



FOR IMMEDIATE RELEASE

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Golden State Water Company Agreement with CPUC Approved

Customers and Shareholders to Benefit

San Dimas, CA – Settling an eight-year-old contracting matter, the California Public Utilities Commission on December 15 adopted an agreement with Golden State Water Company that will provide millions of dollars in refunds to customers and strengthen the company's ongoing relationship with state regulators.

The Commission staff review began after an incident in which two Golden State executives based in Northern California violated internal bidding procedures for work involving one contractor, much of it dating back to the 1990s.

The company disputed many of the conclusions reached by Commission staff but agreed to settle the case to avoid the uncertainty of a costly legal battle.

Robert Sprowls, chief executive officer and president of American States Water Company and its wholly-owned subsidiary Golden State Water Company, noted that "the company had long ago put in place safeguards to ensure that such a problem would not happen again."

He added, "I am pleased that we were able to reach an agreement that is good for all parties. The settlement reflects our commitment to our customers, who will be the greatest beneficiaries of this agreement, and our recognition of the importance of maintaining positive relations with the CPUC."

Under the terms of the agreement the company will refund \$9.5 million to customers over the next three years and pay a \$1 million fine. Golden State must also write off \$2.5 million in plant costs and reduce other customer obligations by \$500,000. The rebates will primarily go to customers in Golden State's northern region and the company will work with the Commission to finalize the rebate program.

The company already accounted for the settlement costs in its 2010 financial statements and anticipates no further fiscal impact.

The company agreed to participate in three independent audits over the next ten years to verify employee compliance with internal competitive bidding procedures. "The Commission directed Golden State to view the settlement as a fresh start to vigorously enforce strong and effective internal controls; we understand this direction and will comply," said Sprowls.

When the contracting problem surfaced in 2003, Golden State launched a thorough investigation into the matter, fired the two executives responsible for the violations and severed all ties with the contractor. Golden State hired independent experts to evaluate both the financial issues and the quality of the work.

Based on those expert reports, the company is confident that customers will receive refunds far exceeding any possible harm caused by the contracting issues.

In addition, Golden State conducted a top to bottom review of its policies and procedures and put additional safeguards in place to prevent a similar problem from occurring in the future. Those include, among other things, the development of a more rigorous employee code of conduct, ethics training, a confidential employee hotline, and an anti-fraud committee reporting directly to the board of directors.

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The company has been audited by an independent registered public accounting firm and subject to compliance with the Sarbanes-Oxley Act since 2004 with consistent findings of effective internal controls for financial reporting in all areas, which include the company's contracting procedures.

About Golden State Water Company

Golden State Water Company is a public utility in California and is a wholly-owned subsidiary of American States Water Company, an investor-owned company based in San Dimas. Golden State Water provides water service to 1 out of 37 Californians located within 75 communities throughout 10 counties in Northern, Coastal and Southern California (approximately 256,000 customers). The Company also distributes electricity to over 23,000 customers in the Big Bear recreational area of California.