

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

COMMISSION FILE NO.	REGISTRANT AND STATE OF INCORPORATION ADDRESS AND TELEPHONE NUMBER	IRS EMPLOYER IDENTIFICATION NO.
333-47647	American States Water Company (A California Corporation) 630 East Foothill Boulevard San Dimas, California 91773-9016 909-394-3600	95-4676679
000-01121	Southern California Water Company (A California Corporation) 630 East Foothill Boulevard San Dimas, California 91773-9016 909-394-3600	95-1243678

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

American States Water Company Yes No
Southern California Water Company Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of May 11, 2001 the number of Common Shares outstanding, No Par Value with Stated Value of \$2.50, of American States Water Company was 10,079,629 all of which are listed on the New York Stock Exchange.

As of May 11, 2001, all of the 110 outstanding Common Shares of Southern California Water Company are owned by American States Water Company.

AMERICAN STATES WATER COMPANY
AND
SOUTHERN CALIFORNIA WATER COMPANY
FORM 10-Q
INDEX

	PAGE NO. -----	
PART I	FINANCIAL INFORMATION	
Item 1:	Financial Statements	1
	Consolidated Balance Sheets of American States Water Company as of March 31, 2001 and December 31, 2000	2 - 3
	Consolidated Statements of Income of American States Water Company for the Three Months Ended March 31, 2001 and March 31, 2000	4
	Consolidated Statements of Income of American States Water Company for the Twelve Months Ended March 31, 2001 and March 31, 2000	5
	Consolidated Statements of Cash Flow of American States Water Company for The Three Months Ended March 31, 2001 and March 31, 2000	6
	Consolidated Balance Sheets of Southern California Water Company as of March 31, 2001 and December 31, 2000	7 - 8
	Consolidated Statements of Income of Southern California Water Company for the Three Months Ended March 31, 2001 and March 31, 2000	9
	Consolidated Statements of Income of Southern California Water Company for the Twelve Months Ended March 31, 2001 and March 31, 2000	10
	Consolidated Statements of Cash Flow of Southern California Water Company for the Three Months Ended March 31, 2001 and March 31, 2000	11
	Notes to Financial Statements	12 - 14
Item 2:	Management's Discussion and Analysis of Financial Condition and Results of Operation	15 - 34
Item 3:	Quantitative and Qualitative Disclosures About Market Risks	34
PART II	OTHER INFORMATION	
Item 1:	Legal Proceedings	34 - 37
Item 2:	Changes in Securities	38
Item 3:	Defaults Upon Senior Securities	38
Item 4:	Submission of Matters to a Vote of Security Holders	38
Item 5:	Other Information	38
Item 6:	Exhibits and Reports on Form 8-K	39

PART I

ITEM 1. FINANCIAL STATEMENTS

General

The basic financial statements included herein have been prepared by Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission.

Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations, although Registrant believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments necessary for a fair statement of results for the interim period have been made.

It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto in the latest Annual Report on Form 10-K of American States Water Company.

Filing Format

This quarterly report on Form 10-Q is a combined report being filed by two separate Registrants: American States Water Company (hereinafter "AWR") and Southern California Water Company (hereinafter "SCW"). For more information, please see Note 1 to the Notes to Financial Statements and the heading entitled General in Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operation. References in this report to "Registrant" are to AWR and SCW, collectively unless otherwise specified. SCW makes no representations as to the information contained in this report relating to AWR and its subsidiaries, other than SCW.

AMERICAN STATES WATER COMPANY
CONSOLIDATED BALANCE SHEETS
ASSETS

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
	(Unaudited)	
	(in thousands)	
UTILITY PLANT, at cost		
Water	\$ 611,991	\$ 608,032
Electric	37,632	37,630
	-----	-----
	649,623	645,662
Less - Accumulated depreciation	(177,951)	(173,367)
	-----	-----
	471,672	472,295
Construction work in progress	44,258	36,801
	-----	-----
	515,930	509,096
	-----	-----
OTHER PROPERTY AND INVESTMENTS	24,894	25,222
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	7,673	5,808
Accounts receivable -		
Customers, less reserves of \$542 in 2001 and \$510 in 2000 ..	8,041	10,481
Other	5,040	5,233
Unbilled revenue	9,986	11,363
Materials and supplies, at average cost	1,157	1,116
Supply cost balancing accounts	17,412	11,145
Prepayments and other	3,736	4,085
Accumulated deferred income taxes - net	338	3,249
	-----	-----
	53,383	52,480
	-----	-----
DEFERRED CHARGES		
Regulatory tax-related assets	17,186	17,705
Other deferred charges	12,979	12,143
	-----	-----
	30,165	29,848
	-----	-----
TOTAL ASSETS	\$ 624,372	\$ 616,646
	=====	=====

The accompanying notes are an integral part of these financial statements.

AMERICAN STATES WATER COMPANY
CONSOLIDATED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
	(Unaudited)	
	(in thousands)	
CAPITALIZATION		
Common shareholders' equity	\$192,543	\$192,723
Preferred shares	1,600	1,600
Preferred shares subject to mandatory redemption requirements	320	320
Long-term debt	196,294	176,452
	-----	-----
	390,757	371,095
	-----	-----
CURRENT LIABILITIES		
Notes payable to banks	35,000	45,000
Long-term debt and preferred shares due within one year	735	735
Accounts payable	10,688	11,857
Taxes payable	3,211	5,585
Accrued interest	3,842	1,783
Other accrued liabilities	13,021	15,257
	-----	-----
	66,497	80,217
	-----	-----
OTHER CREDITS		
Advances for construction	69,085	69,230
Contributions in aid of construction	39,802	39,670
Accumulated deferred income taxes - net	51,468	51,131
Unamortized investment tax credits	3,130	3,156
Regulatory tax-related liability	1,806	1,817
Other	1,827	330
	-----	-----
	167,118	165,334
	-----	-----
TOTAL CAPITALIZATION AND LIABILITIES	\$624,372	\$616,646
	=====	=====

The accompanying notes are an integral part of these financial statements.

AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS
ENDED MARCH 31, 2001 AND 2000
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	(in thousands, except per share amounts)	
OPERATING REVENUES		
Water	\$ 36,145	\$ 34,587
Electric	3,957	4,011
Other	189	151
	-----	-----
	40,291	38,749
	-----	-----
OPERATING EXPENSES		
Water purchased	6,492	7,555
Power purchased for pumping	1,530	1,461
Power purchased for resale	8,733	1,975
Groundwater production assessment	1,473	2,253
Supply cost balancing accounts	(7,267)	(1,067)
Other operating expenses	4,128	3,887
Administrative and general expenses	6,580	5,913
Depreciation	4,484	3,802
Maintenance	2,213	2,557
Taxes on income	2,713	2,412
Other taxes	1,989	1,799
	-----	-----
	33,068	32,547
	-----	-----
Operating income	7,223	6,202
OTHER INCOME/(LOSS)	(186)	13
	-----	-----
Income before interest charges	7,037	6,215
INTEREST CHARGES	3,920	3,320
	-----	-----
NET INCOME	3,117	2,895
DIVIDENDS ON PREFERRED SHARES	(21)	(22)
	-----	-----
EARNINGS AVAILABLE FOR COMMON SHAREHOLDERS	\$ 3,096	\$ 2,873
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	10,080	8,958
Basic Earnings Per Common Share	\$ 0.31	\$ 0.32
WEIGHTED AVERAGE NUMBER OF DILUTED SHARES	10,171	N/A
Fully Diluted Earnings Per Share	\$ 0.30	N/A
Dividends Declared Per Common Share	\$ 0.325	\$ 0.32

The accompanying notes are an integral part of these financial statements.

AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE TWELVE MONTHS
ENDED MARCH 31, 2001 AND 2000
(UNAUDITED)

	TWELVE MONTHS ENDED MARCH 31,	
	2001	2000
	----- (in thousands, except per share amounts)	
OPERATING REVENUES		
Water	\$ 170,353	\$ 162,068
Electric	14,312	13,475
Other	837	495
	-----	-----
	185,502	176,038
	-----	-----
OPERATING EXPENSES		
Water purchased	40,529	36,751
Power purchased for pumping	7,579	7,413
Power purchased for resale	17,422	7,903
Groundwater production assessment	6,710	7,713
Supply cost balancing accounts	(12,572)	(1,065)
Other operating expenses	16,986	15,942
Administrative and general expenses	26,805	28,128
Depreciation	16,021	13,942
Maintenance	9,937	10,218
Taxes on income	15,428	13,490
Other taxes	7,330	6,741
	-----	-----
	152,175	147,176
	-----	-----
Operating income	33,327	28,862
OTHER INCOME/(LOSS)	(298)	446
	-----	-----
Income before interest charges	33,029	29,308
INTEREST CHARGES	14,721	13,288
	-----	-----
NET INCOME	18,308	16,020
DIVIDENDS ON PREFERRED SHARES	(85)	(87)
	-----	-----
EARNINGS AVAILABLE FOR COMMON SHAREHOLDERS	\$ 18,223	\$ 15,933
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	9,658	8,958
Basic Earnings Per Common Share	\$ 1.89	\$ 1.78
WEIGHTED AVERAGE NUMBER OF DILUTED SHARES	9,700	N/A
Fully Diluted Earnings Per Share	\$ 1.88	N/A
Dividends Declared Per Common Share	\$ 1.290	\$ 1.280

The accompanying notes are an integral part of these financial statements.

AMERICAN STATES WATER COMPANY
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	(in thousands)	
CASH FLOWS FROM -		
Operating Activities:		
Net income	\$ 3,117	\$ 2,895
Adjustments for non-cash items:		
Depreciation and amortization	4,484	3,948
Deferred income taxes and investment tax credits ..	3,730	127
Other - net	(776)	(2,744)
Changes in assets and liabilities:		
Accounts receivable	2,440	3,468
Prepayments	349	280
Supply cost balancing accounts	(6,267)	(1,067)
Accounts payable	(1,169)	(4,183)
Taxes payable	(2,374)	2,179
Unbilled revenue	1,565	1,232
Other	1,530	(274)
Net Cash Provided	6,629	5,861
Investing Activities:		
Construction expenditures	(11,236)	(9,850)
Net Cash Used	(11,236)	(9,850)
Financing Activities:		
Issuance of securities	20,000	--
Receipt of advances and contributions	368	3,173
Repayments of long-term debt, net of redemption of preferred shares	(158)	(32)
Refunds on advances for construction	(442)	(459)
Changes in notes payable to banks	(10,000)	4,000
Common and preferred dividends paid	(3,296)	(2,888)
Net Cash Provided	6,472	3,794
Net Increase (Decrease) in Cash and Cash Equivalents ..	1,865	(195)
Cash and Cash Equivalents, Beginning of period	5,808	2,189
Cash and Cash Equivalents, End of period	\$ 7,673	\$ 1,994

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA WATER COMPANY
CONSOLIDATED BALANCE SHEETS
ASSETS

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
	(Unaudited)	
	(in thousands)	
UTILITY PLANT, at cost		
Water	\$ 574,794	\$ 570,836
Electric	37,632	37,630
	-----	-----
	612,426	608,466
Less - Accumulated depreciation	(169,355)	(165,002)
	-----	-----
	443,071	443,464
Construction work in progress	43,931	36,605
	-----	-----
	487,002	480,069
	-----	-----
OTHER PROPERTY AND INVESTMENTS	9,645	9,711
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	2,982	1,545
Accounts receivable -		
Customers, less reserves of \$530 in 2001, and \$498 in 2000 ..	7,557	10,071
Other	4,966	5,097
Intercompany receivable	--	376
Unbilled revenue	9,799	11,363
Materials and supplies, at average cost	1,080	1,039
Supply cost balancing accounts	17,412	11,145
Prepayments and other	3,456	3,756
Accumulated deferred income taxes - net	348	3,256
	-----	-----
	47,600	47,648
	-----	-----
DEFERRED CHARGES		
Regulatory tax-related assets	17,186	17,705
Other deferred charges	12,209	11,396
	-----	-----
	29,395	29,101
	-----	-----
TOTAL ASSETS	\$ 573,642	\$ 566,529
	=====	=====

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA WATER COMPANY
CONSOLIDATED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
	(Unaudited)	
	(in thousands)	
CAPITALIZATION		
Common shareholders' equity	\$189,436	\$164,808
Long-term debt	187,027	167,062
	-----	-----
	376,463	331,870
	-----	-----
CURRENT LIABILITIES		
Notes payable to banks	14,000	45,000
Long-term debt and preferred shares due within one year ..	275	275
Accounts payable	10,398	11,203
Intercompany payable	7	4,746
Taxes payable	3,249	5,675
Accrued interest	3,680	1,722
Other accrued liabilities	12,821	13,512
	-----	-----
	44,430	82,133
	-----	-----
OTHER CREDITS		
Advances for construction	57,889	58,195
Contributions in aid of construction	39,773	39,642
Accumulated deferred income taxes - net	49,920	49,569
Unamortized investment tax credits	2,951	2,973
Regulatory tax-related liability	1,806	1,817
Other	410	330
	-----	-----
	152,749	152,526
	-----	-----
TOTAL CAPITALIZATION AND LIABILITIES	\$573,642	\$566,529
	=====	=====

