

AUDIT/FINANCE COMMITTEE CHARTER
(Applicable to American States Water Company and its subsidiaries, hereinafter “the Corporation”)

PURPOSES: The Audit/Finance Committee (hereinafter, “the Committee”) is a committee of the Board of Directors (hereinafter, “the Board”). Its primary functions are to assist the Board in:

- Overseeing the integrity of the Corporation’s financial statements and the Corporation’s accounting and financial reporting processes and financial statement audits;
- Overseeing the Corporation’s compliance with legal and regulatory requirements;
- Overseeing the registered public accounting firm’s (independent auditor’s) qualifications and independence;
- Overseeing the performance of the Corporation’s independent auditor and the Corporation’s internal audit function;
- Overseeing the audit process;
- Overseeing the Corporation’s systems of disclosure controls and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the Corporation; and
- Reviewing and making recommendations to the Board with respect to the management of the financial affairs of the Corporation.
- Consistent with these functions, the Committee should encourage continuous improvement of, and should foster adherence to, the Corporation’s policies, procedures and practices at all levels. The Committee should also provide for open communication among the independent auditor, management, the internal audit function and the Board.
- The Committee has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisors, as necessary, to perform its duties and responsibilities. In carrying out its duties and responsibilities, the Committee shall also have the unrestricted authority to meet with and seek any information it requires from employees, officers and directors of the Corporation or external parties.
- The Corporation will provide appropriate funding, as determined by the Committee, for compensation to the independent auditor, to any advisors that the Committee chooses to engage and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

--While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management. The independent auditor is responsible for planning and conducting the audit in order to report on the financial statements. Nor is it the duty of the Committee to conduct investigations or to assure compliance with laws and regulations and the Corporation's code of conduct.

--The Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in this Charter.

ORGANIZATION: The Board shall appoint the members of the Committee annually, and the Board may remove any member of the Committee at any time, with or without cause. The Committee shall be composed of at least three, but not more than five, directors of the Corporation, each of whom shall meet the applicable standards of independence requirements of the New York Stock Exchange ("NYSE") and the Securities and Exchange Commission ("SEC"), with such determinations concerning independence and experience to be made by the Board. At least one member must qualify as an "audit committee financial expert" as defined by the SEC and determined by the Board. However, all members of the Committee must comply with all financial-literacy requirements of the NYSE.

--The Board shall appoint one of the members of the Committee as Chair. It is the responsibility of the Chair to schedule all meetings of the Committee. The Committee will meet at least quarterly and more frequently as circumstances dictate. The Chair will approve the agenda for the Committee's meetings and any member may suggest items for consideration. Briefing materials will be provided to the Committee as far in advance of meetings as practicable. The Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary. Each regularly scheduled meeting will conclude with an executive session of the Committee absent members of management. As part of its responsibility to foster open communication, the Committee will meet at least quarterly with management (including the CEO and CFO), the director or other representative of the internal audit function and the independent auditor in separate executive sessions. The Committee may approve actions via unanimous written consent without holding a formal meeting.

--Committee members may receive no remuneration from the Corporation or its subsidiaries other than that received as members of the Board and committees of the Board.

--In meeting its responsibilities, the Committee shall also:

General

-- Review this Charter at least annually and recommend to the Board any necessary amendments.

-- Conduct an annual performance assessment relative to the Committee's purposes, duties and responsibilities outlined herein.

-- Review the regular internal reports to management (or summaries thereof) prepared by the internal audit function, as well as management's response.

-- Report regularly to the Board regarding the execution of the Committee's duties and responsibilities, activities, any issues encountered and related recommendations.

Independent Auditor

-- Review and consult with the Board concerning the independent auditor to be engaged to audit the consolidated financial statements of the Corporation and any separately reported subsidiaries, including a review of the plan, scope and procedures of the independent auditor's proposed audit; provided that the Committee shall have direct responsibility for appointing the independent auditor, approving the terms of the annual engagement letter and the compensation of the independent auditor and reviewing and approving the discharge of the independent auditor.

-- Appoint (and recommend that the Board submit for shareholder ratification, if applicable), compensate, retain, and oversee the work performed by the independent auditor retained for the purpose of preparing or issuing an audit report or related work. The independent auditor will report directly to the Committee and the Committee will oversee the resolution of disagreements between management and the independent auditor if they arise. The Committee shall have a clear understanding with the independent auditor that the firm is ultimately accountable to the Committee.

-- Review the qualifications, performance and independence (to be confirmed in writing) of the independent auditor, including a review of the nature of all services and related fees provided by the independent auditor, reporting its findings to the Board and removing the independent auditor if circumstances warrant.

-- At least annually, obtain and review a report by the independent auditor describing:

1. The independent auditor's internal quality control procedures;
2. Any material issues raised by the most recent internal quality-control review or peer review or by any inquiry or investigation conducted by governmental or professional authorities during the preceding five years with respect to independent audits carried out by the independent auditor and any steps taken to deal with such issues; and
3. All relationships between the independent auditor and the Corporation, addressing the matters set forth in the independence and ethics rules of the Public Company Accounting Oversight Board ("PCAOB").

