American States Water Company

Notice of 2020 Annual Meeting of Shareholders

Date:	May 19, 2020
Time:	11:00 a.m., Pacific Time
Location:	Hilton Pasadena 168 South Los Robles Avenue Pasadena, California 91101
Record Date:	March 20, 2020
Agenda:	To elect the following directors to class III of the board of directors to serve until the annual meeting in 2023 or until their successors are duly elected and qualified:

Mr. John R. Fielder
Mr. C. James Levin
Ms. Janice F. Wilkins;

Advisory vote to approve the compensation of our named executive officers;

To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm; and

To transact any other business which may properly come before the 2020 annual meeting or any adjournment thereof.

By order of the board of directors:

Eva G. Tang

Eva G. Tang
Corporate Secretary

San Dimas, California
April 6, 2020

Important Notice Regarding the Availability of Proxy Materials For the Shareholders Meeting to Be Held on May 19, 2020

Pursuant to rules adopted by the Securities and Exchange Commission, we have elected to furnish our proxy statement, a proxy card and our Annual Report on Form 10-K for the year ended December 31, 2019 primarily via the Internet at *www.proxyvote.com*. As a result, on or about April 6, 2020, we are mailing to most of our shareholders a Notice of Internet Availability of Proxy Materials. This Notice contains instructions on how to access our proxy materials over the Internet and how to request a paper copy of our proxy materials. On or about April 6, 2020, we are mailing to all our remaining shareholders a paper copy of our proxy materials. If, however, we are unable to mail a paper copy to a shareholder because the shareholder lives in an area where the common carrier has suspended mail service, we will make a good faith effort to deliver the proxy materials to you. Shares must be voted either by telephone, Internet or by completing and returning a proxy card as provided in our proxy statement. Shares cannot be voted by marking, writing on and/or returning this Notice or any other notice regarding our proxy materials.

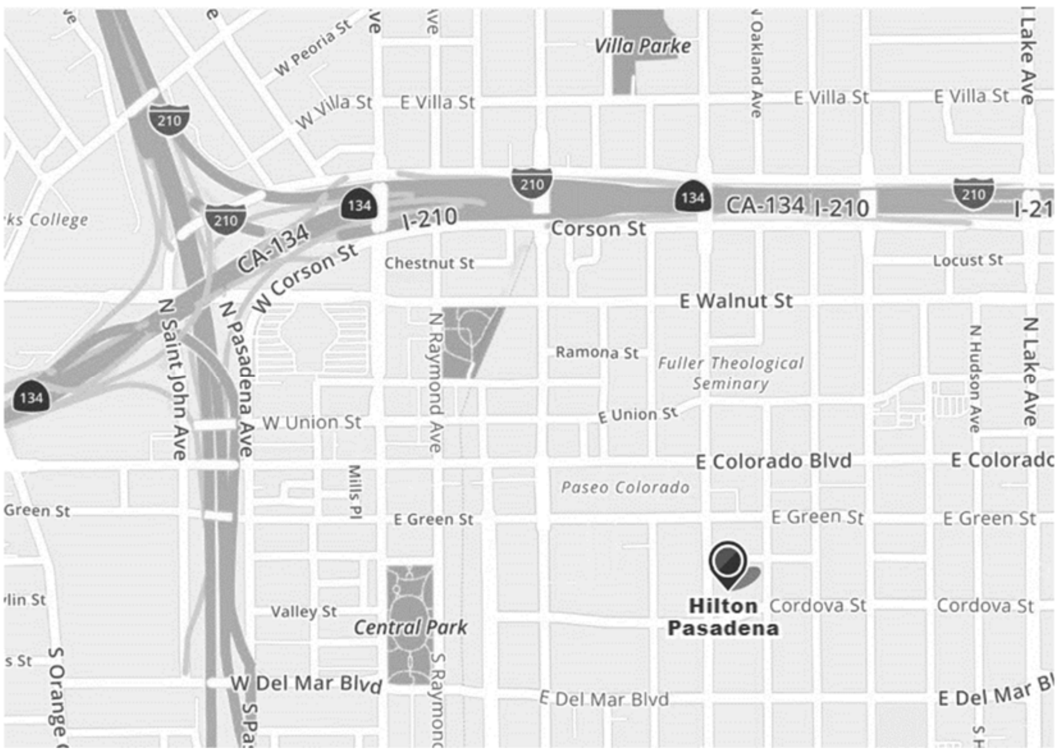
Directions for Attending the 2020 Annual Meeting

We intend to hold the 2020 annual meeting at Hilton Pasadena, 168 South Los Robles Avenue, Pasadena, California 91101 unless we announce alternative arrangements for the meeting.

For shareholders of record, either the detachable portion of your proxy card or your Notice is your ticket to the 2020 annual meeting. Please present your ticket when you reach the registration area at the 2020 annual meeting.

For shareholders who hold shares through a brokerage firm, bank or other shareholder of record, your admission ticket is the copy of your latest account statement showing your investment in our common shares. Please present your account statement to one of our representatives at the 2020 annual meeting. You cannot vote your shares at the 2020 annual meeting unless you have obtained a legal proxy from your broker, bank or other shareholder of record. A copy of your account statement is not sufficient for this purpose.

Directions to Hilton Pasadena



American States Water Company

Proxy Statement for 2020 Annual Meeting

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April 6, 2020

American States Water Company
630 East Foothill Blvd.
San Dimas, California 91773

2020 Proxy Statement

The Securities and Exchange Commission, or SEC, has adopted rules to allow us to elect to use the Internet as our primary means of furnishing our proxy statement, electronic proxy card and our Annual Report on Form 10-K for the year ended December 31, 2019 to our shareholders. As a result, on or about April 6, 2020, we are mailing to most of our shareholders a Notice of Internet Availability of Proxy Materials referred to herein as the Notice. The Notice contains instructions on how to access our proxy materials over the Internet at www.proxyvote.com and how to request a paper copy of our proxy materials. The proxy materials will be posted on the Internet no later than the date we begin mailing the Notice. On or about April 6, 2020, we are mailing to all remaining shareholders a paper copy of our proxy materials. If, however, we are unable to mail a paper copy to a shareholder because the shareholder lives in an area where the common carrier has suspended mail service, we will make a good faith effort to deliver the proxy materials to you. We are sending a Notice or proxy materials to each of our shareholders of record in connection with the solicitation by our board of directors of proxies to be voted at our 2020 annual meeting and any adjournments thereof.

We have set the record date for determining the shareholders entitled to vote at the 2020 annual meeting as the close of business on March 20, 2020. As of March 20, 2020, we had 36,883,771 common shares outstanding. We do not have any other outstanding equity securities. Each of our common shares is entitled to one vote.

We intend to hold the 2020 annual meeting on May 19, 2020 at 11:00 a.m., Pacific Time, at Hilton Pasadena, 168 South Los Robles Avenue, Pasadena, California 91101 unless we announce alternative arrangements for the meeting.

INFORMATION ABOUT THE 2020 ANNUAL MEETING

What is the purpose of the 2020 annual meeting?

At our 2020 annual meeting, we will ask our shareholders to elect directors to class III who will serve until our annual meeting of shareholders in 2023 or until our shareholders duly elect their qualified successors. We are seeking advisory votes on the compensation that we pay our named executive officers, commonly referred to as a "say-on-pay" proposal. In addition, we will ask shareholders to ratify the appointment of PricewaterhouseCoopers LLP as the company's independent registered public accounting firm and to vote on any other matter, which may properly come before the 2020 annual meeting or any adjournment, including any proposal to adjourn the 2020 annual meeting.

Even if you can attend the 2020 annual meeting, we encourage you to vote early using the mail, telephone or Internet methods described below.

Who may attend the 2020 annual meeting?

We intend to hold our annual meeting in person. However, we are actively monitoring the coronavirus (COVID-19) situation; and we are sensitive to the public health and travel concerns our shareholders may have and the protocols that federal, state, and local governments have or may impose. In the event it is not possible or advisable to hold our annual meeting in person, we will announce alternative arrangements for the meeting as promptly as practicable, which may include holding the meeting solely by means of remote communication. Please monitor our website at www.aswater.com for updated information. If you are planning to attend our meeting, please check the website one week prior to the meeting date. As always, we encourage you to vote your shares prior to the annual meeting.

Our shareholders and our representatives may attend our 2020 annual meeting if the annual meeting is held in person. If you are a shareholder of record on the record date, you *must* bring either the detachable portion of your proxy card or your Notice to gain admission to our 2020 annual meeting. You are a shareholder of record if your shares are registered directly in your name. We mailed this proxy statement or the Notice directly to you if you are a shareholder of record.

If you are a shareholder who holds shares through a brokerage firm, bank or other shareholder of record on the record date, you *must* bring a copy of your latest account statement showing your investment in our common shares. If you are a beneficial owner of our shares, your broker, bank, trustee or nominee sent this proxy statement or the Notice to you.

How may I vote my shares in person at the 2020 annual meeting?

If you are the shareholder of record, you may vote your shares in person at the 2020 annual meeting if you have either the detachable portion of your proxy card or your Notice as proof of identification. If you are the beneficial owner of shares held in street name, you may vote your shares at the meeting if you obtained a legal proxy from your broker, bank or other shareholder of record. Participants in Golden State Water Company's 401(k) plan may not vote their 401(k) shares in person at the 2020 annual meeting since the 401(k) plan trustee is the shareholder of record of these shares.

How may I vote my shares without attending the 2020 annual meeting?

All proxies that shareholders properly sign *and* return, unless properly revoked, will be voted at the 2020 annual meeting or any adjournment thereof in accordance with the instructions indicated on the proxy.

You may vote your shares without attending the 2020 annual meeting by mail, telephone or Internet.

Voting by Mail

- If you received a paper copy of the proxy materials, you may sign, date and return your proxy card in the pre-addressed, postage-paid envelope provided.

Voting by Telephone

- You may vote by proxy using the toll-free telephone number listed on the proxy card. Please have your Notice or the proxy card in hand before calling.
- If your shares are held through a brokerage firm, bank or other shareholder of record, you may vote by telephone *only if* the shareholder of record (broker, bank or other shareholder of record) offers that option to you.
- Votes submitted by telephone must be received by 11:59 p.m., Eastern Time, on May 18, 2020 to be voted at the 2020 annual meeting. Participants in Golden State Water Company's 401(k) plan may vote their 401(k) plan shares by telephone but must do so by the date set forth below.

Voting by Internet

- You may also vote by proxy using the Internet. The Internet address is www.proxyvote.com, which is also listed on the Notice and the proxy card. Please have the proxy card or Notice in hand before going online. You may also view our proxy statement and 2019 annual report at this website. If your shares are held through a brokerage firm, bank or other shareholder of record, you may vote by the Internet *only if* the shareholder of record (broker, bank or other shareholder of record) offers that option to you.
- Votes submitted by Internet must be received by 11:59 p.m., Eastern Time, on May 18, 2020 to be voted at the 2020 annual meeting. Participants in Golden State Water Company's 401(k) plan may vote their 401(k) plan shares by Internet but must do so by the date set forth below.

Regardless of whether you attend the 2020 annual meeting in person, we encourage all our shareholders to vote using one of the methods described above.

Participants in Golden State Water Company's 401(k) plan may vote their 401(k) plan shares by mail, phone or Internet as described above. Votes submitted by telephone or using the Internet must be received by 11:59 p.m., Eastern Time, on May 15, 2020 in order for us to forward your instructions to the 401(k) plan trustee. The trustee will vote 401(k) plan shares as to which no directions are received in the same ratio as 401(k) plan shares with respect to which directions are received from other participants in the 401(k) plan, unless contrary to the Employee Retirement Income Security Act of 1974.

May I change my vote after I submit a proxy?

You may revoke your proxy at any time before the named proxies vote at the 2020 annual meeting by any of the following methods:

- filing with us a written notice of revocation of the proxy bearing a later date,
- attending the 2020 annual meeting and voting in person, or
- presenting a written notice of the revocation of the proxy at the 2020 annual meeting.

If you hold your shares through a broker, bank or other shareholder of record, then you must obtain a legal proxy to take any of these actions.

Please bear in mind that your execution of a proxy will not affect your right to attend the 2020 annual meeting or any adjournment thereof and vote in person; *however*, your attendance at the 2020 annual meeting will not, by itself, revoke your proxy, unless you take one of the actions listed above.

How may I cast my vote?

In the election of directors, you may vote your shares for the nominees in the following manner:

- **"FOR ALL"** of the nominees,
- **"WITHHOLD ALL"** (you may withhold your authority to vote for any individual nominee(s) by marking the "For All Except" box and writing the number(s) of the nominee(s) on the line provided), or
- **"FOR ALL EXCEPT,"** and write the number(s) of the nominee(s) on the line provided for any individual nominee(s) for whom you choose to withhold your authority to vote.

With respect to the advisory vote to approve the compensation of our named executive officers and the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm, you may vote your shares in the following manner:

- **"FOR,"**
- **"AGAINST,"** or
- **"ABSTAIN."**

Each share is entitled to one vote on each of these matters.

May I cumulate my votes for a director?

You may not cumulate your votes for a director (i.e., cast for any candidate a number of votes greater than the number of common shares that you hold on the record date) unless you or another shareholder:

- places the candidate's name in nomination prior to the voting, and
- prior to the voting, gives notice of an intention to cumulate votes at the 2020 annual meeting.

If you or any other shareholder gives notice prior to voting of an intention to cumulate votes, then all shareholders may cumulate their votes for candidates who have been nominated.

How does the board recommend that I vote at the 2020 annual meeting?

Our board recommends that you vote your shares:

- **"FOR ALL"** of the nominees for class III director,
- **"FOR"** approval of the compensation of the named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and any related material disclosed in this proxy statement, referred to herein as a "say-on-pay" advisory vote, and
- **"FOR"** the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm.

How will the named proxies vote if I send in my proxy without voting instructions?