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS
ENDED MARCH 31, 2001 AND 2000
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	(\$ in thousands, except per share amounts)	
OPERATING REVENUES		
Water	\$ 34,805	\$ 34,587
Electric	3,957	4,011
	38,762	38,598
OPERATING EXPENSES		
Water purchased	6,348	7,555
Power purchased for pumping	1,473	1,461
Power purchased for resale	8,733	1,975
Groundwater production assessment	1,473	2,253
Supply cost balancing accounts	(7,267)	(1,067)
Other operating expenses	3,898	3,830
Administrative and general expenses	6,314	5,781
Depreciation	4,173	3,802
Maintenance	2,147	2,553
Taxes on income	2,592	2,430
Other taxes	1,897	1,798
	31,781	32,371
Operating income	6,981	6,227
OTHER INCOME/(LOSS)	(209)	13
Income before interest charges	6,772	6,240
INTEREST CHARGES	3,844	3,320
NET INCOME	2,928	2,920
DIVIDENDS ON PREFERRED SHARES	--	--
EARNINGS AVAILABLE FOR COMMON SHAREHOLDERS	\$ 2,928	\$ 2,920
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	100	100
Basic Earnings Per Common Share	\$ 29,280	\$ 29,200
Dividends Declared Per Common Share	\$ 33,000	\$ 32,000

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE TWELVE MONTHS
ENDED MARCH 31, 2001 AND 2000
(UNAUDITED)

	TWELVE MONTHS ENDED MARCH 31,	
	2001	2000
	(\$ in thousands, except per share amounts)	
OPERATING REVENUES		
Water	\$ 167,747	\$ 162,068
Electric	14,312	13,475
	182,059	175,543
OPERATING EXPENSES		
Water purchased	40,242	36,751
Power purchased for pumping	7,454	7,413
Power purchased for resale	17,422	7,903
Groundwater production assessment	6,710	7,713
Supply cost balancing accounts	(12,572)	(1,065)
Other operating expenses	16,372	15,777
Administrative and general expenses	26,081	27,536
Depreciation	15,457	13,942
Maintenance	9,785	10,210
Taxes on income	15,043	13,588
Other taxes	7,137	6,737
	149,131	146,505
Operating income	32,928	29,038
OTHER INCOME	(362)	423
Income before interest charges	32,566	29,461
INTEREST CHARGES	14,874	13,290
NET INCOME	17,692	16,171
DIVIDENDS ON PREFERRED SHARES	--	--
EARNINGS AVAILABLE FOR COMMON SHAREHOLDERS	\$ 17,692	\$ 16,171
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	100	100
Basic Earnings Per Common Share	\$ 176,920	\$ 161,710
Dividends Declared Per Common Share	\$ 130,000	\$ 121,500

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA WATER COMPANY
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	(in thousands)	
CASH FLOWS FROM -		
Operating Activities:		
Net income	\$ 2,928	\$ 2,920
Adjustments for non-cash items:		
Depreciation and amortization	4,173	3,948
Deferred income taxes an investment tax credits ...	3,745	106
Other - net	(768)	(1,574)
Changes in assets and liabilities:		
Accounts receivable	2,514	2,996
Prepayments	300	280
Supply cost balancing accounts	(6,267)	(1,067)
Accounts payable	(4,739)	(3,982)
Intercompany Payable	(805)	(39)
Taxes payable	(2,426)	2,198
Unbilled revenue	1,564	1,232
Other	1,733	(1,070)
	1,952	5,948
	-----	-----
Investing Activities:		
Construction expenditures	(11,106)	(9,850)
	-----	-----
Net Cash Used	(11,106)	(9,850)
	-----	-----
Financing Activities:		
Issuance of securities	45,000	--
Receipt of advances and contributions	368	3,173
Repayments of long-term debt, net of redemption of preferred shares	(35)	(18)
Refunds on advances for construction	(442)	(459)
Changes in notes payable to banks	(31,000)	4,000
Common and preferred dividends paid	(3,300)	(3,200)
	10,591	3,496
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents ..	1,437	(406)
Cash and Cash Equivalents, Beginning of period	1,545	2,020
	-----	-----
Cash and Cash Equivalents, End of period	\$ 2,982	\$ 1,614
	=====	=====

The accompanying notes are an integral part of these financial statements.

AMERICAN STATES WATER COMPANY
AND
SOUTHERN CALIFORNIA WATER COMPANY

NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

American States Water Company (AWR), incorporated in 1998, is the parent company of Southern California Water Company (SCW), American States Utility Services, Inc. (ASUS) and Chaparral City Water Company (CCWC). AWR has no material assets other than the common stock of Southern California Water Company (SCW). SCW is a public utility company engaged principally in the purchase, production, distribution and sale of water, and the distribution and sale of electric energy in several mountain communities. Unless otherwise stated in this report, the term Registrant applies to both AWR and SCW, collectively.

1. For a summary of significant accounting policies and other information relating to these interim financial statements, reference is made to pages 37 through 46 of the Form 10-K, incorporated in the 2000 Annual Report to Shareholders of AWR, under the caption "Notes to Financial Statements."
2. Basic earnings per common share are calculated pursuant to SFAS No. 128 - Earnings per Share - and are based on the weighted average number of common shares outstanding during each period and net income after deducting preferred dividend requirements. Under the American States Water Company 2000 Stock Incentive Plan, stock options representing 45,657 common shares were granted to certain eligible employees on May 1, 2000, and additional 45,657 common shares on January 2, 2001. A fully diluted earnings per share is shown as a result.
3. On April 22, 1999, the California Public Utilities Commission (CPUC) issued an order denying SCW's application seeking approval of its recovery through rates of costs associated with its participation in the Coastal Aqueduct Extension of the State Water Project (SWP). SCW's participation in the SWP commits it to a 40-year entitlement with a value of approximately \$9.5 million. SCW's investment in SWP is currently included in Other Property and Investments. The remaining balance of the related liability of approximately \$7 million is recorded as other long-term debt. SCW intends to recover its investment in SWP through contributions from developers on a per-lot or other basis, and, failing that, sale of its 500 acre-foot entitlement in SWP. SCW believes that its full investment and on-going costs associated with its ownership will be fully recovered. See the section entitled "Rates and Regulation" for more information.
4. New water rates with an annual increase of approximately \$2.5 million for seven ratemaking districts in SCW's Region I were implemented in January 2001. SCW's application to combine the seven ratemaking customer service areas (CSAs) into one regional rate was, however, denied by the CPUC. Step increases of approximately \$1.7 million for CSAs in SCW's Region III were also effective in January 2001. An attrition increase of approximately \$2.8 million for Region II was in effect from February 2001. There are no active regulatory proceedings affecting CCWC or its operations. See the section entitled "Rates and Regulation" for more information.
5. As permitted by the CPUC, SCW maintains water and electric supply cost balancing accounts to account for under-collections and over-collections of revenues designed to recover such costs. Recovery or refund of such over/under collections are recorded in income when received from customers and charged to balancing accounts when such costs are incurred. The balancing accounts are reversed when such costs are recovered through rate adjustments. As previously

disclosed in Registrant's Form 10-K for the year ended December 31, 2000, SCW, like other California utilities, has experienced rapid increases in the price of electric energy. As of March 31, 2001, SCW had an aggregate under-collection of \$17.4 million in its water and electric balancing accounts. Of this total amount, approximately \$15.1 million is related to purchased power costs at SCW's Bear Valley Electric customer service area. This is a result of the differences between wholesale purchased power costs, which have averaged approximately \$0.28 per kilowatt-hour during the last few months, and the \$0.024 per kilowatt-hour currently authorized in rates for collection of purchased power costs from customers. In May 2000, SCW filed an Advice Letter with the CPUC for recovery of approximately \$2.4 million in under-collected power costs over a five-year period. A draft resolution was issued in April 2001 by the CPUC recommending an overall rate increase of 12.5% to recover the under-collection of \$2.4 million, with a condition of conducting a subsequent audit on the electric balancing account. A final order is expected in the second quarter of 2001. SCW filed a second Advice Letter on April 9, 2001 for recovery over a five-year period of an additional under-collection of \$8.7 million. The CPUC has yet to act on this application. Registrant believes that the recovery of these amounts is probable but is unable to predict when, or if, the CPUC will authorize recovery of all or any of these expenses. Registrant also believes that timely actions by the CPUC to authorize SCW to recover past and future power costs are necessary to avoid any material adverse effect on SCW's financial condition. SCW has received approval from the CPUC to increase rates to its water customers to recover costs associated with increased costs for pumping. See the sections entitled "Liquidity and Capital Resources", "Electric Energy Situation in California" and "Regulatory Matters" for more information. CCWC, subject to regulation by the Arizona Corporation Commission (ACC), does not maintain balancing accounts and increases in costs are recovered through general rate case applications.

6. On October 2000, AWR completed the acquisition of the common stock of CCWC for an aggregate value of \$31.2 million, including assumption of approximately \$12 million in debt. As of March 31, 2001, Registrant has \$13,122,000 in goodwill included in Other Property and Investments. The amount represents the difference between the purchased price of the common equity of CCWC and CCWC's book equity at the time of closing and is being amortized over a period of 40 years.
7. AWR has three principal business units: water and electric distribution units, through its SCW subsidiary, a water service utility operation conducted through its Chaparral City Water Company (CCWC) unit, and a non-regulated activity unit through the American States Utilities Services, Inc. (ASUS) subsidiary. All activities of SCW currently are geographically located within California. All activities of CCWC are located in the state of Arizona. Both SCW and CCWC are regulated utilities. On a stand-alone basis, AWR has no material assets other than its investments in its subsidiaries. The tables below set forth information relating to SCW's water and electric operating segments, CCWC, and non-regulated businesses, consisting of ASUS and AWR corporate expenses. Included in the amounts set forth, certain assets, revenues and expenses have been allocated. The identifiable assets are net of respective accumulated provisions for depreciation.

(dollars in thousands)

For The Three Months Ended March 31, 2001

	SCW		CCWC Water	Non- Regulated	Consolidated AWR
	Water	Electric			
Operating revenues	\$ 34,805	\$ 3,957	\$ 1,340	\$189	\$ 40,291
Operating income before income taxes	8,306	1,267	318	45	9,936
Identifiable assets	460,321	26,681	28,928	--	515,930
Depreciation expense	3,812	361	311	--	4,484
Capital additions	\$ 11,032	\$ 565	\$ 130	--	\$ 11,727

(dollars in thousands)

For The Three Months Ended March 31, 2000

	SCW		CCWC Water	Non- Regulated	Consolidated AWR
	Water	Electric			
Operating revenues	\$ 34,587	\$ 4,011	N.A.	\$ 151	\$ 38,749
Operating income before income taxes	7,240	1,417	N.A.	(43)	8,614
Identifiable assets	429,740	25,903	N.A.	--	455,643
Depreciation expense	3,452	350	N.A.	--	3,802
Capital additions	\$ 9,890	\$ 577	N.A.	--	\$ 10,467

(dollars in thousands)

For The Twelve Months Ended March 31, 2001

	SCW		CCWC Water	Non- Regulated	Consolidated AWR
	Water	Electric			
Operating revenues	\$167,747	\$14,312	\$2,606	\$ 837	\$185,502
Operating income before income taxes	43,600	4,371	615	169	48,755
Identifiable assets	460,321	26,681	28,928	--	515,930
Depreciation expense	14,048	1,409	564	--	16,021
Capital additions	\$ 44,625	\$ 2,291	\$ 327	--	\$ 47,243

(dollars in thousands)

For The Twelve Months Ended March 31, 2000

	SCW		CCWC Water	Non- Regulated	Consolidated AWR
	Water	Electric			
Operating revenues	\$162,068	\$13,475	N.A.	\$ 495	\$176,038
Operating income before income taxes	39,022	3,604	N.A.	(274)	42,352
Identifiable assets	429,740	25,903	N.A.	--	455,643
Depreciation expense	12,586	1,356	N.A.	--	13,942
Capital additions	\$ 48,078	\$ 2,278	N.A.	--	\$ 50,356

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

FORWARD-LOOKING INFORMATION

Certain matters discussed in this report (including the documents incorporated herein by reference) are forward-looking statements intended to qualify for the "safe harbor" from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as Registrant "believes," "anticipates," "expects" or words of similar import. Similarly, statements that describe Registrant's future plans, objectives, estimates or goals are also forward-looking statements. Such statements address future events and conditions concerning capital expenditures, earnings, litigation, rates, water quality and other regulatory matters, adequacy of water supplies, the California energy crisis, liquidity and capital resources, opportunities related to operations and maintenance of water systems owned by governmental entities and other utilities and providing related services, and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements, by reason of factors such as utility restructuring, including ongoing local, state and federal activities; future economic conditions, including changes in customer demand and changes in water and energy supply cost; future climatic conditions; and legislative, regulatory and other circumstances affecting anticipated revenues and costs.