--This report should be used to evaluate the independent auditor's qualifications, performance and independence. Further, the Committee will review the experience and qualifications of the lead partner each year and determine that all partner rotation requirements, as promulgated by applicable rules and regulations, are executed. The Committee will also consider whether there should be rotation of the independent auditor itself.

-- Review and preapprove (which may be pursuant to preapproval policies and procedures established by this Committee) both audit and non-audit services to be provided by the independent auditor. Non-audit services need not be approved in advance if either (1) (a) the aggregate amount of all such non-audit services are not more than 5% of all amounts paid to the independent auditors during the fiscal year, (b) they were not recognized to be non-audit services at the time of the engagement, and (c) they are promptly brought to the attention of the Committee and approved prior to the completion of the audit; or (2) if approved in accordance with policies relating to approval of services provided by the independent auditor duly adopted by the Committee. The authority to grant preapprovals may be delegated to one or more designated members of the Committee, whose decisions will be presented to the full Committee at its next regularly scheduled meeting.

-- Consider whether the auditor's provision of permissible non-audit services is compatible with the auditor's independence. Discuss with the independent auditor the matters required under PCAOB standards to be discussed by the auditor with those charged with oversight of governance of the Company relating to the conduct of the audit.

-- Actively engage in dialogue with the independent auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take appropriate actions to oversee the independence of the outside auditor.

-- Direct the attention of the independent auditor to specific matters or areas deemed by the Committee to be of special significance and authorize the independent auditor to perform such supplemental reviews or audits.

-- Review with the internal audit function the intended level of support for, and coordination with, the independent auditor. Discuss with the independent auditor their plans, if any, to use the work of the internal audit function.

-- Review with management and the independent auditor at the completion of the annual examination:

1. The independent auditor's report on the Corporation's assessment of internal control over financial reporting;
2. The Corporation's (and its separately reporting or consolidated subsidiaries, as applicable) annual consolidated financial statements and related footnotes;
3. The independent auditor's audit of the consolidated financial statements and its report thereon (and any separate reports on statements of subsidiaries, as applicable);

4. Any significant changes required in the independent auditor's audit plan;
5. Any significant difficulties or disputes with management encountered during the course of the audit and management's response thereto;
6. The existence of significant estimates and judgments underlying the financial statements, including the rationale behind those estimates as well as the details on material accruals and reserves; and
7. Other matters related to the conduct of the audit that should be communicated to the Committee under generally accepted auditing standards or pursuant to the rules of the SEC or the requirements of the NYSE or PCAOB.

-- Hold timely discussions with the independent auditor regarding the following:

1. All critical accounting policies and practices;
2. All alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor; and
3. Other material written communications between the independent auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences.

-- Set policies, consistent with governing laws and regulations, for hiring personnel of the independent auditor.

-- Obtain and review any additional reports required to be obtained from the independent auditor pursuant to the rules of the SEC or the requirements of the NYSE or PCAOB.

Internal Auditor

-- Review and advise the Board on the selection and removal of the internal audit manager, as well as the manager's performance and compensation.

-- Review and concur in the appointment, replacement, reassignment or dismissal of personnel in internal auditing.

-- Meet with the internal auditor and evaluate the process for establishing the annual internal audit plans, the focus on risk and the intended level of support for, and coordination with, the independent auditor. Throughout the year, the Committee will periodically review and evaluate the scope, risk assessment and nature of the internal auditor's plan, the progress made with respect to the plan and any subsequent changes thereto, including whether or not the internal auditor's plan is sufficiently linked to the Corporation's overall business objectives and management's success and risk factors.

-- Receive prior to each meeting, a summary of the findings from internal audits completed since the prior such report and a progress report on the proposed audit plan, with explanations of deviations therefrom, along with internal auditing's assessment of the Corporation's risk management processes and system of internal control.

-- At least annually, consider and review with management and the internal audit function:

1. Significant findings during the year and management's responses thereto, including the timetable for implementation of the recommendations to correct weaknesses in internal control;
2. Any difficulties encountered in the course of their audit, including any disagreements with management or restrictions on the scope of their work or access to required information and management's response thereto;
3. Any changes required in the planned scope of their audit plan; and
4. The internal audit function's responsibility, budget and staffing.

-- Confirm the internal audit function's compliance with the Institute of Internal Audit's Standards for the Professional Practice of Internal Auditing.

-- Confirm and assure the independence of the internal audit function within the Corporation.

Financial Reporting & Internal Controls

-- Consider and review with management, the independent auditor (to the extent consistent with, or required by, their professional duties) and the internal audit function:

1. The scope of the internal audit function and the independent auditor's review of the Corporation's disclosure controls and procedures and the Corporation's internal control over financial reporting;
2. The integrity, adequacy and effectiveness of, and significant deficiencies or changes in, the Corporation's disclosure controls and procedures and the Corporation's internal and external control over financial reporting, including computerized information system controls and security, the overall control environment and accounting and financial controls; and
3. Any related significant findings and recommendations of the internal audit function or the independent auditor together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in disclosure controls and procedures and internal controls.

