ 2,786	\$ 2,846	\$ 815	\$ 625	\$ 544
Interest cost	4,404	4,333	4,079	1,037	858	790
Expected return on plan assets	(4,497)	(4,946)	(4,498)	(216)	(212)	(152)
Net amortization and deferral	1,166	855	486	500	363	357
Net periodic benefit cost	\$ 4,041	\$ 3,028	\$ 2,913	\$2,136	\$1,634	\$1,539

Postretirement benefit expense recorded in 2002, 2001, and 2000 was \$1,157,000, \$885,000, and \$781,000, respectively. \$5,165,000, which is recoverable through future customer rates, is recorded as a regulatory asset. The Company intends to make annual contributions to the plan up to the amount deductible for tax purposes.

For 2002 measurement purposes, the Company assumed a 7% annual rate of increase in the per capita cost of covered benefits with the rate decreasing 1% per year to a long-term annual rate of 5% per year after two years. The health care cost trend rate assumption has a significant effect on the amounts reported. A one-percentage point change in assumed health care cost trends is estimated to have the following effect:

<i>In thousands</i>	<i>1-percentage Point Increase</i>	<i>1-percentage Point Decrease</i>
Effect on total service and interest costs	\$ 354	\$ (279)
Effect on accumulated postretirement benefit obligation	\$2,742	\$(2,216)

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STOCK-BASED COMPENSATION PLANS

The Company has a stockholder-approved Long-Term Incentive Plan that allows granting of nonqualified stock options, performance shares and dividend units. Under the plan, a total of 1,500,000 common shares are authorized for option grants. Options are granted at an exercise price that is not less than the per share common stock market price on the date of grant. The options vest at a 25% rate on their anniversary date over their first four years and are exercisable over a ten-year period. At December 31, 2002, 36,750 options were exercisable at a weighted average price of \$24.08.

Certain key Dominguez executives participated in the Dominguez 1997 Stock Incentive Plan that was terminated at the time Dominguez merged with the Company. The plan provided that in the event of a merger of Dominguez into another entity, granted but unexercised stock options issued became exercisable. Prior to the Merger, all outstanding Dominguez options were exercised and converted into Dominguez shares, and subsequently converted to 52,357 shares of Company common stock.

The fair value of stock options used to compute pro forma net income and earnings per share disclosures is the estimated fair value at grant date using the Black-Scholes option-pricing model with the following assumptions:

	<i>2002</i>	<i>2001</i>	<i>2000</i>
Expected dividend	4.5%	4.3%	4.3%
Expected volatility	27.7%	30.4%	22.0%
Risk-free interest rate	3.25%	4.6%	4.9%
Expected holding period in years	5.0	5.0	5.0