

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, 2000

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 5, 2000, the number of Common Shares outstanding, No Par Value with Stated Value of \$2.50, of American States Water Company was 8,957,671, all of which are listed on the New York Stock Exchange.

As of May 5, 2000, all of the 100 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
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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, 2000	December 31, 1999
	----- (Unaudited)	-----
UTILITY PLANT, at cost	(in thousands)	
Water	\$ 537,558	\$ 532,007
Electric	36,349	36,349
	-----	-----
	573,907	568,356
Less - Accumulated depreciation	(156,000)	(151,733)
	-----	-----
	417,907	416,623
Construction work in progress	37,736	32,972
	-----	-----
	455,643	449,595
	-----	-----
OTHER PROPERTY AND INVESTMENTS	11,486	10,583
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	1,994	2,189
Accounts receivable -		
Customers, less reserves of \$575		
in 2000 and \$487 in 1999	7,054	10,135
Other	5,051	4,347
Unbilled revenue	10,113	11,345
Materials and supplies, at average cost	1,165	1,153
Supply cost balancing accounts	5,840	4,774
Prepayments and other	4,571	4,851
Accumulated deferred income taxes - net	6,169	5,546
	-----	-----
	41,957	44,340
	-----	-----
DEFERRED CHARGES		
Regulatory tax-related assets	19,550	19,941
Other deferred charges	9,228	8,722
	-----	-----
	28,778	28,663
	-----	-----
	\$ 537,864	\$ 533,181
	=====	=====

The accompanying notes are an integral part of these financial

AMERICAN STATES WATER COMPANY
CONSOLIDATED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES

	March 31, 2000	December 31, 1999
	-----	-----
	(Unaudited)	
	(in thousands)	
CAPITALIZATION		
Common shareholders' equity	\$158,852	\$158,846
Preferred shares	1,600	1,600
Preferred shares subject to mandatory redemption requirements	360	360
Long-term debt	167,332	167,363
	-----	-----
	328,144	328,169
	-----	-----
CURRENT LIABILITIES		
Notes payable to banks	25,000	21,000
Long-term debt and preferred shares due within one year	340	340
Accounts payable	9,594	13,777
Taxes payable	7,611	5,432
Accrued interest	3,388	1,584
Other accrued liabilities	11,857	12,832
	-----	-----
	57,790	54,965
	-----	-----
OTHER CREDITS		
Advances for construction	58,801	57,485
Contributions in aid of construction	39,145	38,895
Accumulated deferred income taxes - net	48,694	48,302
Unamortized investment tax credits	3,042	3,064
Regulatory tax-related liability	1,850	1,861
Other	398	440
	-----	-----
	151,930	150,047
	-----	-----
	\$537,864	\$533,181
	=====	=====

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, 2000 AND 1999
(UNAUDITED)

	MARCH 31,	
	2000	1999

	(in thousands, except per share amounts)	

OPERATING REVENUES		
Water	\$34,587	\$32,213
Electric	4,011	3,873
Other	151	46

	38,749	36,132

OPERATING EXPENSES		
Water purchased	7,555	6,948
Power purchased for pumping	1,461	1,442
Power purchased for resale	1,975	1,191
Groundwater production assessment	2,253	1,710
Supply cost balancing accounts	(1,067)	(474)
Other operating expenses	3,887	3,538
Administrative and general expenses	5,913	6,384
Depreciation	3,802	3,510
Maintenance	2,557	2,138
Taxes on income	2,412	2,267
Other taxes	1,799	1,624

	32,547	30,278

Operating income	6,202	5,854
OTHER INCOME/(LOSS)	13	99

Income before interest charges	6,215	5,953
INTEREST CHARGES	3,320	2,976

NET INCOME	2,895	2,977
DIVIDENDS ON PREFERRED SHARES	(22)	(22)

EARNINGS AVAILABLE FOR COMMON SHAREHOLDERS	\$ 2,873	\$ 2,955
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	8,958	8,958
	=====	=====
Basic Earnings Per Common Share	\$ 0.32	\$ 0.33
	=====	=====
Dividends Declared Per Common Share	\$ 0.32	\$ 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, 2000 AND 1999
(UNAUDITED)

	TWELVE MONTHS ENDED MARCH 31,	
	2000	1999
	----- (in thousands, except per share amounts)	
OPERATING REVENUES		
Water	\$162,068	\$140,840
Electric	13,475	13,284
Other	495	112
	-----	-----
	176,038	154,236
	-----	-----
OPERATING EXPENSES		
Water purchased	36,751	32,512
Power purchased for pumping	7,413	7,145
Power purchased for resale	7,903	4,817
Groundwater production assessment	7,713	7,797
Supply cost balancing accounts	(1,065)	(129)
Other operating expenses	15,942	14,739
Administrative and general expenses	28,128	23,006
Depreciation	13,942	13,073
Maintenance	10,218	7,613
Taxes on income	13,490	10,928
Other taxes	6,741	6,203
	-----	-----
	147,176	127,704
	-----	-----
Operating income	28,862	26,532
OTHER INCOME/(LOSS)	446	725
	-----	-----
Income before interest charges	29,308	27,257
INTEREST CHARGES	13,288	11,501
	-----	-----
NET INCOME	16,020	15,756
DIVIDENDS ON PREFERRED SHARES	(87)	(89)
	-----	-----
EARNINGS AVAILABLE FOR COMMON SHAREHOLDERS	\$ 15,933	\$ 15,667
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	8,958	8,958
	=====	=====
Basic Earnings Per Common Share	\$ 1.78	\$ 1.75
	=====	=====
Dividends Declared Per Common Share	\$ 1.280	\$ 1.265
	=====	=====

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, 2000 AND 1999
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
	----- (in thousands) -----	
CASH FLOWS FROM		
Operating Activities:		
Net income	\$ 2,895	\$ 2,977
Adjustments for non-cash items:		
Depreciation and amortization	3,948	3,640
Deferred income taxes and investment tax credits	127	802
Other - net	(2,744)	(751)
Changes in assets and liabilities:		
Accounts receivable	3,468	736
Prepayments	280	48
Supply cost balancing accounts	(1,067)	(474)
Accounts payable	(4,183)	(595)
Taxes payable	2,179	567
Unbilled revenue	1,232	242
Other	(274)	2,404
	-----	-----
Net Cash Provided	5,861	9,596
	-----	-----
Investing Activities:		
Construction expenditures	(9,850)	(8,887)
	-----	-----
Net Cash Used	(9,850)	(8,887)
	-----	-----
Financing Activities:		
Issuance of securities	--	40,000
Receipt of advances and contributions	3,173	2,128
Repayments of long-term debt, net of redemption of preferred shares	(32)	(340)
Refunds on advances	(459)	(409)
Changes in notes payable to banks	4,000	(38,000)
Common and preferred dividends paid	(2,888)	(2,888)
	-----	-----
Net Cash Provided	3,794	491
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	(195)	1,200
Cash and Cash Equivalents, Beginning of period	2,189	620
	-----	-----
Cash and Cash Equivalents, End of period	\$ 1,994	\$ 1,820
	=====	=====

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

SOUTHERN CALIFORNIA WATER COMPANY
CONSOLIDATED BALANCE SHEETS
ASSETS

	MARCH 31 2000	DECEMBER 31, 1999
	-----	-----
	(UNAUDITED)	
UTILITY PLANT, at cost	(in thousands)	
Water	\$ 537,558	\$ 532,007
Electric	36,349	36,349
	-----	-----
	573,907	568,356
Less - Accumulated depreciation	(156,000)	(151,733)
	-----	-----
	417,907	416,623
Construction work in progress	37,736	32,972
	-----	-----
	455,643	449,595
	-----	-----
OTHER PROPERTY AND INVESTMENTS	10,140	10,233
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	1,614	2,020
Accounts receivable -		
Customers, less reserves of \$575		
in 2000 and \$487 in 1999	7,139	10,135
Other	6,029	4,275
Unbilled revenue	10,113	11,345
Materials and supplies, at average cost	1,165	1,153
Supply cost balancing accounts	5,840	4,774
Prepayments and other	4,571	4,851
Accumulated deferred income taxes - net	6,198	5,573
	-----	-----
	42,669	44,126
	-----	-----
DEFERRED CHARGES		
Regulatory tax-related assets	19,550	19,941
Other deferred charges	8,931	8,599
	-----	-----
	28,481	28,540
	-----	-----
	\$ 536,933	\$ 532,494
	=====	=====

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

SOUTHERN CALIFORNIA WATER COMPANY
CONSOLIDATED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES

	MARCH 31, 2000	DECEMBER 31, 1999
	-----	-----
	(Unaudited)	
	(in thousands)	
CAPITALIZATION		
Common shareholders' equity	\$159,757	\$160,023
Long-term debt	167,331	167,363
	-----	-----
	327,088	327,386
	-----	-----
CURRENT LIABILITIES		
Notes payable to banks	25,000	21,000
Long-term debt and preferred shares due within one year	340	340
Accounts payable	9,594	13,619
Taxes payable	7,898	5,700
Accrued interest	3,388	1,584
Other accrued liabilities	11,714	12,818
	-----	-----
	57,934	55,061
	-----	-----
OTHER CREDITS		
Advances for construction	58,801	57,485
Contributions in aid of construction	39,145	38,895
Accumulated deferred income taxes - net	48,675	48,302
Unamortized investment tax credits	3,042	3,064
Regulatory tax-related liability	1,850	1,861
Other	398	440
	-----	-----
	151,911	150,047
	-----	-----
	\$536,933	\$532,494
	=====	=====

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, 2000 AND 1999
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
	----- (\$ in thousands, except per share amounts)	
OPERATING REVENUES		
Water	\$34,587	\$32,213
Electric	4,011	3,873
	-----	-----
	38,598	36,086
	-----	-----
OPERATING EXPENSES		
Water purchased	7,555	6,948
Power purchased for pumping	1,461	1,442
Power purchased for resale	1,975	1,191
Groundwater production assessment	2,253	1,710
Supply cost balancing accounts	(1,067)	(474)
Other operating expenses	3,830	3,528
Administrative and general expenses	5,781	6,322
Depreciation	3,802	3,376
Maintenance	2,553	2,137
Taxes on income	2,430	2,316
Other taxes	1,798	1,623
	-----	-----
	32,371	30,119
	-----	-----
Operating income	6,227	5,967
OTHER INCOME/(LOSS)	13	99
	-----	-----
Income before interest charges	6,240	6,066
INTEREST CHARGES	3,320	2,976
	-----	-----
NET INCOME	2,920	3,090
DIVIDENDS ON PREFERRED SHARES	--	--
	-----	-----
EARNINGS AVAILABLE FOR COMMON SHAREHOLDERS	\$ 2,920	\$ 3,090
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	100	100
	=====	=====
Basic Earnings Per Common Share	\$29,200	\$30,900
	=====	=====
Dividends Declared Per Common Share	\$32,000	\$30,900
	=====	=====