GENERAL

AWR, incorporated in 1998, is engaged in the business of holding, for investment, the stock primarily of utility companies. AWR's primary investment is the stock of SCW. SCW is a California public utility company engaged principally in the purchase, production, distribution and sale of water (SIC No. 4941). SCW also distributes electricity in one customer service area (SIC No. 4911). SCW is regulated by the California Public Utilities Commission (CPUC) and was incorporated on December 31, 1929 under the laws of the State of California.

SCW is organized into three regions and one electric customer service area (CSA) operating within 75 communities in 10 counties in the State of California and provides water service in 21 CSAs. Region I incorporates 7 CSAs in northern and central California; Region II has 4 CSAs located in Los Angeles; Region III incorporates 10 water CSA's.

SCW also provides electric service to the City of Big Bear Lake and surrounding areas in San Bernardino County. All electric energy sold by SCW to customers in its Bear Valley Electric CSA was purchased under an energy brokerage contract with Sempra Energy Corporation from March 26, 1996 to May 1, 1999, then with Illinova Energy Partners (Illinova) from May 1, 1999 to April 30, 2000, and with Dynegy Energy Services (Dynegy) since May 1, 2000 as a result of the merger of Dynegy and Illinova. In response to the rising electricity costs, SCW entered into a five-year, block forward purchase contract with Mirant Americas Energy Marketing, LP for 15 megawatts (MW's) of electric energy at a price of \$95 per MW from April 1, 2001 to December 31, 2006. See the section entitled "Electric Energy Situation in California" for more information.

SCW served 245,412 water customers and 21,515 electric customers at March 31, 2001, or a total of 266,927 customers, compared with 265,397 total customers at March 31, 2000.

SCW's utility operations exhibit seasonal trends. Although SCW's water utility operations have a diversified customer base, revenues derived from commercial and residential water customers accounted for approximately 93.6% and 90.1% of total water revenues for the three and twelve months ended March 31,

2001, respectively, as compared to 96.3% and 90.9% for the three and twelve months ended March 31, 2000, respectively.

AWR also owns two other subsidiaries. American States Utility Services, Inc. (ASUS) contracts to lease, operate and maintain water and wastewater systems owned by others and to provide related services, such as billing and meter reading, to approximately 90,000 accounts. Chaparral City Water Company (CCWC) is an Arizona public utility company serving 11,208 customers as of March 31, 2001 in the town of Fountain Hills, Arizona and a portion of the City of Scottsdale, Arizona. The Arizona Corporation Commission (ACC) regulates CCWC. AWR completed the acquisition of the common stock of CCWC on October 10, 2000 for an aggregate value of \$31.2 million, including assumption of approximately \$12 million in debt. Neither AWR nor ASUS is regulated by either the CPUC or the ACC.

ACQUISITION OF PEERLESS WATER CO.

In December 1999, Registrant agreed to acquire Peerless Water Co., a privately owned water company in Bellflower, California, subject to satisfaction of certain conditions, including CPUC approval. The number of Common Shares to be issued will be determined at the closing, but will in no event be greater than 131,036 shares nor less than 107,538 shares. The transaction, if approved by the CPUC, is not anticipated to close before the end of the third quarter of 2001.

RESULTS OF OPERATION

Basic earnings per common share for the three months ended March 31, 2001 decreased by 3.1% to \$0.31 per share as compared to \$0.32 per share for the comparable period last year. The decrease in the recorded results primarily reflects the impact of reduced water sales at SCW as well as the dilutive effects from additional common shares issued in August 2000. Basic earnings for the twelve months ended March 31, 2001 increased by 6.2% to \$1.89 per share as compared to \$1.78 per share for the twelve months ended March 31, 2000 reflecting various reasons as discussed below. Fully diluted earnings per share for the three and twelve months ended March 31, 2001 are \$0.31 and \$1.88 per share, respectively. Registrant had no dilutive securities outstanding in the same periods of 2000 and, accordingly, diluted earnings per share are not applicable for those periods.

As compared to the same periods ended March 31, 2000, water operating revenues increased by 4.5% and 5.1% for the three and twelve months ended March 31, 2001, respectively, due to (i) the increases in rates authorized by the CPUC, (ii) a decrease of 5.2% in water sales for the three months ended March 31, 2001 and an increase of 1.2% in water sales for the twelve months ended March 31, 2001 to customers of SCW, and (iii) additional revenues generated by CCWC. New rates in the customer service areas that comprise SCW's Region I were effective January 2, 2001. Attrition increases for SCW's Metropolitan customer service area and step increases for SCW's Region III were also in effect in the first quarter of 2001. See the section entitled "Regulatory Matters" for more information.

Kilowatt-hour sales of electricity decreased by 1.1% for the three months ended March 31, 2001 as compared to the same periods ended March 31, 2000 resulting in a 1.3% decrease in electric operating revenues. The decrease in sales was due principally to more winter snows experienced in Registrant's service area during the first quarter of this year, which decreased the use of snow making machines at ski resorts in the area. As compared to the twelve months ended March 31, 2000, kilowatt-hour sales increased by 6.0% due to increase in commercial and residential usage. As a result, electric operating revenues for the twelve months ended March 31, 2001 increased by 6.2%.

Other revenues increased by 25.2% and 69.1% for the three and twelve months ended March 31, 2001, respectively, due to new ASUS service contracts and increased activities with existing contracts.

Purchased water costs decreased by 14.1% for the three months ended March 31, 2001 as compared to the same period ending in 2000 reflecting a decrease of 9.5% in purchased water volume resulting from lower sales and less purchased water in Registrant's supply mix. As compared to the twelve months ended March 31, 2000, purchased water costs increased by 10.3% reflecting increases of 6.3% in purchased water volume, and a total of \$1.6 million in refunds from the Water Replenishment District of Southern California (WRD) received during twelve months ended March 31, 2000. There were no similar refunds received during the same periods ended March 31, 2001.

Cost of power purchased for pumping increased by 4.7% and 2.2% for the three and twelve months ended March 31, 2001, respectively due to the interim surcharge implemented by Registrant's energy supplier based on the CPUC's decision on January 4, 2001. On March 27, 2001, the CPUC approved SCW's Advice Letters to increase the costs of purchased power included in base water rates for its ratemaking districts to reflect the increase from its energy supplier. See the section entitled "Regulatory Matters" and "Electric Energy Situation in California" for more information.

As compared to the three months and twelve months ended March 31, 2000, costs of power purchased for resale to customers in SCW's Bear Valley Electric customer service area increased by 291.5% and 107.8%, respectively, due primarily to significant increases in wholesale market prices for energy in the State of California. Most of this increase has been included in the electric supply cost balancing account that, as described below, partially insulates earnings from the effects of the significantly increased power costs, unless recovery of these costs is disallowed. Due to the nature of the regulatory process, there is a risk of disallowance of full recovery of costs or additional delays in the recovery of costs during any period in which there has been a substantial escalation in costs. See the sections entitled "Liquidity and Capital Resources", "Regulatory Matters" and "Electric Energy Situation in California" for more information.

Groundwater production assessment for the three months and twelve months ended March 31, 2001 decreased by 34.6% and 13.0%, respectively, as compared to the same period in 2000 primarily due to timing differences in accruing costs for excess pumping in SCW's San Gabriel and San Dimas customer service areas.

A positive entry for the provision for supply cost balancing accounts reflects recovery of previously under-collected supply costs. Conversely, a negative entry for the provision for supply cost balancing accounts reflects an under-collection of previously incurred supply costs. Registrant currently has a net under-collected position in both its water and electric balancing accounts. A net under-collection of balancing accounts for the three and twelve months ended March 31, 2001 reflects previously discussed increases in energy costs and excess pumping penalty accruals. The twelve-month comparison was partially offset by the WRD refunds for the period ended March 31, 2000 as discussed previously.

Other operating expenses increased by 6.2% and 6.5% for the three and twelve months ended March 31, 2001, respectively, as compared to the same periods of last year. The increases were primarily due to additional costs incurred by CCWC and increases in labor and billing costs due to additional billing and customer service contracts obtained by ASUS.

Administrative and general expenses increased by 11.3% for the three months ended March 31, 2001 as compared to the same period ended March 31, 2000 reflecting increased reserve for worker's compensation, outside services associated with SCW's Bear Valley Electric customer service area in response to the energy situation in California, and additional costs from CCWC. As compared to the twelve months ended March 31, 2001, the expenses decreased by 4.7% due primarily to booking reduced reserves for litigation in 2000 and a reduction in pension expenses. See the section entitled "Legal Proceedings" for more information.

Depreciation expense increased by 17.9% and 14.9%, respectively, for the three and twelve months ended March 31, 2001 reflecting, among other things, the effects of recording approximately \$55.7 million in net plant additions during 2000, depreciation on which began in January 2001. In addition, amortization of goodwill, which represents the difference between the purchase price of the common equity of CCWC and CCWC's book equity at the time of closing, began October 2000.

As compared to the three and twelve months ended March 31, 2000, maintenance expense decreased by 13.5% and 2.8%, respectively, due to decreased maintenance on Registrant's water supply sources and maintenance of water mains during the first quarter of 2001.

Taxes on income increased by 12.5% and 14.4%, respectively, as compared to the three and twelve months ended March 31, 2000. It was due to an increase in pre-tax operating income of 13.7% and 17.1%, respectively, for the comparable periods ended March 31, 2001. The twelve-month comparison was also affected by a lower effective tax rate for the period ended March 31, 2001.

Other taxes increased by 10.6% and 8.7%, respectively, for the three and twelve months ended March 31, 2001, respectively, as compared to the same periods last year reflecting principally increased property taxes due to higher property valuation assessments and additional properties at CCWC since October 2000.

The loss in other income recorded for the three and twelve months ended March 31, 2001 was due to the effect of recording amortization and interest expenses, starting January 2000, on SCW's entitlement in the State Water Project, and higher expenses associated with increased activities in Registrant's non-regulated ventures.

Interest expense increased by 18.1% and 10.8%, respectively, for the three and twelve months ended March 31, 2001 as compared to the three and twelve months ended March 31, 2000 due to (i) additional short-term borrowing at higher rates, incurred by SCW to temporarily fund its capital expenditures, (ii) the issuance of \$20 million in long-term debt in January 2001 and (iii) additional long-term debt at Registrant's CCWC unit.

LIQUIDITY AND CAPITAL RESOURCES

AWR funds its operating expenses and pays dividends on its outstanding Common and Preferred Shares principally through dividends from SCW. AWR has a Registration Statement on file with the Securities and Exchange Commission (SEC) for issuance, from time to time, of up to \$60 million in Common Shares, Preferred Shares and/or debt securities. On August 16, 2000, AWR issued 1,107,000 Common Shares at \$26.125 per share under this Registration Statement. Net proceeds from the offering have been used to fund a portion of the purchase price of CCWC and invest in SCW. As of March 31, 2001, approximately \$31,074,000 remained for issuance under this Registration Statement. AWR completed the acquisition of the common stock of CCWC on October 10, 2000 for an aggregate value of \$31.2 million, including assumption of approximately \$12 million in debt.

AWR maintains a revolving credit facility with a \$25 million aggregate borrowing capacity. At March 31, 2001, \$21 million was outstanding under this facility.

SCW funds the majority of its operating expenses, payments on its debt, and dividends on its outstanding Common Shares through internal sources. Internal sources of cash flow are provided primarily by retention of a portion of earnings, amortization of deferred charges, and depreciation expense. Internal cash generation is influenced by factors such as weather patterns, environmental regulation, litigation,

changes in supply costs, and timing of rate relief. See the sections entitled "Risk Factors" and "Electric Energy Situation in California" for more information.

Because of the seasonal nature of its water and electric operations, SCW utilizes its short-term borrowing capacity to finance current operating expenses, including expenses for purchased power distributed through its Bear Valley Electric customer service area. SCW has experienced increased costs for electric energy, particularly during the fourth quarter of 2000 and first quarter of 2001. At December 31, 2000, SCW had under-collected its electric power costs by approximately \$8.6 million. During the first quarter of 2001, SCW incurred \$6.5 million more in purchased power costs than it was authorized to recover in current rates. At March 31, 2001, SCW had accrued a total under-collection of electric power costs in its Bear Valley Electric customer service area of \$15.1 million.

