

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

| OMB APPROVAL                                 |           |
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|  |         |          |  |  |  |  |
|--|---------|----------|--|--|--|--|
| 1. Name and Address of Reporting Person*<br><b>GALLAGHER JAMES B</b> |         |          | 2. Issuer Name and Ticker or Trading Symbol<br><b>AMERICAN STATES WATER CO [ AWR ]</b> |  | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable)<br>Director 10% Owner<br><input checked="" type="checkbox"/> Officer (give title below) Other (specify below)<br><b>Vice President</b> |  |
| (Last)   | (First) | (Middle) | 3. Date of Earliest Transaction (Month/Day/Year)<br><b>05/16/2006</b>                  |  | 6. Individual or Joint/Group Filing (Check Applicable Line)<br><input checked="" type="checkbox"/> Form filed by One Reporting Person<br>Form filed by More than One Reporting Person                          |  |
| 15219 GREEN VALLEY DRIVE   |         |          | 4. If Amendment, Date of Original Filed (Month/Day/Year)                               |  |  |  |
| (Street)<br><b>CHINO HILLS CA 91709</b>                              |         |          |  |  |  |  |
| (City) (State) (Zip)   |         |          |  |  |  |  |

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) |   | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) |            |         | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|---------|---|--|---|
|                                 |                                      |  | Code                           | V | Amount  | (A) or (D) | Price   |   |  |   |
| Common Stock                    | 05/16/2006                           |  | M                              |   | 9,075   | A          | \$23.15 | 11,279.696  | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 600   | D          | \$40.05 | 10,679.696  | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 800   | D          | \$40.04 | 9,879.696   | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 200   | D          | \$40.03 | 9,679.696   | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 100   | D          | \$40.02 | 9,579.696   | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 1,500   | D          | \$40.01 | 8,079.696   | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 2,200   | D          | \$40    | 5,879.696   | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 900   | D          | \$39.99 | 4,979.696   | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 300   | D          | \$39.98 | 4,679.696   | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 100   | D          | \$39.97 | 4,579.696   | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 700   | D          | \$39.96 | 3,879.696   | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 200   | D          | \$39.94 | 3,679.696   | D  |   |
| Common Stock                    | 05/16/2006                           |  | S                              |   | 1,475   | D          | \$39.75 | 2,204.696 <sup>(1)</sup>  | D  |   |

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) |   | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) |     | 6. Date Exercisable and Expiration Date (Month/Day/Year) |                 | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |       |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----|--|-----------------|---|--|--|---|--|-------|
|  |  |                                      |  | Code                           | V | (A)  | (D) | Date Exercisable   | Expiration Date |   |  |  |   |  | Title |
| Employee Stock Option (right to buy)       | \$23.15  | 05/16/2006                           |  | M                              |   | 9,075  |     | (2)  | 12/31/2012      | Common Stock  | 9,075                                      | \$0  | 0   | D  |       |

**Explanation of Responses:**

- Filing 3 of 3
- The Option became exercisable as to 2,995 of the 9,075 total number of shares subject to the option on December 31, 2003, an additional 2,995 shares on December 31, 2004 and an additional 3,085 on December 31, 2005.

/s/ James B. Gallagher                      05/17/2006

\*\* Signature of Reporting Person                      Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

\* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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