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, 2000 AND 1999
(UNAUDITED)

	TWELVE MONTHS ENDED MARCH 31,	
	2000	1999
	----- (\$ in thousands, except per share amounts)	
OPERATING REVENUES		
Water	\$162,068	\$140,840
Electric	13,475	13,284
	-----	-----
	175,543	154,124
	-----	-----
OPERATING EXPENSES		
Water purchased	36,751	32,512
Power purchased for pumping	7,413	7,145
Power purchased for resale	7,903	4,817
Groundwater production assessment	7,713	7,797
Supply cost balancing accounts	(1,065)	(129)
Other operating expenses	15,777	14,702
Administrative and general expenses	27,536	22,842
Depreciation	13,942	12,672
Maintenance	10,210	7,612
Taxes on income	13,588	11,207
Other taxes	6,737	6,201
	-----	-----
	146,505	127,378
	-----	-----
Operating income	29,038	26,746
OTHER INCOME	423	1,186
	-----	-----
Income before interest charges	29,461	27,932
INTEREST CHARGES	13,290	11,500
	-----	-----
NET INCOME	16,171	16,432
DIVIDENDS ON PREFERRED SHARES	--	(23)
	-----	-----
EARNINGS AVAILABLE FOR COMMON SHAREHOLDERS	\$ 16,171	\$ 16,409
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	100	100
	=====	=====
Basic Earnings Per Common Share	\$161,710	\$164,090
	=====	=====
Dividends Declared Per Common Share	\$121,500	\$118,004
	=====	=====

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, 2000 AND 1999
(UNAUDITED)

	THREE MONTH ENDED MARCH 31,	
	2000	1999
	(in thousands)	
CASH FLOWS FROM		
Operating Activities:		
Net income	\$ 2,920	\$ 3,090
Adjustments for non-cash items:		
Depreciation and amortization	3,948	3,506
Deferred income taxes and investment tax credits	106	799
Other - net	(1,574)	(867)
Changes in assets and liabilities:		
Accounts receivable	2,996	633
Prepayments	280	48
Supply cost balancing accounts	(1,067)	(474)
Accounts payable	(4,021)	(549)
Taxes payable	2,198	620
Unbilled revenue	1,232	242
Other	(1,070)	2,550
Net Cash Provided	5,948	9,598
Investing Activities:		
Construction expenditures	(9,850)	(8,887)
Net Cash Used	(9,850)	(8,887)
Financing Activities:		
Issuance of securities	--	40,000
Receipt of advances and contributions	3,173	2,128
Repayments of long-term debt, net of redemption of preferred shares	(18)	(340)
Refunds on advances	(459)	(409)
Changes in notes payable to banks	4,000	(38,000)
Common and preferred dividends paid	(3,200)	(3,090)
Net Cash Provided (Used)	3,496	289
Net Increase (Decrease) in Cash and Cash Equivalents	(406)	1,000
Cash and Cash Equivalents, Beginning of period	2,020	524
Cash and Cash Equivalents, End of period	\$ 1,614	\$ 1,524

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)

1. American States Water Company (AWR) was incorporated in 1998 in connection with the formation of a holding company by Southern California Water Company (SCW) and became a public company on July 1, 1998. 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.
2. For a summary of significant accounting policies and other information relating to these interim financial statements, reference is made to pages 24 through 31 of the 1999 Annual Report to Shareholders of AWR under the caption "Notes to Financial Statements."
3. 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. Registrant has no dilutive securities outstanding and, accordingly, diluted earnings per share is not shown.
4. 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 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.
5. In March 2000, SCW has filed applications to increase rates for ratemaking districts in SCW's Region I as well as to combine those tariff schedules into regional rates. Applications for new rates for four water ratemaking districts in SCW's Region III and to combine tariff schedules into regional rates for the customer service areas that make up SCW's Region III were filed in March 1999 and are pending a final decision from the CPUC. See the section entitled "Rates and Regulation" for more information.
6. 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.

7. AWR has two principal business units: a water and electric distribution unit, through its SCW subsidiary, and a non-regulated activity unit through the American States Utility Services (ASUS) subsidiary. All activities currently are geographically located within California, except for one contract providing customer service and billing services to a utility located in Arizona. SCW is a regulated utility, which operates both water and electric systems. AWR has no material operations other than its SCW subsidiary. 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 operating segments. SCW manages its operations on a regional basis using the five categories below as broad-level measures of profitability. Region I incorporates service areas in northern and central California; Region II contains service areas throughout Los Angeles; Region III encompasses water operations in eastern Los Angeles County, Orange County, San Bernardino County and Imperial County. SCW also provides electric service to the City of Big Bear Lake and surrounding areas. 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, 2000

	Water			Electric	Total SCW
	Region I	Region II	Region III		
Operating revenues	\$5,472	\$16,937	\$12,178	\$4,011	\$38,598
Operating income before income taxes	977	3,509	2,755	1,417	\$8,658
Identifiable assets	109,291	141,535	178,914	25,903	\$455,643
Depreciation expense	732	1,200	1,520	350	\$3,802
Capital additions	\$3,952	\$2,787	\$3,149	\$577	\$10,465

(dollars in thousands)

For The Three Months Ended March 31, 1999

	Water			Electric	Total SCW
	Region I	Region II	Region III		
Operating revenues	\$5,322	\$14,873	\$12,018	\$3,873	\$36,086
Operating income before income taxes	818	2,914	2,918	1,633	\$8,283
Identifiable assets	100,478	126,049	170,099	25,105	\$421,731
Depreciation expense	683	1,009	1,348	336	\$3,376
Capital additions	\$3,721	\$4,307	\$2,392	\$471	\$10,891

(dollars in thousands)

For The Twelve Months Ended March 31, 2000

	Water			Electric	Total SCW
	Region I	Region II	Region III		
Operating revenues	\$27,372	\$72,838	\$61,858	\$13,475	\$175,543
Operating income before income taxes	6,727	16,436	15,859	3,604	\$42,626
Identifiable assets	109,291	141,535	178,914	25,903	\$455,643
Depreciation expense	2,778	4,239	5,569	1,356	\$13,942
Capital additions	\$13,663	\$20,869	\$13,545	\$2,278	\$50,355

(dollars in thousands)

For The Twelve Months Ended March 31, 1999

	Water			Electric	Total SCW
	Region I	Region II	Region III		

Operating revenues	\$25,613	\$60,035	\$55,196	\$13,284	\$154,128
Operating income before income taxes	6,861	12,142	14,783	4,167	\$37,953
Identifiable assets	100,478	126,049	170,099	25,105	\$421,731
Depreciation expense	2,601	3,538	4,818	1,715	\$12,672
Capital additions	\$13,936	\$16,312	\$14,273	\$1,846	\$46,367

8. On March 10, 2000, Registrant entered into an agreement to acquire the common stock of Chaparral City Water Company, a privately operated water company serving approximately 10,000 customers in the town of Fountain Hills, Arizona and portions of Scottsdale, Arizona for an aggregate value of \$31.2 million, including assumption of approximately \$12 million in debt, Chaparral City Water Company was purchased from MCO Properties Inc., a wholly-owned subsidiary of MAXXAM Inc. this marks the first acquisition outside of California for Registrant. The sale of Chaparral City Water Company requires notification to the Arizona Corporation Commission and other conditions customary in transactions of this type. The approval of Registrant's shareholders is not required. It is anticipated that the transaction will close within one year.

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

FORWARD-LOOKING INFORMATION

Certain matters discussed in this report (including any 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 the Company or 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 that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements. Such statements address future events and conditions concerning capital expenditures, earnings, litigation, rates, water quality and other regulatory matters, adequacy of water supplies, liquidity and capital resources, opportunities related to operations of municipally-owned water systems 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 market conditions for debt and equity; future climatic conditions; legislative, regulatory and other circumstances affecting anticipated revenues and costs; the number and effectiveness of competitors in Registrant's markets; changes in legislation; the nature and pace of technological changes; Registrant's ability to identify future markets and successfully expand existing ones; the mix of products and services offered in Registrant's target markets; and abilities of other companies to remain or become year 2000 ready. These important factors should be considered in evaluating any statement contained herein and/or made by Registrant or on its behalf.

GENERAL

American States Water Company (AWR) was incorporated in 1998 in connection with the formation of a holding company by Southern California Water Company (SCW) and became a public company on July 1, 1998. AWR has no material assets other than the common stock of SCW. SCW is a 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. AWR has another subsidiary, American States Utility Services, Inc. (ASUS) which contracts to lease, operate and maintain governmentally owned water and wastewater systems and to provide other services to local governments to assist them in the operation and maintenance of their water and wastewater systems. Neither AWR nor ASUS are regulated by the CPUC.

SCW is organized into three regions and one electric customer service area operating within 75 communities in 10 counties in the State of California and provides water service in 21 customer service areas (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 CSAs. 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.

SCW served 244,214 water customers and 21,183 electric customers at March 31, 2000, or a total of 265,397 customers, compared with 263,780 total customers at March 31, 1999.

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 96.3% and 90.9% of total water revenues for the three and twelve months ended March 31, 2000, respectively as compared to 94.0% and 90.8% for the three and twelve months ended March 31, 1999, respectively.

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.

ACQUISITION OF CHAPARRAL CITY WATER COMPANY

On March 10, 2000, Registrant entered into an agreement to acquire the common stock of Chaparral City Water Company, a privately operated water company serving approximately 10,000 customers in the town of Fountain Hills, Arizona and portions of Scottsdale, Arizona for an aggregate value of \$31.2 million, including assumption of approximately \$12 million in debt. Chaparral City Water Company was purchased from MCO Properties Inc., a wholly-owned subsidiary of MAXXAM Inc. This marks the first acquisition outside of California for Registrant. The sale of Chaparral City Water Company requires notification to the Arizona Corporation Commission and other conditions customary in transactions of this type. The approval of Registrant's shareholders is not required. It is anticipated that the transaction will close within one year. See Notes to Financial Statements for more information.