In order to assure a reliable source of supply and mitigate spot market purchases of electric energy, SCW has entered into a five-year agreement for the purchase of 15 megawatts of electric energy at a price of \$95 per megawatt. On May 11, 2001, SCW filed an application with the CPUC for inclusion in rates of the energy purchased under this agreement. Recovery of these costs will result in a cost of energy in rates of \$0.095 per kilowatt-hour as compared to the current cost of approximately \$0.024 per kilowatt-hour currently in rates. Less than full recovery of these costs could result in as much as an additional under-collection of approximately \$10.7 million for the remainder of calendar 2001. Less than full recovery of these costs would further adversely impact SCW's liquidity. SCW's under-collected position for purchased power relative to its Bear Valley Electric Service division could reach approximately \$26 million by the end of 2001 if the CPUC does not timely authorize recovery of both past electric power costs as well as costs associated with the new power purchase agreement. Registrant believes that timely regulatory actions by the CPUC to authorize SCW to recover its past and future power costs are necessary to avoid any material adverse impact on SCW's liquidity and financial condition.

Registrant has implemented a Cash Preservation Plan (CPP) to control costs and to limit capital expenditures principally to those projects that are believed necessary to meet public safety and health requirements or otherwise provide for continued service. The CPP impacts both the electric and water business of SCW. Management anticipates that the CPP, through deferral of capital expenditures alone, could reduce cash expenditures in 2001 by as much as \$20 million. See the sections entitled "Electric Energy Situation in California" and "Regulatory Matters" for more information.

The aggregate short-term borrowing capacity available to SCW under its three bank lines of credit was \$60 million as of March 31, 2001, of which a total of \$14 million was then outstanding. SCW routinely employs short-term bank borrowing as an interim-financing source prior to funding capital expenditures on a long-term basis as previously discussed.

SCW also relies on external sources, including equity investments from AWR, long-term debt, contributions-in-aid-of-construction, advances for construction and install-and-convey advances, to fund the majority of its construction expenditures. In January 2001, SCW issued the remaining \$20 million of long-term debt under a Registration Statement filed in 1998 with the proceeds used to reduce bank borrowing. During 2001, SCW anticipates filing a Registration Statement with the SEC for issuance, from time to time, of additional debt securities. On March 30, 2001, AWR purchased an additional \$25 million investment in SCW.

CCWC funds the majority of its operating expenses, payments on its debt and dividends, if any, through internal sources. CCWC also relies on external sources, including long-term debt, contributions-in-aid-of-construction, advances for construction and install-and-convey advances, to fund the majority of its construction expenditures.

ASUS funds its operating expenses primarily through contractual management fees.

ELECTRIC ENERGY SITUATION IN CALIFORNIA

The electric energy environment in California has changed as a result of the December 1995 CPUC decision on restructuring of California's electric utility industry and state legislation passed in 1996. On September 23, 1996, the State of California enacted legislation, California Assembly Bill 1890 as amended by California Senate Bill 477, to provide a transition to a competitive market structure, which was expected to provide competition and customer choice, beginning January 1, 1998, with all consumers ultimately participating by 2002. SCW's Bear Valley electric customer service area was exempted by the CPUC from compliance with most of the provisions of the CPUC order and the state legislation.

On January 17, 2001, the Governor of the State of California proclaimed a state of emergency in California due to shortages of electricity available to certain of California's utilities resulting in blackouts, the unanticipated and dramatic increases in electricity prices and the insufficiency of electricity available from certain of California's utilities to prevent disruption of electric service in California. The reasons for the high cost of energy are under investigation but are reported to include, among other things, limited supply caused by a lack of investment in new power plants to meet growth in demand, planned and unplanned outages of power plants, lower than usual availability of hydroelectric power from the Pacific Northwest due to lower than usual precipitation and higher demand for electricity in the region, transmission line constraints and increased prices for natural gas, the fuel used in many of the power plants serving the region.

Legislation has been enacted and executive orders issued designed to encourage and accelerate the construction of additional power plants and the re-powering and updating of existing power plants to increase the supply of electricity in the State. A number of investigations have also been instituted as to the causes of the California energy situation and numerous pieces of legislation have been introduced at the California Legislature to deal with different aspects of the situation. The long-term impact of these legislative initiatives on SCW's Bear Valley Electric customer service area is difficult to predict. For the short-term, however, management expects energy costs to remain high and to continue to be volatile.

All electric energy sold by SCW to customers in its Bear Valley Electric customer service area is purchased from others. Historically, SCW purchased electric energy from the Southern California Edison (SCE) unit of Edison International. However, in order to keep electric power costs as low as possible, SCW entered into an energy brokerage contract with Sempra Energy Corporation (Sempra). SCW purchased electric energy for its Bear Valley Electric customer service area from Sempra during the period beginning March 26, 1996 through April 30, 1999. SCW changed energy brokers to Illinova Energy Partners (Illinova) beginning May 1, 1999 through April 30, 2000, and with Dynegy Power Marketing, Inc. (Dynegy) since May 1, 2000. The change to Dynegy is a result of the merger between Dynegy and Illinova.

In May 2000, SCW entered into a one-year, block forward purchase contract with Dynegy for 12 megawatts (MW's) of electric energy for its Bear Valley electric customer service area at a price of \$35.50 per MW. This contract expired April 30, 2001. Dynegy also procured electric energy requirements above the 12 MW forward purchase contract.

In response to the potential for continued increases in electricity costs, SCW entered into a five-year, block forward purchase contract with Mirant Americas Energy Marketing, LP (Mirant) to supply its Bear Valley Electric customer service area with 15 MW's of electric energy at a price of \$95 per MW beginning April 1, 2001 through December 31, 2006. The average minimum load at SCW's Bear Valley

Electric customer service area has been approximately 12 MW's. The average winter load has been 18 MW's with a winter peak of 30 MW's when the snowmaking machines at the ski resorts are operating.

Although electric energy prices in California have risen rather steadily since the passage of the CPUC's electric restructuring decision, the rate of increase in cost has accelerated since the third quarter of 2000. At December 31, 2000, SCW had under-collected its electric power costs by approximately \$8.6 million. During the first quarter of 2001, SCW incurred \$6.5 million more in purchased power costs than it was authorized to recover in current rates. As of March 31, 2001, approximately \$15.1 million in under-collected energy costs is included in the electric balancing account. SCW protested certain amounts billed to it by the energy provider and, subsequently, withheld payment on approximately \$3.4 million in electric power invoices. SCW has reached a settlement in principle with the energy provider that resolves all matters in dispute. SCW anticipates signing the agreement during the second quarter of 2001. Please see the section entitled "Regulatory Matters" for more information.

In May 2000, SCW filed an Advice Letter with the CPUC for recovery of approximately \$2.4 million in then under-collected power costs over a five-year period. A draft resolution was issued in April 2001 by the CPUC recommending an overall rate increase of 12.5% to recover the under-collection of \$2.4 million, with a condition of conducting a subsequent audit on the electric balancing account. A final order is expected in the second quarter of 2001. SCW filed another Advice Letter on April 9, 2001 for recovery over five years of the additional under-collected amount of \$8.7 million for energy payments made through March 31, 2001. Approval of this filing would result in an additional increase in revenues of approximately 13.2%. Registrant believes that the recovery of these amounts is probable but is unable to predict when, or if, the CPUC will authorize recovery of all or any of these expenses. SCW will continue to file additional Advice Letters to recover the differences between actual wholesale power costs and the amounts currently recovered through rates. On May 11, 2001, SCW filed with the CPUC for authority to increase revenues by approximately an additional 55.4% to recover the costs of electric energy supplied under the agreement with Mirant. Registrant believes that timely regulatory actions by the CPUC to authorize SCW to recover its past and future power costs are necessary to avoid any material adverse effect on SCW's liquidity and financial condition. See the section entitled "Regulatory Matters" for more information.

On March 27, 2001, the CPUC approved SCW's Advice Letters to increase the costs of purchased power by \$761,351 included in base water rates for each of its ratemaking districts. These filings resulted from the 10% increase in electric rates that the Southern California Edison Company (Edison) and Pacific Gas & Electric Company (PG&E) were authorized to implement by the CPUC. In April 2001, an Advice Letter to increase water rates by approximately \$2.3 million company-wide to cover additional base rate increases, authorized recently by the CPUC to Edison and PG&E, was filed. Management believes that it will be approved but is unable to predict when, or if, the CPUC will authorize recovery of all or any of these expenses. See the section entitled "Regulatory Matters" for more information.

In a continuing effort to control the escalation of electric energy costs for SCW's Bear Valley Electric division, SCW is considering, in addition to the renegotiated block forward purchase of electric energy, a number of options including (i) the purchase of electric energy from on-site generation facilities installed by a third party and (ii) the use of portable generation to avoid peak energy prices. Each of these options is expected to result in increased electric energy prices for customers of SCW's Bear Valley Electric customer service area. Registrant believes that these solutions in whole or in part represent significant savings for customers relative to reliance on spot purchases in the open market. Registrant further believes that costs incurred should be recoverable from customers although it can give no assurance that the CPUC will ultimately allow recovery of all or any of the costs through rates.

Registrant has implemented a Cash Preservation Plan (CPP) to control costs and to limit capital expenditures to principally those capital projects that are believed necessary for health and safety of the

public and for the continued provision of service. The CPP affects both the water and electric businesses of SCW.

WATER SUPPLY

For the three months ended March 31, 2001, SCW supplied a total of 15,588,000 ccf of water as compared to 16,652,000 ccf for the three months ended March 31, 2000. Of the total 15,588,000 ccf of water supplied during the first quarter of 2001, approximately 64.2% came from pumped sources and 35.8% was purchased from others, principally the Metropolitan Water District of Southern California (MWD) and its member agencies. For the three months ended March 31, 2000, 60.9%, and 39.1% was supplied from pumped sources and purchased from MWD, respectively.

During the twelve months ended March 31, 2001, SCW supplied 86,375,000 ccf of water as compared to 85,862,000 ccf supplied during the twelve months ended March 31, 2000. During the twelve months ended March 31, 2001, pumped sources provided 56.1% of total supply, 41.9% was purchased from MWD and its member agencies. The remaining 2.0% of total supply came from the United States Bureau of Reclamation (the Bureau) under a no-cost contract. For the twelve months ended March 31, 2000, 58.0%, 40.4% and 1.6%, respectively, was supplied from pumped sources, purchased from MWD and the Bureau.

The MWD is a water district organized under the laws of the State of California for the purpose of delivering imported water to areas within its jurisdiction. Registrant has 65 connections to the water distribution facilities of MWD and other municipal water agencies. MWD imports water from two principal sources: the Colorado River and the State Water Project (SWP). Available water supplies from the Colorado River and the SWP have historically been sufficient to meet most of MWD's requirements and MWD's supplies from these sources are anticipated to remain adequate through 2001. MWD's import of water from the Colorado River is expected to decrease in future years due to the requirements of the Central Arizona Project. In response, MWD has taken a number of steps to secure additional storage capacity and to increase available water supplies, by effecting transfers of water rights from other sources.

Registrant's water supply and revenues are significantly affected, both in the short-run and the long run, by changes in meteorological conditions. The water supply for 2001 should be adequate with shortages only in the northeastern part of the State and major Delta exports. Statewide precipitation from October 2000 to March 2001 was 75% of normal. The snow pack now stands at 85% of normal. Reservoirs throughout the state are close to or exceeding average storage levels for this time of year. Statewide reservoir storage is near average for this time of year. Storage gains in the coming months are likely to be less than normal, and therefore statewide storage is expected to fall below average by summer. Except for the northeastern part of the State and major Delta exports, water supplies are expected to be adequate this year. Although overall groundwater conditions remain at adequate levels in most of SCW's operating areas, certain of SCW's groundwater supplies have been affected to varying degrees by various forms of contamination which, in some cases, have caused increased reliance on purchased water in its supply mix.

Likewise the Colorado River water outlook is good. The April-July inflow to Lake Powell is forecast to be 6.5 million Acre-feet, which is 84% of average. The March 2001 snow pack in the Upper Colorado River basin was 80% of average.

CCWC obtains its water supply from three operating wells and from Colorado River water delivered by the CAP. The majority of CCWC's water supply is obtained from its CAP allocation and well water is used for peaking capacity in excess of treatment plant capability, during treatment plant shutdown, and to keep the well system in optimal operating condition. CCWC has an Assured Water Supply designation, by decision and order of the Arizona Department of Water Resources, providing in part that,

subject to its requirements, CCWC currently has a sufficient supply of ground water and CAP water which is physically, continuously and legally available to satisfy current and committed demands of its customers, plus at least two years of predicted demands, for 100 years.

Notwithstanding such a designation, CCWC's water supply may be subject to interruption or reduction, in particular owing to interruption or reduction of CAP water. In the event of interruption or reduction of CAP water, CCWC can currently rely on its well water supplies for short-term periods. However, in any event, the quantity of water CCWC supplies to some or all of its customers may be interrupted or curtailed, pursuant to the provisions of its tariffs.