The named proxies will vote **"FOR ALL"** of the board's nominees to be elected as directors, **"FOR"** the approval of the compensation of the named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and any related materials disclosed in this proxy statement, and **"FOR"** the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm if you send in your proxy without voting instructions. The named proxies will also vote in favor of such other matters as are incident to the conduct of the 2020 annual meeting, unless otherwise instructed.

How will the named proxies vote if a nominee is unable to serve as director?

In the event any one or more of the nominees is withdrawn from nomination as a director or is unable to serve for any reason, a contingency not now anticipated, the named proxies may vote for a substitute nominee or nominees, unless otherwise instructed by a shareholder on his or her proxy.

What vote is required to approve each of the proposals?

Proposal 1

Candidates for the board of directors receiving the highest number of affirmative votes of the shares entitled to vote at the 2020 annual meeting in person or by proxy (up to the number of directors to be elected) will be elected. Votes cast against a candidate or votes withheld will have no legal effect. Brokers are *not* authorized to vote on this proposal unless you instruct otherwise.

Proposal 2

The compensation of the named executive officers, as disclosed pursuant to the compensation rules of the SEC, including the compensation discussion and analysis, compensation tables and any related material disclosed in this proxy statement will be approved upon an affirmative vote of a majority of our common shares represented in person or by proxy and voting, provided that the shares voting affirmatively also constitute at least a majority of the required quorum at the 2020 annual meeting. Abstentions on this proposal will not be considered as a vote cast for or against this proposal. Brokers are *not* authorized to vote on this proposal unless you instruct otherwise. This vote is advisory and non-binding on the company, the compensation committee and the board.

Proposal 3

The appointment of PricewaterhouseCoopers LLP, as our independent registered public accounting firm, will be ratified by the affirmative vote of those present in person or by proxy and voting, provided that the shares voting affirmatively also constitute at least a majority of the required quorum at the 2020 annual meeting. Abstentions on this proposal will not be considered as a vote cast for or against this proposal. Brokers are authorized to vote on this proposal unless you instruct otherwise.

What happens if cumulative voting for directors occurs?

If we conduct voting for directors by cumulative voting, then you may cast a number of votes equal to the number of directors authorized multiplied by the number of shares you have a right to vote. You may cast your votes for a single candidate or you may distribute your votes on the same principle among as many candidates in whatever proportion you desire.

The accompanying proxy will grant the named proxies discretionary authority to vote cumulatively if cumulative voting applies. Unless you instruct the named proxies otherwise, the named proxies will vote *equally* for each of the candidates for the office of director; provided, however, that if sufficient numbers of our shareholders exercise cumulative voting rights to elect one or more candidates, the named proxies will:

- determine the number of directors they may elect,
- select such number from among the named candidates,
- cumulate their votes, and
- cast their votes for each candidate among the number they are entitled to vote.

What is the quorum requirement for the 2020 annual meeting?

A quorum is present if shareholders holding a majority of shares entitled to vote on the record date are present at the 2020 annual meeting, either in person or by proxy. We will count shares represented by proxies that reflect abstentions and broker non-votes as present and entitled to vote for purposes of determining the presence of a quorum. The term “broker non-vote” refers to shares held by brokers or nominees who have not received instructions on how to vote from the beneficial owners or persons entitled to vote if the broker or nominee indicates on the proxy that the broker or nominee does not have discretionary power to vote on the matter.

Who bears the costs of proxy distribution and solicitation?

We will bear the entire cost of preparing, assembling, printing and mailing proxy statements and the costs of any additional materials, which the board may furnish to you. We may solicit proxies by U.S. mail in the case of beneficial owners that own 1,000 or more shares or, in the case of all other shareholders, brokers, banks and other nominees, by mailing a notice containing instructions on how to access our proxy materials and vote. We have engaged the services of Morrow Sodali LLC, 470 West Avenue, Stamford, Connecticut 06902 for $8,000 to assist us in soliciting proxies. We may also solicit proxies by telephone, or personally, by directors, officers and regular employees of the company who will receive no extra compensation for performing these services.

What does it mean if I receive more than one proxy or voting instruction card?

It means your shares are either registered differently or appear in more than one account. Please provide us with voting instructions for *all* proxy and voting instruction cards that you receive.

Who will serve as inspector of election?

The board of directors has appointed Broadridge Financial Solutions, Inc. to act as the inspector of election. The inspector of election will count all votes cast, whether in person or by proxy.

How is an annual meeting adjourned?

Shareholders may adjourn an annual meeting by the affirmative vote of a majority of the shares represented at the annual meeting, in person or by proxy, even if a quorum is not present. If a proposal is made to adjourn the 2020 annual meeting to enable management to continue to solicit proxies in favor of a proposal, the proxies will be voted in favor of adjournment, unless otherwise instructed.

In the absence of a quorum at the 2020 annual meeting, no business may be transacted at the 2020 annual meeting other than an adjournment. We may conduct any business at an adjourned meeting, which we could have conducted at the original meeting.

We are not required to give you notice of an adjournment of an annual meeting if we announce the time and place of the adjournment at the annual meeting at which the adjournment takes place. We must, however, give you notice of the adjourned meeting if the adjournment is for more than 45 days or, if after the adjournment, we set a new record date for the adjourned meeting.

BOARD STRUCTURE AND COMMITTEES

Overview of the board

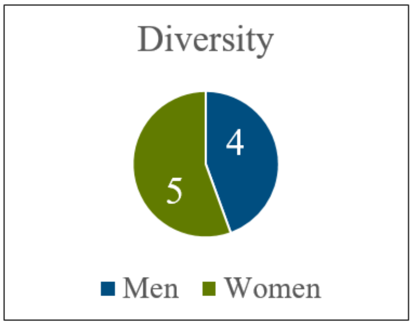
Composition and Independence

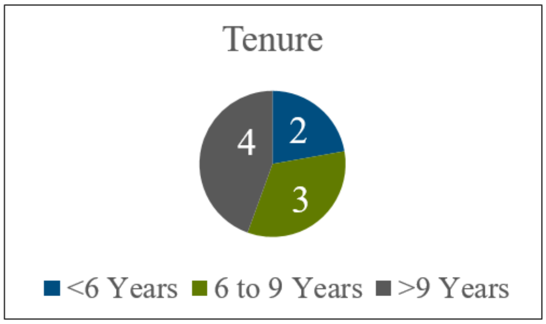
- Total of 9 current directors - all independent directors, except for president and chief executive officer
- Directors have a diverse mix of skills, experience and backgrounds
- Separate board chair and chief executive officer roles
- Independent board chair
- Independent chair and members of all board committees of the company, other than the ASUS committee and the GSWC safety and operations committee
- Limited public company directorships outside of the company and its subsidiaries (no director "overboarding" concerns)
- Board and committee ability to hire outside advisors, independent of management

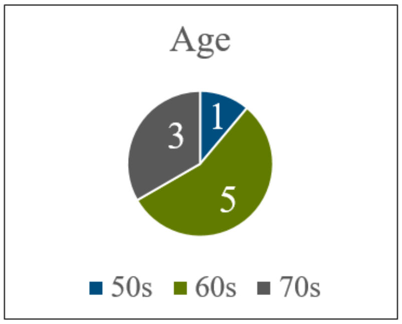
Accountability

- Age term limit
- Annual board and committee evaluations
- Regularly-held executive sessions
- Robust director equity ownership guidelines
- Independent board evaluation of president and chief executive officer performance

Other board characteristics [(1)]







(1) Based on composition of the board after the 2020 annual meeting, assuming that all nominees of class III are elected.

How is the board of directors structured?

The board of directors currently consists of nine directors, with an independent non-management director serving as its chair. The board is divided into three classes (class I, class II and class III). Shareholders elect directors in each class to serve for a three-year staggered term expiring in successive years or until shareholders duly elect their successors. The term of the class I directors will expire at the 2021 annual meeting. The term of the class II directors will expire at the 2022 annual meeting. The term of the directors elected to class III at this annual meeting will expire at the 2023 annual meeting.

Ms. Holloway, the chair of the board since the annual meeting in May 2019, is a non-voting ex-officio member of all committees of the board, is the presiding director for executive sessions of the board and acts as lead director of the board. Prior to that date, Mr. Ross was the chair of the board in 2019 and performed these functions.

The board holds executive sessions of the board following regularly scheduled meetings and on an as-needed basis. Some of these sessions are non-management executive sessions. Currently, Mr. Robert J. Sprowls, who is also president and chief executive officer of the company, is the only employee director that participates in executive sessions of the board. He does not participate in non-management executive sessions. The board held three executive sessions of the board in 2019, one of which included a non-management executive session.

The board of directors has determined that all members of the board in 2019, other than Mr. Sprowls, were independent directors of the company. The board believes that this leadership structure, in which the chair is an independent director acting as the lead director, ensures a greater role for the other independent directors in the oversight of the company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the board. The board further believes that this leadership structure is preferred by a significant number of our shareholders. The board has used this leadership structure since the formation of the company as a holding company in 1998.

What is the board's role in risk oversight?

The board does not manage risk. Rather the board oversees enterprise risk management, or ERM, performed under the direction of the chief executive officer and chief financial officer. The board satisfies this responsibility by obtaining information from each committee chair regarding the committee's risk oversight activities and from regular reports directly from officers and other key management personnel responsible for risk identification, risk management and risk mitigation strategies. The reporting processes are designed to provide visibility to the board about the identification, assessment and management of critical risks and management's risk mitigation strategies. The board has also appointed a director to serve as a liaison between the board and management with respect to providing additional oversight of the company's ERM programs. The liaison reports to the full board regarding management's implementation of the company's ERM program and other matters relevant to the risk oversight responsibilities of the board.

The board has not established a risk oversight committee. Instead, each committee oversees risks within its area of responsibility.

The audit and finance committee considers financial risks and exposures, particularly financial reporting, tax, accounting, disclosure and internal control over financial reporting, financial policies, investment guidelines, credit and liquidity matters and the company's retirement plans. The audit and finance committee receives regular reports from the internal auditor of the company to assist it in overseeing financial risks. The oversight of non-financial risks is performed by the full board and other committees.

The nominating and governance committee considers risks and exposures relating to corporate governance and succession planning for the board and the chief executive officer. The nominating and governance committee is also responsible for making recommendations regarding the delegation of risk oversight responsibilities to committees of the board and the policies and procedures for coordinating the risk oversight responsibilities of the board, the ERM liaison and each of the committees and the board.

The compensation committee considers risks associated with executive and employee compensation programs. The ASUS committee oversees the risks and exposures associated with the company's contracted services operations at American States Utility Services, Inc. and its subsidiaries, or ASUS.

The safety and operations committee of Golden State Water Company, a wholly-owned subsidiary of the company, considers risks and exposures relating to wildfire and other risks at the Bear Valley Electric Service division of Golden State Water Company.

What is the board's role in succession planning and the management of human resources?

The board, with the assistance of the compensation and nominating and governance committees, oversees succession planning and leadership development of the chief executive officer and other officers, directors and managers of the company. In addition to reviewing the company's succession planning processes, the compensation committee reviews the development plans that are being utilized to strengthen the skills and qualifications of candidates for leadership positions in the company. The compensation committee also recommends to the board actions that the committee believes should be taken in light of the operations needs of the company and its talent pool to enable the company to attract, motivate and retain the right people in the right positions now and into the future or otherwise enable the company to meet its talent needs in the event of a sudden loss of the chief executive officer or other officers, directors or managers.

The director of the human capital management department reports to the compensation committee quarterly on the hiring of new employees, employee terminations, vacancies, employees eligible for retirement and the use of temporary employees. The director also provided information to the board on the diversity demographics of the company and the company's equitable pay practices.

The nominating and governance committee is responsible for matters related to board succession planning. You may find additional information on characteristics that the nominating committee considers in nominating a candidate for the board under the heading "Nominating and Governance Committee-How does the nominating and governance committee assess candidates to fill vacancies on the board?"

What are the procedures for changing the number of directors?

Under our bylaws, the board of directors may increase the authorized number of directors up to eleven without obtaining shareholder approval so long as we list our common shares on the New York Stock Exchange. We currently have nine directors on our board. The board of directors may also decrease the number of authorized directors to no less than six without obtaining shareholder approval. If the number of authorized directors is decreased to six, then the board will cease to be classified; provided, that the decrease in the number of directors cannot shorten the term of any incumbent director.

Unless otherwise approved by our shareholders, the board of directors will cease to be classified if our common shares are not listed on the New York Stock Exchange.

How are vacancies filled on the board of directors?

A majority of the remaining directors may fill vacancies on the board, except those existing because of a removal of a director, though less than a quorum. If the board consists of only one director, the sole remaining director may fill all vacancies on the board. Each director so elected will hold office until the end of the term of the director who has been removed, or until the director's successor has been duly elected and qualified. Our shareholders also have the right to elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors.

Under what circumstances may a director be removed from the board?

Under California law, a member of the board of directors may be removed:

- by the board of directors as the result of a felony conviction or court declaration of unsound mind,
- by the shareholders without cause, or
- by court order for fraudulent or dishonest acts or gross abuse of authority or discretion.

Generally, shareholders may not remove a director if the votes cast against removal are sufficient to elect the director if voted cumulatively at an election of directors held at the time of removal. In addition, no director may be removed by shareholders by written consent unless all shareholders vote for removal of the director.

What committees does the board of directors have?

The board has three standing committees:

- an audit and finance committee,
- a nominating and governance committee, and
- a compensation committee.

Each committee operates under a written charter, which identifies the purpose of the committee and its primary functions and responsibilities. Copies of these committee charters are available on our website at www.aswater.com.

The board has also established another committee, known as the ASUS committee, to oversee our contracted services business. The board of Golden State Water Company established a safety and operations committee in December 2019 to oversee the safety and operations practices of the Bear Valley Electric Service division of Golden State Water Company, particularly as it relates to the management of wildfire risks. Both committees operate under a written charter.

How often did the board and each of the committees meet during 2019?