RESULTS OF OPERATION

Basic earnings per common share for the three months ended March 31, 2000 decreased by 3.0% to \$0.32 per share as compared to \$0.33 per share for the comparable period last year for various reasons as discussed below. Basic earnings for the twelve months ended March 31, 2000 increased by 1.7% to \$1.78 per share as compared to \$1.75 per share for the twelve months ended March 31, 1999 primarily reflecting higher revenues as is more fully discussed below.

As compared to last year, water operating revenues increased by 7.4% and 15.1% for the three and twelve months ended March 31, 2000, respectively, due to the increase in water volumes sold and increases in rates authorized by the CPUC. Water sales volumes for the three and twelve months ended March 31, 2000 were 4.2% and 6.8% higher than the same periods of last year, respectively. Additional increases in revenues for the three months ended March 2000 reflected the general rate case (GRC) step increase for Registrant's Metropolitan customer service area effective January 1, 2000. New rates in four customer service areas and implementation of regional rates in the customer service areas that comprise SCW's Region III are pending a final decision from the CPUC, which is expected during the second quarter of 2000. The delay resulted in a loss of approximately \$900,000 in revenues during the three months ended March 31, 2000. See the section entitled "Rates and Regulation" for more information.

Kilowatt-hour sales of electricity decreased by 2.9% and 0.4%, respectively, for the three and twelve months ended March 31, 2000 as compared to the same periods ended March 31, 1999 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 during off-peak hours. Despite the decrease in

sales, electric operating revenues for the three months and twelve months ended March 31, 2000 increased by 3.6% and 1.4%, respectively, due to a shift in the composition of sales towards commercial and residential usage which have relatively higher rates than industrial power users.

Purchased water costs increased by 8.8% for the three months ended March 31, 2000 as compared to the same period ending in 1999 due to a 7.2% increase in volumes purchased resulting from higher sales, and reduced reimbursements from potentially responsible parties related to contamination in SCW's Culver City CSA of approximately \$66,000 received during the three months ended March 31, 2000, compared with reimbursements of \$286,000 received during the first quarter of 1999. As compared to the twelve months ended March 31, 1999, purchased water costs increased by 13.0% reflecting a 9.7% increase in volumes purchased. The twelve-month comparison is also affected by a decline in the receipt of reimbursements related to contamination as previously discussed. Registrant received approximately \$1,145,000 during the twelve months ended March 31, 1999 as compared to reimbursements of \$352,000 received during the period ended March 31, 2000. See the section entitled "Environmental Matters - Matters Related to Culver City System."

Cost of power purchased for pumping increased by 1.3% and 3.8% for the three and twelve months ended March 31, 2000, respectively, due to an increase in pumped groundwater in SCW's water supply mix.

As compared to the three and twelve months ended March 31, 1999, the cost of power purchased for resale increased by 65.8% and 64.1%, respectively, for the three and twelve months ended March 31, 2000 due primarily to additional demand charges from Registrant's energy supplier in 1999. An additional accrual for these demand charges was recorded in April 1999.

Groundwater production assessments are 31.8% higher for the three months ended March 31, 2000 due primarily to an accrual to reflect excess pumping penalty assessments particularly associated with increased pumping in SCW's San Dimas and San Gabriel customer service areas. Although SCW anticipates incurring additional groundwater production assessments during the second quarter of 2000, these charges are offset through the balancing account and will be recovered in future offset rate increases. See the section entitled "Regulatory Matters" for more information.

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-collection position. A net under-collection of balancing accounts for the three months ended March 31, 2000 reflects previously discussed increase in energy demand charges and excess pumping penalty accruals. As compared to the twelve months ended March 31, 1999, the effect of increased energy demand charges for the twelve months ended March 2000 was partially offset by new rates effective January 1999 authorized to implement new supply costs and to increase collection of previously under-collected costs.

Other operating expenses increased by 9.9% and 8.2% for the three and twelve months ended March 31, 2000, respectively, as compared to the same periods of last year. The increases were due to increased costs for water treatment, higher amounts accrued for uncollectible accounts as a result of increased revenues, and an increase in the amount of labor hours being charged to this category.

Administrative and general expenses decreased by 7.3% for the three months ended March 31, 2000 as compared to the same period ended March 31, 1999 due to reduced accruals for litigation in 2000. As compared to the twelve months ended March 31, 1999, administrative and general expenses increased by 22.3% due to increased employee benefit costs, and additional amounts reserved for certain legal proceedings. See the section entitled "Legal Proceedings" for more information.

Depreciation expense increased by 8.3% and 6.6%, respectively, for the three and twelve months ended March 31, 2000 reflecting, among other things, the effects of recording approximately \$52 million in net plant additions during 1999, depreciation on which began in January 2000. In addition, amortization of start-up and organizational costs associated with the formation of AWR was reflected in the twelve months ended March 31, 1999. There were no similar amortization costs for the twelve months ended March 31, 2000.

As compared to the three and twelve months ended March 31, 1999, maintenance expense increased by 19.6% and 34.2%, respectively, due principally to increased maintenance on Registrant's water supply sources, and costs incurred on main replacements. The wet weather conditions during 1998 also hampered planned maintenance activities, thereby reducing maintenance expense for the twelve months ended March 31, 1999.

Taxes on income increased by 6.4% and 23.4% for the three and twelve months ended March 31, 2000, respectively, as compared to the three and twelve months ended March 31, 1999 due to a higher effective tax rate resulting from the turn-around of depreciation-related temporary differences, the benefits of which were previously flowed-through for rate-making purposes. As compared to the twelve months ended March 1999, the increase was also due to a 12.0% increase in pre-tax operating income.

Other taxes increased by 10.8% and 8.7%, respectively, for the three and twelve months ended March 31, 2000, respectively, as compared to the same periods last year reflecting increased franchise fee payments resulting from higher revenues, increased property taxes due to higher property valuation assessments, and increased payroll taxes due to higher labor costs and newly established annual incentive plan, distributed during the first quarter of 2000.

As compared to the same periods ended March 31, 1999, other income for the three months ended March 31, 2000 decreased by 86.9%. The decrease was due to the effect of recording the State Water Project entitlement with a value of approximately \$9.5 million, amortization on which began January 2000. As compared to the twelve months ended March 31, 1999, other income decreased by 38.43% in the comparable period ended March 31, 2000 due principally to the flow-through of tax benefits related to refinancing of long-term debt, partially offset by costs incurred in December 1998 associated with termination of the non-regulated joint venture agreement. There were no similar tax benefits and/or such costs in the twelve months ended March 2000. See the section entitled "Rates and Regulation" for more information.

Interest expense increased by 11.6% and 15.6%, respectively, for the three and twelve months ended March 31, 2000 as compared to the three and twelve months ended March 31, 1999, primarily due to additional short-term borrowing to finance construction expenditures.

LIQUIDITY AND CAPITAL RESOURCES

AWR funds its operating expenses, dividends on its outstanding Common and Preferred Shares, and makes its mandatory sinking fund payments, principally through dividends from SCW. AWR has filed a Registration Statement 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. The proceeds will be used primarily for investment in its subsidiaries. No securities had been issued under this Registration Statement as of March 31, 2000.

SCW funds the majority of its operating expenses, interest payments on its debt and dividends on its outstanding Common Shares through internal sources. SCW continues to rely on external sources,

including short-term bank borrowing, contributions-in-aid-of-construction, advances for construction and install-and-convey advances, to fund the majority of its construction expenditures.

Because of the seasonal nature of its water and electric operations, SCW utilizes its short-term borrowing capacity to finance current operating expenses. The aggregate short-term borrowing capacity available to SCW under its three bank lines of credit was \$47 million as of March 31, 2000, of which a total of \$25 million was outstanding. SCW routinely employs short-term bank borrowing as an interim financing source prior to funding capital expenditures on a long-term basis.

In 1998, SCW filed a Registration Statement with the SEC for issuance, from time to time, of up to \$60 million in long-term debt. As of March 31, 2000, \$20 million remained for issuance as needed.

SCW's construction program is designed to ensure its customers high quality service. SCW maintains an ongoing distribution main replacement program throughout its customer service areas, based on the priority of leaks detected, fire protection enhancement and a reflection of the underlying replacement schedule. In addition, SCW upgrades its electric and water supply facilities in accordance with industry standards, local requirements and CPUC requirements. SCW's Board of Directors has approved anticipated net capital expenditures of approximately \$55.4 million for 2000. Of the amount authorized, \$8.8 million has incurred as of March 31, 2000. Neither AWR nor ASUS have material capital commitments; however, ASUS actively seeks opportunities to own, lease or operate municipal water and wastewater systems, which may involve significant capital commitments.

WATER SUPPLY

For the three months ended March 31, 2000, SCW supplied a total of 16,541,000 ccf of water as compared to 16,118,000 ccf for the three months ended March 31, 1999. Of the total 16,541,000 ccf of water supplied during the first quarter of 2000, approximately 60.6% came from pumped sources and 39.4% was purchased from others, principally the Metropolitan Water District of Southern California (MWD) and its member agencies. For the three months ended March 31, 1999, 62.2%, 37.8% was supplied from pumped sources and purchased from MWD, respectively.

During the twelve months ended March 31, 2000, SCW supplied 85,750,000 ccf of water as compared to 80,609,000 ccf supplied during the twelve months ended March 31, 1999. During the twelve months ended March 31, 2000, pumped sources provided 57.9% of total supply, 40.5% was purchased from MWD and its member agencies. The remaining 1.6% 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, 1999, 60.6%, 39.3% and 0.1%, 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 52 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 2000. 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. For the three months ended March 31, 2000, SCW's customer service areas experienced more rainfall and slightly cooler temperatures as compared to the same period ended March 31, 1999. The 2000 water year supply outlook remains adequate. This positive outlook is due to wetter-than-anticipated spring, the fact that reservoirs remain at significantly high levels, and groundwater levels are usually not diminished by a single year of below normal precipitation as was experienced during 1999. Although overall groundwater conditions remain at adequate levels, 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.

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 currently tests its wells and water systems according to requirements listed in the SDWA. Water from wells found to contain levels of contaminants above the established MCLs 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.

