



American States Water Company Announces Approval of Golden State Water's Cost of Capital Application by the California Public Utilities Commission (CPUC)

July 16, 2012

SAN DIMAS, Calif.--(BUSINESS WIRE)--Jul. 16, 2012-- American States Water Company (NYSE:AWR) announced today that the California Public Utilities Commission ("CPUC") has approved the Cost of Capital application filed by its wholly-owned subsidiary Golden State Water Company ("GSWC") for its authorized cost of capital for 2012 through 2014.

This decision approves and authorizes GSWC a Return on Equity ("ROE") of 9.99% and a rate-making capital structure of 55% equity and 45% debt. The weighted cost of capital (rate of return on ratebase) of 8.64% includes the most recent embedded debt cost. This rate of return authorized by the CPUC will be implemented into water rates on a company-wide basis retroactive to January 1, 2012.

Robert J. Sprowls, President and CEO of AWR and GSWC said "We are pleased with the CPUC's approval of our cost of capital filing and believe this is a fair resolution for our shareholders and customers. The revised cost of capital includes achieved lower debt costs which will be reflected in customers' rates, and the combination of a higher equity ratio in GSWC's capital structure and a slightly lower allowed return on equity provides an opportunity for GSWC to earn an adequate return."

Sprowls added, "GSWC has invested approximately \$225 million in its distribution infrastructure over the past three years and plans to continue making significant investments in the future. We are pleased that the CPUC recognizes that California's investor-owned water utilities require a fair return in order to finance these investments."

Among other things, this decision maintains the automatic adjustment mechanism called the Water Cost of Capital Mechanism, previously adopted by the CPUC, to adjust the ROE and rate of return on ratebase between cost of capital proceedings. Rates to customers will be adjusted only if there is a positive or negative change of more than 100 basis points in the average of the Moody's Aa utility bond rate as measured over the period October 1 through September 30. If the average interest rate changes by over 100 basis points from the benchmark, the ROE will be adjusted by one half of the difference.

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 the parent of Golden State Water Company and American States Utility Services, Inc. Through its utility subsidiary, Golden State Water Company, AWR provides water service to approximately 1 out of every 36 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. Through its contracted services subsidiary, American States Utility Services, Inc., the Company provides operations, maintenance and construction management services for water and wastewater systems located on military bases throughout the country.

American States Water Company has paid dividends to shareholders every year since 1931, increasing the dividends received by shareholders each calendar year since 1954.

Source: American States Water Company

American States Water Company

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