

AMERICAN STATES WATER CO  
Form DEF 14A  
April 06, 2009

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ Soliciting Material Under Rule  
14a-12

☐ Confidential, For Use of the  
Commission Only (as permitted  
by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

AMERICAN STATES WATER COMPANY

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(Name of Registrant as Specified In Its Charter)  
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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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☒ No fee required.

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schedule and the date of its filing.

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1) Amount previously paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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## American States Water Company

# Notice of the 2009 Annual Meeting of Shareholders and the 2009 Proxy Statement

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### **Notice of 2009 Annual Meeting of Shareholders**

**Date:** May 19, 2009

**Time:** 10:00 a.m., Pacific Time

**Location:** Pasadena Hilton

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168 S. Los Robles Avenue  
Pasadena, California 91101

**Record Date:** March 23, 2009

**Agenda:** To elect the following four class I directors to the board of directors to serve until the annual meeting in 2011 or until their successors are duly elected and qualified:

Mr. James L. Anderson  
Dr. Diana M. Bontá  
Ms. Anne M. Holloway  
Mr. Robert J. Sprowls

To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm; and

To transact any other business, which may properly come before the 2009 annual meeting or any adjournment thereof.

By order of the board of directors:  
Ms. Eva G. Tang  
Corporate Secretary

San Dimas, California  
April 6, 2009

**Important Notice Regarding the Availability of Proxy Materials  
For the Shareholders Meeting To Be Held on May 19, 2009**

**Our proxy statement is attached. Financial and other information concerning our company is contained in the Annual Report on Form 10-K for the year ended December 31, 2008. Pursuant to new rules adopted by the Securities and Exchange Commission, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This proxy statement and our 2008 annual report are available at [www.proxyvote.com](http://www.proxyvote.com).**

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**Directions for Attending the 2009 Annual Meeting**

We will hold the 2009 annual meeting at the Pasadena Hilton, 168 S. Los Robles Avenue, Pasadena, California 91101.

For shareholders of record, the detachable portion of your proxy card is your ticket to the 2009 annual meeting. Please present your ticket when you reach the registration area at the 2009 annual meeting.

For shareholders who hold shares through a brokerage firm, bank or other holder of record, your admission ticket is the copy of your latest account statement showing your investment in our common shares. Please present your account statement to one of our representatives at the 2009 annual meeting. You cannot vote your shares at the 2009 annual meeting unless you have obtained a legal proxy from your broker, bank or other shareholder of record. A copy of your account statement is not sufficient for this purpose.

**Directions to the Pasadena Hilton**

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**April 6, 2009**

**American States Water Company  
630 East Foothill Blvd.  
San Dimas, California 91773**

**2009 Proxy Statement**

We are sending this proxy statement and the accompanying proxy to each of our shareholders of record on or about April 6, 2009 in connection with the solicitation by our board of directors of proxies to be voted at our 2009 annual meeting and any adjournments thereof. We have set the record date for determining the shareholders entitled to vote at the 2009 annual meeting as the close of business on March 23, 2009. As of March 23, 2009, we had 17,320,092 common shares outstanding. We do not have any other outstanding equity securities. Each of our common shares is entitled to one vote.

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We will hold our 2009 annual meeting on May 19, 2009 at 10:00 a.m., Pacific Time, at the Pasadena Hilton, 168 S. Los Robles Avenue, Pasadena, California 91101.

### INFORMATION ABOUT THE 2009 ANNUAL MEETING

#### What is the purpose of the 2009 annual meeting?

At our 2009 annual meeting, we will ask our shareholders to elect four class I directors who will serve until our annual meeting of shareholders in 2011, or until our shareholders duly elect their qualified successors. We will also ask shareholders to ratify the appointment of PricewaterhouseCoopers LLP as the company's independent registered public accounting firm, and to vote on any other matter which may properly come before the 2009 annual meeting or any adjournment, including any proposal to adjourn the 2009 annual meeting.

Even if you are able to attend the 2009 annual meeting, we encourage you to vote early using the mail, telephone or on-line methods described below.

#### Who may attend the 2009 annual meeting?

Our shareholders and our representatives may attend our 2009 annual meeting. If you are a shareholder of record on the record date, you *must* bring the detachable portion of your proxy card in order to gain admission to our 2009 annual meeting. You are a shareholder of record if your shares are registered directly in your name. We mailed this proxy statement directly to you if you are a shareholder of record.

If you are a shareholder who holds shares through a brokerage firm, bank or other holder of record on the record date, you *must* bring a copy of your latest account statement showing your investment in our common shares. If you are a beneficial owner of our shares, your broker, bank or nominee sent this proxy statement to you.

#### How may I vote my shares in person at the 2009 annual meeting?

If you are the shareholder of record, you may vote your shares in person at the 2009 annual meeting if you have the detachable portion of your proxy card as proof of identification. If you are the beneficial owner of shares held in street name, you may vote your shares, at the meeting, if you obtained a legal proxy from your broker, bank or other shareholder of record.

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#### How may I vote my shares without attending the 2009 annual meeting?

All proxies that shareholders properly sign *and* return, unless properly revoked, will be voted at the 2009 annual meeting or any adjournment thereof in accordance with the instructions indicated on the proxy.