REGULATORY MATTERS

SCW is subject to regulation by the CPUC, which has broad powers with respect to service and facilities, rates, classifications of accounts, valuation of properties, the purchase, disposition and mortgaging of properties necessary or useful in rendering public utility service, the issuance of securities, the granting of certificates of convenience and necessity as to the extension of services and facilities and various other matters. CCWC is subject to similar regulation by the ACC.

AWR and ASUS are not regulated by the CPUC. The CPUC does, however, regulate certain transactions between SCW and its non-regulated affiliates.

The 22 customer service areas (CSAs) of SCW are grouped into 16 water districts and 1 electric district for ratemaking purposes. Water rates vary among the 16 ratemaking districts due to differences in operating conditions and costs. SCW monitors operations on a regional basis in each of these districts so that applications for rate changes may be filed, when warranted. Under the CPUC's practices, rates may be increased by three methods: general rate case increases (GRC's), offsets for certain expense increases and advice letter filings related to certain plant additions. GRC's are typically for three-year periods, which include step increases for the second and third year. Rates are based on a forecast of expenses and capital costs. GRC's have a typical regulatory lag of one year. Offset rate increases typically have a two to four month regulatory lag.

New water rates with an annual increase of approximately \$2.5 million for seven ratemaking districts in SCW's Region I were implemented in January 2001. SCW's application to combine the seven ratemaking CSAs into one regional rate was, however, denied by the CPUC. Step increases of approximately \$1.7 million for CSAs in SCW's Region III were also effective in January 2001. An attrition increase of approximately \$2.8 million for Region II was in effect from February 2001.

As of March 31, 2001, SCW had accrued approximately \$15.1 million in under-collected purchased power costs included in the electric balancing account. In May 2000, SCW filed an Advice Letter with the CPUC for recovery over a five-year period of approximately \$2.4 million in under-collected power costs. A draft resolution was issued in April 2001 by the CPUC recommending an overall rate increase of 12.5% to recover the under-collection of \$2.4 million, with a condition of conducting a subsequent audit on the expenses included in the electric balancing account. This matter is to expected to come before the CPUC on May 24, 2001.

SCW filed a second Advice Letter on April 9, 2001 seeking recovery, over five years, of an additional under-collection of \$8.7 million for energy costs. If approved, electric rates would increase by an additional 13.2%. SCW believes that the recovery of these amounts is probable but is unable to predict when, or if, the CPUC will authorize recovery of all or any of these expenses. SCW expects to continue to file additional Advice Letters to recover differences between actual electric power costs and amounts recovered through electric rates.

On May 11, 2001, SCW filed with the CPUC for an additional increase in electric rates to recover energy costs under the purchase agreement with Mirant. If approved, electric rates in the Bear Valley Electric customer service area would increase by approximately 55.4%. SCW believes that timely regulatory actions to authorize SCW to recover its past and future power costs are necessary to avoid any material adverse effect on SCW's liquidity and financial condition. See the sections entitled "Liquidity and Capital Resources" and "Electric Energy Situation in California" for more information.

In March 2001, the CPUC approved SCW's filing for recovery of increased costs of electric power incurred to pump water for its water customers. In April 2001, SCW filed a second Advice Letter to increase water rates by approximately \$2.3 million company-wide to cover additional electric base rate increases, authorized recently by the CPUC for the Southern California Edison Company and the Pacific Gas and Electric Company. Registrant believes that the proposed increase will be authorized but is currently unable to predict when the CPUC may issue its order in this matter. See the section entitled "Electric Energy Situation in California" for more information.

Hearings before the CPUC have concluded on SCW's application to include an additional \$1.6 million in rate base for a water treatment facility in SCW's Clearlake service area. In 1993, the CPUC disallowed the entire \$1.6 million and Registrant wrote off the entire amount. SCW's application demonstrated that the previously disallowed portion of the treatment plant is now fully "used and useful" and is providing service to customers. A draft decision issued on March 30, 2001 by the CPUC allows SCW to include \$500,000 of the \$1.6 million in the regulated rate base. Recovery of the costs associated with the plant was included in the general rate increase application for SCW's Clearlake service area. A final order is anticipated in the second quarter of 2001.

On April 22, 1999, the CPUC issued an order denying SCW's application seeking approval of its recovery through rates of costs associated with its participation in the Coastal Aqueduct Extension of the State Water Project (SWP). SCW's participation in the SWP commits it to a 40-year entitlement. SCW's investment of approximately \$9.5 million in SWP is currently included in Other Property and Investments. The remaining balance of the related liability of approximately \$7 million is recorded as other long-term debt. SCW intends to recover its investment in SWP either through contributions from developers on a per-lot or other basis, or from the sale of its 500 acre-foot entitlement in SWP.

On November 2, 2000, a final decision from the CPUC concluded that the CPUC has the authority to regulate the service of water utilities with respect to the health and safety of that service; that the Department of Health Services of the State of California (DOHS) requirements governing drinking water quality adequately protect the public health and safety; and that regulated water utilities, including SCW, have satisfactorily complied with past and present drinking water quality requirements. SCW has filed for recovery of \$879,000 in expenses associated with this matter. Registrant believes that these costs are recoverable although it can give no assurance that the CPUC will ultimately allow recovery of all or any of the costs through rates. See the section entitled "Legal Proceedings" in Part I for more information.

On December 26, 2000, SCW filed an Advice Letter with the CPUC, in accordance with a prior CPUC resolution authorizing such a filing, seeking recovery of approximately \$1,800,000 in expenses associated with its lawsuits against Aerojet General Corporation and the Department of Water Resources of the State of California. An order, issued April 28, 2001, authorized SCW to recover these costs from customers in SCW's Arden-Cordova customer service area over a six-year period.

On January 26, 2001, the CPUC Staff, SCW and Peerless Water Co., a privately owned water company in Bellflower, California, signed a Settlement Agreement, which recommends approval of the

proposed acquisition by SCW of Peerless. A final decision from the CPUC is not anticipated prior to the third quarter of 2001.

There are no active regulatory proceedings affecting CCWC or its operations.

ENVIRONMENTAL MATTERS

1996 Amendments to Federal Safe Drinking Water Act

On August 6, 1996, amendments (the 1996 SDWA amendments) to the Safe Drinking Water Act (the SDWA) were signed into law. The 1996 SDWA revised the 1986 amendments to the SDWA with a new process for selecting and regulating contaminants. The U. S. Environmental Protection Agency (EPA) can only regulate contaminants that may have adverse health effects, are known or likely to occur at levels of public health concern, and the regulation of which will provide "a meaningful opportunity for health risk reduction." The EPA has published a list of contaminants for possible regulation and must update that list every five years. In addition, every five years, the EPA must select at least five contaminants on that list and determine whether to regulate them. The new law allows the EPA to bypass the selection process and adopt interim regulations for contaminants in order to address urgent health threats. Current regulations, however, remain in place and are not subject to the new standard-setting provisions. The DOHS, acting on behalf of the EPA, administers the EPA's program in California.

The 1996 SDWA amendments allow the EPA for the first time to base primary drinking water regulations on risk assessment and cost/benefit considerations and on minimizing overall risk. The EPA must base regulations on best available, peer-reviewed science and data from best available methods. For proposed regulations that involve the setting of maximum contaminant levels (MCL's), the EPA must use, and seek public comment on, an analysis of quantifiable and non-quantifiable risk-reduction benefits and cost for each such MCL.

SCW and CCWC currently test their wells and water systems according to requirements listed in the SDWA. Water from wells found to contain levels of contaminants above the established MCL's is treated to reduce contaminants to acceptable levels before it is delivered to customers.

Since the SDWA became effective, SCW has experienced increased operating costs for testing to determine the levels, if any, of the constituents in SCW's sources of supply and additional expense to lower the level of any contaminants in order to meet the MCL standards. Such costs and the costs of controlling any other contaminants may cause SCW to experience additional capital costs as well as increased operating costs.

AWR is currently unable to predict the ultimate impact that the 1996 SDWA amendments might have on the financial position or results of operation of its regulated utility subsidiaries. The CPUC and ACC ratemaking processes provide SCW and CCWC with the opportunity to recover prudently incurred capital and operating costs associated with water quality. Management believes that such incurred costs will be authorized for recovery by the CPUC and ACC, as appropriate.

Proposed Enhanced Surface Water Treatment Rule

On July 29, 1994, the EPA proposed an Enhanced Surface Water Treatment Rule (ESWTR), which would require increased surface-water treatment to decrease the risk of microbial contamination. The EPA has proposed several versions of the ESWTR for promulgation. The version selected for promulgation will be determined based on data collected by certain water suppliers and forwarded to the EPA pursuant to EPA's Information Collection Rule, which requires such water suppliers to monitor microbial and other

contaminants in their water supplies and to conduct certain tests in respect of such contaminants. The EPA has adopted an Interim ESWTR applicable only to systems serving greater than 10,000 persons. On April 10, 2000, EPA published the proposed Long Term 1 Enhanced Surface Water Treatment Rule and Filter Backwash Rule (LT1FBR) in the Federal Register. This proposed rule will apply to each of SCW's five surface water treatment plants and the CCWC's surface water treatment plant. It basically extends the requirements of the ESWTR to systems serving less than 10,000 persons and will require some systems to institute changes to the return of recycle filter backwash flows within the treatment process to reduce the effects of recycle on compromising microbial control. Registrant is presently unable to predict the ultimate impact of the LT1FBR, but it is anticipated that all five SCW's plants and the CCWC's plant will achieve compliance within the three year to five-year time frames identified by EPA.

Regulation of Disinfection/Disinfection By-Products

SCW and CCWC are also subject to the new regulations concerning disinfection/disinfection by-products (DBP's), Stage I of which regulations were effective in November 1998 with full compliance required by 2001. Stage I requires reduction of trihalomethane contaminants from 100 micrograms per liter to 80 micrograms per liter. Two of SCW's systems are immediately impacted by this rule. SCW implemented modifications to the treatment process in its Bay Point and Cordova systems. It is anticipated that both systems will be in full compliance by 2001. A third SCW plant will require treatment modifications in order to comply with this rule. SCW is preparing to conduct studies in Calipatria to determine the best treatment methods to comply with this rule.

The EPA will adopt Stage II rules pertaining to DBP's by summer of 2001. The EPA is not allowed to use the new cost/benefit analysis provided for in the 1996 SDWA amendments for establishing the Stage II rules applicable to DBP's but may utilize the regulatory negotiating process provided for in the 1996 SDWA amendments to develop the Stage II rule. The final rule is expected by 2002.

Ground Water Rule

On May 10, 2000, the EPA published the proposed Ground Water Rule (GWR), which establishes multiple barriers to protect against bacteria and viruses in drinking water systems that use ground water. The proposed rule will apply to all U.S. public water systems that use ground water as a source. The proposed GWR includes system sanitary surveys conducted by the state to identify significant deficiencies; hydrogeologic sensitivity assessments for undisinfected systems, source water microbial monitoring by systems that do not disinfect and draw from hydrogeologically sensitive aquifer or have detected fecal indicators within the system's distribution system; corrective action; and compliance monitoring for systems which disinfect to ensure that they reliably achieve 4-log (99.99%) inactivation or removal of viruses. The GWR is scheduled to be issued as a final regulation in 2001. While no assurance can be given as to the nature and cost of any additional compliance measures, if any, SCW and CCWC do not believe that such regulations will impose significant compliance costs, since they already currently engages in disinfection of their groundwater systems.

Regulation of Radon and Arsenic

The final regulation on arsenic was published in January 2001 with a new federal standard of 10 parts per billion (ppb). Compliance with an MCL of 10 ppb will require implementation of wellhead treatment remedies for eight affected wells in SCW's system and three wells in CCWC's system. However, the EPA recently withdrew the pending arsenic standard for a sixty-day review to seek independent reviews of both the science behind the standard and of the cost estimates to communities of implementing the rule. Registrant is unable to predict if or when the rule will be officially released.

The EPA has proposed new radon regulations following a National Academy of Sciences risk assessment and study of risk-reduction benefits associated with various mitigation measures. The National Academy of Sciences study is in agreement with much of EPA's original findings but has slightly reduced the ingestion risk initially assumed by EPA. EPA established an MCL of 300 Pico Curies per liter based on the findings and has also established an alternative MCL of 4000 Pico Curies per liter, based upon potential mitigation measures for overall radon reduction. It is our understanding that the United States Office of Management and Budget has sent the radon rule back to EPA for reconsideration. The final rule was expected to be effective in August 2000, but has been delayed by the new administration. SCW and CCWC currently monitor their wells for radon in order to determine the best treatment appropriate for affected wells.

