



American States Water Company Announces Earnings for the Three and Twelve Months Ended December 31, 2002

February 26, 2003

SAN DIMAS, Calif., Feb 26, 2003 (BUSINESS WIRE) -- American States Water Company (NYSE:AWR) today reported basic earnings of \$1.34 per share for the twelve months ended December 31, 2002 as compared to basic earnings of \$1.35 per share reported for the same period ended December 31, 2001, a small decrease of 0.7%. For the year ended December 31, 2002, fully diluted earnings were \$1.34 per share compared to fully diluted earnings of \$1.33 per share for the year ended December 31, 2001.

Commenting on the results for 2002, President & Chief Executive Officer Floyd E. Wicks said, "While we are pleased with the results reported today, the story this year is much more involved. During 2002, we experienced delayed implementation in rate increases and the effects of elimination of the water supply costs balancing accounts at our Southern California Water Company ("SCW") unit. On the other hand, we were encouraged that the liquidity problems that plagued the Bear Valley electric division of SCW in 2001 were effectively addressed by increased rates authorized by the California Public Utilities Commission ("CPUC"). This improvement led us to determine that it was no longer necessary to retain the reserves established in 2001 for potential non-recovery of electric power costs and they were reversed into income in the fourth quarter of 2002. Partially offsetting the reversal was the recording of an unrealized loss to reflect the FASB 133 requirements related to the series of contracts we entered into in 2002 to lower electric power costs. Despite the challenges during the year, the reported results continue to underscore management's emphasis on achieving positive results for shareholders and customers alike."

Wicks stated further, "Looking forward to 2003, we are pleased by recent decisions issued by the CPUC that increased water rates by approximately \$6.2 million annually at our SCW unit. We have also filed general rate increases with the CPUC that will provide for additional revenues in late 2003 and in 2004."

Full Year 2002 Results

The Company reported operating income of \$37.6 million and net income of \$20.3 million for the year ended December 31, 2002 compared with operating income of \$36.7 million and net income of \$20.4 million for the year ended December 31, 2001.

Total revenues for 2002 increased by 5.9% to \$209.2 million as compared to \$197.5 million reported in 2001, due to the full impacts of various rate increases effective during 2001 at its SCW unit, a 3.3% increase in water sales, and rate increases at the Bear Valley Electric division of SCW. Of the total increase in revenues, water revenues increased by \$5.6 million or 3.1% while electric revenues increased by \$6.0 million or 39.6%.

Total operating expenses in 2002 increased by 6.7% to \$171.6 million from the \$160.8 million reported in 2001. The increase was due principally to increased water supply costs as a result of (i) elimination of the supply cost balancing account by the CPUC in November 2001, (ii) reversals of electric power costs from the electric supply cost balancing account based on a cap authorized by the CPUC in the rate increases designed to recover electric power costs, and (iii) recording of an unrealized loss to reflect FASB 133 requirements. Offsetting the increases is a reduction in administrative and general expense resulting from the reversal of reserves booked during 2001 against potential non-recovery of electric power costs.

Interest charges increased by 12.5% due to the issuance of an additional \$50 million in long-term debt by SCW in December 2001, partially offset by a reduction in short-term borrowing costs.

Other income increased significantly from last year due principally to the write-off of costs incurred during SCW's acquisition of Peerless Water Company, following the CPUC's denial of the application in 2001.

Fourth Quarter 2002 Results

The Company reported basic earnings for the quarter ended December 31, 2002 of \$0.23 per share, an increase of 21.1% from the \$0.19 reported for the quarter ended December 31, 2001. Fully-diluted earnings per share increased by 23.9% to \$0.23 from the \$0.18 reported in 2001.

Operating income for the fourth quarter of 2002 was \$8 million and net income was \$3.5 million as compared with operating income of \$7.1 million and net income of \$2.8 million for the fourth quarter of 2001.

Total operating revenues for the fourth quarter of 2002 increased by 4.9% to \$50.3 million as compared to the \$48.0 million recorded in the fourth quarter of 2001, due primarily to electric rate increases effective during 2002 at the Company's SCW unit. Water revenues for the quarter ended December 31, 2002 decreased slightly by 0.2% from the same quarter ended December 31, 2001 while electric revenues increased by 56.0%.

Total operating expenses increased by 3.6% to \$42.3 million for the three months ended December 31, 2002 as compared to the \$40.9 million recorded for the same period in 2001. Between the two reporting periods, total supply costs including the effects of the electric supply cost balancing account, increased by 65% for various reasons discussed previously. Partially offsetting this increase were reductions in administrative and general expense and income tax expense.

Interest charges increased by 15.4% to \$4.6 million for the quarter ended December 31, 2002 as compared to interest charges of \$4.0 million for the quarter ended December 31, 2001. The increase is due primarily to the issuance of \$50 million in long-term debt by SCW in December 2001.

Other

Certain matters discussed in this news release with regard to the Company's expectations may be forward-looking statements that involve risks and

uncertainties. The assumptions and risk factors that could cause actual results to differ materially include those described in the Company's Form 10-Q and Form 10-K filed with the Securities and Exchange Commission.

American States Water Company is a holding company that, through its subsidiaries, provides water service to 1 out of 30 Californians located within 75 communities throughout 10 counties in Northern, Coastal and Southern California and to approximately 12,000 customers in the city of Fountain Hills, Arizona and portions of Scottsdale, Arizona. The Company distributes electricity to approximately 22,000 customers in the Big Bear recreational area of California, and contracts with various municipalities and private entities in both California and Arizona to provide services to an additional 91,500 customers.

American States Water Company
Comparative Condensed Balance Sheets
(in thousands)

	December 31, 2002	December 31, 2001
	(Unaudited)	
Assets		
Utility Plant-Net	\$563,311	\$539,842
Other Property and Investments	22,670	24,104
Current Assets	51,289	67,058
Deferred Charges	63,396	52,760
	\$700,666	\$683,764
Capitalization and Liabilities		
Capitalization	\$439,696	\$447,554
Current Liabilities	78,933	63,636
Other Credits	182,037	172,574
	\$700,666	\$683,764

Condensed Statements of Income
(in thousands, except per share amounts)

	Three Months Ended December 31, 2002		Twelve Months Ended December 31, 2002	
		2001	2002	2001
	(Unaudited)			
Operating Revenues	\$50,306	\$47,943	\$209,205	\$197,514
Operating Expenses	42,326	40,859	171,557	160,822
Operating Income	7,980	7,084	37,648	36,692
Other Income (Expense)	64	(287)	390	(510)
Income Before Interest Charges	8,044	6,797	38,038	36,182
Interest Charges	4,586	3,974	17,699	15,735
Net Income	3,458	2,823	20,339	20,447
Dividends on Preferred Shares	0	(21)	(29)	(84)
Earnings Available for Common Shareholders	3,458	2,802	20,310	20,363
Basic Earnings Per Common Share	\$0.23	\$0.19	\$1.34	\$1.35
Average Shares Outstanding	15,171	15,119	15,144	15,120
Full Diluted Earnings Per Common Share	\$0.23	\$0.18	\$1.34	\$1.33
Average Diluted Shares Outstanding	15,195	15,256	15,157	15,257
Dividends Paid Per Common Share	\$0.220	\$0.220	\$0.87	\$0.870

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