You may vote your shares without attending the 2009 annual meeting by mail, by telephone or by Internet.

##### Voting by Mail

- ◆ You may sign, date and return your proxy cards in the pre-addressed, postage-paid envelope provided.

##### Voting by Telephone

- ◆ You may vote by proxy using the toll-free telephone number listed on the proxy card. Please have the proxy card in hand before calling.
- ◆ If your shares are held through a brokerage firm, bank or other holder of record, you may vote by telephone *only if* the holder of record (broker, bank or other holder of record) offers that option to you.

### Voting by Internet

- ◆ You may also choose to vote by proxy using the Internet. The Internet address is [www.proxyvote.com](http://www.proxyvote.com) which is also listed on the proxy card. Please have the proxy card in hand before going online. You may also view our proxy statement and 2009 annual report at this web-site.
- ◆ If your shares are held through a brokerage firm, bank or other holder of record, you may vote by Internet *only if* the holder of record (broker, bank or other holder of record) offers that option to you.

Regardless of whether or not you attend the 2009 annual meeting in person, we encourage all of our shareholders to use the enclosed proxy card to vote their shares.

### May I change my vote after I submit a proxy?

You may revoke your proxy at any time before the named proxies vote at the 2009 annual meeting by any of the following methods:

- ◆ filing with us a written notice of revocation of the proxy bearing a later date,
- ◆ attending the 2009 annual meeting and voting in person, or
- ◆ presenting a written notice of the revocation of the proxy at the 2009 annual meeting.

If you hold your shares through a broker, bank or other shareholder of record, then you must obtain a legal proxy in order to take any of these actions.

Please bear in mind that your execution of a proxy will not affect your right to attend the 2009 annual meeting or any adjournment thereof and vote in person; *however*, your attendance at the 2009 annual meeting will not, by itself, revoke your proxy, unless you take one of the actions listed above.

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### How may I cast my vote?

In the election of directors, you may vote your shares for the nominees in the following manner:

- ◆ ☐ **FOR** ☐ of the nominees,
- ◆ ☐ **WITHHOLD** ☐ (you may withhold your authority to vote for any nominee by lining through or otherwise striking out the name of any nominee), or
- ◆ ☐ **FOR ALL EXCEPT** ☐ and write in the nominee(s) with respect to whom you choose to withhold your authority to vote.

With respect to the vote to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm, you may vote your shares in the following manner:

- ◆ ☐ **FOR** ☐
- ◆ ☐ **AGAINST** ☐
- ◆ ☐ **ABSTAIN** ☐

Each share is entitled to one vote on each of these matters.

**May I cumulate my votes for a director?**

You may not cumulate your votes for a director (i.e., cast for any candidate a number of votes greater than the number of common shares that you hold on the record date) unless you or another shareholder

- ◆ places the candidate's name in nomination prior to the voting, and
- ◆ prior to the voting, gives notice of an intention to cumulate votes at the 2009 annual meeting.

If you or any other shareholder gives notice prior to voting of an intention to cumulate votes, then all shareholders may cumulate their votes for candidates who have been nominated.

**How does the board recommend that I vote at the 2009 annual meeting?**

Our board recommends that you vote your shares **FOR** each of the nominees for class I director, and **FOR** the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm.

**How will the named proxies vote if I send in my proxy without voting instructions?**

The named proxies will vote **FOR** the election of the board's nominees as directors and **FOR** the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm if you send in your proxy without voting instructions. Unless you otherwise instruct, the named proxies will also vote on any other matter that properly comes before the 2009 annual meeting, including adjournment, as they determine in their discretion.

**How will the named proxies vote if a nominee is unable to serve as director?**

In the event any one or more of the nominees is withdrawn from nomination as a director or is unable to serve for any reason, a contingency not now anticipated, the named proxies may vote for a substitute nominee or nominees, unless otherwise instructed by a shareholder on his or her proxy.

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**What vote is required to approve each of the proposals?**

**Proposal 1**

Candidates for the board of directors receiving the highest number of affirmative votes of the shares entitled to vote at the 2009 annual meeting in person or by proxy (up to the number of directors to be elected) will be elected. Votes cast against a candidate or votes withheld will have no legal effect. Brokers are authorized to vote on this proposal unless you instruct otherwise.

**Proposal 2**

The appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm will be ratified by the affirmative vote of those present in person or by proxy at the 2009 annual meeting. Abstentions on this proposal will have the effect of a vote against the proposal. Brokers are authorized to vote on this proposal unless you instruct otherwise.

**What happens if cumulative voting occurs?**

If we conduct voting for directors by cumulative voting, then you may cast a number of votes equal to the number of directors authorized multiplied by the number of shares you have a right to vote. You may cast your votes for a single candidate or you may distribute your votes on the same principle among as many candidates in whatever proportion you desire.



The accompanying proxy card will grant the named proxies discretionary authority to vote cumulatively if cumulative voting applies. Unless you instruct the named proxies otherwise, the named proxies will vote *equally* for each of the four candidates for the office of director; provided, however, that if sufficient numbers of our shareholders exercise cumulative voting rights to elect one or more candidates, the named proxies will:

- ◆ determine the number of directors they may elect,
- ◆ select such number from among the named candidates,
- ◆ cumulate their votes, and
- ◆ cast their votes for each candidate among the number they are entitled to vote.