During 2019:

- directors met, as a board, six times,
- the audit and finance committee met seven times,
- the nominating and governance committee met five times,
- the compensation committee met seven times, and
- the ASUS committee met four times.

No board member in 2019 attended less than 75% of the meetings of the board. No committee member in 2019 attended less than 75% of the committee meetings of any committee in which he or she was a member.

NOMINATING AND GOVERNANCE COMMITTEE

What are the functions of the nominating and governance committee?

The nominating and governance committee assesses qualifications of candidates to fill vacancies on the board and makes recommendations to the board regarding candidates to fill these vacancies. The nominating and governance committee also

- recommends to the board changes in the company's corporate governance policies and procedures and CEO and board succession;
- recommends to the board a director education program for the year;
- reviews and oversees management's preparation of our corporate social responsibility report which is posted on the company's website at www.aswater.com;
- reviews shareholder proposals received by the company and makes recommendations to the board regarding appropriate actions to take in response to any such proposals;
- periodically reviews needs of the board and each of the committees of the board and whether there is a need for refreshment of the board; and
- reviews its charter and assesses its own performance annually.

How does the nominating and governance committee assess candidates to fill vacancies on the board?

The nominating and governance committee assesses nominees for directors based on a number of qualifications, including:

- a reputation for integrity, honesty and adherence to high ethical standards;
- holding or having held a generally recognized position of leadership;
- business acumen, business or governmental experience and an ability to exercise sound business judgment in matters that relate to our current and long-term objectives;
- an interest and ability to understand the sometimes conflicting interests of our various constituencies, including shareholders, employees, customers, regulators, creditors and the general public;
- an interest and ability to act in the interests of all shareholders;
- an ability to work constructively with groups with diverse perspectives and to tolerate opposing viewpoints;
- a commitment to service on the board, including commitment demonstrated by prior board service; and
- a willingness to challenge and stimulate management.

Each director, other than the chief executive officer of the company, is also expected to satisfy the independence requirements of the board.

In addition to the criteria set forth above, the nominating and governance committee considers how the skills and attributes of each individual candidate or incumbent director work together to create a board that is collegial, engaged and effective in performing its duties. In order to achieve this objective, the committee believes that the background and qualifications of the directors, considered as a group, should provide a significant mix and diversity of professional and personal experience, knowledge and skills that will allow the board to fulfill its responsibilities. The committee construes the concept of diversity broadly so as to include a variety of opinions, perspectives, personal experiences and backgrounds and other differentiating characteristics, including gender and ethnicity.

The process used by the committee in assessing candidates for director is a subjective one. The committee has considered knowledge, skills and experience in the following areas to be helpful to the board in selecting nominees for director:

- finance
- accounting
- engineering
- real estate
- construction
- government contracting
- legal
- public utility and/or other regulated industry
- corporate governance
- customer and community service

For information on the specific backgrounds and qualifications of our current directors, see "Proposal 1: Election of Directors."

As part of its annual self-assessment process, the board also evaluates itself and/or directors on a variety of criteria, including:

- independence
- commitment, time and energy devoted to service on the board
- overall contributions to the board
- attendance at, and preparation for, board and committee meetings
- effectiveness as chair of the board
- collegiality
- understanding the role of the board and the committees on which he or she serves
- judgment and appropriateness of comments
- skill set relative to board needs
- understanding of the company's business, industry and risks
- opportunity to engage and stimulate management

The nominating and governance committee generally considers candidates recommended by board members, professional search firms, shareholders and other persons, in addition to board members whose terms may be expiring. The way in which the nominating and governance committee evaluates a new person as a nominee does not differ based on who makes the nomination.

The maximum age at which the board may nominate a director for election, absent extraordinary circumstances, is 74. Mr. McNulty, a class III director, is not eligible to be nominated to serve on the board of directors in 2020 as he is over the age of 74.

In the summer of 2019, the board learned that C. James Levin would be retiring from the firm of Winston & Strawn LLP in June 2019. Mr. Levin had served as outside corporate counsel for the firm, first as a partner at O'Melveny & Myers LLP and then as a partner at Winston & Strawn LLP. The nominating and governance committee concluded that it would be desirable for the company to continue to obtain advice from Mr. Levin through his services as a director of the company. After ascertaining that Mr. Levin was interested in serving on the board, the nominating and governance committee requested outside counsel to prepare a report summarizing its assessment of Mr. Levin's independence under certain securities, New York Stock Exchange, proxy advisory firms and other rules and guidelines applicable to the company. Dr. Bontá, as chair of the nominating and governance committee, led a discussion of the report by both the nominating and governance committee and the board. Following these discussions, the nominating and governance committee recommended that the board nominate Mr. Levin as a class III director of the board. The board concurred in this recommendation.

If Mr. Levin is elected as a director, only three members of our board will be over 70 years of age and only three non-employee directors will have served on the board for more than ten years.

What is the role of the board in the nomination process?

After the board receives the nominating and governance committee's recommendations on nominees, the board then nominates director candidates the board deems most qualified for election at an annual meeting, taking into account the background, qualifications and age of each of the other members of the board.

If a vacancy or a newly created board seat occurs between annual meetings, the board is responsible for filling the vacancy or newly created board seat in accordance with our bylaws as described above under the heading, "How are vacancies filled on the board of directors?"

Who are the members of the nominating and governance committee?

Dr. Bontá has been the chair of the nominating and governance committee since the annual meeting of shareholders in May 2019. Prior to that date in May 2019, Ms. Holloway was chair of the nominating and governance committee. Mr. Anderson and Mr. McNulty have been members of this committee since the annual meeting of shareholders in May 2019. Prior to that date in May 2019, Mr. Anderson and Dr. Bontá were members of this committee. Ms. Holloway has served as a non-voting ex-officio member of this committee since the annual meeting of shareholders in May 2019. Prior to that date, Mr. Ross was a non-voting ex-officio member of this committee.

How may a shareholder nominate a person to serve on the board?

You may submit the name of a person for election as a director either by submitting a recommendation to the nominating and governance committee or by directly submitting a name for consideration at a shareholder meeting. In either event, you must submit the name of the nominee in writing to our corporate secretary at our corporate headquarters between February 17, 2021 and March 4, 2021, in order for your nominee to be considered for election as a director at the 2021 annual meeting. If we change the 2021 annual meeting date by more than 30 days from the date of our 2020 annual meeting or the date a special meeting is held, you will have another opportunity to submit nominations. In this case, the corporate secretary must receive your nomination at our corporate headquarters no later than the close of business on the tenth day following the earlier of the date on which we mail you notice of the meeting or we publicly disclose the meeting date.

Your notice to the corporate secretary must contain:

- all information that the SEC requires us to disclose in our proxy statement about the nominee,
- a consent by the nominee to be named in the proxy statement and to serve as a director if elected,
- the name and address of the record and beneficial owner, if any, of the shares making the nomination, and
- the number of shares held.

If you submit a name for consideration by the nominating and governance committee, we may also ask you to provide other information reasonably related to the recommended individual’s qualifications as a nominee. The person recommended should be able to, upon request and with reasonable advance notice, meet with one or more members of the nominating and governance committee and/or the board of directors to inquire into the nominee’s qualifications and background and otherwise to be interviewed for purposes of the nomination.

If you plan to submit a name directly for nomination as a director at a shareholder meeting, you must comply with all requirements of the Securities Exchange Act of 1934 in connection with soliciting shareholders to vote for your nominee.

We have made no material changes in 2020 to these procedures for the nomination of directors.

Have we paid fees to any third party to assist us in evaluating or identifying potential nominees to the board?

We have not paid any fees for assistance in identifying potential candidates to fill a vacancy on the board since our previous annual meeting.

Did we receive any nominations for director from certain large beneficial owners of our common shares?

Since our previous annual meeting, we have not received any nominations from a shareholder or a group of shareholders owning more than 5% of our outstanding common shares.

AUDIT AND FINANCE COMMITTEE

Who are the members of the audit and finance committee?

Ms. Anderson is the chair of the audit and finance committee. Mr. Fielder and Ms. Wilkins are members of this committee. Ms. Holloway has served as a non-voting ex-officio member of this committee since our annual shareholders meeting in 2019. Mr. Ross, as chair of the board prior to the annual meeting of shareholders in May 2019, also served as ex-officio of this committee until the 2019 annual shareholders meeting.

Does the audit and finance committee have any audit committee financial experts?

The board of directors determined:

- all members of the audit and finance committee are financially literate,
- Ms. Anderson and Ms. Wilkins are "audit committee financial experts", and
- all members of the audit and finance committee are independent under the standards set forth in Rule 10A-3 of the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

Audit and Finance Committee Report

Functions of the Audit and Finance Committee

The audit and finance committee:

- reviews significant public documents containing financial statements provided to shareholders and regulatory agencies and reviews all periodic reports filed with the SEC;
- discusses with the company's independent registered public accounting firm its plans, if any, to use the work of internal auditors;
- reviews the internal audit function, including its competence and objectivity and proposed audit plans for the coming year, including intended levels of support for and coordination with the external audit process;
- discusses with the internal auditors and the company's independent registered public accounting firm, the financial statements and the results of the audit;
- discusses significant management judgments and/or accounting estimates used in the preparation of the financial statements;
- discusses with the company's independent registered public accounting firm any significant matters regarding internal controls over financial reporting that have come to its attention during the conduct of the audit;
- reviews the qualifications of our independent registered public accounting firm and appoints (and has sole authority to terminate) our independent registered public accounting firm;
- reviews and approves fees charged by our independent registered public accounting firm;
- reviews and evaluates the effectiveness of our process for assessing significant financial risks and the steps management takes to minimize these financial risks;
- reviews and makes recommendations to the board of directors regarding related party transactions;

- reviews accounting and financial human resources;
- establishes procedures for the receipt, retention and treatment of complaints that the company receives regarding accounting, internal controls or auditing matters and for the confidential anonymous submission by our employees of concerns regarding questionable accounting or auditing matters or related party transactions;
- reviews the committee's charter and its own performance annually; and
- oversees the company's compliance with legal and regulatory requirements that we believe could have a significant impact on its financial statements.

Management has the primary responsibility for our financial statements, internal controls, disclosure controls and the financial reporting process. PricewaterhouseCoopers LLP, our registered public accounting firm, is responsible for performing an independent audit of our consolidated financial statements in accordance with generally accepted auditing standards and issuing a report based on its findings. The audit and finance committee is responsible for monitoring and overseeing our financial reporting process. PricewaterhouseCoopers LLP reports directly to the audit and finance committee and, if requested, the board of directors.

Discussions with Independent Auditors

PricewaterhouseCoopers LLP provided to the audit and finance committee the written disclosures and letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit and finance committee concerning independence, and the audit and finance committee discussed with PricewaterhouseCoopers LLP the independent accountant's independence. The audit and finance committee also reviewed and discussed our audited consolidated financial statements with PricewaterhouseCoopers LLP and matters related to the audit required by the Public Company Accounting Oversight Board, including the firm's evaluation of our internal control over financial reporting and the overall quality of our financial reporting.

Discussions with Management

The committee reviewed and discussed with management the company's audited consolidated financial statements for 2019. Management has represented to the audit and finance committee that our internal controls over financial reporting have no material weaknesses and that management prepared the company's consolidated financial statements in accordance with generally accepted accounting principles.

Recommendation for Inclusion in Form 10-K

Based upon the audit and finance committee's discussions with management and PricewaterhouseCoopers LLP, the audit and finance committee's review of the representations of management and the reports and presentations of PricewaterhouseCoopers LLP to the audit and finance committee, the audit and finance committee recommended that the board of directors include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC.

This report is submitted by:

Sarah J. Anderson, Chair
John R. Fielder, Member
Janice F. Wilkins, Member

COMPENSATION COMMITTEE

What are the functions of the compensation committee?

Our compensation committee, which consists entirely of independent directors:

- reviews the performance of our executive officers in January of each year and at the time of the hiring or promotion of an executive officer;
- selects a compensation consultant to assist the committee in evaluating the amount or form of executive and director compensation;
- recommends the salary for each executive officer, including the salary of Mr. Sprowls, the president and chief executive officer of the company, for ratification by the independent members of the board;
- makes stock awards for each executive officer and manager pursuant to our equity compensation plans;
- sets performance standards and makes awards under our equity and non-equity compensation plans;
- approves objective and discretionary cash bonuses for executive officers;
- approves the amount of stock awards following the end of the performance period based upon the satisfaction of objective performance criteria;
- reviews and makes recommendations to the board regarding long-term compensation strategies and changes in the executive compensation program and the terms of our employee benefit and pension plans;
- reviews trends in executive compensation and considers changes in accounting principles and tax laws that impact executive compensation;
- makes recommendations to the board regarding the terms of employment and severance arrangements applicable to specific executive officers;
- reviews and makes recommendations to the board regarding the compensation of directors;
- administers the 2016 Stock Incentive Plan, or 2016 plan, for employees, and the 2003 Non-Employee Directors Stock Plan, or 2003 directors plan, and the 2013 Non-Employee Directors Stock Plan, or 2013 directors plan, for non-employee directors; and
- reviews and discusses with management the Compensation Discussion & Analysis section of this proxy statement.

The compensation committee has the authority, in its discretion, to hire, retain, terminate and oversee the work of compensation consultants, independent counsel and other advisers to assist the committee in evaluating the amount or form of executive or director compensation. Before retaining any compensation consultant, independent counsel or other such advisers, the compensation committee is required to consider those factors specified in the Dodd-Frank Act and the rules and regulations promulgated by the SEC thereunder and such other factors that the compensation committee deems appropriate that may affect the independence of such consultants, counsel or advisers. Unless otherwise provided by the board, the compensation committee does not have the authority to delegate its authority to a subcommittee.

What fees have we paid for services provided by our compensation consultant and its affiliates?