Registrant is currently unable to predict the ultimate impact that the 1996 SDWA amendments might have on its financial position or its results of operation. The CPUC ratemaking process provides SCW 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.

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. EPA will publish the proposed the Long Term 1 Enhanced Surface Water Treatment Rule and Filter Backwash Rule (LT1FBR) in the Federal Register in Spring, 2000. This proposed rule will apply to each of SCW's five surface water treatment plants and 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 plants will achieve compliance within the three year to five-year time frames identified by EPA.

Regulation of Disinfection/Disinfection By-Products

Registrant is 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. The Registrant is preparing to conduct studies in Calipatria to determine the best treatment methods to comply with this rule.

The EPA must adopt Stage II rules pertaining to DBPs, according to a negotiated schedule by 2000. 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 DBPs 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

By Spring 2000, the EPA is scheduled to propose regulations requiring disinfection of certain groundwater systems and provide guidance on determining which systems must provide disinfection facilities. The EPA may utilize the cost/benefit analysis provided in the 1996 SDWA amendments to establish such regulations. It is anticipated that the regulations will apply to several of SCW's systems using groundwater supplies. While no assurance can be given as to the nature and cost of any additional compliance measures, if any, Registrant does not believe that such regulations will impose significant compliance costs, since SCW already currently engages in disinfection of its groundwater systems.

Regulation of Radon and Arsenic

Registrant expects to be subject to new regulations regarding radon and arsenic. It is anticipated that the EPA will propose a reduction in the federal standard on arsenic from 50 parts per billion (ppb) to

5 ppb. This proposed arsenic rule is expected to be released in spring of 2000, with a 60-day comment period. It is anticipated that EPA will propose 5 ppb as the lead regulatory option, but will take comments on 3 ppb and 10 ppb options as well. Compliance with an MCL of 5 ppb will require Registrant to implement costly well-head treatment remedies such as ion exchange or, alternatively, to purchase additional and more expensive water supplies already in compliance, for blending with well sources.

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. The final rule will be effective in August 2000. The Registrant is currently conducting studies to determine the best treatment 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

Registrant 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 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. Each of the wells has been removed from service. Another well was also been removed from service in end of 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 March 31, 2000, Aerojet-General Corp. has previously reimbursed Registrant \$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.

SCW and Aerojet-General Corp. were in negotiations on other matters related to procedures to address cleanup of the contaminated groundwater basin, costs associated with the cleanup, increased costs of purchased water as compared to pumped sources and costs associated with developing new sources of groundwater supply.

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. 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 outcome of these proceedings. See the section entitled "Legal Proceedings" for more information.

Matters Relating to Culver City System

The compound, methyl tertiary butyl ether (MTBE), has been detected in the Charnock Basin, located in the city of Santa Monica and within SCW's Culver City customer service area. MTBE is an oxygenate used in reformulated fuels. 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 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. Registrant is unable to predict the outcome of the EPA's enforcement efforts.

Bear Valley Electric

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 Service customer service area. SCW has, however, taken other measures, including some measures that will be enacted on an emergency basis, to meet load growth and mitigate delays in approval of the EIR.

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. 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.

Applications to increase water rates were filed for four water ratemaking districts in SCW's Region III in March 1999. A draft decision has been issued by the Administrative Law Judge assigned to this matter that supports the settlement on all issues reached between SCW and the CPUC Staff. SCW has also filed an application with the CPUC to combine tariff schedules into regional rates for the customer service areas that make up SCW's Region III. The Administrative Law Judge assigned to this matter has issued a draft decision that supports SCW's application. A final decision from the CPUC on both issues is anticipated in the second quarter of 2000. Pending receipt of the final decision, implementation of rates has been delayed.

GRC step increase for Metropolitan CSA and General Office Allocation step increases for Arden-Cordova, Bay Point, Simi Valley and Santa Maria CSAs were effective beginning January, 2000. Attrition increases for Arden-Cordova and Bay Point CSAs were also in effect beginning January 2000.

Applications to increase water rates by approximately \$5.8 million for ratemaking districts in SCW's Region I as well as to combine those tariff schedules into regional rates were filed in March 2000. The new rates, if authorized in total or in part by the CPUC, would be effective January 1, 2001.

An advice letter was filed with the CPUC on March 1, 2000 seeking recovery of capital expenditures associated with Y2K readiness, not already included in Registrant's water rates.

Registrant is unable to predict if the CPUC will authorize recovery of any or all of the costs. See the section entitled "Year 2000 Issue" for more information.

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. See the Notes to Financial Statements for more information.

YEAR 2000 ISSUE

Registrant has no Y2K incidents, business disruptions, failures or legal proceedings to report. There were no actual or anticipated effects or changes to Registrant's operating trends or revenue patterns as a result of the transition from December 1999 to January 2000. SCW formally announced its 100% Y2K Ready status when it filed its Compliance Report with the CPUC on November 1, 1999. Registrant has filed its final Compliance Report with the CPUC in March 2000.

Not all Y2K problems were necessarily expected to surface in early 2000. Registrant does not have, and may never fully have, sufficient information about the Y2K exposure of third parties to adequately predict the risks posed by them to Registrant. If the third parties later discover any Y2K problems that are not remedied, resulting problems could include temporary loss of utility services and disruption of water supplies.

Costs incurred to address Y2K issues are estimated to be approximately \$5.2 million. On March 1, 2000, Registrant filed an advice letter with the CPUC for recovery of Y2K related costs. Registrant believes that generally these expenditures will be recovered through rates, but can give no assurance that the CPUC will authorize recovery of all or some of these costs.

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 recently been sued in eleven 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 in 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

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, 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. The CPUC is seeking to determine:

- whether existing standards and policies regarding drinking water quality adequately protect the public health
- whether water utilities are in compliance with existing standards

The Administrative Law Judge assigned to the OII has issued a draft decision finding that water utilities, including SCW, have complied with DOHS regulation and requirements. SCW is unable to predict whether the draft decision will be approved in part or in its entirety. 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, 2000, Registrant had incurred \$866,000 in the OII-related memorandum account.

Environmental Regulation

SCW is 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
- interim regulations expected to be adopted before the end of 2000 requiring increased surface-water treatment to decrease the risk of microbial contamination; these regulations will affect SCW's five surface water treatment plants
- additional regulation of 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 before the end of 2000 requiring disinfection of certain groundwater systems; these regulations will potentially impact several of SCW's systems using groundwater supplies
- potential regulation of radon and arsenic
- new California requirements to fluoridate public water systems serving over 10,000 customers

SCW 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. 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.

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, thereby increasing rate base

In addition, SCW recovers certain 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 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 undercollection or overcollection of supply costs.

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

- applications filed by SCW to increase rates in 4 of its Region III rate-making jurisdictions; a final decision is not expected until second quarter of 2000 although a tentative settlement has been worked out

- an application filed to consolidate the rate-making jurisdictions located in SCW's Region III area into a single tariff
- the OII
- applications filed by SCW to increase rates and consolidate all of its Region I rate-making jurisdictions
- an advice letter filed to seek recovery of capital expenditures associated with Y2K readiness
- new guidelines under consideration by the CPUC for the acquisition and merger of water utilities and for privatization transactions
- new guidelines under consideration by the CPUC for the use of regulated assets for non-regulated activities

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.

As a result of heavier than normal rainfall in the winter of 1998-1999 as well as the rains during the first quarter of 2000, most of California's reservoirs remain at or near capacity and the outlook for water supply in the near term is generally favorable. Population growth and increases in the amount of water used have, however, increased limitations on use to prevent overdrafting of groundwater basins. The import of water from the Colorado River, one of our important sources of supply, is expected to decrease in future years due to the requirements of the Central Arizona Project. We also have in recent years taken wells out of service due to water quality problems.

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. Registrant 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, 2000, Aerojet General Corp. has previously reimbursed Registrant 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 matter 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.

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 eleven lawsuits involving claims pertaining to water quality. Nine of the lawsuits involve customer service areas located in Los Angeles County in the southern portion of the State of California; two of the lawsuits involve a customer service area located in Sacramento County in northern California. See the section entitled "Risk Factor Summary" 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, 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 out of eleven 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 has 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 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 served on June 18, 1999.

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. On August 31, 1998, the judge assigned to the Allen Matter, acting on the Court's own motion, issued a stay of all proceedings in the Allen matter pending the outcome of the CPUC's Order Instituting Investigation (OII) proceeding. The plaintiffs petitioned the Third District Court of Appeal for a Writ of Mandamus to overrule the stay. The Court denied the petition. Plaintiff's then petitioned the California Supreme Court for relief from the Appellate Court's ruling. The California Supreme Court denied plaintiff's petition. Thus the stay in the Allen Matter remains in effect.

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. On August 31, 1998, the judge assigned to the Adams Matter, acting on the Court's own motion, issued a stay of all proceedings in the Adams matter pending the outcome of the CPUC's OII proceeding. The plaintiff's petitioned the Third District Court of Appeal for a Writ of Mandamus to overrule the stay. The Court denied the petition. Plaintiff's then petitioned the California Supreme Court for relief from the Appellate Court's ruling. The California Supreme Court denied plaintiff's petition. Thus the stay in the Adams Matter remains in effect.

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.

ORDER INSTITUTING INVESTIGATION

In March 1998, the CPUC issued an OII to regulated water utilities in the state of California, including SCW. The purpose of the OII is to determine whether existing standards and policies regarding drinking water quality adequately protect the public health and whether those standards and policies are being uniformly complied with by those water utilities. The OII delineates the constitutional and statutory jurisdiction of the CPUC and the California Department of Health Services (DOHS) in establishing and enforcing adherence to water quality standards. The CPUC's jurisdiction provides for the establishment of rates, which permit water utilities to furnish water service meeting the established water quality standards at prices, which are both affordable and allow the utility to earn a reasonable return on its investment. SCW has provided its response to a series of questions dealing with the adequacy of current drinking water standards, compliance by water utilities with such standards,

appropriate remedies for failure to comply with safe drinking water standards and whether increased enforcement and additional drinking water standards are necessary.