#### **What is the quorum requirement for the 2009 annual meeting?**

A quorum is present if shareholders holding a majority of shares entitled to vote on the record date are present at the 2009 annual meeting, either in person or by proxy. We will count shares represented by proxies that reflect abstentions and broker non-votes as present and entitled to vote for purposes of determining the presence of a quorum. The term "[broker non-vote]" refers to shares held by brokers or nominees who have not received instructions on how to vote from the beneficial owners or persons entitled to vote if the broker or nominee indicates on the proxy that the broker or nominee does not have discretionary power to vote on the matter.

#### **Who bears the costs of proxy distribution and solicitation?**

We will bear the entire cost of preparing, assembling, printing and mailing proxy statements, and the costs of any additional materials, which the board may furnish to you. We will solicit proxies by U.S. mail or, in the case of brokers, banks and other nominees by personal delivery. We may also solicit proxies by telephone, or personally, by directors, officers and regular employees of the company who will receive no extra compensation for performing these services.

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#### **What does it mean if I receive more than one proxy or voting instruction card?**

It means your shares are either registered differently or appear in more than one account. Please provide us with voting instructions for *all* proxy and voting instruction cards that you receive.

#### **Who will serve as inspector of election?**

The board of directors has appointed Broadridge Financial Solutions, Inc. to act as the inspector of election. The inspector of election will count all votes cast, whether in person or by proxy.

#### **How is an annual meeting adjourned?**

Shareholders may adjourn an annual meeting by the affirmative vote of a majority of the shares represented at the annual meeting, in person or by proxy, even if a quorum is not present. In the absence of a quorum at the 2009 annual meeting, no business may be transacted at the 2009 annual meeting other than an adjournment. We may conduct any business at an adjourned meeting which we could have conducted at the original meeting.

We are not required to give you notice of an adjournment of an annual meeting if we announce the time and place of the adjournment at the annual meeting at which the adjournment takes place. We must, however, give you notice of the adjourned meeting if the adjournment is for more than 45 days or, if after the adjournment, we set a new record date for the adjourned meeting.

#### **BOARD STRUCTURE AND COMMITTEES**

### **How is the board of directors structured?**

The board of directors currently consists of eight directors divided into two classes (class I and class II). Shareholders elect directors in each class to serve for a two-year staggered term expiring in successive years or until shareholders duly elect their successors. The term of the class I directors will expire at the 2011 annual meeting.

Lloyd Ross, the chair of the board, is a non-voting ex-officio member of all committees of the board and is the presiding director for non-management executive sessions of the board. The board holds non-management executive sessions of the board following regularly scheduled meetings and on an as-needed basis.

### **What are the procedures for changing the number of directors?**

Under our bylaws, the board of directors may increase the authorized number of directors up to nine without obtaining shareholder approval so long as we list our common shares on the New York Stock Exchange. In the event that the number of directors increases, we will apportion the increase between each of the classes of directors to make each class as nearly equal as possible. If the number of authorized directors is increased to nine during any period that we list our common shares on the New York Stock Exchange, the board will apportion the directors among three classes, each consisting of one-third of the directors, instead of two classes. Directors would then serve for a term of three years, with one-third of the directors elected each year.

The board of directors may also decrease the number of authorized directors to no less than five without shareholder approval. If the number of authorized directors is decreased to five, then the board will cease to be classified; provided, that the decrease in the number of directors cannot shorten the term of any incumbent director.

Unless otherwise approved by our shareholders, the board of directors will cease to be classified if our common shares are not listed on the New York Stock Exchange.

### **How are vacancies filled on the board of directors?**

The majority of the remaining directors may fill vacancies on the board, except those existing as a result of a removal of a director, though less than a quorum. If the board consists of only one director, the sole remaining director may fill all vacancies on the board. Each director so elected will hold office until the end of the term of the director who has been removed, or until the director's successor has been duly elected and qualified. Our shareholders also have the right to elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors.

### **Under what circumstances may a director be removed from the board?**

Under California law, members of the board of directors may be removed

- ◆ by the board of directors as the result of a felony conviction or court declaration of unsound mind,
- ◆ by the shareholders without cause, or
- ◆ by court order for fraudulent or dishonest acts or gross abuse of authority or discretion.

Generally, shareholders may not remove a director if the votes cast against removal are sufficient to elect the director if voted cumulatively at an election of directors held at the time of removal. In addition, no director may be removed by shareholders by written consent unless all shareholders vote for removal of the director.

### **What committees does the board of directors have?**

The board has three standing committees:

- ◆ an audit and finance committee,
- ◆ a nominating and governance committee, and
- ◆ a compensation committee.

Each of these committees operates under a written charter which identifies the purpose of the committee and its primary functions and responsibilities. Information regarding how to obtain a copy of the charters is set forth in this proxy statement under the heading "Obtaining Additional Information From Us."

The board has also established a committee to review our contract operations known as the ASUS committee and a strategy and corporate development committee.