The compensation committee engaged Pearl Meyer, to prepare a survey of executive and director compensation trends and pay practices of other companies and to make recommendations to the compensation committee regarding the amount and types of compensation to be paid to our executive officers in 2019 (hereafter referred to as the engagement). The aggregate amount of fees paid to Pearl Meyer in 2019 in connection with the engagement was $107,871. The compensation committee had the sole authority to appoint Pearl Meyer, oversee the compensation services provided by Pearl Meyer and to approve the compensation paid to Pearl Meyer for these services.

Is our compensation consultant independent?

The compensation committee believes that the consulting advice that it has received from Pearl Meyer was objective. The committee has assessed the independence of Pearl Meyer pursuant to SEC rules and concluded that no conflicts of interest exist between the company and Pearl Meyer (or any individuals working on the company's account on behalf of Pearl Meyer). In reaching such determination, the committee considered the following factors, all of which were attested to or affirmed by Pearl Meyer:

- During 2019, Pearl Meyer provided no services to and received no fees from the company other than in connection with the engagement.
- The amount of fees paid or payable by the company to Pearl Meyer for services provided during the 2019 calendar year represented less than 1% of Pearl Meyer's total revenue for the same period.
- Pearl Meyer has adopted and implemented a policy to prevent conflicts of interest or other independence issues.
- There are no business or personal relationships between any member of the Pearl Meyer team assigned to the engagement and any member of the compensation committee, other than in respect of the engagement, or any work performed by Pearl Meyer for any other company, board of directors or compensation committee for whom such committee member also serves as an independent director.
- There are no business or personal relationships between any member of the Pearl Meyer team assigned to the engagement or Pearl Meyer itself and any executive officer of the company other than in respect of the engagement.
- No individual on the Pearl Meyer team assigned to the engagement maintains any direct individual position in the stock of the company.

Compensation Committee Interlocks and Insider Participation

Mr. Anderson is the chair of the compensation committee. Dr. Bontá, Ms. Hopkins and Mr. McNulty have been members of this committee since the annual meeting of shareholders in May 2019. Prior to that date in 2019, Dr. Bontá, Ms. Holloway and Mr. McNulty were members of this committee. Ms. Holloway has served as a non-voting ex-officio member of this committee in 2019 since the annual meeting of shareholders in 2019. Mr. Ross, as chair of the board prior to the annual meeting of shareholders in May 2019, also served as ex-officio of this committee until the 2019 annual shareholders meeting.

The board has determined that no member of this committee during 2019 has or had a material relationship with the company, either directly or indirectly as a partner, shareholder or officer of an organization that has a material relationship with us or any other relationship with the company that the board of directors determined would affect the independence of that member.

No member of this committee during 2019 is or was a current or former officer or employee of the company or any of its subsidiaries. None of the executive officers of the company is (or has been during the past three years) a member of the board of directors or the compensation committee of any company on which any of our directors serves as an executive officer, director or member of the compensation committee. No compensation committee member during 2019 or any entity in which such member has a 5% or more interest or by whom such member is employed has received any consulting, advisory or other compensatory fees paid by the company or any of its subsidiaries, other than fees received by such member for serving on our board of directors, serving on or attending meetings of committees of our board, acting as a liaison between the board and/or its committees and management on matters specified by the board or otherwise working on matters specified by the board. We are not aware of any facts or circumstances that would make any member of the compensation committee during 2019 an affiliate of the company.

How does the board and each of its committees assess performance?

The nominating and governance committee uses an outside law firm to assist it in conducting an annual performance and needs assessment of the board. Each board member is asked to submit both a subjective and objective assessment of the board as well as suggestions on how to improve board functioning and whether there are any strategic aspects of the company's business that might merit additional board attention. The results of this assessment are summarized by outside counsel and then distributed to the nominating and governance committee and the board for discussion. Each of the committees also discusses its performance annually.

GOVERNANCE OF THE COMPANY

Is each of our board and committee members and nominee independent?

Based on information solicited from each director and nominee, the board has determined that none of our directors or Mr. Levin, other than Mr. Sprowls, has a material relationship with us, either directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with us and is otherwise independent under the corporate governance standards of the New York Stock Exchange. We have not adopted any other categorical standards for determining whether a board member is independent.

The board determined that Mr. Anderson, Ms. Anderson, Dr. Bontá, Mr. Fielder, Ms. Holloway, Ms. Hopkins, Mr. McNulty and Ms. Wilkins are independent directors. The board also determined that Mr. Levin satisfies the independence standards of the New York Stock Exchange and that Mr. Ross satisfied the independence standards of the New York Stock Exchange during his tenure as a director. In determining that these directors and Mr. Levin are independent, the board considered the following facts:

- none of these directors or Mr. Levin or any of his or her immediate family members is or has been an executive officer or employee of the company or any of its subsidiaries at any time;
- none of our directors or Mr. Levin or any of his or her immediate family members or any "related person" had any indebtedness to us, any business relationship with us or any transaction or proposed transaction with us in excess of $120,000 since January 2019, other than compensation for serving as a director, serving as a member or attending meetings of a committee of the board, serving as a liaison between the board and management or otherwise working on matters specified by the board;

- none of these directors or Mr. Levin or any of his or her immediate family members received during any twelve-month period within the last three years more than $120,000 in direct compensation from us, other than compensation for serving as a director, serving as a member or attending meetings of a committee of the board, serving as a liaison between the board and management or otherwise working on matters specified by the board;
- none of these directors or Mr. Levin has accepted, either directly or indirectly, any consulting, advisory or other compensatory fee from us, other than compensation for serving as a director, serving as a member or attending meetings of a committee of the board, serving as a liaison between the board and management or otherwise working on matters specified by the board;
- no director or Mr. Levin is, or has been, an employee of any entity, including a charitable organization, that has made payments to, or received payments or charitable contributions from us at any time during the past three years for property or services in an amount which, in any single fiscal year, exceeded the greater of $1 million or 2% of the other entity's consolidated gross revenues reported for that fiscal year;
- no immediate family member of any director or Mr. Levin is an executive officer of any entity, including a charitable organization, that has made payments to, or received payments or charitable contributions from us at any time during the past three years for property or services in an amount which, in any single fiscal year, exceeded the greater of $1 million or 2% of the other entity's consolidated gross revenues reported for that fiscal year;
- no director or Mr. Levin or any of his or her immediate family members is a current partner or employee of a firm that is our internal or external auditor;
- no director or Mr. Levin or any of his or her immediate family members was, within the last three years, a partner or employee of our internal or external auditor and personally worked on our audit during that time;
- none of the executive officers of the company is, or has been during the past three years, a member of the board of directors or the compensation committee of any company on which any of our directors or Mr. Levin serve as an executive officer, director or member of the compensation committee; and
- none of our directors or Mr. Levin is prohibited from serving on our board of directors by the interlocking director rules of the Federal Energy Regulatory Commission.

We did not identify any other businesses or other relationships between us and any non-employee director that would affect the independence of these directors nor did the board consider any other relationships or transactions in determining director independence. Mr. Levin, a nominee to become a director of the company, was previously a partner at Winston & Strawn LLP. The company has, and continues, to use the legal services of this law firm. The nominating and governance committee and the board considered whether these relationships would affect his independence prior to nominating him as a director and concluded that they would not. The board has also affirmatively determined that all members of the audit and finance committee, nominating and governance committee and compensation committee, including Ms. Holloway and Mr. Ross, are or were independent directors under the corporate governance listing standards of the New York Stock Exchange and that all members of the audit and finance committee are independent under the standards set forth in Rule 10A-3 under the Securities Exchange Act of 1934.

No member of the audit and finance committee served on more than three public company boards during 2019.

Do we have any relationships with any executive officers?

No executive officer or any of his or her immediate family members had any indebtedness to us, any business relationships with us or any transactions or proposed transactions with us since January 2019. Neither Mr. Levin nor any of his immediate family members had any indebtedness to us and, except for Mr. Levin's services to the company as a partner or of counsel of Winston & Strawn LLP, neither Mr. Levin nor any of his immediate family members had any business relationships with us or any transactions or proposed transactions with us since January 2019.

What procedures do we use for reviewing and approving transactions between us and our directors, nominee and executive officers?

We have adopted a code of conduct and guidelines on significant governance issues, which include policies and procedures regarding relationships between us and our directors and executive officers. Information about how to obtain a copy of the code of conduct and guidelines on significant governance issues is set forth in this proxy statement under the heading, "Obtaining Additional Information from Us."

Under the company's guidelines on significant governance issues, directors are expected to make business opportunities relating to the company's business available to the company before pursuing the opportunity for the director's own or another's account. Neither the board nor the audit and finance committee has approved any other guidelines that would permit a director or executive officer to engage in any transactions or actions that would create a conflict of interest. All conflict of interest transactions must be approved by disinterested members of the board and the audit and finance committee in accordance with California law and the rules of the New York Stock Exchange.

Our code of conduct prohibits any director or executive officer from engaging in any transactions or other actions, which create a conflict of interest, except under guidelines approved by the board or the audit and finance committee. A conflict of interest arises if a director or executive officer takes an action or has interests that may make it difficult for the director or executive officer to act objectively or effectively and include:

- causing the company or any of its subsidiaries to employ or retain a family member as an employee or consultant,
- causing the company or any of its subsidiaries to do business with any businesses in which the director, executive officer or any family member stands to gain personally,
- making investments which may impair the ability of the director or executive to make decisions on behalf of the company,
- taking advantage of business opportunities relating to the company's business or that are discovered through the use of corporate property, information or position for personal gain, without first offering the opportunity to the company, or
- competing with the company.

Our guidelines on significant governance issues also require each director to disclose to the board any financial or personal interest in any transaction that comes before the board for approval. Each director and executive officer are also required to disclose annually any relationships with the company and to declare that all such relationships during the prior year have been disclosed. Our board did not consider any transactions in which any member of the board or executive officer had an interest in 2019 or any related party transactions subject to disclosure under Auditing Standard No. 2410.

We do not provide loans, loan guarantees or otherwise extend credit, directly or indirectly, to any of our executive officers or directors or to Mr. Levin.

Have any of our directors, nominee, executive officers or affiliates been involved in certain legal proceedings during the past ten years?

None of our current executive officers, directors, Mr. Levin or any affiliate or owner of more than 5% of our common shares has been a party adverse to us in any material legal proceeding or been involved in any legal proceedings that the SEC has identified as being material to the evaluation of the ability or integrity of a director or executive officer.

What is our policy regarding attendance by board members at our annual meetings?

We adopted a policy that each director should make every reasonable effort to attend each annual meeting of shareholders. All directors were present at our 2019 annual meeting.

What is the process for shareholders and other interested persons to send communications to our board?

You or any interested person may, at any time, communicate in writing with the chair of the board who presides at regularly scheduled board meetings and executive sessions, any particular director or non-management directors as a group, by writing to our corporate secretary at American States Water Company, 630 East Foothill Boulevard, San Dimas, California 91773. We will provide copies of written communications received at this address to the relevant director or the non-management directors as a group unless the corporate secretary, in her reasonable judgment, considers the communications to be improper for submission to the intended recipient(s). Examples of communications considered improper for submission include customer complaints, solicitations, ordinary work employee grievances, communications that do not relate directly or indirectly to our business and communications that relate to improper or irrelevant topics.

What are the requirements for submission of shareholder proposals?

If you want us to include your shareholder proposal in our proxy materials for the 2021 annual meeting, you must submit the proposal to our corporate secretary at American States Water Company, 630 East Foothill Boulevard, San Dimas, California 91773. Our corporate secretary must receive your proposal no later than December 3, 2020. Your proposal must also satisfy the other requirements for shareholder proposals set forth in Rule 14a-8 under the Securities Exchange Act of 1934.

A shareholder making a shareholder proposal should state as clearly as possible the course of action that the shareholder believes we should follow. If we place a shareholder proposal on the proxy card, we will provide, in the form of proxy, the means for other shareholders to specify, by checking a box, as to whether they want to approve, disapprove or abstain from voting on the shareholder proposal.

If you want your shareholder proposal to be considered at the 2021 annual meeting and you have not met the deadline for us to include your shareholder proposal in our proxy materials, you may nevertheless submit your proposal for consideration at the 2021 annual meeting if you comply with the following procedures.

You must deliver or mail your notice to our corporate secretary at American States Water Company, 630 East Foothill Boulevard, San Dimas, California 91773 stating that you intend to submit a shareholder proposal at our 2021 annual meeting. Our corporate secretary must receive your notice between February 17, 2021 and March 4, 2021, unless we change our 2021 annual meeting date by more than 30 days from the date of our 2020 annual meeting, in which case, our corporate secretary must receive your notice no later than the close of business on the tenth day following the day on which we mail you notice of the meeting or the date on which we publicly disclose the date of the meeting.

Your notice to our corporate secretary must include for each matter you propose to bring before the 2021 annual meeting:

- a brief description of the matter you intend to bring before the 2021 annual meeting;
- reasons for bringing such matter before the 2021 annual meeting;
- the name and address of the record and beneficial owner, if any, of the shares making the proposal;
- the number of our common shares you own; and
- any material interest you have in the matter.

STOCK OWNERSHIP

Are there any large owners of our common shares?

The following table identifies shareholders who owned more than 5% of our outstanding common shares on March 30, 2020.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class[4]
Common Shares	BlackRock Inc. 55 East 52nd Street New York, NY 10055	5,844,905[1]	15.85%
	The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	4,372,445[2]	11.85%
	State Street Corporation State Street Financial Center One Lincoln Street Boston, MA 02111	2,466,199[3]	6.69%

(1) Based on Schedule 13G/A filed with the SEC on February 4, 2020, BlackRock Inc. has sole voting power over 5,769,040 of our common shares and sole dispositive power over 5,844,905 of our common shares.

(2) Based on Schedule 13G /A filed with the SEC on February 12, 2020, The Vanguard Group, Inc. has sole voting power over 86,980 of our common shares, shared voting power over 21,340 shares, sole dispositive power over 4,278,613 of our common shares and shared dispositive power over 93,832 of our common shares.