On June 10, 1999, the CPUC issued an interim order, which established that the CPUC has jurisdiction to conduct the investigation regarding matters related to water quality over those water utilities subject to its authority. The Administrative Law Judge assigned to the OII has issued a draft decision finding that water utilities, including SCW, have complied with DOHS regulation and requirements. SCW is unable to predict whether the draft decision will be approved in part or in its entirety by the CPUC. SCW anticipates a final decision by the CPUC on this matter in 2000.

OTHER LITIGATION

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 destroying 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. 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 outcome of these proceedings.

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, 2000, earned surplus amounted to \$61,521,000, none of which was restricted as to payment of cash dividends on Registrant's Common Shares by any terms of Registrant's debt instruments.

As of March 31, 2000, authorized but unissued Common Shares include 500,000 and 571,408 Common Shares reserved for issuance under Registrant's Dividend Reinvestment and Common Share Purchase Program and Investment Incentive Program (401-k), respectively. Common Shares reserved for the 401-k Plan are in relation to the matching contributions by SCW and for investment purposes by participants.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

On or about March 24, 2000, 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:

1. Election of a slate of four Class II directors to serve for a two-year term expiring at the end of the Annual Meeting of Shareholders in 2002, 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 May 2, 2000:

NAME	PERCENT VOTE "FOR"	"WITHHELD"
Jean E. Auer	98.22%	1.78%
N.P. Dodge, Jr.	98.15%	1.85%
Robert F. Kathol	98.20%	1.80%
Lloyd E. Ross	98.41%	1.59%

2. Consideration of a proposal to approve a stock incentive plan. The purpose of the "2000 Plan" is to promote the success of Registrant by attracting, motivating, rewarding, retaining and aligning the interests of Registrant's employees, including officers, with those of shareholders generally. The results of the voting are presented in the table below:

PROPOSAL	"FOR"	"AGAINST"	"ABSTAIN"
2000 Plan	75.50%	22.84%	1.66%

ITEM 5. OTHER INFORMATION

On May 1, 2000, the Board of Directors of Registrant declared a regular quarterly dividend of \$0.32 per common share. The dividend will be paid June 1, 2000 to shareholders of record as of the close of business on May 12, 2000. 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

- Exhibit 10.18 American States Water Company 2000 Stock Incentive Plan. (Submitted in electronic format only to the Securities and Exchange Commission.)
- Exhibit 27. Schedule UT. (Submitted in electronic format only to the Securities and Exchange Commission.)

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 8, 2000

AMERICAN STATES WATER COMPANY

2000 STOCK INCENTIVE PLAN

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AMERICAN STATES WATER COMPANY

2000 STOCK INCENTIVE PLAN

1. THE PLAN

1.1 Purpose

The purpose of this Plan is to promote the success of the Company by providing an additional means through the grant of Awards to attract, motivate, retain and reward key employees, including officers, whether or not directors, of the Company with awards and incentives for high levels of individual performance and improved financial performance of the Company. "Corporation" means American States Water Company and "Company" means the Corporation and its Subsidiaries, collectively. These terms and other capitalized terms are defined in Article 5.

1.2 Administration and Authorization; Power and Procedure

(a) Committee. This Plan shall be administered by and all Awards to Eligible Employees shall be authorized by the Committee. Action of the Committee with respect to the administration of this Plan shall be taken pursuant to a majority vote or by written consent of its members.

(b) Plan Awards; Interpretation; Powers of Committee. Subject to the express provisions of this Plan, the Committee shall have the authority:

(i) to determine eligibility and, from among those persons determined to be eligible, the particular Eligible Employees who will receive an Award;

(ii) to grant Awards to Eligible Employees, determine the price at which securities will be offered or awarded and the amount of securities to be offered or awarded to any of such persons, and determine the other specific terms and conditions of such Awards consistent with the express limits of this Plan, and establish the installments (if any) in which such Awards shall become exercisable or shall vest, or determine that no delayed exercisability or vesting is required, and establish the events of termination or reversion of such Awards;

(iii) to approve the forms of Award Agreements (which need not be identical either as to type of award or among Participants);

(iv) to construe and interpret this Plan and any agreements defining the rights and obligations of the Company and Participants under this Plan, further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan;

(v) to cancel, modify, or waive the Corporation's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding Awards held by Eligible Employees, subject to any required consent under Section 4.6;

(vi) to accelerate or extend the exercisability or extend the term of any or all such outstanding Awards within the maximum ten-year term of Awards under Section 1.6; and

(vii) to make all other determinations and take such other action as contemplated by this Plan or as may be necessary or advisable for the administration of this Plan and the effectuation of its purposes.

(c) Binding Determinations/Liability Limitation. Any action taken by, or inaction of, the Corporation, any Subsidiary, the Board or the Committee relating or pursuant to this Plan and within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. Neither the Board nor any Committee, nor any member thereof or person acting at the direction thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Plan (or any Award made under this Plan), and all such persons shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the

fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time.

(d) Reliance on Experts. In making any determination or in taking or not taking any action under this Plan, the Committee or the Board, as the case may be, may obtain and may rely upon the advice of experts, including professional advisors to the Corporation. No director, officer or agent of the Company shall be liable for any such action or determination taken or made or omitted in good faith.

(e) Delegation. The Committee may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Company.

1.3 Participation

Awards may be granted by the Committee only to those persons that the Committee determines to be Eligible Employees. An Eligible Employee who has been granted an Award may, if otherwise eligible, be granted additional Awards if the Committee shall so determine.

1.4 Shares Available for Awards; Share Limits

(a) Shares Available. Subject to the provisions of Section 4.2, the capital stock that may be delivered under this Plan shall be shares of the Corporation's authorized but unissued Common Stock. The shares may be delivered for any lawful consideration.

(b) Share Limits. The maximum number of shares of Common Stock that may be delivered pursuant to Awards granted to Eligible Employees under this Plan shall not exceed 250,000 shares (the "Share Limit"). The maximum number of shares of Common Stock that may be delivered pursuant to options qualified as Incentive Stock Options granted under this Plan is 125,000 shares. The maximum number of shares subject to those options that are granted during any calendar year to any individual shall be limited to 15,000 and the maximum individual limit on the number of shares in the aggregate subject to all Awards that during any calendar year are granted under this Plan shall be 15,000. Each of the four foregoing numerical limits shall be subject to adjustment as contemplated by this Section 1.4 and Section 4.2.

(c) Share Reservation; Replenishment and Reissue of Unvested Awards. No Award may be granted under this Plan unless, on the date of grant, the sum of (i) the maximum number of shares issuable at any time pursuant to such Award, plus (ii) the number of shares that have previously been issued pursuant to Awards granted under this Plan, other than reacquired shares available for reissue consistent with any applicable legal limitations, plus (iii) the maximum number of shares that may be issued at any time after such date of grant pursuant to Awards that are outstanding on such date, does not exceed the Share Limit. Shares that are subject to or underlie Awards which expire or for any reason are canceled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Plan, as well as reacquired shares, shall again, except to the extent prohibited by law, be available for subsequent Awards under the Plan. Except as limited by law, if an Award is or may be settled only in cash, such Award need not be counted against any of the limits under this Section 1.4.

1.5 Grant of Awards

Subject to the express provisions of this Plan, the Committee shall determine the number of shares of Common Stock subject to each Award and the price (if any) to be paid for the shares or the Award. Each Award shall be evidenced by an Award Agreement signed by the Corporation and, if required by the Committee, by the Participant. The Award Agreement shall set forth the material terms and conditions of the Award established by the Committee consistent with the specific provisions of this Plan.

1.6 Award Period

Each Award and all executory rights or obligations under the related Award Agreement shall expire on such date (if any) as shall be determined by the Committee, but in the case of Options or other rights to acquire Common Stock not later than ten (10) years after the Award Date.

1.7 Limitations on Exercise and Vesting of Awards

(a) Provisions for Exercise. Unless the Committee otherwise expressly provides, no Award shall be exercisable or shall vest until at least six months after the initial Award Date, and once exercisable an Award shall remain exercisable until the expiration or earlier termination of the Award.

(b) Procedure. Any exercisable Award shall be deemed to be exercised when the Secretary of the Corporation receives written notice of such exercise from the Participant, together with any required payment made in accordance with Section 2.2.

(c) Fractional Shares/Minimum Issue. Fractional share interests shall be disregarded, but may be accumulated. The Committee, however, may determine in the case of Eligible Employees that cash, other securities, or other property will be paid or transferred in lieu of any fractional share interests. No fewer than 100 shares may be purchased on exercise of any Award at one time unless the number purchased is the total number at the time available for purchase under the Award.

1.8 Acceptance of Notes to Finance Exercise

The Corporation may, with the Committee's approval, accept one or more notes from any Eligible Employee in connection with the exercise or receipt of any outstanding Award; provided that any such note shall be subject to the following terms and conditions:

(a) The principal of the note shall not exceed the amount required to be paid to the Corporation upon the exercise or receipt of one or more Awards under the Plan and the note shall be delivered directly to the Corporation in consideration of such exercise or receipt.

(b) The initial term of the note shall be determined by the Committee; provided that the term of the note, including extensions, shall not exceed a period of five years.

(c) The note shall provide for full recourse to the Participant and shall bear interest at a rate determined by the Committee but not less than the interest rate necessary to avoid the imputation of interest under the Code.

(d) If the employment of the Participant terminates, the unpaid principal balance of the note shall become due and payable on the 10th business day after such termination; provided, however, that if a sale of such shares would cause such Participant to incur liability under Section 16(b) of the Exchange Act, the unpaid balance shall become due and payable on the 10th business day after the first day on which a sale of such shares could have been made without incurring such liability assuming for these purposes that there are no other transactions (or deemed transactions in securities of this Corporation) by the Participant subsequent to such termination.

(e) If required by the Committee or by applicable law, the note shall be secured by a pledge of any shares or rights financed thereby in compliance with applicable law.

(f) The terms, repayment provisions, and collateral release provisions of the note and the pledge securing the note shall conform with applicable rules and regulations of the Federal Reserve Board as then in effect.

1.9 No Transferability; Limited Exception to Transfer Restrictions

(a) Limit On Exercise and Transfer. Unless otherwise expressly provided in (or pursuant to) this Section 1.9, by applicable law and by the Award Agreement, as the same may be amended, (i) all Awards are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; Awards shall be exercised only by the Participant; and (ii) amounts payable or shares issuable pursuant to an Award shall be delivered only to (or for the account of) the Participant.