**How often did the board and each of the committees meet during 2008?**

During 2008,

- ◆ directors met, as a board, ten times,
- ◆ the audit and finance committee met ten times,
- ◆ the nominating and governance committee met six times,
- ◆ the ASUS committee met four times,

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- ◆ the compensation committee met nine times,
- ◆ the special committees met four times, and
- ◆ the strategy and corporate development committee met nine times.

No board member attended less than 75% of the meetings of the board in 2008. No committee member attended less than 75% of the committee meetings of any committee in which he or she was a member.

**NOMINATING AND GOVERNANCE COMMITTEE**

**What is the function of the nominating and governance committee?**

The nominating and governance committee assesses qualifications of candidates to fill vacancies on the board and makes recommendations to the board regarding candidates to fill these vacancies. The nominating and governance committee also recommends to the board changes in the company's corporate governance policies and procedures, CEO succession and board training.

**How does the nominating and governance committee assess candidates to fill vacancies on the board?**

The nominating and governance committee selects nominees for directors on the basis of a number of qualifications, including:

- ◆ a reputation for integrity, honesty and adherence to high ethical standards,

- ◆ holding or having held a generally recognized position of leadership,
- ◆ business acumen, business or governmental experience and an ability to exercise sound business judgment in matters that relate to our current and long-term objectives,
- ◆ an interest and ability to understand the sometimes conflicting interests of our various constituencies, including shareholders, employees, customers, regulators, creditors and the general public,
- ◆ an interest and ability to act in the interests of all shareholders, and
- ◆ an ability to work constructively with groups of diverse perspectives and to tolerate opposing viewpoints.

The nominating and governance committee considers candidates recommended by board members, professional search firms, shareholders and other persons, in addition to board members whose terms may be expiring. The manner in which the nominating and governance committee evaluates a new person as a nominee does not differ based on who makes the nomination.

#### **What is the role of the board in the nomination process?**

After the board receives the nominating and governance committee's recommendations on nominees, the board then nominates director candidates the board deems most qualified for election at an annual meeting.

If a vacancy or a newly created board seat occurs between annual meetings, the board is responsible for filling the vacancy or newly created board seat in accordance with our bylaws as described above under the heading "How are vacancies filled on the board of directors?"

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#### **Who are the members of the nominating and governance committee?**

Ms. Holloway is the chair of the nominating and governance committee. Mr. Anderson, Dr. Bontá and Mr. Dodge are members of this committee. Mr. Ross serves as a non-voting ex-officio member of this committee.

#### **How may a shareholder nominate a person to serve on the board?**

You may submit the name of a person for election as a director either by submitting a recommendation to the nominating and governance committee or by directly submitting a name for consideration at a shareholder meeting. In either event, you must submit the name of the nominee in writing to our corporate secretary at our corporate headquarters between February 18, 2010 and March 5, 2010, in order for your nominee to be considered for election as a director at the 2010 annual meeting. If we change the 2010 annual meeting date by more than 30 days or a special meeting is held, you will have another opportunity to submit nominations. In this case, the corporate secretary must receive your nomination at our corporate headquarters no later than the close of business on the tenth day following the earlier of the date on which we mail you notice of the meeting or we publicly disclose the meeting date.

Your notice to the corporate secretary must contain:

- ◆ all information that the Securities and Exchange Commission requires us to disclose in our proxy statement about the nominee,
- ◆ a consent by the nominee to be named in the proxy statement and to serve as a director if elected,
- ◆ the name and address of the record and beneficial owner, if any, of the shares making the nomination, and
- ◆ the number of shares held.

If you submit a name for consideration by the nominating and governance committee, we may also ask you to provide other information reasonably related to the recommended individual's qualifications as a nominee. The person recommended should be able to, upon request and with reasonable advance notice, meet with one or more members of the nominating and governance committee and/or the board of directors to inquire into the nominee's qualifications and background and otherwise to be interviewed for purposes of the nomination.

If you plan to submit a name directly for nomination as a director at a shareholder meeting, you must comply with all requirements of the Securities Exchange Act of 1934 in connection with soliciting shareholders to vote for your nominee.

We have made no material changes in 2009 to these procedures for the nomination of directors.

**Did we pay fees to any third party to assist us in evaluating or identifying potential nominees to the board?**

We have not paid any fees for assistance in identifying potential candidates to fill a vacancy on the board.

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**Did we receive any nominations for director from certain large beneficial owners of our common shares?**

We have not received any nominations from a shareholder or a group of shareholders owning more than 5% of our outstanding common shares.

**AUDIT AND FINANCE COMMITTEE**

**Who are the members of the audit and finance committee?**

Mr. Kathol is the chair of the audit and finance committee. Mr. Dodge and Mr. King are members of this committee. Mr. Ross serves as a non-voting ex-officio member of this committee.

**Does the audit and finance committee have any audit committee financial experts?**

The board of directors determined that Mr. Kathol and Mr. King are audit committee financial experts under the corporate governance listing standards of the New York Stock Exchange.