Voluntary Efforts to Exceed Minimum Surface Water Treatment Requirements

SCW is a voluntary member of the EPA's "Partnership for Safe Water", a national program designed to further protect the public from diseases caused by cryptosporidium and other microscopic organisms. As a volunteer in the program, SCW commits to exceed minimum operating requirements governing surface water treatment, optimize surface water treatment plant operations and ensure that its surface water treatment facilities are performing as efficiently as possible.

Fluoridation of Water Supplies

SCW is subject to State of California Assembly Bill 733, which requires fluoridation of water supplies for public water systems serving more than 10,000 service connections. Although the bill requires affected systems to install treatment facilities only when public funds have been made available to cover capital and operating costs, the bill requires the CPUC to authorize cost recovery through rates should public funds for operation of the facilities, once installed, become unavailable in future years.

Matters Relating to SCW's Arden-Cordova System

In January 1997, SCW was notified that ammonium perchlorate in amounts above the state-determined action level had been detected in three of its 27 wells serving its Arden-Cordova system. Aerojet-General Corp. has, in the past, used ammonium perchlorate in their processing as an oxidizer of rocket fuels. SCW took the three wells detected with ammonium perchlorate out of service at that time. Although neither the EPA nor the DOHS has established a drinking water standard for ammonium perchlorate, DOHS has established an action level of 18 parts per billion (ppb) which required SCW to notify customers in its Arden-Cordova customer service area of detection of ammonium perchlorate in amounts in excess of this action level. In April 1997, SCW found ammonium perchlorate in three additional wells and, at that time, removed those wells from service until it was determined that the levels were below the state-determined action level. Those wells were returned to service. SCW periodically monitors these wells to determine that levels of perchlorate are below the action level currently in effect.

In February 1998, SCW was informed that nitrosodimethylamine (NDMA) had been detected in amounts in excess of the EPA reference dosage for health risks in four of its wells in its Arden-Cordova system. The wells have been removed from service. Another well was also removed from service in September 1999 due to the contamination. NDMA is an additional by-product from the production of rocket fuel and it is believed that such contamination is related to the activities of Aerojet-General Corp. Aerojet-General Corp. has reimbursed SCW for constructing a pipeline to interconnect with the City of Folsom water system to provide an alternative source(s) of water supply in SCW's Arden-Cordova customer service area and has reimbursed SCW for costs associated with the drilling and equipping of two new wells. As of December 31, 2000, Aerojet-General Corp. has previously reimbursed SCW \$4.5 million.

The remainder of the costs is subject to further reimbursement, including interest. The reimbursement from Aerojet-General Corp. reduces SCW's utility plant and costs of purchased water.

On October 25, 1999, SCW filed a lawsuit against the California Regional Water Quality Control Board (CRWQCB) alleging that the CRWQCB has willfully allowed portions of the Sacramento County Groundwater Basin to be injected with chemical pollution that is contaminating the underground water supply in SCW's Rancho Cordova customer service area. In a separate case, also filed on October 25, 1999, SCW sued Aerojet General Corp. for causing the contamination. On March 22, 2000 Aerojet General Corp. filed a cross complaint against SCW for negligence and constituting a public nuisance. SCW is unable to determine at this time what, if any, potential liability it may have with respect to the cross complaint, but intends to vigorously defend itself against these allegations. Management cannot predict the outcome of these proceedings. See the section entitled "Legal Proceedings" for more information.

Matters Relating to SCW's Culver City System

The compound, methyl tertiary butyl ether (MTBE), an oxygenate used in reformulated fuels, has been detected in the Charnock Basin, located in the city of Santa Monica and within SCW's Culver City customer service area. At the request of the Regional Water Quality Control Board, the City of Santa Monica and the California Environmental Protection Agency, SCW removed two of its wells in the Culver City system from service in October 1996 to help in efforts to avoid further spread of the MTBE contamination plume. Neither of these wells has been found to be contaminated with MTBE. SCW is purchasing water from the Metropolitan Water District of Southern California (MWD) at an increased cost to replace the water supply formerly pumped from the two wells removed from service.

Pursuant to an agreement with SCW in December 1998, two of the potentially responsible parties (the Participants) have reimbursed SCW's legal and consulting costs related to this matter and for increased costs incurred by SCW in purchasing replacement water. However, a notice of termination from the Participants to the settlement agreement was received in October 1999 claiming overpayments for replacement water in excess of SCW's water rights. No assurances can be given that future negotiations will result in complete restoration of SCW's water rights or that continued reimbursement of SCW's costs will be forthcoming.

On September 22, 1999, the U.S. EPA and the Los Angeles Regional Water Quality Control Board ordered Shell Oil Company, Shell Oil Products Company and Equilon Enterprises LLC to provide replacement drinking water to both SCW and the City of Santa Monica due to MTBE contamination of the Charnock Sub-Basin drinking water. The EPA has ordered Shell Oil to reimburse SCW for water replacement costs. The agencies are continuing to investigate the causes of MTBE pollution and intend to ensure that all responsible parties contribute to its clean up although SCW is unable to predict the outcome of the EPA's enforcement efforts.

On April 25, 2001, Registrant filed a lawsuit against all the potentially responsible parties for polluting and contaminating water existing in areas of the Sub-Basin from which SCW has pumped water through its Charnock Well Field. Management cannot predict the likely outcome of this proceeding.

Matters Relating to SCW's Yorba Linda System

The compound, MTBE, has been detected in three wells serving SCW's Yorba Linda system. Two of the wells are standby wells and the third well has not shown MTBE above the DOHS secondary standard of 5.0 ppb at this time. SCW has constructed an interconnection with the MWD to provide for additional supply in the event the third well experienced levels of detection in excess of the DOHS standard.

SCW has met with the Regional Water Quality Control Board, the Orange County Water District, the City of Anaheim, the DOHS and three potentially responsible parties (PRP's) to define the extent of the MTBE contamination plume and assess the contribution from the PRP's. The PRP's have voluntarily initiated a work plan for regional investigation. While there have not been significant disruptions to the water supply in Yorba Linda at this point in time, no assurances can be given that MTBE contamination will not increase in the future.

Bear Valley Electric Customer Service Area

SCW has been, in conjunction with the Southern California Edison unit of Edison International, planning to upgrade transmission facilities to 115kv (the 115kv Project) in order to meet increased energy and demand requirements. The 115kv Project is subject to an environmental impact report (EIR) and delays in approval of the EIR may impact service in SCW's Bear Valley Electric customer service area. SCW has, however, taken other measures, that will be enacted on an emergency basis, to meet load growth and mitigate delays in approval of the EIR. In addition, third parties willing to construct gas-fired generating facilities, sufficient to meet the peaking and future capacity needs of the Bear Valley Electric customer service area, in exchange for a long-term purchase contract have approached SCW. Registrant is unable at this time to predict if such an arrangement will be economically beneficial to customers or if the generating facility can meet all environmental requirements. See the section entitled "Electric Energy Situation in California" for more information.

RISK FACTOR SUMMARY

This section (written in plain English to comply with certain SEC Standards) summarizes certain risks of our business that may affect our future financial results. We also periodically file with the Securities and Exchange Commission documents that include more information on these risks. It is important for investors to read these documents.

Litigation

SCW has been sued in eighteen water-quality related lawsuits:

- a suit filed on April 24, 1997 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a federal superfund site
- a suit filed on July 29, 1997 alleging personal injury and property damage as a result of the delivery contaminated of water; few of our systems are located in the geographical area covered by this suit
- a suit filed on December 8, 1997 alleging personal injury and property damage as a result of the delivery of contaminated water in SCW's Arden-Cordova service area
- a suit filed on February 2, 1998 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a superfund site
- a suit filed on February 4, 1998 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a superfund site
- a suit filed in March 2, 1998 alleging personal injury and property damage as a result of the delivery of contaminated water in SCW's Arden-Cordova service area

- a suit filed on June 29, 1998 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a superfund site
- two suits filed on July 30, 1998 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a superfund site
- a suit filed on December 3, 1998 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a superfund site
- a suit filed on July 22, 1999 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a superfund site
- a suit filed on May 16, 2000 alleging personal injury and property damage as a result of the delivery of contaminated water in SCW's Arden-Cordova service area
- a suit filed on April 13, 2000 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a superfund site
- a suit filed on August 5, 1999 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a superfund site
- two suits filed on December 1, 2000 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a superfund site
- a suit filed on January 23, 2001 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a superfund site
- a suit filed on March 30, 2001 alleging personal injury and property damage as a result of the delivery of contaminated water from wells located in an area of the San Gabriel Valley that has been designated a superfund site

On September 1, 1999, the First District Court of Appeal in San Francisco, held that the CPUC had preemptive jurisdiction over regulated public utilities and ordered dismissal of a series of lawsuits against water utilities, including seven of the lawsuits against SCW. On October 11, 1999 one group of plaintiffs appealed the decision to the California Supreme Court, which has accepted the petition. Management cannot predict the outcome of the proceeding.

In March 1998, the CPUC issued an Order Instituting Investigation (the OII) as a result of these types of suits being filed against water utilities in California. On November 2, 2000, CPUC issued a final order concluding that the CPUC has the jurisdiction to regulate the service of water utilities with respect to the health and safety of that service; that DOHS requirements governing drinking water quality adequately protect the public health and safety; and that regulated water utilities, including SCW, have satisfactorily complied with past and present drinking water quality requirements.

The CPUC has authorized a memorandum account for legal expenses incurred by water utilities, including SCW, in the water quality lawsuits. Under the memorandum account procedure, SCW may recover litigation costs from ratepayers to the extent authorized by the CPUC. The CPUC has not yet

authorized SCW to recover any of its litigation costs. As of March 31, 2001, Registrant had incurred \$888,000 in the OII-related memorandum account.

Environmental Regulation

SCW and CCWC are subject to increasingly stringent environmental regulations that will result in increasing capital and operating costs. These regulations include:

- the 1996 amendments to the Safe Drinking Water Act that require increased testing and treatment of water to reduce specified contaminants to minimum containment levels
- approved regulations requiring increased surface-water treatment to decrease the risk of microbial contamination; these regulations will affect SCW's five surface water treatment plants and one CCWC's plant
- additional regulation of disinfection/disinfection byproducts expected to be adopted before the end of 2002; these regulations will potentially affect two of SCW's systems
- additional regulations expected to be adopted in 2001 requiring disinfection of certain groundwater systems
- regulation of arsenic issued in January 2001 and potential regulation of radon
- new California requirements to fluoridate public water systems serving over 10,000 customers

SCW and CCWC may be able to recover costs incurred to comply with these regulations through the ratemaking process for our regulated systems. We may also be able to recover certain of these costs under our contractual arrangements with municipalities. In certain circumstances, we may recover costs from parties responsible or potentially responsible for contamination.

Rates and Regulation

SCW is subject to regulation by the CPUC. CCWC is subject to regulation by the ACC. AWR and ASUS are not directly subject to CPUC regulation. The CPUC may, however, regulate transactions between SCW and AWR, including the manner in which overhead costs are allocated between SCW and AWR and the pricing of services rendered by SCW to AWR. The ACC also regulates certain transactions between CCWC and its affiliates.

SCW's revenues depend substantially on the rates that it is permitted to charge its customers. SCW may increase rates in three ways:

- by filing for a general rate increase
- by filing for recovery of certain expenses
- by filing an "advice letter" for certain plant additions or other operating cost increases, thereby increasing rate base

In addition, SCW recovers certain water supply costs through a balancing account mechanism. Supply costs include the cost of purchased water and power and groundwater production assessments. The balancing account mechanism is intended to insulate SCW's earnings from changes in water supply costs that are beyond SCW's control. The balancing account is not, however, designed to insulate SCW's earnings against changes in supply mix. As a result, SCW may not recover increased costs due to increased use of purchased water through the balancing account mechanism. In addition, balancing account adjustments, if authorized by the CPUC, may result in either increases or decreases in revenues attributable to supply costs incurred in prior periods, depending upon whether there has been an under-collection or

over-collection of supply costs. CCWC is not permitted to recover these types of costs through a balancing account mechanism.

There has been a substantial increase in the costs of purchased power in recent months. Due to the nature of the regulatory process, there is a risk of disallowance of full recovery of costs or additional delays in the recovery of costs during any period in which there has been a substantial escalation in costs. See the sub-section entitled "California Energy Situation" for more information.

There are also a number of matters pending before the CPUC that may affect our future financial results. These matters include:

- an advice letter filed by SCW seeking recovery of cost associated with various water quality litigations
- an advice letter filed to recover the previous disallowed portion of a water treatment facility in SCW's Clearlake service area
- advice letters filed to recover the under-collection of supply costs for SCW's Bear Valley Electric customer service area
- an advice letter filed to increase water rates to cover additional costs for purchased power implemented by SCW's energy suppliers
- an advice letter filed to increase electric rates to cover additional costs for electric energy purchased pursuant to a five-year contract

Adequacy of Water Supplies

The adequacy of water supplies varies from year to year depending upon a variety of factors, including:

- rainfall
- the amount of water stored in reservoirs
- the amount used by our customers and others
- water quality, and
- legal limitations on use.