(b) Exceptions. The Committee may permit Awards to be exercised by and paid only to certain persons or entities related to the Participant, including but not limited to members of the Participant's immediate family, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's immediate family, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that

the transfer is being made for essentially estate and/or tax planning purposes on a gratuitous or donative basis and without consideration (other than nominal consideration or in exchange for an interest in a qualified transferee). Notwithstanding the foregoing or anything to the contrary in Section 1.9(c), ISOs and Restricted Stock Awards shall be subject to any and all additional transfer restrictions under the Code.

(c) Further Exceptions to Limits On Transfer. The exercise and transfer restrictions in Section 1.9(a) shall not apply to:

(i) transfers to the Corporation,

(ii) the designation of a beneficiary to receive benefits in the event of the Participant's death or, if the Participant has died, transfers to or exercise by the Participant's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution,

(iii) transfers pursuant to a QDRO order if approved or ratified by the Committee,

(iv) if the Participant has suffered a disability, permitted transfers or exercises on behalf of the Participant by his or her legal representative, or

(v) the authorization by the Committee of "cashless exercise" procedures with third parties who provide financing for the purpose of (or who otherwise facilitate) the exercise of Awards consistent with applicable laws and the express authorization of the Committee.

2. OPTIONS

2.1 Grants

One or more Options may be granted under this Article to any Eligible Employee. Each Option granted shall be designated in the applicable Award Agreement, by the Committee as either an Incentive Stock Option, subject to Section 2.3, or a Non-Qualified Stock Option.

2.2 Option Price

(a) Pricing Limits. The purchase price per share of the Common Stock covered by each Option shall be determined by the Committee at the time of the Award, but shall not be less than 100% (110% in the case of an ISO granted to a Participant described in Section 2.4) of the Fair Market Value of the Common Stock on the date of grant.

(b) Payment Provisions. The purchase price of any shares purchased on exercise of an Option granted under this Article shall be paid in full at the time of each purchase in one or a combination of the following methods: (i) in cash or by electronic funds transfer; (ii) by check payable to the order of the Corporation; (iii) if authorized by the Committee or specified in the applicable Award Agreement, by a promissory note of the Participant consistent with the requirements of Section 1.8; (iv) by notice and third party payment in such manner as may be authorized by the Committee; or (v) by the delivery of shares of Common Stock of the Corporation already owned by the Participant, provided, however, that the Committee may in its absolute discretion limit the Participant's ability to exercise an Award by delivering such shares, and provided further that any shares delivered which were initially acquired upon exercise of a stock option must have been owned by the Participant at least six months as of the date of delivery. Shares of Common Stock used to satisfy the exercise price of an Option shall be valued at their Fair Market Value on the date of exercise.

2.3 Limitations on Grant and Terms of Incentive Stock Options

(a) \$100,000 Limit. To the extent that the aggregate "Fair Market Value" of stock with respect to which incentive stock options first become exercisable by a Participant in any calendar year exceeds \$100,000, taking into account both Common Stock subject to Incentive Stock Options under this Plan and stock subject to incentive stock options under all other plans of the Company, such options shall be treated as Nonqualified Stock Options. For this purpose, the "Fair Market Value" of the stock subject to options shall be determined as of the date the options were awarded. In reducing the number of options treated as incentive stock options to meet the \$100,000 limit, the most recently granted options shall be reduced first. To the extent a reduction

of simultaneously granted options is necessary to meet the \$100,000 limit, the Committee may, in the manner and to the extent permitted by law, designate which shares of Common Stock are to be treated as shares acquired pursuant to the exercise of an Incentive Stock Option.

(b) Option Period. Each Option and all rights thereunder shall expire no later than 10 years after the Award Date.

(c) Other Code Limits. Incentive Stock Options may only be granted to Eligible Employees of the Corporation or a Subsidiary that satisfies the other eligibility requirements of the Code. There shall be imposed in any Award Agreement relating to Incentive Stock Options such other terms and conditions as from time to time are required in order that the Option be an "incentive stock option" as that term is defined in Section 422 of the Code.

2.4 Limits on 10% Holders

No Incentive Stock Option may be granted to any person who, at the time the Option is granted, owns (or is deemed to own under Section 424(d) of the Code) shares of outstanding Common Stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation, unless the exercise price of such Option is at least 110% of the Fair Market Value of the stock subject to the Option and such Option by its terms is not exercisable after the expiration of five years from the date such Option is granted.

2.5 Option Repricing/Cancellation and Regrant/Waiver of Restrictions

Subject to Section 1.4 and Section 4.6 and the specific limitations on Awards contained in this Plan, the Committee from time to time may authorize, generally or in specific cases only, for the benefit of any Eligible Employee any adjustment in the exercise or purchase price, the vesting schedule, the number of shares subject to, the restrictions upon or the term of, an Award granted under this Article by cancellation of an outstanding Award and a subsequent regranting of an Award, by amendment, by substitution of an outstanding Award, by waiver or by other legally valid means. Such amendment or other action may result among other changes in an exercise or purchase price which is higher or lower than the exercise or purchase price of the original or prior Award, provide for a greater or lesser number of shares subject to the Award, or provide for a longer or shorter vesting or exercise period.

2.6 Effects of Termination of Employment; Termination of Subsidiary Status; Discretionary Provisions

(a) Options -- Resignation or Dismissal. If the Participant's employment by the Company terminates for any reason (the date of such termination being referred to as the "Severance Date") other than Retirement, Total Disability or death, or for Cause (as determined in the discretion of the Committee), the Participant shall have, unless otherwise provided in the Award Agreement and subject to earlier termination pursuant to or as contemplated by Section 1.6 or 4.2, three months after the Severance Date to exercise any Option to the extent it shall have become exercisable on the Severance Date. In the case of a termination for Cause, the Option shall terminate on the Severance Date. In other cases, the Option, to the extent not exercisable on the Severance Date, shall terminate.

(b) Options -- Death or Disability. If the Participant's employment by the Company terminates as a result of Total Disability or death, the Participant, Participant's Personal Representative or his or her Beneficiary, as the case may be, shall have, unless otherwise provided in the Award Agreement and subject to earlier termination pursuant to or as contemplated by Section 1.6 or 4.2, until 12 months after the Severance Date to exercise any Option to the extent it shall have become exercisable by the Severance Date. Any Option to the extent not exercisable on the Severance Date shall terminate.

(c) Options -- Retirement. If the Participant's employment by the Company terminates as a result of Retirement, the Participant, Participant's Personal Representative or his or her Beneficiary, as the case may be, shall have, unless otherwise provided in the Award Agreement and subject to earlier termination pursuant to or as contemplated by Section 1.6 or 4.2, until 12 months after the Severance Date to exercise any Option to the extent it shall have become exercisable by the Severance Date. The Option, to the extent not exercisable on the Severance Date, shall terminate.

(d) Committee Discretion. Notwithstanding the foregoing provisions of this Section 2.6, in the event of, or in anticipation of, a termination of employment with the Company for any reason, other than discharge for Cause, the Committee may, in its discretion, increase the portion of the Participant's Award available to the Participant, or Participant's Beneficiary or Personal Representative, as the case may be, or, subject to the provisions of Section 1.6, extend the exercisability period upon such terms as the Committee shall determine and expressly set forth in or by amendment to the Award Agreement.

3. RESTRICTED STOCK AWARDS

3.1 Grants

The Committee may, in its discretion, grant one or more Restricted Stock Awards to any Eligible Employee. Each Restricted Stock Award Agreement shall specify the number of shares of Common Stock to be issued to the Participant, the date of such issuance, the consideration for such shares (but not less than the minimum lawful consideration under applicable state law) by the Participant, the extent (if any) to which and the time (if ever) at which the Participant shall be entitled to dividends, voting and other rights in respect of the shares prior to vesting, and the restrictions (which may be based on performance criteria, passage of time or other factors or any combination thereof) imposed on such shares and the conditions of release or lapse of such restrictions. Such restrictions shall not lapse earlier than six months after the Award Date, except to the extent the Committee may otherwise provide. Stock certificates evidencing shares of Restricted Stock pending the lapse of the restrictions ("Restricted Shares") shall bear a legend making appropriate reference to the restrictions imposed hereunder and shall be held by the Corporation or by a third party designated by the Committee until the restrictions on such shares shall have lapsed and the shares shall have vested in accordance with the provisions of the Award and Section 1.7. Upon issuance of the Restricted Stock Award, the Participant may be required to provide such further assurance and documents as the Committee may require to enforce the restrictions.

3.2 Restrictions

(a) Pre-Vesting Restraints. Except as provided in Section 3.1 and 1.9, restricted shares comprising any Restricted Stock Award may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered, either voluntarily or involuntarily, until the restrictions on such shares have lapsed and the shares have become vested.

(b) Dividend and Voting Rights. Unless otherwise provided in the applicable Award Agreement, a Participant receiving a Restricted Stock Award shall be entitled to cash dividend and voting rights for all shares issued even though they are not vested, provided that such rights shall terminate immediately as to any Restricted Shares which cease to be eligible for vesting.

(c) Cash Payments. If the Participant shall have paid or received cash (including any dividends) in connection with the Restricted Stock Award, the Award Agreement shall specify whether and to what extent such cash shall be returned (with or without an earnings factor) as to any restricted shares which cease to be eligible for vesting.

3.3 Return to the Corporation

Unless the Committee otherwise expressly provides, Restricted Shares that remain subject to restrictions at the time of termination of employment or are subject to other conditions to vesting that have not been satisfied by the time specified in the applicable Award Agreement shall not vest and shall be returned to the Corporation in such manner and on such terms as the Committee shall therein provide.

4. OTHER PROVISIONS

4.1 Rights of Eligible Employees, Participants and Beneficiaries

(a) Employment Status. Status as an Eligible Employee shall not be construed as a commitment that any Award will be made under this Plan to an Eligible Employee or to Eligible Employees generally.

(b) No Employment Contract. Nothing contained in this Plan (or in any other documents under this Plan or in any Award) shall confer upon any Eligible Employee or Participant any right to continue in the employ or other service of the Company, constitute any contract or agreement of employment or other service or affect an employee's status as an employee at will, nor shall interfere in any way with the right of the Company to change a person's compensation or other benefits, or to terminate his or her employment or other service, with or without cause. Nothing in this Section, however, is intended to adversely affect any express independent right of such person under a separate employment or service contract other than an Award Agreement.