**Audit and Finance Committee Report**

*Functions of the Audit and Finance Committee*

The audit and finance committee

- ◆ reviews significant public documents containing financial statements provided to shareholders and regulatory agencies and reviews all periodic reports filed with the Securities and Exchange Commission,
- ◆ discusses with the company's independent registered public accounting firm its plans, if any, to use the work of internal auditors,
- ◆ reviews the internal audit function, including its competence and objectivity and proposed audit plans for the coming year, including intended levels of support for and coordination with the external audit process,
- ◆ discusses with the internal auditors and the company's independent registered public accounting firm, the financial statements and the results of the audit,

- ◆ discusses with the company's independent registered public accounting firm any significant matters regarding internal controls over financial reporting that have come to its attention during the conduct of the audit,
- ◆ reviews the qualifications of our independent registered public accounting firm and appoints (and has sole authority to terminate) our independent registered public accounting firm,
- ◆ reviews and approves fees charged by our independent registered public accounting firm,
- ◆ reviews and evaluates the effectiveness of our process for assessing significant risks and the steps management takes to minimize these risks,
- ◆ reviews and makes recommendations to the board of directors regarding related party transactions,
- ◆ reviews accounting and financial human resources,

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- ◆ establishes procedures for the receipt, retention and treatment of complaints that the company receives regarding accounting, internal controls or auditing matters, and the confidential anonymous submission by our employees of concerns regarding questionable accounting or auditing matters or related party transactions, and
- ◆ reviews the committee's charter and its own performance annually.

Management has the primary responsibility for our financial statements, internal controls, disclosure controls and the financial reporting process. PricewaterhouseCoopers LLP, our registered public accounting firm, is responsible for performing an independent audit of our consolidated financial statements in accordance with generally accepted auditing standards and issuing a report based on its findings. The audit and finance committee's responsibility is to monitor and oversee our financial reporting process. PricewaterhouseCoopers LLP reports directly to the audit and finance committee and the board of directors.

#### *Discussions with Independent Auditors*

PricewaterhouseCoopers LLP provided to the audit and finance committee the written disclosures and letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and the audit and finance committee discussed with PricewaterhouseCoopers LLP the independent accountant's independence. The audit and finance committee also reviewed and discussed our audited consolidated financial statements with PricewaterhouseCoopers LLP and the matters required by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T, including the firm's evaluation of our internal control over financial reporting and the overall quality of our financial reporting.

#### *Discussions with Management*

During 2008, the committee discussed with management the company's audited consolidated financial statements. Management has represented to the audit and finance committee that our internal control over financial reporting have no material weaknesses and that management prepared the company's consolidated financial statements in accordance with generally accepted accounting principles.

#### *Recommendation for Inclusion in Form 10-K*

Based upon the audit and finance committee's discussions with management and PricewaterhouseCoopers LLP, the audit and finance committee's review of the representations of management and the reports and

presentations of PricewaterhouseCoopers LLP to the audit and finance committee, the audit and finance committee recommended that the board of directors include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission.

This report is submitted by:

Robert F. Kathol, Chair  
N. P. Dodge, Jr., Member  
Gary F. King, Member

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## COMPENSATION COMMITTEE

### What is the function of the compensation committee?

The compensation committee approves the compensation of our executive officers, including the compensation of Robert J. Sprowls, the president and chief executive officer of the company. It also administers the 2000 Stock Incentive Plan, or 2000 plan, the 2008 Stock Incentive Plan, or 2008 plan, and the 2003 Non-Employee Directors Plan, or directors plan, reviews and makes recommendations to the board of directors regarding long-term compensation strategies and compensation of directors and periodically reviews the performance of our executive officers. Unless otherwise provided by the board, the compensation committee does not have the authority to delegate its authority to a subcommittee.

### Compensation Committee Interlocks and Insider Participation

Mr. Anderson is the chair of the compensation committee. Ms. Holloway and Dr. Bontá are members of this committee. Mr. Ross is a non-voting ex-officio member of this committee.

The board has determined that no member of this committee has a material relationship with the company, either directly or indirectly as a partner, shareholder or officer of an organization that has a material relationship with us or any other relationship with the company that the board of directors determined would affect the independence of that member.

No member of this committee is a current or former officer or employee of the company or any of its subsidiaries. None of the executive officers of the company is (or has been during the past three years) a member of the board of directors or the compensation committee of any company on which any of our directors serve as an executive officer, director or member of the compensation committee.

## GOVERNANCE OF THE COMPANY

### Is each of our board and committee members independent?

Based on information solicited from each director, the board has determined that each of our directors, other than Mr. Wicks, has no material relationship with us, either directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with us and is otherwise independent under the corporate governance standards of the New York Stock Exchange. We have not adopted any other categorical standards for determining whether a board member is independent.

Mr. Wicks was the only director that was an employee of the company in 2008. He is not standing for re-election to the board. We have nominated Mr. Sprowls, who is the President and Chief Executive Officer of the company, to serve as a director of the company. Mr. Sprowls, if elected to the board, will not be an independent member of the board.