(3) Based on Schedule 13G filed with the SEC on February 13, 2020, The State Street Corporation has shared voting power over 2,211,524 of our common shares and shared dispositive power over 2,466,199 of our common shares.

(4) Percent of class is calculated based upon the number of our common shares outstanding on March 30, 2020, plus any shares which a person has the right to acquire on or prior to May 29, 2020.

How much stock do directors, nominee and executive officers own?

We are providing you information in the table below regarding the number of our common shares beneficially owned by our directors, our newly nominated director, Mr. Levin, and executive officers as of March 30, 2020, including common shares which each director and executive officer has a right to acquire on or prior to May 29, 2020.

SECURITY OWNERSHIP OF DIRECTORS, NOMINEE AND EXECUTIVE OFFICERS

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
James L. Anderson	15,527	*
Sarah J. Anderson	11,258	*
Diana M. Bontá	11,566	*
John R. Fielder	12,031	*
Anne M. Holloway	19,623	*
Mary Ann Hopkins	546	*
C. James Levin	3,600	*
James F. McNulty	7,543	*
Janice F. Wilkins	17,428	*
Robert J. Sprowls	125,588	*
Eva G. Tang	41,510	*
Denise L. Kruger	25,425	*
James C. Cotton(3)	9,445	*
Bryan K. Switzer	8,566	*
Directors and Executive Officers as a Group	350,136(1)	0.95%(2)

**Less than 1%*

(1) None of our directors or Mr. Levin have any rights to acquire any of our common shares through the exercise of stock options or the payout of restricted stock units on or prior to May 29, 2020. We have not included in this table common shares relating to dividend equivalents that may be received by our directors and executive officers with respect to dividends declared by the board after March 30, 2020 or restricted stock units which the directors and Mr. Levin, if he is elected as a director, will have a right to acquire on the date of the 2020 annual meeting pursuant to the 2013 directors plan.

(2) Percent of class is calculated based upon the number of our common shares outstanding on March 30, 2020, plus any shares a person has the right to acquire on or prior to May 29, 2020.

(3) Mr. Cotton's employment terminated in January 2020.

Delinquent Section 16(a) Reports

We have adopted procedures to assist our directors and executive officers in complying with Section 16(a) of the Securities Exchange Act of 1934, including assisting directors and executive officers with preparing and filing statements on Form 3, Form 4 and, if applicable, Form 5. We believe, on the basis of our review of the statements filed by directors and executive officers in 2019 that the following statements on Form 4 were filed late:

- Ms. Holloway filed Form 4 five hundred twenty-four days late with respect to the sale of common shares on August 7, 2017.
- Ms. Hopkins filed Form 4 two days late with respect to restricted stock units paid to her on May 21, 2019.
- Mr. Willis filed Form 4 one hundred twenty-three days late with respect to shares withheld to satisfy tax liability on the restricted stocks paid out to him on August 2, 2019.

- Mr. Cotton filed Form 4 one day late with respect to sale of common shares on May 10, 2019.
- Mr. Sprowls filed Form 4 twenty-one days late with respect to sale of common shares on March 26, 2019.
- Ms. Tang filed Form 4 one day late with respect to exercise of options and sale of common shares on February 12, 2019.

PROPOSAL 1: ELECTION OF DIRECTORS

We have provided information below about each of our directors and nominee, including his or her ages, years of service as a director of the company, educational background, business experience, service on other boards and community service activities. The process used by the board in nominating directors is a subjective one and is based on the recommendations of the nominating and governance committee, the background, qualifications and age of each of the other members of the board, considered as a group, and, if applicable, the evaluation of the performance of each director based on previous service on the board, board committees and as liaisons between management and the board or a committee or otherwise working on matters specified by the board.

What is the experience of each nominee for election as a director?

Our board of directors has nominated three persons as class III directors for a three-year term expiring at the end of our annual meeting of shareholders in 2023 or until their successors are duly elected and qualified.

The ages of the directors reported below are as of March 30, 2020.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR ALL" OF THE NOMINEES LISTED BELOW.

Mr. John R. Fielder
Mr. Fielder was appointed by the board as a director on January 2, 2013. He was appointed as the chair of the safety and operations committee of Golden State Water Company on December 17, 2019. He has been a member of the audit and finance committee since January 25, 2013 and a member of the ASUS committee since May 20, 2013. He is 74 years old.

Mr. Fielder brings a unique blend of experience in the areas of public utility regulation, strategy, management and information technology matters as a result of over 40 years of experience at Southern California Edison Company.

Mr. Fielder is retired. He was President of Southern California Edison Company from October 2005 until his retirement on December 31, 2010. As President, he was responsible for operations support, customer service, information technology, environmental affairs, state regulatory and public affairs and employee relations. Prior to his position as President, Mr. Fielder held various leadership positions at the Company, including Senior Vice President of Regulatory Affairs for 14 years and Vice President of Information Services.

Mr. Fielder has served on a number of not-for-profit boards during his career. He currently serves on the governing board of Long Beach Memorial Hospital and the

Hospital's Foundation board. He is a member of the Memorial Health Services investment committee. Since 2006, he has also served as a member of the board of the Rancho Los Cerritos Foundation, which supports a historic property and museum in Long Beach, California, and has served on the finance committee of the Foundation since 2012. He also served a two-year term as chair of the board of the Long Beach Aquarium of the Pacific in 2011 and 2012 and a term as the chair of the audit committee of the Aquarium in 2013 and 2014. In addition, he has served on the board development committee of Long Beach BLAST, a program to connect college students with youth facing adversity. He has also served on various industry association boards during his career.

Mr. Fielder has a BA degree from the University of California, Santa Barbara, an MBA from the University of California, Los Angeles, and a law degree from Pepperdine School of Law.

Mr. C. James Levin
Mr. Levin has not previously served on the board of directors of the company or any of its committees. Mr. Levin is 65 years old.

Mr. Levin brings expertise to the board on legal and regulatory matters. He has provided legal advice as outside counsel on various corporate matters to American States Water Company and its subsidiaries, first as a partner at O'Melveny & Myers LLP and then as a partner and of counsel at Winston & Strawn LLP. His experience advising public companies and his intimate knowledge of the company makes him well suited to serve on the board of the company.

Mr. Levin has been a corporate lawyer in Los Angeles, California for over 35 years. In June 2019, he retired from Winston & Strawn LLP where he had practiced as a corporate partner and then of counsel since joining the firm in 2010. Prior to joining that firm, Mr. Levin was a corporate partner at O'Melveny & Myers LLP, having joined the firm in 1981 as an associate. Mr. Levin specialized in corporate law, including securities, corporate governance, and mergers and acquisitions. He served as the chair or co-chair of the mergers and acquisitions group of O'Melveny & Myers LLP for a number of years.

Mr. Levin currently serves as Vice Chair of the Board of Trustees of the Descanso Gardens Guild, Inc., a non-profit corporation dedicated to the support and operation of this public garden in Southern California, and as a director of the Constitutional Rights Foundation, a non-profit corporation supporting civic education initiatives.

Mr. Levin has a BA degree from DePauw University, an MBA from Kellogg Graduate School of Management at Northwestern University and a JD from the Northwestern Pritzker School of Law.

Ms. Janice F. Wilkins
Ms. Wilkins has been a member of the board since her election in May 2011. She is a member of the audit and finance committee and the ASUS committee. She has served as enterprise risk liaison to the board since May 21, 2019. Ms. Wilkins is 75 years old.

Ms. Wilkins brings extensive expertise to the board in accounting and finance, public company reporting, internal auditing and the development and oversight of ethics and compliance programs.

Ms. Wilkins retired as Vice President of Finance and the Director of Internal Audit for Intel Corporation in June 2010 where she was responsible for global internal audit, investigations, and ethics and compliance operations staffs. During her 29-year career with Intel, she held various operational and corporate finance controllership, management and executive positions and managed the human resource organization responsible for U.S. compensation and benefits

In 2001, Ms. Wilkins was recognized by *Ebony Magazine* as one of the top-ranking African American women in corporate America. In 2004, she was named Outstanding Businesswoman of the Year by the Gamma Nu Chapter of Iota Lambda Sorority, with recognition from the U.S. Senator from California, a California State Senator, and the Mayor of San Francisco.

Ms. Wilkins holds a BS degree in accounting from Xavier University in New Orleans, Louisiana, and an MBA from Golden Gate University in San Francisco, California. She has been a member of the Institute of Internal Auditors and Financial Executives International. She has also been involved in professional organizations such as the Conference Board, the Audit Director Roundtable, the Compliance and Ethics Leadership Council of the Corporate Executive Board, the General Auditors' Council of Manufacturers' Alliance and the National Association of Corporate Directors.

Ms. Wilkins currently serves as a member of the Board of Trustees of Golden Gate University and is a member of the audit and finance committees. She previously served as a member of the Board of Trustees of Sacred Heart Schools in Atherton, California, where she chaired the Audit Committee from 2008-2013. In addition, she was a member of the Links, Inc., an organization that promotes and engages in educational, civic and inter-cultural activities to enrich the lives of members of the African-American community. She served on the Executive Board and as Treasurer of the Peninsula Bay Chapter of the Links, Inc. Ms. Wilkins was a member of the Board of Trustees of her alma mater, Xavier University, in New Orleans where she chaired the business affairs committee. Ms. Wilkins has also served as a member of the Finance Council of St. Pius Church in Redwood City, California.

What is the experience of our other directors?

Our board has three class I directors with terms expiring at the end of the annual meeting in 2021 or until their successors are duly elected and qualified.

Mr. James L. Anderson
Mr. Anderson is chair of the compensation committee and a member of our nominating and governance committee. He has served as a director since 1997. Mr. Anderson is 76 years old.

Mr. Anderson brings strong leadership and management skills to the board developed through his extensive experience as an executive in the insurance industry. His business acumen and operational experience have also enabled him to provide valuable insights to the board and the committees on which he serves.

Mr. Anderson is retired. He was a Senior Vice President of Americo Life, Inc., a privately held life insurance and annuity holding company, from 2003 until his retirement on June 1, 2018. He was also a Senior Vice President of several subsidiaries of Americo Life, Inc. engaged in the marketing and underwriting of life and annuity insurance products from 2003 until his retirement on June 1, 2018. On June 1, 2018, he began serving on the board of Americo Life, Inc. and several of its subsidiaries. Prior to 2003, he was President of Americo Financial Services, a third-party administrator and marketer of retirement plans, life insurance and annuities in the education industry and to seniors. He also served for ten years as the President and Chief Executive Officer of Fremont Life Insurance Company prior to its acquisition by Americo Life, Inc. in 1996.

Mr. Anderson has a BS degree in business from Fort Hays Kansas State University.

Ms. Sarah J. Anderson
Ms. Anderson was appointed by the board as a director on March 21, 2012. She has been the chair of the audit and finance committee since May 20, 2013 and was a member of the ASUS committee from May 22, 2012 until May 20, 2013. She was a member of the audit and finance committee prior to her appointment as a chair of the committee. She is 69 years old.

Ms. Anderson brings additional expertise to the board in the areas of accounting and financial advisory services. Her financial and accounting experience enables her to understand and analyze accounting matters and to communicate well with both our internal and external auditors. She keeps abreast of current accounting and financial topics and is able to ask appropriate questions of management and auditors alike. She understands tax, audit procedures, financial reporting requirements and risk identification and assessment issues and has knowledge of practices at other public companies in other industries through her work as an auditor and as a board member of other public companies. She also possesses valuable management experience because of the various leadership roles that she has held in the accounting profession and in the government and non-profit sectors.

Ms. Anderson retired from Ernst &Young LLP in 2008 where she served for 24 years, 21 years of which she served as an advisory services partner. She served many clients, both public and private, across various industries, including utilities, government and service industries. Ms. Anderson served in multiple leadership positions at Ernst & Young LLP, including serving as the managing partner of both the company's Orange County and Riverside offices.

Ms. Anderson has a BS degree in business administration with a concentration in accounting from Northeastern University. She is a licensed California CPA (inactive) and is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. She also served on the California Board of Accountancy from 2006 until 2013.

Ms. Anderson has served on the board of directors since June 2012 and is the audit committee chair of Reliance Steel & Aluminum Company as well as a member of their nominating and governance committee. She previously served on the board of managers of Kaiser Ventures, LLC as the chair of its audit committee from November 2010 until its liquidation in May 2013.

Ms. Anderson is a life director of the Pacific Symphony after serving as an active board member for 15 years. She served as chair of the board of the Pacific Symphony from 2009 to 2013. She joined the board of the South Coast Repertory Theater in 2015 and serves on the finance committee and as vice chair of development for the theater.

Ms. Anderson has been recognized by the Orange County Business Journal as a leading woman in business and has previously been honored with the Athena Award as a Business Woman of Achievement by the YWCA and the Greater Riverside Chambers of Commerce.

Ms. Anne M. Holloway

Ms. Holloway has been the chair of the board of directors since May 21, 2019. She has served as a member of the safety and operations committee of Golden State Water Company since December 17, 2019. Ms. Holloway was the vice chair of the board from August 2018 until May 21, 2019. She served as chair of the nominating and governance committee and as a member of the compensation committee prior to her appointment as chair of the board. Previously, she also served on the audit and finance committee. Ms. Holloway has served as a director since 1998. Ms. Holloway is 67 years old.

Ms. Holloway brings valuable expertise to the board in the areas of finance, human resources and corporate governance matters obtained through her experience in the financial services industry and her experiences in providing strategic advice to Fortune 500 companies.

Ms. Holloway is retired. She was a partner at Navigant Consulting, Inc., a provider of financial and strategic consulting services to Fortune 500 companies, governments and governmental agencies from 1999 to 2000. She served as President of Resolution Credit Services Corp., a subsidiary of Xerox Financial Services, from 1992 to 1999 where she was responsible for, among other things, the successful resolution of financial guarantees on troubled tax-exempt bonds, the restructuring of debt and negotiation with the Resolution Trust Corporation. She also served as Chief Operating Officer of International Insurance Company, another company in the Resolution Group, where she was responsible for operations, human resources and technology. Prior to joining the Resolution

Group, Ms. Holloway held various management positions with Shawmut National Corporation, a financial services company.