(c) Plan Not Funded. Awards payable under this Plan shall be payable in shares or from the general assets of the Corporation, and (except as provided in Section 1.4(c)) no special or separate reserve, fund or deposit shall be made to assure payment of such Awards. No Participant, Beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including shares of Common Stock, except as expressly otherwise provided) of the Company by reason of any Award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan shall create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company and any Participant, Beneficiary or other person. To the extent that a Participant, Beneficiary or other person acquires a right to receive payment pursuant to any Award hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

4.2 Adjustments; Acceleration

(a) Adjustments. Upon or in contemplation of any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend) or reverse stock split; any merger, combination, consolidation, or other reorganization; any spin-off, split-up, or similar extraordinary dividend distribution ("spin-off") in respect of the Common Stock (whether in the form of securities or property); any exchange of Common Stock or other securities of the Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; or a sale of all or substantially all the assets of the Corporation as an entirety ("asset sale"); then the Committee shall, in such manner, to such extent (if any) and at such time as it deems appropriate and equitable in the circumstances:

(1) proportionately adjust any or all of (a) the number and type of shares of Common Stock (or other securities) that thereafter may be made the subject of Awards (including the specific maxima and numbers of shares set forth elsewhere in this Plan), (b) the number, amount and type of shares of Common Stock (or other securities or property) subject to any or all outstanding Awards, (c) the grant, purchase, or exercise price of any or all outstanding Awards, (d) the securities, cash or other property deliverable upon exercise of any outstanding Awards, or (e) (subject to limitations under Section 4.10(c)) the performance standards appropriate to any outstanding Awards, or

(2) make provision for a cash payment or for the assumption, substitution or exchange of any or all outstanding share-based Awards or the cash, securities or property deliverable to the holder of any or all outstanding share-based Awards, based upon the distribution or consideration payable to holders of the Common Stock upon or in respect of such event.

The Committee may adopt such valuation methodologies for outstanding Awards as it deems reasonable in the event of a cash or property settlement and, in the case of Options, but without limitation on other methodologies, may base such settlement solely upon the excess if any of the amount payable upon or in respect of such event over the exercise or strike price of the Award.

In each case, with respect to Awards of Incentive Stock Options, no adjustment shall be made in a manner that would cause the Plan to violate Section 422 or 424(a) of the Code or any successor provisions without the written consent of holders materially adversely affected thereby.

In any of such events, the Committee may take such action prior to such event to the extent that the Committee deems the action necessary to permit the Participant to realize the benefits intended to be conveyed with respect to the underlying shares in the same manner as is or will be available to shareholders generally.

(b) Possible Early Termination of Accelerated Awards. If any Option or other right to acquire Common Stock under this Plan has been fully accelerated as required or permitted by Section 4.2(c) but is not exercised prior to (1) a dissolution of the Company, or (2) an event described in Section 4.2(a) that the Company does not survive, or (3) the consummation of an event described in Section 4.2(a) involving a Change of Control Event approved by the Board, such Option or right shall terminate, subject to any provision that has been expressly made by the Board or the Committee, through a plan of reorganization or otherwise, for the survival, substitution, assumption, exchange or other settlement of such Option or right.

(c) Acceleration of Awards Upon Change in Control. Unless prior to a Change in Control Event the Committee determines that, upon its occurrence, benefits under any or all Awards shall not be accelerated or determines that only certain or limited benefits under any or all Awards shall be accelerated and the extent to which they shall be accelerated, and/or establishes a different time in respect of such Event for such acceleration, then upon the occurrence of a Change in Control Event:

- (1) each Option shall become immediately exercisable, and
- (2) Restricted Stock shall immediately vest free of restrictions.

Any discretion with respect to these events shall be limited to the extent required by applicable accounting requirements in the case of a transaction intended to be accounted for as a pooling of interests transaction.

The Committee may override the limitations on acceleration in this Section 4.2(c) by express provision in the Award Agreement and may accord any Eligible Employee a right to refuse any acceleration, whether pursuant to the Award Agreement or otherwise, in such circumstances as the Committee may approve. Any acceleration of Awards shall comply with applicable legal requirements and, if necessary to accomplish the purposes of the acceleration or if the circumstances require, may be deemed by the Committee to occur (subject to Section 4.2(d)) a limited period of time not greater than 30 days before the event. Without limiting the generality of the foregoing, the Committee may deem an acceleration to occur immediately prior to the applicable event and/or reinstate the original terms of an Award if an event giving rise to an acceleration does not occur.

(d) Possible Rescission of Acceleration. If the vesting of an Award has been accelerated expressly in anticipation of an event or upon shareholder approval of an event and the Committee or the Board later determines that the event will not occur, the Committee may rescind the effect of the acceleration as to any then outstanding and unexercised or otherwise unvested Awards.

(e) Acceleration Upon Termination of Service Following a Change in Control.

(1) Termination After Change in Control. If any Participant's employment is terminated by the Company upon or within one year after a Change in Control Event, and the termination is not the result of death, Total Disability, Retirement or a termination for Cause, then, subject to the other provisions of this Section 4.2 (including without limitation Section 4.2(b) and Section 4.4), all outstanding Options and other Awards held by the Participant shall be deemed fully vested immediately prior to the Severance Date, irrespective of the vesting provisions of the Participant's Award Agreement, unless the Award Agreement specifies a different result in the case of a Change in Control Event.

(2) No Extension Beyond Expiration. Notwithstanding the foregoing, in no event shall an Award be reinstated or extended beyond its final expiration date.

4.3 Effect of Termination of Service on Awards

(a) General. The Committee shall establish the effect of a termination of employment on the rights and benefits under each Award under this Plan and in so doing may make distinctions based upon the cause of termination.

(b) Events Not Deemed Termination's of Service. Unless Company policy or the Committee otherwise provides, the employment relationship shall not be considered terminated in the case of (i) sick leave, (ii) military leave, or (iii) any other leave of absence authorized by the Company or the Committee; provided

that unless reemployment upon the expiration of such leave is guaranteed by contract or law, such leave is for a period of not more than 90 days. In the case of any Eligible Employee on an approved leave of absence, continued vesting of the Award while on leave from the employ of the Company shall be suspended, unless the Committee otherwise provides or applicable law otherwise requires. In no event shall an Award be exercised after the expiration of the term set forth in the Award Agreement.

(c) Effect of Change of Subsidiary Status. For purposes of this Plan and any Award, if an entity ceases to be a Subsidiary a termination of employment shall be deemed to have occurred with respect to each Eligible Employee in respect of the Subsidiary who does not continue as an Eligible Employee in respect of another entity within the Company.

4.4 Compliance with Laws

This Plan, the granting and vesting of Awards under this Plan, the offer, issuance and delivery of shares of Common Stock, the acceptance of promissory notes and/or the payment of money under this Plan or under Awards are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. In addition, any securities delivered under this Plan may be subject to any special restrictions that the Committee may require to preserve a pooling of interests under generally accepted accounting principles. The person acquiring any securities under this Plan will, if requested by the Company, provide such assurances and representations to the Company as the Committee may deem necessary or desirable to assure compliance with all applicable legal and accounting requirements.

4.5 Tax Matters

(a) Provision for Tax Withholding or Offset. Upon any exercise, vesting, or payment of any Award or upon the disposition of shares of Common Stock acquired pursuant to the exercise of an Incentive Stock Option prior to satisfaction of the holding period requirements of Section 422 of the Code, the Company shall have the right at its option to (i) require the Participant (or Personal Representative or Beneficiary, as the case may be) to pay or provide for payment of the minimum amount of any taxes which the Company may be required to withhold with respect to such Award event or payment or (ii) deduct from any amount payable in cash the minimum amount of any taxes which the Company may be required to withhold with respect to such cash payment. In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Plan, the Committee may in its sole discretion (subject to Section 4.4) grant (either at the time of the Award or thereafter) to the Participant the right to elect, pursuant to such rules and subject to such conditions as the Committee may establish, to have the Corporation reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares valued at their Fair Market Value, to satisfy such minimum withholding obligation, determined in each case as of the trading day next preceding the applicable date of exercise, vesting or payment. Shares in no event shall be withheld in excess of the minimum number required for tax withholding under these provisions.

4.6 Plan Amendment, Termination and Suspension

(a) Board Authorization. The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part. No Awards may be granted during any suspension of this Plan or after termination of this Plan, but the Committee shall retain jurisdiction as to Awards then outstanding in accordance with the terms of this Plan.

(b) Shareholder Approval. To the extent then required under Sections 162, 422 or 424 of the Code or any other applicable law, or deemed necessary or advisable by the Board, any amendment to this Plan shall be subject to shareholder approval.

(c) Amendments to Awards. Without limiting any other express authority of the Committee under (but subject to) the express limits of this Plan, the Committee by agreement or resolution may waive conditions of or limitations on Awards to Participants that the Committee in the prior exercise of its discretion has imposed, without the consent of a Participant, and (subject to the requirements of Section 1.2(b)) may make other

changes to the terms and conditions of Awards that do not affect in any manner materially adverse to the Participant, the Participant's rights and benefits under an Award.

(d) Limitations on Amendments to Plan and Awards. No amendment, suspension or termination of this Plan or change of or affecting any outstanding Award shall, without written consent of the Participant, affect in any manner materially adverse to the Participant any rights or benefits of the Participant or obligations of the Company under any Award granted under this Plan prior to the effective date of such change. Changes contemplated by Section 4.2 shall not be deemed to constitute changes or amendments for purposes of this Section 4.6.

4.7 Privileges of Stock Ownership

Except as otherwise expressly authorized by the Committee or this Plan, a Participant shall not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by the Participant. No adjustment will be made for dividends or other rights as a shareholder for which a record date is prior to such date of delivery.

4.8 Effective Date of the Plan

This Plan is effective as of January 27, 2000 the date of approval by the Board. The Plan shall be submitted for and subject to shareholder approval.

4.9 Term of the Plan

No Award will be granted under this Plan after January 26, 2010 (the "termination date"). Unless otherwise expressly provided in this Plan or in an applicable Award Agreement, any Award granted prior to the termination date may extend beyond such date, and all authority of the Committee with respect to Awards hereunder, including the authority to amend an Award, shall continue during any suspension of this Plan and in respect of Awards outstanding on the termination date.