The board determined that Mr. Anderson, Dr. Bontá, Mr. Dodge, Ms. Holloway, Mr. Kathol, Mr. King and Mr. Ross are independent directors. In determining that these directors are independent, the board considered the following facts:

- ◆ none of these directors or any of their immediate family members is or has been an executive officer or employee of the company or any of its subsidiaries at any time,
- ◆ none of our directors or any of their immediate family members or any "related person" has any indebtedness to us, any business relationship with us or any transaction or proposed transaction with us in excess of \$120,000 in 2008, other than compensation for serving as a director or as a member of a committee of the board,

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- ◆ none of these directors or any of their immediate family members received during any twelve month period within the last three years more than \$100,000 in direct compensation from us, other than compensation for serving as a director or as a member of a committee of the board,
- ◆ none of these directors has accepted, either directly or indirectly, any consulting, advisory or other compensatory fee from us, other than compensation for serving as a director or a member of a committee of the board,
- ◆ no director is, or has been, an employee of any entity, including a charitable organization, that has made payments to, or received payments or charitable contributions from us at any time during the past three years for property or services in an amount which, in any single fiscal year exceeded the greater of \$1 million or 2% of the other entity's consolidated gross revenues reported for that fiscal year,
- ◆ no immediate family member is an executive officer of any entity, including a charitable organization, that has made payments to, or received payments or charitable contributions from us at any time during the past three years for property or services in an amount which, in any single fiscal year exceeded the greater of \$1 million or 2% of the other entity's consolidated gross revenues reported for that fiscal year,
- ◆ no director or an immediate family member is a current partner or employee of a firm that is our internal or external auditor,
- ◆ no director or an immediate family member was within the last three years a partner or employee of our internal or external auditor and personally worked on our audit during that time,
- ◆ none of the executive officers of the company is (or has been during the past three years) a member of the board of directors or the compensation committee of any company on which any of our directors serve as an executive officer, director or member of the compensation committee, and
- ◆ none of our directors is prohibited from serving on our board of directors by the interlocking director rules of the Federal Energy Regulatory Commission.

We did not identify any other business or other relationship between us and any non-employee director that would affect the independence of these directors nor did the board consider any other relationship or transaction in determining director independence. The board has also affirmatively determined that all members of the audit and finance committee, nominating and governance committee and compensation committee, including Mr. Ross, are independent directors under the corporate governance listing standards of the New York Stock Exchange and that all members of the audit and finance committee are independent under the standards set forth in Rule 10A-3 under the Securities Exchange Act of 1934.



No member of the audit and finance committee served on more than three public company boards.

**Do we have any relationships with any executive officers?**

No executive officer or any of his or her immediate family members had any indebtedness to us, any business relationship with us or any transaction or proposed transaction with us in 2008.

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**What procedures do we use for reviewing and approving transactions between us and our directors and executive officers?**

We have adopted a code of conduct and guidelines on significant governance issues which include policies and procedures regarding relationships between us and our directors and executive officers. Information about how to obtain a copy of the code of conduct and guidelines on significant governance issues is set forth in this proxy statement under the heading "Obtaining Additional Information From Us."

Under the company's guidelines on significant governance issues, directors are expected to make business opportunities relating to the company's business available to the company before pursuing the opportunity for the director's own or another's account. Neither the board nor the audit and finance committee have approved any other guidelines that would permit a director or executive officer to engage in any transaction or action that would create a conflict of interest. All conflict of interest transactions must be approved by disinterested members of the board and the audit and finance committee in accordance with California law and the rules of the New York Stock Exchange.

Our code of conduct prohibits any director or executive officer from engaging in any transactions or other actions which create a conflict of interest, except under guidelines approved by the board or the audit and finance committee. A conflict of interest arises if a director or executive officer takes an action or has interests that may make it difficult for the director or executive officer to act objectively or effectively and include:

- ◆ causing the company or any of its subsidiaries to employ or retain a family member as an employee or consultant,
- ◆ causing the company or any of its subsidiaries to do business with any business in which the director, executive officer or any family member stands to gain personally,
- ◆ making investments which may impair the ability of the director or executive to make decisions on behalf of the company,
- ◆ taking advantage of business opportunities relating to the company's business or that are discovered through the use of corporate property, information or position for personal gain, without first offering the opportunity to the company, or
- ◆ otherwise competing with the company.

Our guidelines on significant governance issues also require each director to disclose to the board any financial or personal interest in any transaction that comes before the board for approval. Each director and executive officer is also required to disclose annually any relationships with the company and to declare that all such relationships during the prior year have been disclosed. Our board did not consider any transactions in which any member of the board or executive officer had an interest in 2008.

We do not provide loans, loan guarantees or otherwise extend credit, directly or indirectly, to any of our executive officers or directors.

**Have any of our directors, executive officers or affiliates been involved in certain legal proceedings during the past five years?**

None of our current executive officers or directors, Mr. Sprowls or any affiliate or owner of more than 5% of our common shares has been a party adverse to us in any material legal proceeding.

Mr. George, who is the former executive vice president of corporate development of the company, is the former chief executive officer of Western Water Company. Western Water Company filed for

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bankruptcy protection under chapter 11 of the federal bankruptcy laws in May 2005 in the Northern District of California, Oakland Division. The bankruptcy court confirmed a plan of reorganization of Western Water Company on February 6, 2006, that became effective on February 17, 2006, and closed the case on March 21, 2006.

**What is our policy regarding attendance by board members at our annual meetings?**

We adopted a policy that each director should make every reasonable effort to attend each annual meeting of shareholders. All directors were present at our 2008 annual meeting.