Ms. Holloway holds a BA degree from Newton College of the Sacred Heart and an MBA from Boston University. She has completed the Harvard Business School Executive Management program. In December 2018, she completed the Distinguished Careers Institute at Stanford University.

Ms. Holloway served as the chair of the Board of Trustees of Sacred Heart Schools in Atherton, California from 2008 to 2012. After she completed her chair role, she continued to support the school on the site management and development committees until 2013. She currently serves on the board of the Michael J. Fox Foundation for Parkinson's Research, and is a supporter of the Bing Center for the Arts at Stanford University and Good Tidings, an organization that designs, builds and funds sports and arts facilities for youth in need in Northern California. Until 2018, she had served as co-chair for the nominating and governance committee for City Year San Jose/Silicon Valley, a national organization that works with AmeriCorps volunteers to reduce dropout rates and improve high school proficiency locally in San Jose, California.

Our board has three class II directors with terms expiring at the end of the annual meeting in 2022 or until their successors are duly elected and qualified.

Dr. Diana M. Bontá
Dr. Bontá has been the chair of the nominating and governance committee since the annual meeting of shareholders in May 2019. Prior to that date, she was a member of the nominating and governance committee and the ERM liaison to the board. She is also a member of the compensation committee. She has served as a director since 2007. Dr. Bontá is 69 years old.

Because of her extensive experience in public health and public affairs, Dr. Bontá brings valuable expertise to the board in the areas of customer and community service and corporate governance.

Dr. Bontá has been the President and Chief Executive Officer of The Bontá Group since June 2013. The Bontá Group provides consulting services in the healthcare area. Previously, Dr. Bontá served as the President and Chief Executive Officer of The California Wellness Foundation, a private independent foundation with a mission to improve the health of the people in California, by making grants, providing wellness education and preventing disease. She has also served as the Vice President of Public Affairs of the Kaiser Foundation Health Plan and Hospitals, Southern California Region, where she was responsible for setting the Region's public policy agenda and providing leadership and oversight of public affairs programs and support for Kaiser Permanente's external communications and reputation management. Dr. Bontá also served as the first Latina director of the California Department of Health Services. Prior to serving as director of the California Department of Health Services, Dr. Bontá served as director of the Department of Health and Human Services of the City of Long Beach, California.

Dr. Bontá holds doctorate and master's degrees in public health from the University of California, Los Angeles. She has held an appointment as an adjunct professor at UCLA's School of Public Health since 1999 and is a registered nurse.

Dr. Bontá has been a trustee of the Annie E. Casey Foundation since 2008 and the Archstone Foundation since 2009. Dr. Bontá served as the chair of the Archstone Foundation audit committee in 2017 and 2018 and is currently serving as the chair of its board of directors. Dr. Bontá has served as a commissioner of the City of Los Angeles Board of Fire Commissioners as an appointee of Mayor Antonio Villaraigosa, and as a director/trustee of the Charles R. Drew University of Medicine and Science. She has also previously served as a director/trustee on the Department of Health and Human Services Minority Health Committee, as an appointee of both California Governors Gray Davis and Arnold Schwarzenegger to the Board of Trustees of the Health Professions Education Foundation, and on the Pat Brown Institute. She is currently a member of the board of directors and a member of the foundation board of trustees of Children's Hospital of Los Angeles since 2019.

Ms. Mary Ann Hopkins
Ms. Hopkins became a director on May 21, 2019. She serves on the compensation committee and the ASUS committee. Ms. Hopkins is 55 years old.

Ms. Hopkins has 29 years of progressive experience in engineering and management with an emphasis on infrastructure, environmental, defense, security and intelligence markets, including serving the U.S. government. This experience assists the board in its oversight of ASUS's military privatization activities and the infrastructure and environmental issues facing the water and electric utility industries in California.

Ms. Hopkins has been a Group Executive at Arcadis NV, a global design, engineering and consulting company based in the Netherlands, since 2016. She is a member of the Arcadis Executive Leadership Team and is responsible for overseeing the Arcadis North American and South American regions and the architecture practice of Arcadis. From 2012 until 2016, she was a Group President of Parsons Corporation, an international engineering, construction, technical and management services firm whose customers include the U.S. government. As Group President, she was responsible for worldwide operations of the Federal Unit of Parsons serving the primary markets of infrastructure, environmental, defense, security and intelligence. Prior to her promotion to Group President, she has served in various other executive and management capacities at Parsons since 1989.

Ms. Hopkins has been a member of the board of directors and the audit, risk and compliance committee and the finance committee at Blumont since 2016. Blumont delivers shelter, food and non-humanitarian aid to refugees and internally displaced persons impacted by political crisis.

Ms. Hopkins has a BS and a master's degree in civil engineering from Syracuse University and attended the Advanced Management Program at Duke University. She is a registered Professional Engineer in Virginia.

Mr. Robert J. Sprowls

Mr. Sprowls has served on the American States Water Company board since May 2009 and the boards of the subsidiary companies since his appointment as President and Chief Executive Officer of the company effective January 2009. Mr. Sprowls is a member of the ASUS committee and also a member of Golden State Water Company's safety and operations committee. He is 62 years old.

Mr. Sprowls is the sole management member of the board of directors. As President and Chief Executive Officer of the company since 2009 and Chief Financial Officer for four years prior to that, Mr. Sprowls has an intimate knowledge of the company and its operations and personnel. He has also been in a leadership role in the water industry having served as President and a member of the executive committee of the National Association of Water Companies, a non-profit organization representing private water companies. He has more than 30 years of experience in business strategy, operations management, corporate finance and business problem-solving for regulated utilities, utility holding companies and highly competitive, non-regulated utility affiliates.

Mr. Sprowls is the President and Chief Executive Officer of American States Water Company and holds similar titles and responsibilities for the company's subsidiaries, Golden State Water Company, or GSWC, and American States Utility Services, Inc. and its subsidiaries, or ASUS.

Prior to joining American States Water Company, Mr. Sprowls spent 21 years at CILCORP Inc., or CILCORP, a public utility holding company whose largest subsidiary, Central Illinois Light Company, served approximately 250,000 gas and electric utility customers. During his tenure with CILCORP, Mr. Sprowls held positions as President, Business Unit Leader – Energy Delivery, Chief Financial Officer (CFO) and Treasurer of Central Illinois Light Company, CFO of a non-regulated subsidiary of CILCORP, QST Enterprises Inc., and Vice President and Treasurer of CILCORP. Mr. Sprowls left CILCORP and Central Illinois Light Company following the sale of the company to Ameren Corporation in 2003.

Mr. Sprowls is currently a member of the board of directors of the National Association of Water Companies and a member of the Southern California Leadership Council. He has served on the board of directors of CILCORP Inc. and Central Illinois Light Company. He has been a past chairman and a member of the board of directors of the Illinois Energy Association, a past chairman and a member of the board of directors of Goodwill Industries of Central Illinois and a committee chairman for the Heart of Illinois United Way Campaign.

He holds a BA degree in economics and business administration from Knox College in Illinois and a master's degree in business administration from Bradley University, also in Illinois. He is a Certified Public Accountant (Inactive) and a Certified Management Accountant.

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The women on our board were selected as among the most influential directors in 2019 by Women, Inc. and were featured in the Women, Inc.'s December magazine.

Mr. McNulty will be retiring from the board after the 2020 annual meeting. He will continue to serve as a class III director of the board until his successor is duly elected to the board at the 2020 annual meeting.

Mr. James F. McNulty
Mr. McNulty was appointed to the board in January 2010. He is chair of the ASUS committee. He became a member of the nominating and governance committee following the annual meeting of shareholders in May 2019, having previously served on the committee until May 20, 2013. He is also a member of the compensation committee. Mr. McNulty is 77 years old.

Mr. McNulty has expertise in engineering, government contracting and project management. Because of his 24 years of service in the Army and his experience at Parsons Corporation discussed below, he is able to provide valuable insights to the ASUS committee with respect to its oversight of the company's military utility privatization projects. He also has knowledge of the practices of other public companies due to his service on the board of other public companies and his work as the former chair and Chief Executive Officer of Parsons Corporation.

Mr. McNulty is retired. He is the former chairman and Chief Executive Officer of Parsons Corporation, an international engineering, construction and technical and management services firm whose customers include the U.S. government. He retired from the Corporation in May 2008 but continued to serve on the Board and as Chairman of the Board until November 2008.

From 2009 until December 2018, Mr. McNulty served as a director and member of the compensation and nominating and governance committees of ARC Document Solutions, a publicly-traded document management company. From 2013 until December 2018, he also served as the chair of its compensation committee.

Mr. McNulty has a BS degree in engineering from the United States Military Academy at West Point and master's degrees from The Ohio State University and the Massachusetts Institute of Technology where he was an Alfred P. Sloan Fellow.

Prior to February 2017, Mr. McNulty served as a trustee of the Linsly School, his high school alma mater in Wheeling, West Virginia. He is also a past member of the board of directors of the Greater Los Angeles Chamber of Commerce, the California Science Center, the Los Angeles Sports Council and the board of trustees of Pomona College. He is a former chairman of Town Hall, Los Angeles.

How did we compensate our directors in 2019?

We paid fees to each of our directors quarterly in cash and made awards of restricted stock units to our directors in 2019 pursuant to the terms of the 2013 directors plan as more particularly described below. We also reimbursed each of our directors in 2019 for expenses incurred in the performance of his or her duties as a director.

DIRECTOR[1] COMPENSATION FOR 2019

Name	Fees Paid or Earned in Cash ($)	Stock Awards ($)[2]	All Other Compensation ($)[3]	Total ($)
Anne M. Holloway	$184,582	$40,000	$108	$224,690
James L. Anderson	130,500	40,000	565	171,065
Sarah J. Anderson	127,500	40,000	108	167,608
Dr. Diana M. Bontá	125,145	40,000	280	165,425
John R. Fielder	121,646	40,000	108	161,754
Mary Ann Hopkins[4]	73,242	40,000	65	113,307
James F. McNulty	131,371	40,000	108	171,479
Lloyd E. Ross[5]	85,417	-	1,856	87,273
Janice F. Wilkins	124,065	40,000	1,564	165,629

(1) Mr. Sprowls, the president and chief executive officer of the company in 2019, was also a director of the company. We did not pay him any additional compensation for his services as a director or member of any committee.

(2) The amounts in this column reflect the aggregate grant date fair value of the awards on the grant date, computed in accordance with FASB's accounting guidance ASC Topic 718. We provide information regarding the assumptions used in calculation of these amounts in Note 13 to our audited financial statements for the year ended December 31, 2019 in our Annual Report on Form 10-K filed with the SEC. We did not make any other form of stock award to any director in 2019.

(3) We provide our board members and executive officers a blanket accident insurance policy. The policy is intended to provide coverage for traveling on company business or on assignment for the benefit of our company. We allocated one–third of the three-year premium of $6,000 for coverage under the blanket accident insurance policy equally to our board members and executive officers. The cost was $108 per person in 2019. We also reimburse our board members for the related cost of travel and meals of their spouses when attending regular board and committee meetings.

(4) Ms. Hopkins was elected as a director for the first time on May 21, 2019.

(5) Mr. Ross retired as the chair of the board on May 21, 2019.

Director Fees

We paid fees to non-employee directors of the board in 2019 for services rendered on the following basis, payable in equal quarterly installments:

- to each non-employee director, an annual retainer of $105,000 for service on the board, other than Ms. Hopkins, who was only paid a partial-year retainer of $64,355 for board service after the annual meeting of shareholders in 2019;

- to Ms. Holloway, an additional partial-year retainer of $61,290 for her services as chair of the board from May 21, 2019 to December 31, 2019, $9,678 for her services as vice chair of the board prior to her appointment as chair, $5,419 for her services as chair of the nominating and governance committee prior to her appointment as chair of the board, $2,903 for her services as a member of the compensation committee prior to her appointment as chair of the board and $292 for her services as a member of the safety and operations committee of Golden State Water Company from December 17, 2019 to December 31, 2019;

- to Mr. Anderson, an additional annual retainer of $20,000 for his services as chair of the compensation committee and $5,500 for his services as a member of the nominating and governance committee;

- to Ms. Anderson, an additional annual retainer of $22,500 for her services as chair of the audit and finance committee;

- to Dr. Bontá, an additional partial-year retainer of $8,581 for her services as chair of the nominating and governance committee from May 21, 2019 to December 31, 2019, $7,500 for her services as a member of the compensation committee, $2,129 for her services as a member of the nominating and governance committee prior to her appointment as chair of this committee and $1,935 for her services as ERM liaison prior to her appointment as chair of the nominating and governance committee;

- to Mr. McNulty, an additional annual retainer of $15,500 for his services as chair of the ASUS committee, $7,500 for his services as a member of the compensation committee and $3,371 for his services as a member of the nominating and governance committee from May 21, 2019 to December 31, 2019;

- to Mr. Fielder, an additional partial-year retainer of $646 for his services as chair of the safety and operations committee of Golden State Water Company from December 17, 2019 to December 31, 2019, $9,000 for his services as a member of the audit and finance committee and $7,000 for his services as a member of the ASUS committee;

- to Ms. Wilkins, $9,000 for her services as a member of the audit and finance committee, $7,000 for her services as a member of the ASUS committee and $3,065 for serving as the ERM liaison from May 21, 2019 to December 31, 2019; and

- to Ms. Hopkins, $4,597 for her services as a member of the compensation committee from May 21, 2019 to December 31, 2019 and $4,290 for her services as a member of the ASUS committee from May 21, 2019 to December 31, 2019.