-- Meet with management and the independent auditor to review and discuss:

1. The Corporation's annual financial statements and quarterly financial statements (prior to the Corporation's Form 10-K or 10-Q filings);
2. All internal control reports and independent auditor's reports (or summaries thereof), including reports under Section 10A of the Securities Exchange Act of 1934 (which requires the Corporation's independent auditor to report illegal acts, other than those which are inconsequential, to the Committee); and
3. The Corporation's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be contained in the Corporation's annual report on Form 10-K (or annual report to shareholders if distributed prior to the filing of the Form 10-K).

-- Recommend to the Board whether the financial statements should be included in the annual report on Form 10-K.

-- Meet with management and the independent auditor to review other relevant reports or financial information submitted by the Corporation to any governmental body or the public, including management certifications as required by the Sarbanes-Oxley Act of 2002 and relevant reports rendered by the independent auditor (or summaries thereof), and consider whether the information contained in these documents is consistent with the information contained in the financial statements.

-- Discuss earnings press releases prior to their issuance, including the type and presentation of information, paying particular attention to any pro forma or adjusted non-GAAP information. Such discussions may be in general terms (i.e., discussion of the types of information to be disclosed and the type of presentations to be made).

-- Discuss financial information and earnings guidance provided to analysts and ratings agencies. Such discussions may be in general terms (i.e., discussion of the types of information to be disclosed).

-- Receive and review any disclosure from the Corporation's CEO or CFO made in connection with the certification of the Corporation's quarterly and annual reports filed with the SEC of:

1. significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial data; and
2. any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls.

-- Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles; major issues as to the adequacy of the Corporation's internal controls; and any special audit steps adopted in light of such material control deficiencies.

-- Review analyses prepared by management and the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

-- Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation.

-- Review and approve all related-party transactions, defined as those transactions required to be disclosed under Item 404 of Regulation S-K.

Compliance and Risk Management

-- Retain independent counsel, accountants or others to assist the Committee in the conduct of any investigation of matters brought to its attention within the scope of its duties as outlined herein.

-- Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations.

-- Oversee, review, and periodically update the Corporation's code of business conduct and ethics and the Corporation's system to monitor compliance with and enforce such code.

-- Review, with the Corporation's counsel, legal compliance and legal matters that could have a significant impact on the Corporation's financial statements.

-- Discuss with management, any director that has been appointed by the Board to serve as a liaison between the Corporation's enterprise risk management committee and this Committee and the Board (the "ERM Liaison"), and each committee of the Board that has been delegated oversight responsibility with respect to specific types of risks, the policies with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as the specific policies used by management to identify, assess and manage the Corporation's major financial risk exposures and the steps management has undertaken to control them.

-- Review and evaluate the effectiveness of the Corporation's process for identifying, assessing and managing significant financial risks or exposures and the effectiveness of the steps management has taken to minimize such financial risks to the Corporation.

-- Review and evaluate the Corporation's risk philosophy and management's decision regarding the types of risks that management has determined are appropriate in pursuit of stakeholder value.

-- Review with the Board, at least annually, its key findings and the key findings of each committee delegated responsibility for the oversight of specific types of risks and such other information as the Board may request regarding the Corporation's risk policies and procedures.

- Consider the risk of management's ability to override the Corporation's internal controls.
- Establish, oversee and periodically evaluate procedures for:
 1. The receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and
 2. Confidential, anonymous submissions by employees of the Corporation regarding questionable accounting or auditing matters.
- Review any complaints regarding accounting, internal accounting controls or auditing matters that might have been received.

Reports

- Review and approve the report that the SEC requires be included in the Corporation's annual proxy statement.
- Submit a written affirmation annually, or whenever the composition of the Committee changes, to the NYSE certifying that the Committee meets the requirements of the NYSE.
- Disclose in this Corporation's annual proxy statement, or, if a proxy statement is not filed, its annual report on Form 10-K, that this Charter is available on or through its website and provide the website address on which this Charter is posted.

Other Responsibilities

- Review, with management, the Corporation's finance function, including its budget, organization, and quality of personnel.
- Review accounting and financial human resources and succession planning within the Corporation.
- The Chair of the Committee or his or her designee shall attend meetings of the Anti-Fraud Committee of the Corporation.
- Perform any other activities consistent with this Charter, the Corporation's bylaws and governing laws that the Board or Committee determines are necessary or appropriate.
- Perform such other activities as may be required to be performed by the Committee under any applicable laws, the rules of the SEC or the NYSE or standards or other requirements adopted by PCAOB.

Finance Matters

- Review and make recommendations thereon to the Board for the following:

1. Proposed changes to the capital structure of the Corporation, including the establishment or revision of bank lines of credit or other short-term borrowing arrangements, the issuance of any intermediate or long-term indebtedness and the issuance of additional equity securities;
2. Proposed capital expenditures budget of the Corporation;
3. Performance of the investment manager for the Pension Plan assets;

-- Review the activities of management in the sale and issuance of specific debt and equity securities, when specifically authorized to do so by action of the Board.

-- Consider, review and make appropriate recommendations to the Board with respect to all other financial matters of the Corporation specifically delegated to it by the Board in the management of the financial affairs of the Corporation.

Dated as of January 30, 2018