**What is the process for shareholders and other interested persons to send communications to our board?**

You or any interested person may, at any time, communicate in writing with the chair of the board who presides at regularly scheduled executive sessions of the non-management directors, any particular director, or non-management directors as a group, by writing to our corporate secretary at American States Water Company, 630 East Foothill Boulevard, San Dimas, California 91773. We will provide copies of written communications received at this address to the relevant director or the non-management directors as a group unless the corporate secretary, in her reasonable judgment, considers the communications to be improper for submission to the intended recipient(s). Examples of communications considered improper for submission include customer complaints, solicitations, ordinary work employee grievances, communications that do not relate directly or indirectly to our business, and communications that relate to improper or irrelevant topics.

**What are the requirements for submission of shareholder proposals?**

If you want us to include your shareholder proposal in our proxy materials for the 2010 annual meeting, you must submit the proposal to our corporate secretary at American States Water Company, 630 East Foothill Boulevard, San Dimas, California 91773. Our corporate secretary must receive your proposal no later than December 6, 2009. Your proposal must also satisfy the other requirements for shareholder proposals set forth in Rule 14a-8 under the Securities Exchange Act of 1934.

A shareholder making a shareholder proposal should state as clearly as possible the course of action that the shareholder believes we should follow. If we place a shareholder proposal on the proxy card, we will provide, in the form of proxy, the means for other shareholders to specify, by checking a box, as to whether they want to approve, disapprove or abstain from voting on the shareholder proposal.

If you want your shareholder proposal to be considered at the 2010 annual meeting and you have not met the deadline for us to include your shareholder proposal in our proxy materials, you may nevertheless submit your proposal for consideration at the 2010 annual meeting if you comply with the following procedures.

You must deliver or mail your notice to our corporate secretary at American States Water Company, 630 East Foothill Boulevard, San Dimas, California 91773 stating that you intend to submit a shareholder proposal at our 2010 annual meeting. Our corporate secretary must receive your notice between February 18, 2010 and March 5, 2010, *unless* we change our 2010 annual meeting date by more than 30 days from the date of our 2009 annual meeting, in which case, our corporate secretary must receive your notice no later than the close of business on the tenth day following the day on which we mail you notice of the meeting or the date we publicly disclose the date of the meeting.

Your notice to our corporate secretary must include for each matter you propose to bring before the 2010 annual meeting:

- ◆ a brief description of the matter you intend to bring before the 2010 annual meeting,
- ◆ reasons for bringing such matter before the 2010 annual meeting,
- ◆ the name and address of the record and beneficial owner, if any, of the shares making the proposal,
- ◆ the number of our common shares you own, and
- ◆ any material interest you have in the matter.

## STOCK OWNERSHIP

### Are there any large owners of our common shares?

The following table identifies shareholders who own more than five percent of our outstanding common shares on March 23, 2009.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Shares	A group consisting of:	1,135,977 <sup>(1)</sup>	6.40% <sup>(2)</sup>
	Barclays Global Investors, NA Barclays Global Fund Advisors 45 Fremont Street San Francisco, California 94105		
	Barclays Global Investors, Ltd. Murray House 1 Royal Mint Court London, EC3N 4HH		

<sup>(1)</sup> Based on the Schedule 13G filed with the Securities and Exchange Commission on February 5, 2009, the group has sole voting power over 873,425 of our common shares and sole dispositive power over 1,135,977 of our common shares.

<sup>(2)</sup> Based on 17,320,092 common shares outstanding on March 23, 2009 and 440,964 shares which our directors, executive officers and managers as a group have the right to acquire on or prior to May 22, 2009.

### How much stock do directors and management own?

We are providing you information in the table below regarding the number of our common shares beneficially owned by our directors and executive officers as of March 23, 2009, including common shares which each director and executive officer has a right to acquire on or prior to May 22, 2009.

#### SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

Name	Number of Shares	Percent of Class
James L. Anderson	13,733 <sup>(1)</sup>	*

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Diana M. Bontá	1,572 <sup>(1)</sup>	*
N. P. Dodge, Jr.	15,226 <sup>(1)</sup>	*
Anne M. Holloway	15,275 <sup>(1)</sup>	*
Robert F. Kathol	12,676 <sup>(1)</sup>	*
Gary F. King	4,572 <sup>(1)</sup>	*
Lloyd E. Ross	15,797 <sup>(1)</sup>	*
Floyd E. Wicks	31,737 <sup>(2)</sup>	*
Robert J. Sprowls	29,106 <sup>(3)</sup>	*
Eva G. Tang	33,814 <sup>(4)</sup>	*
McClellan Harris III	21,748 <sup>(5)</sup>	*
Denise L. Kruger	45,328 <sup>(6)</sup>	*
James B. Gallagher	33,203 <sup>(7)</sup>	*
Michael P. George	8,283 <sup>(8)</sup>	*
Directors and Executive Officers as a Group	442,751 <sup>(9)</sup>	2.49% <sup>(10)</sup>

\*Less than one percent

<sup>(1)</sup> Each non-employee director, other than Mr. King and Dr. Bontá, has a right to acquire, on or prior to May 22, 2009, 8,000 of our common shares through the exercise of stock options and 231 of our common shares with respect to stock units credited to his or her stock option dividend equivalent account pursuant to the directors plan. Mr. King has a right to acquire, on or prior to May 22, 2009, 3,000 of our common shares through the exercise of stock options granted pursuant to the directors plan. Each non-employee director also has a right to acquire, on or prior to May 22, 2009, 387 of our common shares with respect to the payout of his or her restricted stock units granted in 2007 and 2008.