Reservoir storage statewide is at average storage levels for this time of year, and is expected to fall below average by summer. In general, water supplies are expected to be adequate this year. Population growth and increases in the amount of water used have, however, increased limitations on use to prevent over drafting of groundwater basins. The import of water from the Colorado River, one of SCW's important sources of supply, is expected to decrease in future years due to the requirements of the Central Arizona Project (CAP). We also have in recent years taken wells out of service due to water quality problems.

CCWC obtains its water supply from three operating wells and from the Colorado River through the CAP. CCWC's water supply may be subject to interruption or reduction if there is an interruption or reduction in CAP water.

Water shortages could be caused by the above factors and may affect us in several ways:

- they adversely affect supply mix by causing Registrant to rely on more expensive purchased water
- they adversely affect operating costs
- they may result in an increase in capital expenditures for building pipelines to connect to alternative sources of supplies and reservoirs and other facilities to conserve or reclaim water

We may be able to recover increased operating and construction costs for our regulated systems through the ratemaking process. We may also be able to recover certain of these costs under the terms of our contractual agreements with municipalities.

In certain circumstances, we may recover these costs from third parties that may be responsible, or potentially responsible, for groundwater contamination. As of March 31, 2001, Aerojet General Corp. has previously reimbursed us approximately \$4.5 million for costs associated with the cleanup of the groundwater supply for our Arden-Cordova System and for the increased costs of purchasing water and developing new sources of groundwater supply. On October 25, 1999, we sued the California Regional Water Quality Control Board (CRWQCB) alleging that it has willfully allowed portions of the Sacramento County Groundwater Basin to be injected with chemical pollution that is contaminating the underground water supply in our Rancho Cordova customer service area. In a separate lawsuit, also filed on October 25, 1999, we sued Aerojet General Corp. for causing the contamination. On March 22, 2000 Aerojet General Corp. filed a cross complaint against us for negligence and constituting a public nuisance. We cannot predict the outcome of these lawsuits but we will defend ourselves against these allegations.

Two potentially responsible parties on matters relating to the clean-up and purchase of replacement water in the Charnock Basin, located in the cities of Santa Monica and Culver City, have previously reimbursed us for replacement water and certain legal and consulting expenses. The Charnock Basin is in our Culver City customer service area. On April 25, 2001, SCW filed a lawsuit against all the potentially responsible parties for polluting and contaminating water existing in areas of the Sub-Basin from which SCW has pumped water through its Charnock Well Field. Management cannot predict the likely outcome of this proceeding.

California Energy Situation

The Governor of the State of California has proclaimed a state of emergency in California due to shortages of electricity available to certain of California's utilities and the dramatic increases in electricity prices. A number of investigations have been instituted as to the causes of the California energy situation and numerous pieces of legislation have been introduced at the California Legislature to deal with different aspects of the situation. We are unable to predict the long-term impact of these legislative initiatives. In the short-term, we expect energy costs to remain high and to continue to be volatile. We have been able to partially reduce the effect of these higher energy costs by entering into a long-term contract with Dynegy for 12 MW of electric energy for its Bear Valley Electric division. This contract expired on April 30, 2001.

In a continuing effort to control the escalation of electric energy costs for SCW's Bear Valley Electric division, in March 2000, SCW reached an agreement with Mirant Americas Energy Marketing, LP to purchase 15 MW of electric energy at \$95 per MW for a period of five years. We are also considering options including (i) the purchase of electric energy from on-site generation facilities installed by a third party, and (ii) the use of portable generation to avoid peak energy prices. Each of these options is expected to result in increased electric energy prices for customers of SCW's Bear Valley Electric customer service area. We believe that these solutions in whole or in part represent significant savings for customers as compared to reliance on spot purchases in the open market.

As of March 31, 2001, there was approximately \$15.1 million of under-collected electric power costs included in the electric balancing account. In May 2000, we filed an Advice Letter with the CPUC

seeking recovery over a five-year period of approximately \$2.4 million in under-collected power costs. We also filed another Advice Letter on April 9, 2001 for recovery over five years of an additional under-collected amount of \$8.7 million for energy payments made through March 31, 2001. We believe that recovery of these amounts is probable but are unable to predict when, or if, the CPUC will authorize recovery of all or any of these expenses. We expect to continue to file additional Advice Letters to recover the for growing disparity between the soaring wholesale power costs and the rates authorized to collect from customers. On May 11, 2001, we filed an advice letter with the CPUC to increase rates to recover the higher energy costs under the new purchase agreement. If the CPUC does not take action on our various applications in the near future, the under-collected position could reach approximately \$26 million by end of 2001. We believe that timely regulatory actions by the CPUC to authorize SCW to recover past and future power costs are necessary to avoid any material adverse effect on our liquidity and financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Registrant has no derivative financial instruments, financial instruments with significant off-balance sheet risks or financial instruments with concentrations of credit risk. The disclosure required is, therefore, not applicable.

PART II

ITEM 1. LEGAL PROCEEDINGS

SCW is a defendant in eighteen lawsuits involving claims pertaining to water quality. Fifteen of the lawsuits involve customer service areas located in Los Angeles County in the southern portion of the State of California; three of the lawsuits involve a customer service area located in Sacramento County in northern California. See the section entitled "Risk Factor Summary" of Management's Discussion and Analysis of Financial Conditions and Results of Operation for more information.

On September 1, 1999, the First District Court of Appeal in San Francisco, in a published opinion entitled *Hartwell Corporation v. The Superior Court of Ventura County (Hartwell)*, held that the CPUC had preemptive jurisdiction over regulated public utilities and ordered dismissal of a series of lawsuits pertaining to water quality filed against water utilities, including SCW. Seven lawsuits against SCW have been ordered for dismissal by the state Court of Appeals -- the Adler (Case No. 1), Santamaria (Case No. 2), Anderson (Case No. 3), Dominguez (Case No. 4), Celi (Case No. 5), Boswell (Case No. 6), and Demciuc (Case No. 7) Matters. On October 11, 1999, one group of plaintiffs appealed to the California Supreme Court, which has accepted the case. Management is unable to predict the outcome of this proceeding but, in any event, does not anticipate a decision prior to the fourth quarter of 2001.

On December 3, 1998, SCW was named as a defendant in a complaint in multiple counts, styled *Abarca, et al. v. City of Pomona, et al.* (Case No. 8), filed in Los Angeles Superior Court which seeks recovery for negligence, wrongful death, strict liability, permanent trespass, continuing trespass, continuing nuisance, permanent nuisance, negligence per se, absolute liability for ultrahazardous activity, fraudulent concealment, conspiracy/fraudulent concealment, battery and unfair business practices on behalf of 383 plaintiffs (the Abarca Matter). Plaintiffs seek damages, including general and special damages according to proof, punitive and exemplary damages, as well as attorney's fees, costs of suit and other unspecified relief.

SCW was named as a defendant, along with the City of Pomona, California and Xerox Corporation in the matter styled *Adejare, et al. v. Southern California Water Company, et al.* (Case No. 9), filed on July 22, 1999 in Los Angeles Superior Court which seeks recovery for wrongful death, battery and

fraudulent concealment (the Adejare Matter). Plaintiffs seek damages, including general and special damages according to proof, punitive and exemplary damages, as well as attorney's fees, costs of suit and other unspecified relief.

In December 1997 SCW was named a defendant in the matter of Nathaniel Allen, Jr., et al. v. Aerojet-General Corporation, et al. (Case No. 10), which was filed in Sacramento Superior Court. The complaint makes claims based on wrongful death, personal injury, property damage as a result of nuisance and trespass, medical monitoring, and diminution of property values (the Allen Matter). Plaintiffs allege that SCW and other defendants have delivered water to plaintiffs which allegedly is, or has been in the past, contaminated with a number of chemicals, including TCE, PCE, carbon tetrachloride, perchlorate, Freon-113, hexavalent chromium and other, unnamed, chemicals. SCW filed Demurrers and Motion to Strike in this matter on June 5, 1998. A stay of all proceeding in the Allen matter is in effect pending the outcome of the California Supreme Court's proceeding in the Hartwell case.

In March 1998, SCW was named a defendant in the matter of Daphne Adams, et al. v. Aerojet General, et al. (Case No. 11) that was filed in Sacramento Superior Court (the Adams Matter). The complaint makes claims based on negligence, strict liability, trespass, public nuisance, private nuisance, negligence per se, absolute liability for ultrahazardous activity, fraudulent concealment, violation of California Business and Professions Code section 17200 et seq., intentional infliction of emotional distress, intentional spoilage of evidence, negligent destruction of evidence needed for prospective civil litigation, wrongful death and medical monitoring. Plaintiffs seek damages, including general, punitive and exemplary damages, as well as attorney's fees, costs of suit, injunctive and restitutionary relief, disgorged profits and civil penalties, medical monitoring according to proof and other unspecified relief. SCW filed its Demurrers and Motion to Strike in this matter on June 5, 1998. A stay of all proceedings in the Adams Matter is in effect pending the outcome of the California Supreme Court's proceeding in the Hartwell case.

In May 2000, SCW was named a defendant in the matter of Wallace Andrew Pennington, et al. v. Aerojet General, et al. (Case No. 12) that was filed in Sacramento Superior Court (the Pennington Matter). The complaint makes claims based on negligence, intentional infliction of emotional distress, strict liability, public liability for ultra hazardous activity and fraudulent concealment. Plaintiffs allege that SCW and other defendants knowingly operated and maintained wells, which provided contaminated drinking water to the surrounding communities. Plaintiffs seek damages, including general, punitive and exemplary damages, as well as attorney's fees, costs of suit, special damages, according to proof of medical bills and lost wages and lost income as occasioned by personal injury and plaintiff's inability to pursue employment, and other unspecified relief. All counsels in the Pennington matter have agreed to a stay in this matter, pending the outcome of the Hartwell case.

In April 2000, SCW was named a defendant in the matter of Almelia Brooks, et al. v. Suburban Water Sys., et al. (Case No. 13) that was filed in Los Angeles Superior Court which seeks recovery for negligence, wrongful death, strict liability, permanent trespass, continuing trespass, continuing nuisance, permanent nuisance, negligence per se, absolute liability for ultrahazardous activity, fraudulent concealment, conspiracy/fraudulent concealment, battery and unfair business practices on behalf of plaintiffs (the Brooks Matter). Plaintiffs seek damages, including general and special damages according to proof, punitive and exemplary damages, as well as attorney's fees, costs of suit and other unspecified relief. SCW was served in October 2000. Management is unable to predict the outcome of this proceeding.

In August 1999, SCW was named a defendant in the matter of Lori Alexander, et al. v. Suburban Water Sys., et al. (Case No. 14) that was filed in Los Angeles Superior Court which seeks recovery for negligence, wrongful death, strict liability, permanent trespass, continuing trespass, continuing nuisance, permanent nuisance, negligence per se, absolute liability for ultrahazardous activity, fraudulent

concealment, conspiracy/fraudulent concealment, battery and unfair business practices on behalf of plaintiffs (the L. Alexander Matter). Plaintiffs seek damages, including general and special damages according to proof, punitive and exemplary damages, as well as attorney's fees, costs of suit and other unspecified relief. SCW was served in October 2000. Management is unable to predict the outcome of this proceeding.

In December 2000, SCW was named a defendant in the matter of David Arnold, et al. v. City of Pomona, et al. (Case No. 15) that was filed in Los Angeles Superior Court which seeks recovery for negligence, wrongful death, strict products liability, continuing trespass, permanent trespass, continuing nuisance, permanent nuisance, negligence per se, absolute liability for ultrahazardous activity, fraudulent concealment, conspiracy/fraudulent concealment, battery and unfair business practices on behalf of plaintiffs (the Arnold Matter). Plaintiffs seek damages, including general and special damages according to proof, punitive and exemplary damages, as well as attorney's fees, costs of suit and other unspecified relief. SCW was served in May 2001. Management is unable to predict the outcome of this proceeding.

In December 2000, SCW was named a defendant in the matter of Gilda Ambrose-Dubre, et al. v. City of Pomona, et al. (Case No. 16) that was filed in Los Angeles Superior Court which seeks recovery for negligence, strict products liability, continuing trespass, permanent trespass, continuing nuisance, permanent nuisance, negligence per se, absolute liability for ultrahazardous activity, fraudulent concealment, civil conspiracy/fraudulent concealment, battery and unfair business practices on behalf of plaintiffs (the Ambrose-Dubre Matter). Plaintiffs seek damages, including general and special damages according to proof, punitive and exemplary damages, as well as attorney's fees, costs of suit and other unspecified relief. SCW was served in May 2001. Management is unable to predict the outcome of this proceeding.