4.10 Governing Law/Construction/Severability

(a) Choice of Law. This Plan, the Awards, all documents evidencing Awards and all other related documents shall be governed by, and construed in accordance with the laws of the State of California.

(b) Severability. If a court of competent jurisdiction holds any provision invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

(c) Plan Construction.

(1) Rule 16b-3. It is the intent of the Corporation that the Awards and transactions permitted by Awards be interpreted in a manner that, in the case of Participants who are or may be subject to Section 16 of the Exchange Act, satisfies the applicable requirements for exemptions under Rule 16b-3. The exemption will not be available if the authorization of actions by any Committee of the Board with respect to such Awards does not satisfy the applicable conditions of Rule 16b-3. Notwithstanding the foregoing, the Corporation shall have no liability to any Participant for Section 16 consequences of Awards or events under Awards.

(2) Section 162(m). It is the further intent of the Company that (to the extent the Company or Awards under this Plan may be or become subject to limitations on deductibility under Section 162(m) of the Code), Options granted with an exercise or base price not less than Fair Market Value on the date of grant will qualify as performance-based compensation or otherwise be exempt from deductibility limitations under Section 162(m) of the Code, to the extent that the authorization of the Award (or the payment thereof, as the case may be) satisfies any applicable administrative requirements thereof.

4.11 Captions

Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.

4.12 Stock-Based Awards in Substitution for Stock Options or Awards Granted by Other Corporation

Awards may be granted to Eligible Employees under this Plan in substitution for employee stock options, stock appreciation rights, restricted stock or other stock-based awards granted by other entities to persons who are or who will become Eligible Employees in respect of the Company, in connection with a distribution, merger or other reorganization by or with the granting entity or an affiliated entity, or the acquisition by the Company, directly or indirectly, or all or a substantial part of the stock or assets of the employing entity.

4.13 Non-Exclusivity of Plan

Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Committee to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

4.14 No Corporate Action Restriction

The existence of the Plan, the Award Agreements and the Awards granted hereunder shall not limit, affect or restrict in any way the right or power of the Board or the shareholders of the Corporation to make or authorize: (a) any adjustment, recapitalization, reorganization or other change in the Corporation's or any Subsidiary's capital structure or its business, (b) any merger, amalgamation, consolidation or change in the ownership of the Corporation or any subsidiary, (c) any issue of bonds, debentures, capital, preferred or prior preference stock ahead of or affecting the Corporation's or any Subsidiary's capital stock or the rights thereof, (d) any dissolution or liquidation of the Corporation or any Subsidiary, (e) any sale or transfer of all or any part of the Corporation or any Subsidiary's assets or business, or (f) any other corporate act or proceeding by the Corporation or any Subsidiary. No participant, beneficiary or any other person shall have any claim under any Award or Award Agreement against any member of the Board or the Committee, or the Corporation or any employees, officers or agents of the Corporation or any Subsidiary, as a result of any such action.

4.15 Other Company Benefit and Compensation Program

Payments and other benefits received by a Participant under an Award made pursuant to this Plan shall not be deemed a part of a Participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Corporation or any Subsidiary, except where the Committee or the Board expressly otherwise provides or authorizes in writing. Awards under this Plan may be made in addition to, in combination with, as alternatives to or in payment of grants, awards or commitments under any other plans or arrangements of the Company or the Subsidiaries.

5. DEFINITIONS

5.1 Definitions

(a) "Award" means an award of any Option or Restricted Stock, or any combination thereof, whether alternative or cumulative, authorized by and granted under this Plan.

(b) "Award Agreement" means any writing setting forth the terms of an Award that has been authorized by the Committee.

(c) "Award Date" means the date upon which the Committee took the action granting an Award or such later date as the Committee designates as the Award Date at the time of the Award.

(d) "Award Period" means the period beginning on an Award Date and ending on the expiration date of such Award.

(e) "Beneficiary" means the person, persons, trust or trusts designated by a Participant or, in the absence of a designation, entitled by will or the laws of descent and distribution, to receive the benefits specified in the Award Agreement and under this Plan in the event of a Participant's death, and shall mean the Participant's executor or administrator if no other Beneficiary is designated and able to act under the circumstances.

(f) "Board" means the Board of Directors of the Corporation.

(g) "Cause" with respect to a Participant means (unless otherwise expressly provided in the applicable Award Agreement or another applicable contract with the Participant) a termination of employment based upon a finding by the Company, acting in good faith and based on its reasonable belief at the time, that the Participant:

(1) has failed to render services to the Company where such failure amounts to gross negligence or misconduct of the Participant's responsibility and duties; or

(2) has committed an act of fraud or been dishonest against the Company or any affiliate of the Company; or

(3) has been convicted of a felony or other crime involving moral turpitude.

A termination for Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Committee) on the date on which the Company first delivers written notice to the Participant of a finding of termination for Cause.

(h) "Change in Control Event" means any of the following events

(1) the dissolution or liquidation of either the Company, unless its business is continued by another entity in which holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(2) any sale, lease, exchange or other transfer (in one or a series of transactions) of all or substantially all of the assets of either the Company, unless its business is continued by another entity in which holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(3) any reorganization or merger of the Company, unless the holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing or surviving entity's voting securities immediately after the event;

(4) an acquisition by any person, entity or group acting in concert of more than 50% of the voting securities of the Company, unless the holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the acquirer's voting securities immediately after the acquisition; or

(5) a change of one-half or more of the members of the Board of Directors of the Company within a twelve-month period, unless the election or nomination for election by shareholders of new directors within such period constituting a majority of the applicable Board was approved by the vote of at least two-thirds of the directors then still in office who were in office at the beginning of the twelve-month period.

(i) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(j) "Commission" means the Securities and Exchange Commission.

(k) "Committee" means the Board or one or more committees appointed by the Board to administer all or certain aspects of this Plan, each committee to be comprised solely of one or more directors or such number as may be required under applicable law.

(l) "Common Stock" means the Common Shares of the Corporation and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 4.2 of this Plan.

(m) "Company" means, collectively, the Corporation and its Subsidiaries.

(n) "Corporation" means American States Water Company, a California corporation, and its successors.

(o) "Eligible Employee" means an officer (whether or not a director) or key employee of the Company, including participants in the American States Water Company Annual Incentive Plan.

(p) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

(q) "Fair Market Value" on any date means (1) if the stock is listed or admitted to trade on a national securities exchange, the closing price of the stock on the Composite Tape, as published in the Western Edition of The Wall Street Journal, of the principal national securities exchange on which the stock is so listed or admitted to trade, on such date, or, if there is no trading of the stock on such date, then the closing price of the stock as quoted on such Composite Tape on the next preceding date on which there was trading in such shares; (2) if the stock is not listed or admitted to trade on a national securities exchange, the last price for the stock on such date, as furnished by the National Association of Securities Dealers, Inc. ("NASD") through the NASDAQ National Market Reporting System or a similar organization if the NASD is no longer reporting such information; (3) if the stock is not listed or admitted to trade on a national securities exchange and is not reported on the National Market Reporting System, the mean between the bid and asked price for the stock on such date, as furnished by the NASD or a similar organization; or (4) if the stock is not listed or admitted to trade on a national securities exchange, is not reported on the National Market Reporting System and if bid and asked prices for the stock are not furnished by the NASD or a similar organization, the value as established by the Committee at such time for purposes of this Plan.

(r) "Incentive Stock Option" means an Option which is intended, as evidenced by its designation, as an incentive stock option within the meaning of Section 422 of the Code, the award of which contains such provisions (including but not limited to the receipt of shareholder approval of this Plan, if the Award is made prior to such approval) and is made under such circumstances and to such persons as may be necessary to comply with that section.

(s) "Nonqualified Stock Option" means an Option that is designated as a Nonqualified Stock Option and shall include any Option intended as an Incentive Stock Option that fails to meet the applicable legal requirements thereof. Any Option granted hereunder that is not designated as an incentive stock option shall be deemed to be designated a nonqualified stock option under this Plan and not an incentive stock option under the Code.

(t) "Option" means an option to purchase Common Stock granted under this Plan. The Committee shall designate any Option granted to an Eligible Employee as a Nonqualified Stock Option or an Incentive Stock Option.

(u) "Participant" means an Eligible Employee who has been granted an Award under this Plan.

(v) "Personal Representative" means the person or persons who, upon the disability or incompetence of a Participant, shall have acquired on behalf of the Participant, by legal proceeding or otherwise, the power to exercise the rights or receive benefits under this Plan and who shall have become the legal representative of the Participant.

(w) "Plan" means this 2000 Stock Incentive Plan, as it may be amended from time to time.

(x) "QDRO" means a qualified domestic relations order.

(y) "Restricted Shares" or "Restricted Stock" means shares of Common Stock awarded to a Participant under this Plan, subject to payment of such consideration, if any, and such conditions on vesting (which may include, among others, the passage of time, specified performance objectives or other factors) and such transfer and other restrictions as are established in or pursuant to this Plan and the related Award Agreement, for so long as such shares remain unvested under the terms of the applicable Award Agreement.

(z) "Retirement" means retirement from active service as an employee or officer of the Company on or after attaining age 65.

(aa) "Rule 16b-3" means Rule 16b-3 as promulgated by the Commission pursuant to the Exchange Act, as amended from time to time.

(bb) "Section 16 Person" means a person subject to Section 16(a) of the Exchange Act.

(cc) "Securities Act" means the Securities Act of 1933, as amended from time to time.

(dd) "Subsidiary" means any corporation or other entity a majority of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Corporation.

(ee) "Total Disability" means a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code and such other disabilities, infirmities, afflictions or conditions as the Committee by rule may include.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM BALANCE SHEETS AND INCOME STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS FILED HEREWITH.

0000092116
SOUTHERN CALIFORNIA WATER COMPANY
1,000

3-MOS	DEC-31-2000	JAN-01-2000	MAR-31-2000	PER-BOOK
	455,643			
	11,486			
		41,957		
		28,778		
			0	
			537,864	
				22,394
	74,937			
		61,521		
158,852				
		400		
			1,600	
		167,058		
		25,000		
		0		
0				
175				
		40		
		574		
			125	
184,720				
537,864				
		38,749		
			2,412	
		30,135		
		32,547		
		6,202		
			13	
6,215				
		3,320		
			2,895	
		22		
2,873				
		2,866		
		0		
		5,861		
			0.32	
			0.32	