<sup>(2)</sup> Mr. Wicks has the right to acquire 30,145 of our common shares on or prior to May 22, 2009 through the exercise of stock options granted pursuant to the 2000 plan.

<sup>(3)</sup> Mr. Sprowls has the right to acquire 23,945 of our common shares on or prior to May 22, 2009 through the exercise of stock options granted pursuant to the 2000 plan.

<sup>(4)</sup> Ms. Tang has the right to acquire 29,463 of our common shares on or prior to May 22, 2009 through the exercise of stock options granted pursuant to the 2000 plan.

<sup>(5)</sup> Mr. Harris has the right to acquire 12,464 of our common shares on or prior to May 22, 2009 through the exercise of stock options granted pursuant to the 2000 plan.

<sup>(6)</sup> Ms. Kruger has the right to acquire 34,291 of our common shares on or prior to May 22, 2009 through the exercise of stock options granted pursuant to the 2000 plan.

<sup>(7)</sup> Mr. Gallagher has the right to acquire 27,913 of our common shares on or prior to May 22, 2009 through the exercise of stock options granted pursuant to the 2000 plan.

<sup>(8)</sup> Mr. George is no longer an employee of the company.

<sup>(9)</sup> Of this amount, our directors and executive officers as a group have the right to acquire 328,418 of our common shares on or prior to May 22, 2009 through the exercise of stock options or the pay-out of restricted stock units. We have not included in this table common shares relating to dividend equivalents that may be received by our directors and executive officers with respect to dividends declared by the board after March 23, 2009 or restricted stock units which the directors will have a right to acquire on the date of the 2009 annual meeting pursuant to the directors plan.

<sup>(10)</sup> Based on 17,320,092 common shares outstanding on March 23, 2009 and 440,964 shares which our directors, executive officers and managers as a group, have the right to acquire on or prior to May 22, 2009.

The board, after consideration of the stock ownership guidelines adopted by other companies (particularly, other investor-owned utilities), established stock ownership guidelines that it subjectively deemed appropriate for the chief executive officer and the other named executive officers. Under these guidelines, we requested the chief executive officer and the named executive officers to own stock with a value equal to 2.5 times and 1.5 times his or her base salary, respectively, by May 2012.

We have adopted procedures to assist our directors and executive officers in complying with Section 16(a) of the Securities Exchange Act of 1934, including assisting directors and executive officers with preparing and filing of a Form 3s, Form 4s and, if applicable, Form 5s. We believe, on the basis of our review of the forms filed by directors and executive officers in 2008, that the following Form 4s were filed late:

- Mr. Harris and Mr. Gedney filed a Form 4, 26 days late with respect to restricted stock units that vested on January 2, 2008;
- Mr. Gallagher, Ms. Kruger, Mr. Scanlon, Mr. Sprowls, Mr. Switzer, Ms. Tang, and Mr. Tanner filed a Form 4, 27 days late with respect to restricted stock units that vested on January 2, 2008;
- Ms. Rentfrow, Mr. Gallagher, Ms. Kruger, Mr. Scanlon, Mr. Sprowls, Mr. Switzer, Ms. Tang and Mr. Tanner filed a Form 4, one day late with respect to restricted stock units that vested on January 28, 2008; and
- Mr. Wicks filed a Form 4, 338 days late with respect to taking out a 401(k) loan on April 18, 2008.

## **PROPOSAL 1: ELECTION OF DIRECTORS**

### **What is the experience of each nominee for election as a director?**

Our board of directors has nominated four class I directors for a two-year term expiring at the end of our annual meeting of shareholders in 2011 or until their successors are duly elected and qualified.

The ages of the directors reported below are as of March 23, 2009.

**The Board of Directors recommends that shareholders vote FOR each of the nominees listed below.**

#### **Mr. James L. Anderson**

Mr. Anderson has been the Senior Vice President of Americo Life Inc. since 1996. He served for ten years as the President and Chief Executive Officer of Fremont Life Insurance Company prior to its acquisition by Americo Life Inc. He served as President and Chief Operating Officer of National American Insurance Company of California, a property and casualty company, from 1975 to 1982. Mr. Anderson is 65 years old. He is a member of our nominating and governance committee and strategy and corporate development committee, and chair of the compensation committee. He has served as a director since 1997.

#### **Dr. Diana M. Bontá**

Dr. Bontá is the Vice President of Public Affairs of the Kaiser Foundation Health Plan and Hospitals, Southern California Region. She previously served as the first Latina Director of the California Department of Health Services from 1999 to 2004. Dr. Bontá holds doctorate and masters degrees in public health from the University of California, Los Angeles. Dr. Bontá is 58 years old. She is a member of the nominating and governance committee, the compensation committee and the ASUS committee. She has served as a director since 2007.

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#### **Ms. Anne M. Holloway**

Ms. Holloway retired from active service in the finance profession in 2000. She was a partner in Navigant Consulting, Inc., a provider of financial and strategic consulting services to