In January 2001, SCW was named a defendant in the matter of Melissa Garrity Alvarado, et al. v. Suburban Water Systems, et al. (Case No. 17) that was filed in Los Angeles Superior Court which seeks recovery for negligence, survival of personal injuries, wrongful death, strict liability, negligence per se, absolute liability for ultrahazardous activity, fraudulent concealment, conspiracy/fraudulent concealment, battery and unfair business practices on behalf of plaintiffs (the Alvarado Matter). Plaintiffs seek damages, including general and special damages according to proof, punitive and exemplary damages, as well as attorney's fees, costs of suit and other unspecified relief. SCW was served in May 2001. Management is unable to predict the outcome of this proceeding.

In March 2001, SCW was named a defendant in the matter of Charles Alexander, et al. v. City of Pomona, et al. (Case No. 18) that was filed in Los Angeles Superior Court which seeks recovery for negligence, wrongful death, strict products liability, continuing trespass, permanent trespass, continuing nuisance, permanent nuisance, negligence per se, absolute liability for ultrahazardous activity, fraudulent concealment, civil conspiracy/fraudulent concealment, battery and unfair business practices on behalf of plaintiffs (the C. Alexander Matter). Plaintiffs seek damages, including general and special damages according to proof, punitive and exemplary damages, as well as attorney's fees, costs of suit and other unspecified relief. SCW was served in May 2001. Management is unable to predict the outcome of this proceeding.

In light of the breadth of plaintiffs' claims in these matters, the lack of factual information regarding plaintiffs' claims and injuries, if any, and the fact that no discovery has yet been completed, SCW is unable at this time to determine what, if any, potential liability it may have with respect to these claims. Registrant believes there are no merits to these claims and intends to vigorously defend against them.

SCW is subject to self-insured retention provisions in its applicable insurance policies and has either expensed the self-insured amounts or has reserved against payment of these amounts as appropriate. SCW's various insurance carriers have, to date, provided reimbursement for costs incurred for defense against these lawsuits.

ORDER INSTITUTING INVESTIGATION (OII)

In March 1998, the CPUC issued an OII to regulated water utilities in the state of California, including SCW. The purpose of the OII was to determine whether existing standards and policies regarding drinking water quality adequately protect the public health and whether those standards and policies were being uniformly complied with by those water utilities. On November 2, 2000, a final decision from the CPUC concluded that the Commission has the jurisdiction to regulate the service of water utilities with respect to the health and safety of that service; that DOHS requirements governing drinking water quality adequately protect the public health and safety; and that regulated water utilities, including SCW, have satisfactorily complied with past and present drinking water quality requirements.

On December 26, 2000, SCW filed an Advice Letter with the CPUC seeking recovery of \$879,000 in deferred expense incurred during the OII. The CPUC had previously authorized establishment of memorandum accounts to capture such expenses. Management believes that these expenses will be fully recovered but is unable to predict when, or if, the CPUC will authorize recovery of all or any of the costs.

OTHER LITIGATION

On October 25, 1999, SCW filed a lawsuit against the California Central Valley Regional Water Quality Control Board (CRWQCB) alleging that the CRWQCB has willfully allowed portions of the Sacramento County Groundwater Basin to be injected with chemical pollution that is destroying the underground water supply in SCW's Rancho Cordova customer service area. Management cannot predict the likely outcome of this proceeding.

In a separate case, also filed on October 25, 1999, SCW sued Aerojet General Corp. for causing the contamination of the Sacramento County Groundwater Basin. On March 22, 2000 Aerojet General Corp. filed a cross complaint against SCW for negligence and constituting a public nuisance. Registrant is unable to determine at this time what, if any, potential liability it may have with respect to the cross complaint, but intends to vigorously defend itself against these allegations. Management cannot predict the likely outcome of this proceeding.

The CPUC has authorized memorandum accounts to allow for recovery of costs incurred by SCW in prosecuting these cases from customers, less any recovery from the defendants or others. As of March 31, 2001, approximately \$3,133,000 has been recorded in the memorandum accounts. The CPUC has authorized SCW to increase rates, effective April 28, 2001, for recovery over a six-year period of approximately \$1,800,000, in expenses that were incurred on or before August 31, 2000. On April 25, 2001, Registrant filed a lawsuit against all the potentially responsible parties, who stored, transported and dispensed gasoline containing methyl tertiary butyl ether (MTBE) in underground storage tanks, pipelines or other related infrastructure. Said MTBE polluted and contaminated water existed in areas of the Sub-Basin from which SCW has pumped water through its Charnock Wall Field. As a result thereof, SCW ceased operation of its Charnock Well Field in October 1996. Management cannot predict the likely outcome of this proceeding.

Registrant is also subject to ordinary routine litigation incidental to its business. Other than as disclosed above, no legal proceedings are pending, except such incidental litigation, to which Registrant is a party or of which any of its properties is the subject, which are believed to be material.

ITEM 2. CHANGES IN SECURITIES

As of March 31, 2001, earned surplus amounted to \$78,715,000. As of March 31, 2001, there were no retained earnings restricted, under any of SCW's debt instruments, as to the payment of cash dividends on Common Shares. CCWC is subject to contractual restrictions on its ability to pay dividends.

There are 493,039 and 63,411 Common Shares authorized but un-issued under the DRP and the 401(k) Plan, respectively, at March 31, 2001. Shares reserved for the 401(k) Plan are in relation to company matching contributions and for investment purposes by participants.

There are 250,000 Common Shares reserved for issuance under Registrant's 2000 Stock Incentive Plan. Under the Plan, stock options representing a total of 91,647 Common Shares upon exercise were granted to certain eligible employees on May 1, 2000 and January 2, 2001.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On or about March 19, 2001, common and preferred shareholders of AWR were mailed a Notice of Annual Meeting and a Proxy Statement. Shareholders were requested to vote their shares for two items:

- The election of a slate of three Class I directors to serve for a two-year term expiring at the end of the Annual Meeting of Shareholders in 2003, or until their successors are chosen and qualified. The following table presents the results of the election presented at the Annual Meeting of Shareholders held on April 24, 2001:

Name	"For"	"Withheld"
James L. Anderson	99.06%	0.94%
Anne R. Holloway	99.03%	0.97%
Floyd E. Wicks	86.28%	13.72%

- Ratification of the appointment of Arthur Andersen LLP (AA-LLP) as the Company's independent public accountants. The result of the voting are presented in the table below:

Proposal	"For"	"Against"	"Abstain"
Ratification of Appointment of AA-LLP	98.25%	1.04%	0.71%

ITEM 5. OTHER INFORMATION

On April 23, 2001, the Board of Directors of Registrant declared a regular quarterly dividend of \$0.325 per common share. The dividend will be paid June 1, 2001 to shareholders of record as of the close of business on May 8, 2001. In other actions, the Board of Directors declared regular quarterly dividends of \$0.25 per share, \$0.265625 per share and \$0.3125 per share on its 4%, 4-1/4% and 5% Cumulative Preferred Shares, respectively.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

10.22 Energy Transaction Confirmation with Mirant Americas Energy Marketing, LP.

No Reports of Form 8-K were filed during the period covered by this report.

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized officer and chief financial officer.

AMERICAN STATES WATER COMPANY
and its subsidiary
SOUTHERN CALIFORNIA WATER COMPANY

By: /s/ McClellan Harris III

McClellan Harris III
Vice President-Finance,
Chief Financial Officer,
Treasurer and Secretary

By: /s/ Linda J. Matlick

Linda J. Matlick
Controller
Southern California Water Company

Dated: May 14, 2001

MIRANT AMERICAS ENERGY MARKETING, LP
TRANSACTION CONFIRMATION

Date: March 19, 2001
To: Southern California Water Company

The following shall confirm the agreement reached on March 16, 2001 between Mirant Americas Energy Marketing, LP ("Mirant") and Southern California Water Company.

Buyer:	Southern California Water Company 630 E. Foothill Blvd. San Dimas, CA 91773-9016	Seller:	Mirant Americas Energy Marketing, LP 1155 Perimeter Center West Suite 130 Atlanta, GA 30338
Attn:		Attn:	Confirms Department
Phone:	(909) 394-7427	Phone:	(678) 579-5000
Fax:	(909) 394-7427	Fax:	(678) 579-5755
Reference #:		Reference #:	695257
Scheduling:		Scheduling:	(678) 579-3009

Quantity (MW):	15	Quantity (MWhrs):	423,600
Price (S/MW?):	95.00	Type of energy:	CAISO Energy
Start date:	April 1, 2001	End date:	December 31, 2006
Day of Week:	Mon-Sat - Peak hours Including NERC Holidays	Hours:	HE 0700 - 2200 PPT

Delivery Point: SP 15

Scheduling: Power deliveries shall be scheduled with the California Independent System Operator (CAISO) as a Schedule Coordinator to Schedule Coordinator transaction. Scheduling timelines shall be consistent with ISO tariffs, protocols, operating procedures, and scheduling practices.

Special Provisions: "CAISO Energy" means with respect to a Transaction, a Product under which the Seller shall sell and the Buyer shall purchase a quantity of energy equal to the hourly quantity without Ancillary Services (as defined in the Tariff) that is or will be scheduled as a schedule coordinator to schedule coordinator transaction pursuant to the applicable tariff and protocol provisions of the California Independent System Operator ("CAISO") (as amended from time to time, the "Tariff") for which the only excuse for failure to deliver or receive is an "Uncontrollable Force" (as defined in the Tariff).

Enabling Agreement: WSPP governed by Utah Law, Effective 02/01/2001 as may be amended from time to time.

Other: If the above accurately reflects your understanding of our agreement, please indicate your approval by signing a copy of this letter and returning it via fax to Mirant Americas Energy Marketing. Failure to object to the terms in this letter or respond within two business days shall be deemed acceptance.

Southern California Water Company	Mirant Americas Energy Marketing, LP by Mirant Americas Development, Inc., its general partner
By: /s/ JOEL A. DICKSON	By: /s/ [Signature Illegible]
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Name: Joel A. Dickson	Name:
Title: Vice President	Title:

All dollar figures are in US Dollars.

MIRANT AMERICAS ENERGY MARKETING, LP
TRANSACTION CONFIRMATION

Date: March 19, 2001
To: Southern California Water Company

The following shall confirm the agreement reached on March 16, 2001 between Mirant Americas Energy Marketing, LP ("Mirant") and Southern California Water Company.

Buyer:	Southern California Water Company 630 E. Foothill Blvd. San Dimas, CA 91773-9016	Seller:	Mirant Americas Energy Marketing, LP 1155 Perimeter Center West Suite 130 Atlanta, GA 30338
Attn:		Attn:	Confirms Department
Phone:	(909) 394-7427	Phone:	(678) 579-5000
Fax:	(909) 394-7427	Fax:	(678) 579-5755
Reference #:		Reference #:	695088
Scheduling:		Scheduling:	(678) 579-3009

Quantity (MW):	15	Quantity (MWhrs):	332,760
Price (\$/MW?):	95.00	Type of energy:	CAISO Energy
Start date:	April 1, 2001	End date:	December 31, 2006
Day of Week:	6x8 Off Peak M-Sat 8 hrs, Sun & Hol 24 Including NERC Holidays	Hours:	HE 0100 - 0600 & HE 2300 - 2400 PPT

Delivery Point: SP 15

Scheduling: Power deliveries shall be scheduled with the California Independent System Operator (CAISO) as a Schedule Coordinator to Schedule Coordinator transaction. Scheduling timelines shall be consistent with ISO tariffs, protocols, operating procedures, and scheduling practices

Special Provisions: "CAISO Energy" means with respect to a Transaction, a Product under which the Seller shall sell and the Buyer shall purchase a quantity of energy equal to the hourly quantity without Ancillary Services (as defined in the Tariff) that is or will be scheduled as a schedule coordinator to schedule coordinator transaction pursuant to the applicable tariff and protocol provisions of the California Independent System Operator ("CAISO") (as amended from time to time, the "Tariff") for which the only excuse for failure to deliver or receive is an "Uncontrollable Force" (as defined in the Tariff).

Enabling Agreement: WSPP governed by Utah Law, Effective 02/01/2001 as may be amended from time to time.

Other: If the above accurately reflects your understanding of our agreement, please indicate your approval by signing a copy of this letter and returning it via fax to Mirant Americas Energy Marketing. Failure to object to the terms in this letter or respond within two business days shall be deemed acceptance.

Southern California Water Company	Mirant Americas Energy Marketing, LP by Mirant Americas Development, Inc., its general partner
By: /s/ JOEL A. DICKSON	By: /s/ [Signature Illegible]
Name: Joel A. Dickson	Name:
Title: Vice President	Title: