



American States Water Company Announces Court Decision on Power Contract

December 22, 2006

SAN DIMAS, Calif.--(BUSINESS WIRE)--Dec. 22, 2006--American States Water Company (NYSE:AWR) announced today that on December 19, 2006, the United States Court of Appeals for the Ninth Circuit issued an opinion granting a petition filed by AWR subsidiary Golden State Water Company ("GSWC"), formerly Southern California Water Company, for a review of the orders of the Federal Energy Regulatory Commission ("FERC") which denied the Company's complaint to seek a reduction in the rate under the Company's long-term block energy purchase contract with Mirant Americas Energy Marketing, L.P. ("Mirant Marketing"). The Court's opinion remands the case back to the FERC, finding that the FERC applied the wrong legal standard and ignored relevant factors in denying the Company's complaint. The FERC can request a rehearing by the Court of Appeals.

Most of the electric energy sold by GSWC to the 23,000 customers in its Bear Valley Electric customer service area is purchased from others. In March 2001, GSWC entered into a five-year nine-month, block forward purchase contract with Mirant Marketing to supply its Bear Valley Electric customer service area with 15 MWs of electric energy at a price of \$95 per MWh beginning April 1, 2001 through December 31, 2006. GSWC subsequently filed a complaint with the FERC seeking to reduce the rates in the Mirant Marketing contract to a just and reasonable price. The FERC denied this complaint and GSWC appealed this denial.

The Company is unable to predict the timing of final resolution of the issue and the potential financial impact.

American States Water Company is the parent of Golden State Water Company, American States Utility Services, Inc. and Chaparral City Water Company. Through its subsidiaries, AWR provides water service to 1 out of 30 Californians located within 75 communities throughout 10 counties in Northern, Coastal and Southern California (approximately 254,000 customers) and to approximately 13,000 customers in the city of Fountain Hills, Arizona and a small portion of Scottsdale, Arizona. The Company also distributes electricity to approximately 23,000 customers in the Big Bear recreational area of California. Through its non-regulated subsidiary, American States Utility Services, the Company contracts with municipalities, the U.S. government and private entities to provide various services, including billing and meter reading, water marketing and operation and maintenance of water and wastewater systems.

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