Stock Awards

We granted restricted stock units to each non-employee director on the date of the annual meeting in 2019 for services rendered as a director in an amount equal to an amount established by the board prior to the annual meeting divided by the closing price of our common shares on the trading day immediately preceding the date of the annual meeting as shown on *The Wall Street Journal* website (www.online.wsj.com). The amount of the grants by the board to directors in 2019 was $40,000 or 38% of the annual retainer fee in effect on the date of the grant.

Under the terms of the 2013 directors plan, the amount of restricted stock units granted by the board to directors after the date of the 2012 annual meeting of shareholders may not exceed two times the amount of the then-current annual retainer payable by the company for services rendered as a director for such year, or, if there is no such annual retainer, the average amount of cash compensation received by such non-employee director during the prior fiscal year. Restricted stock units granted will vest 90 days after the grant date. In addition, until vested, each non-employee director is entitled to receive restricted stock units on the dividend record date in an amount equal to the cash dividends payable on this date on a number of shares equal to the aggregate number of restricted stock units credited to each non-employee director's restricted stock unit account divided by the closing price of our common shares on the dividend payment date, as shown on *The Wall Street Journal* website (www.online.wsj.com), which we refer to as dividend equivalents. No awards may be granted under the 2013 directors plan after May 20, 2023.

Each non-employee director who received an award of restricted stock units in 2003 through 2008 in the form of retirement stock units was also credited in 2019 with restricted stock units on each dividend record date in an amount equal to the cash dividends payable on this date on a number of shares equal to the aggregate number of undistributed restricted stock units credited to each non-employee director's restricted stock unit account divided by the closing price of our common shares on the dividend record date, as shown on *The Wall Street Journal website* (www.online.wsj.com). Mr. Anderson, Dr. Bontá, and Ms. Holloway are the only current directors who have received awards of retirement stock units.

Other Compensation Plans for Directors

We have no incentive compensation, deferred compensation or pension plans for non-employee directors.

What are our stock ownership guidelines for directors?

Requirement	Restrictions
3X Annual Retainer	No Sale Until Guidelines Met

Under our director stock ownership guidelines, as amended in July 2018, effective January 1, 2019, we have requested each non-employee member of our board to accumulate and hold common shares of the company, restricted stock units or other equity equivalents (other than stock options) granted by the company equal in value to at least three times his or her annual retainer for board service. Non-employee directors are also prohibited from selling or transferring common shares acquired by vesting of restricted stock units until he or she satisfies these requirements. The nominating and governance committee may suspend or adjust these guidelines if the nominating and governance committee determines that the guidelines are unduly burdensome by reason of personal circumstances affecting a director, are unduly affected by temporary declines in the price of our common shares or there has been a recent change in the compensation of directors. We have not exempted any of our directors from compliance with these guidelines. We consider these guidelines to have been satisfied once the minimum ownership requirements have been satisfied regardless of subsequent changes in the market value of our common shares. Each current member of our board, other than Ms. Hopkins, owns common shares, restricted stock units or other equity equivalents granted by the company at least equal in value to three times his or her annual retainer. Ms. Hopkins was elected to the board at last year's annual meeting and does not yet meet this threshold. As a result, she cannot sell any of our common shares acquired upon vesting of restricted stock units until she meets this threshold.

EXECUTIVE OFFICERS

What has been the business experience of our executive officers during the past five years?

We have set forth the principal occupation of each of our executive officers in the following table. Unless otherwise specified, the principal position of the executive officer is with American States Water Company. Mr. Sprowls, Ms. Tang and Ms. Farrow are also officers of each of our direct and indirect subsidiaries. The age of each executive officer is current as of March 30, 2020.

EXECUTIVE EXPERIENCE TABLE

Name	Principal Occupation and Experience	Age	Held Current Position Since
Robert J. Sprowls	President and Chief Executive Officer	62	January 2009
Eva G. Tang	Senior Vice President – Finance, Chief Financial Officer, Corporate Secretary and Treasurer	64	November 2008
Denise L. Kruger	Senior Vice President – Regulated Utilities of Golden State Water Company	56	January 2008
Bryan K. Switzer	Vice President – Regulatory Affairs of Golden State Water Company	63	September 2004
Gladys M. Farrow	Vice President – Finance, Treasurer and Assistant Secretary of Golden State Water Company and Treasurer and Assistant Secretary of the other subsidiaries of American States Water Company [(1)]	55	November 2008
Granville R. Hodges	Acting Senior Vice President of American States Utility Services, Inc. and its subsidiaries; Vice President – Operations of American States Utility Services, Inc. and its subsidiaries from January 2007 to March 2020	60	March 2020
Sunil K. Pillai	Vice President – Environmental Quality of Golden State Water Company; Water Quality Manager of Golden State Water Company from October 2015 to January 2020; Engineering Design Manager of Golden State Water Company from July 2015 to October 2015; General Manager of Golden State Water Company from August 2014 to July 2015	51	January 2020
Paul J. Rowley	Vice President –Water Operations of Golden State Water Company; Director of Procurement Services of Golden State Water Company from November 2014	55	January 2016
Gabriel Willis	Vice President – Strategic Business Development of American States Utility Services, Inc.; Director of Strategic Business Development of American States Utility Services, Inc. from January 2016 to July 2018; Manager of Proposal Development of American States Utility Services, Inc. from March 2012 to December 2015	40	July 2018

(1) Ms. Farrow also serves as Assistant Secretary of American States Water Company.

Compensation Discussion and Analysis

In this section, we describe the philosophy and objectives of our executive compensation programs, explain the compensation decision-making process, summarize the individual components of total compensation for our named executive officers and provide you with our assessment of our compensation program in 2019. We provide more detailed information regarding the compensation paid to our named executive officers during the past three years in the tables following this section and in the narrative discussion after each of these tables. For 2019, our named executive officers and their positions included:

- Robert J. Sprowls, President and Chief Executive Officer,
- Eva G. Tang, Senior Vice President-Finance, Chief Financial Officer, Corporate Secretary and Treasurer,
- Denise L. Kruger, Senior Vice President-Regulated Utilities of Golden State Water Company,
- James C. Cotton, Senior Vice President and Procurement Officer of American States Utility Services, Inc., and
- Bryan K. Switzer, Vice President-Regulatory Affairs of Golden State Water Company.

We also provide information comparing our performance to our peer group. You can find information about the composition of our peer group in this section under the heading "Compensation Committee Process." The compensation committee made its decisions regarding compensation of our named executive officers in 2019 based, in part, on this peer group information. We have compared our financial performance during the past three and five years to members of our peer group.

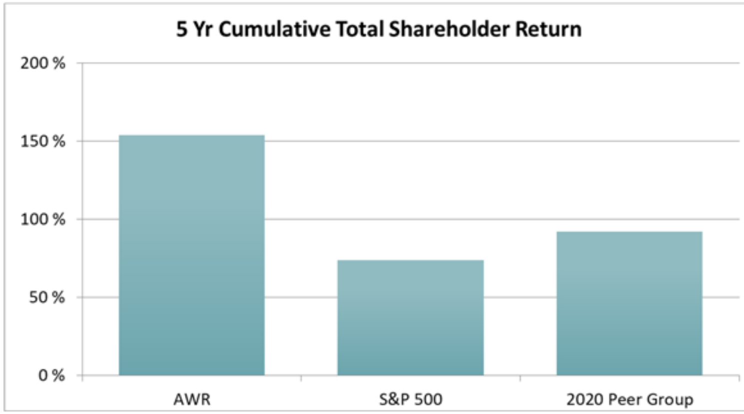
Financial Highlights

For the 10-year period ended December 31, 2019, the company has achieved a compound annual growth rate of 10.9% in consolidated diluted earnings per share and 8.7% growth in dividends. Over the past five years, we also achieved:

- 6.9% compound annual growth in dividends and
- 6.9% compound annual growth in net utility plant at the regulated utilities (invested $580.5 million in company-funded capital).

Additional facts regarding the company's financial performance can be found under the heading "Financial Report" on the company's website at www.aswater.com.

The following table compares our cumulative total shareholder return, including reinvested dividends, for the five years ended December 31, 2019 to the cumulative total shareholder return, including reinvested dividends, for the same period of the S&P 500 and the members of our current peer group.



Prioritizing Environmental, Social Responsibility and Governance

We are committed to upholding high environmental, social responsibility and governance (ESG) standards through our delivery of clean, safe and reliable water, wastewater and electric services to our customers. We are also committed to proactively maintaining the integrity of our systems, managing a strong water supply portfolio and an increasingly renewable electric supply portfolio, and planning for climate variability issues and risks. We are proud of our longstanding conservation efforts, and of our workplace culture, in which we strive for diversity and inclusion while prioritizing employee safety and well-being. In fact, compensation for our executives is linked to performance on metrics for customer satisfaction, supplier diversity, employee safety and capital investment for reliability and water quality. We are also proud of our board diversity with more than half of our board members being women, including our non-executive chairman. We invite you to read more about our efforts in our corporate social responsibility report on our website at www.aswater.com. You can find this information on our website by clicking on “About Us.”

Approach to Compensation

The compensation committee desires to implement the company’s executive compensation program in a manner that will enable the company to:

- attract, retain and motivate talented and experienced executives,
- provide fair, equitable and reasonable compensation to each executive officer,
- reward job performance, and
- further align the interests of our executive officers with those of our shareholders and customers.

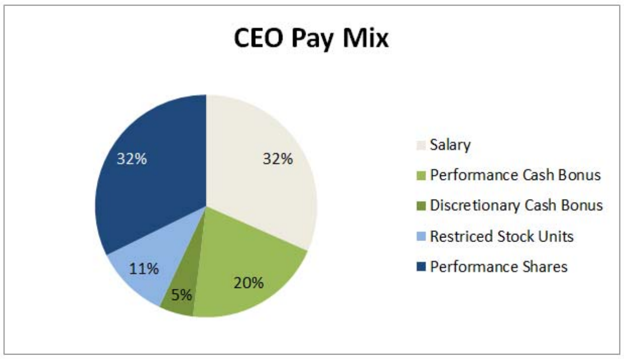
Executive Compensation Practices at a Glance

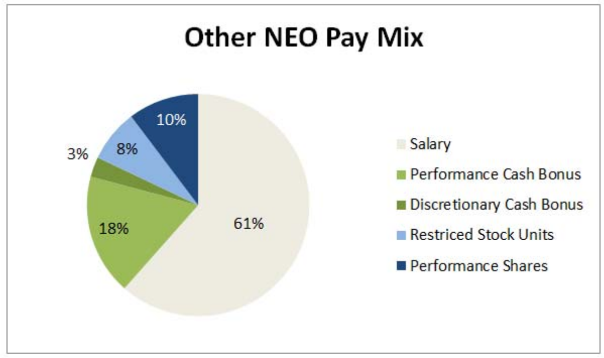
WHAT WE DO	WHAT WE DO NOT DO
✓ **Pay for Performance Absolute and Relative:** We link pay to performance and shareholder and customer interests by weighting a portion of total direct compensation to the achievement of a balanced mix of performance metrics, both internal and relative to our peers, established in advance by the compensation committee	× **No Employment Agreements:** We do not have employment agreements with any of our executive officers
✓ **Generally, at least 50% of Long-Term Equity Awards Are Performance-Based:** At least 75% of long-term equity awards to the CEO and senior vice president of ASUS have been in the form of performance shares tied to three-year performance objectives. Generally, at least 50% of long-term equity awards to regulated utility executive officers are in the form of performance shares tied to three-year performance objectives	× **No "Single Trigger" Cash Severance Payments, Equity Awards or Tax Gross Ups:** We do not have "single trigger" cash severance payments or equity awards paid solely because of the occurrence of a change of control event and do not provide tax gross ups
✓ **Thoughtful Peer Group Analysis:** The compensation committee reviews external market data when making compensation decisions and annually reviews our peer group with our independent compensation consultant	× **No Hedging in Company Securities:** We have a policy prohibiting executives and directors from engaging in any hedging transaction with respect to company equity securities
✓ **Compensation Risk Assessment:** The compensation committee conducts an annual assessment of whether the company's executive or broad-based compensation programs encourage excessive risk-taking	× **No Pledging Company Securities:** We have a policy generally prohibiting pledges of company securities by our executives and directors unless the nominating and governance committee approves in advance. No officer or director has pledged shares since the policy was implemented
✓ **Stock Ownership Guidelines:** Executives are subject to stock ownership guidelines equal to a multiple of their annual base salaries (3x for the CEO, 1.5x for senior vice presidents and 1x for vice presidents); directors are also subject to stock ownership guidelines and restrictions on sales of common shares until they own stock equal to 3x their annual cash retainer	× **No Repricing, Repurchasing or Discounting of Options:** We do not reprice or repurchase underwater awards and we do not grant options at a discount to fair market value on the date of grant
✓ **"Clawback" Policy:** Our clawback policy provides for the recoupment of cash and stock incentive compensation from an executive officer if, as a result of a financial restatement, the compensation committee determines that the company would have paid the executive officer less than he or she was paid prior to the restatement	× **No Guaranteed Bonuses:** We do not provide guaranteed minimum bonuses or uncapped incentives under our annual cash incentive plan

2019 Pay Mix

The principal elements of our compensation program include a base salary, annual cash incentives, a portion of which is based on achieving financial, operational and customer service objectives during the year, and annual equity grants, a portion of which is based on achieving financial and operational performance objectives during a three-year performance period. We refer to the combination of these elements of compensation as total direct compensation.

The compensation committee set the target percentages presented in the chart below for each component of total direct compensation in 2019, assuming that each named executive officer would earn the aggregate target during the year in annual cash incentives and at the target level following the end of the three-year performance period for the performance stock awards. As these charts show, approximately 68% and 39% of target total direct compensation (salary, bonus and equity) is variable (or "at-risk") for our CEO and other named executive officers, respectively.





In determining the target percentages for each component of total direct compensation, the compensation committee considered the practices of our current peer group, how well the company's pay levels are aligned with performance compared to the company's current peer group, the views and practices of the California Public Utilities Commission, or CPUC, in setting rates, the practices of the two water utilities regulated by the CPUC that are members of our current peer group, the preference of proxy advisory firms for significant portions of total direct compensation to consist of variable pay based on the satisfaction of objective performance targets and the prior year's performance of the executive officer. The compensation committee also believes that it is generally important for more of the compensation of the chief executive officer to be dependent on performance than that of the other executive officers.

The mix of total direct compensation awarded in 2019 which will be received by an executive officer (which does not include the actuarial calculation of the change in pension value or other compensation shown in the Summary Compensation Table) may be different from the target mix depending upon, a variety of factors, the value of some of which cannot yet be determined. The factors affecting actual total direct compensation awarded in 2019 that have not yet been determined include:

- the company's financial and operational performance for the three-year performance period with respect to the performance measures set forth in the executive's applicable performance stock award agreement for this period;
- the value of the company's common shares upon the vesting of time vested restricted stock units awarded to the executive in 2019 and the value of dividend equivalent rights on dividends paid after 2019 on these restricted stock units (no restricted stock units awarded to an executive in 2019 vested in 2019); and

- the value of the company's common shares following the determination of the number of common shares to be received by an executive based upon satisfaction of the objective performance criteria set forth in the performance stock award agreements for the three-year performance period and the time vesting of these awards, together with the value of any dividend equivalent rights thereon.

Alignment of CEO Pay with Performance

During the review of our overall executive compensation program in January 2019 and January 2020, our consultant (Pearl Meyer) reviewed the relationship between realizable total direct compensation of our CEO and our performance for the two three-year periods ended December 31, 2018 and December 31, 2019. This review was conducted to assist the compensation committee in understanding the degree of alignment between realizable total direct compensation delivered to the CEO during these two periods and our performance relative to our peer group. For purposes of this review, company performance is defined as total shareholder return (including reinvested dividends) over the respective three-year period. Total direct peer group realizable compensation is defined as the sum of:

- Actual base salaries paid over the three-year period ending December 31, 2018;
- Actual short-term cash incentives (bonuses) earned over the three-year period ending December 31, 2018;
- Cumulative "in-the-money" value as of December 31, 2018 of any stock options granted over the prior three-year period;
- Cumulative value as of December 31, 2018 of any restricted shares or restricted stock units granted over the prior three-year period and payouts of performance shares made for completed performance periods; and
- The value as of December 31, 2018 of any performance shares at target for any incomplete performance periods.

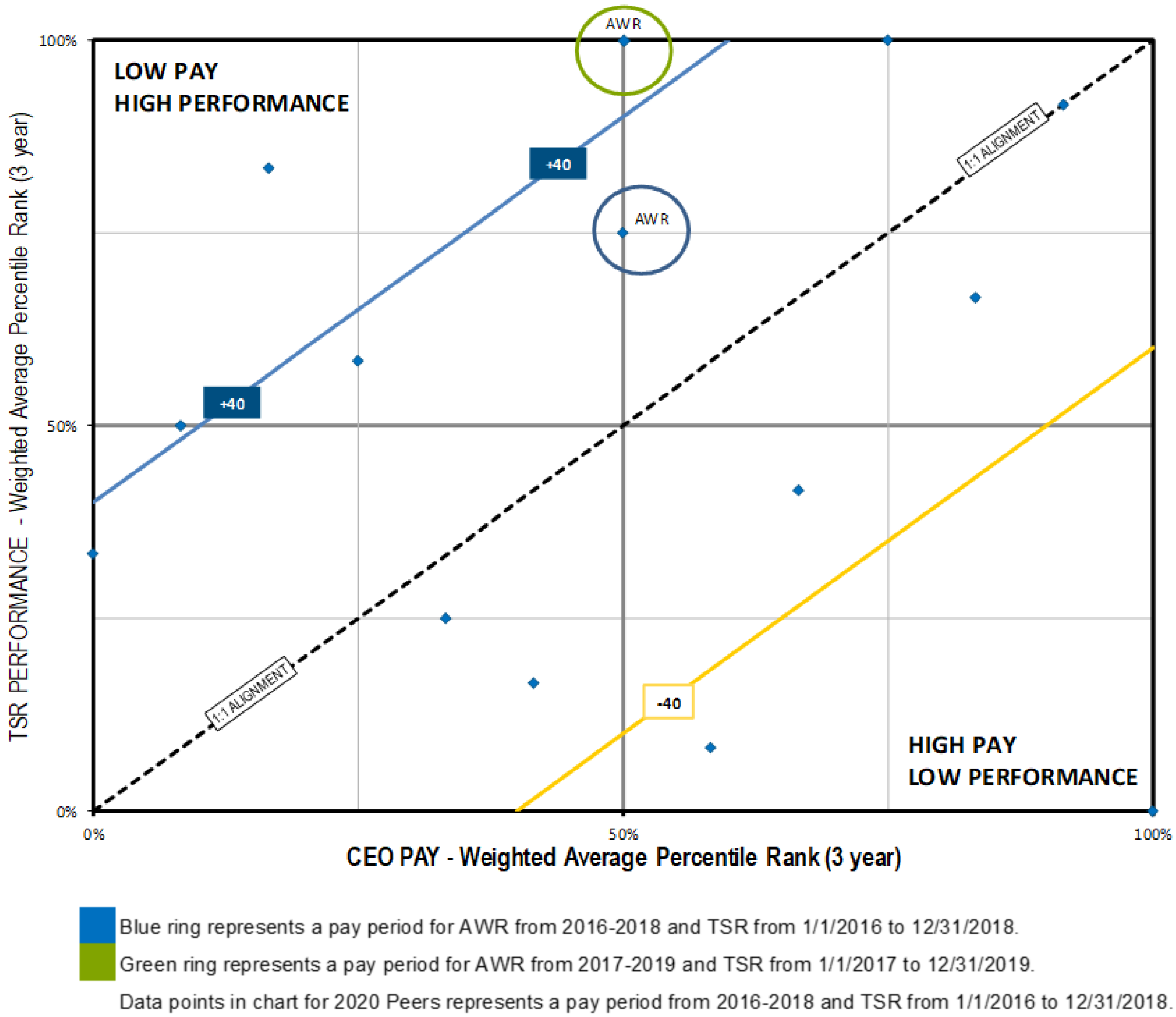
As a second comparison, we also reviewed our CEO's pay for performance using realizable pay from January 1, 2017 to December 31, 2019 compared to total shareholder return (including reinvested dividends) over the same period. Peer company pay is based on 2017 and 2018 actual pay with an estimate of 2019 pay equal to 2018 since 2019 pay information for most of our peers was not available at the time of this analysis.

For all performance periods, the company's performance has been greater than its relative CEO pay rank for the peer group. We believe that this indicates an efficient compensation plan design relative to performance achieved.

Performance Period	Total Shareholder Return Relative Rank	Pay Relative Rank (CEO)
2015–2017[1]	73rd Percentile	64th Percentile
2016–2018[2]	75th Percentile	50th Percentile
2017–2019[2]	100th Percentile	50th Percentile

(1) Comparison to the peer group used in 2017.
(2) Comparison to the current peer group.

The following chart further illustrates the pay for performance analysis of our CEO using realizable pay relative to each member of our current peer group over the two pay periods, 2016-2018 and 2017-2019.



Compensation Committee Process

The compensation committee annually reviews our executive compensation program in order to assess whether the program continues to meet the objectives of the program. The compensation committee typically engages a compensation consultant to assist the committee.

The compensation committee engaged Pearl Meyer in August 2011 as a compensation consultant to the committee. After a consideration of the merits of engaging a new compensation consultant compared to the benefits of retaining Pearl Meyer and an independence assessment of Pearl Meyer, the committee decided to extend the engagement of Pearl Meyer for 2019. In conducting its independence assessment, the compensation committee concluded that no conflicts of interest existed between the company and Pearl Meyer (or any individuals working on the company's account on behalf of Pearl Meyer). We provide additional information regarding this assessment under the heading "Compensation Committee - Is our compensation consultant independent?"

Pearl Meyer identified and selected a peer group of companies. The selection process included input from management. The final peer group was approved by the compensation committee. Our current peer group is presented below:

ALLETE, Inc.	Northwest Natural Holding Company
Essential Utilities, Inc.	Northwestern Corporation
California Water Service Group	Otter Tail Corporation
Chesapeake Utilities Corporation	SJW Group
El Paso Electric Company	South Jersey Industries, Inc.
MGE Energy, Inc.	Unitil Corporation

Owing to the limited number of similarly sized water utilities (with annual revenues between $100 million and $1 billion), peer companies were selected based on similarity in industry (water, gas and electric utilities) and size. The compensation committee considered compensation information for this same group of companies during the past two years, other than Northwestern Corporation, which was added to our peer group in contemplation of the pending sale of El Paso Electric Company. Aqua America, Inc. changed its name to Essential Utilities, Inc. after its acquisition of a natural gas distribution company.

Three members of the current peer group are principally in the water industry, two of which are also regulated by the CPUC, the regulator of the company's principal subsidiary. The compensation committee often gives greater weight to the practices of the two CPUC-regulated companies since the company competes with these companies for executive talent and is subject to similar regulatory oversight. In addition, the compensation committee believes that the financial and operational performance of these companies and the compensation programs of these companies are particularly relevant since the ability of these companies to earn their authorized rate of return and to obtain rate adjustments for changes in employee compensation are also affected to some extent by the rules, regulations and practices of the CPUC. These companies are, to some extent, also affected by the same weather, climate and economic conditions as the company. The other companies in our current peer group are utilities or utility holding companies.

The compensation committee considered the competitive assessment of the company's executive compensation program provided by Pearl Meyer in January 2019 based on information derived by Pearl Meyer from the peer group and Towers Watson-2018 Top Management Compensation Survey (all industries) and two confidential/proprietary general industry surveys. The survey information was summary in nature, did not identify any particular company and did not contain any information regarding the compensation program of any particular company. Accordingly, the compensation committee did not consider the compensation practice of any company, other than the compensation practices of members of our current peer group, in designing any of the company's compensation plans.

Pearl Meyer noted in the competitive assessment provided to the compensation committee that, in the aggregate, both the actual and the target total direct compensation of the executive officers of the company were between the 25th and 50th percentile. Similar to prior years, the company's target pay mix remains more heavily weighted toward base salaries and less towards long-term incentives than market.

In addition to the information provided by Pearl Meyer, the compensation committee considered:

- the chief executive officer's subjective assessment of the company's performance and the performance of individual executive officers,
- the recommendations of the chief executive officer for adjustments in the base salary and incentive compensation of other executive officers and managers,

- a subjective assessment by individual directors of the company's performance and the performance of the chief executive officer and other members of the management team,
- a subjective assessment of whether the company's compensation program properly incents management,
- objective measures of the company's financial, operational and customer service performance established in the company's short-term incentive program,
- objective measures of the company's financial performance used in establishing performance criteria for performance stock awards under the company's employee stock plan,
- the views of proxy advisory firms, and
- the views of the CPUC regarding the company's compensation programs or practices, to the extent known.

Risk Consideration

The compensation committee conducted a review of the company's incentive compensation programs, the safeguards in place to prevent fraud by management in manipulating the company's compensation programs and the potential risks associated with certain scenarios assuming management misreported the company's performance for the purposes of inflating results under the company's incentive compensation plans. The compensation committee also considered whether the company's overall compensation program encourages unnecessary or excessive risk taking and has concluded that it does not.

<u>Pay Mix</u>

Base salaries, which constitute the largest component of total direct compensation for all employees of the company, other than the CEO, are fixed in amount and thus should not encourage excessive risk taking.

<u>Balanced Performance Measures</u>

The compensation committee considers a variety of factors in awarding additional cash compensation based on the performance of its executive officers, including factors based on earnings performance, customer satisfaction, capital improvements, employee safety, supplier diversity, improvements in operations and internal controls. The committee believes that, because of this mix of factors, the company's short-term cash incentive program appropriately balances risk and the committee's desire to compensate executives for accomplishments that are important to the company's customers and shareholders.

The compensation committee also makes awards of restricted stock units and performance stock to executive officers. Restricted stock units and performance stock awards granted vest at the rate of 33% in the first year, 33% in the second year and 34% in the third year and, with respect to performance stock awards, provide for determination of whether the performance criteria have been satisfied after the end of a three-year performance period, subject to limited exceptions. In addition, we may not repurchase any options granted to any executive officers or managers after March 18, 2014 or reprice any options awarded to any executive officer or manager. The compensation committee believes that these features of our equity plans further discourage excessive risk-taking by executives. In addition, the vesting schedule serves as a retention vehicle for executive officers and managers.

Recoupment Policy

In order to mitigate risks that may be associated with performance-based compensation, the compensation committee maintains a clawback policy to recoup cash and equity performance-based compensation payments if:

- we calculated the amount of the compensation based on achieving financial results that were subsequently subject to an accounting restatement due to material noncompliance with a financial reporting requirement under the securities laws,

- we identified the need for the accounting restatement within three years after the date of the filing of financial results that were subsequently restated, and

- we would have paid a lesser amount to the executive officer based on the restated financial results.

All awards made to executives under our 2016 plan and all awards made under our short-term cash incentive plan are subject to this policy and any rights to repayment that the company may have under Section 304 of the Sarbanes-Oxley Act of 2002 and other applicable laws.

Anti-Hedging Policy; Anti-Pledging Policy

We adopted a policy that prohibits hedging or monetization transactions, such as prepaid variable contracts, equity swaps, collars and exchange funds that allow an officer or director to lock in much of the value of his or her holdings of our common shares, often in exchange for all or part of the potential for the upside appreciation in our common shares. We have also adopted a policy that prohibits our officers or directors holding our common shares in a margin account and, absent a waiver by the nominating and governance committee, the pledging of our common shares as collateral for a loan by our officers and directors. The nominating and governance committee may only grant a waiver of our anti-pledging policy if the officer or director desires to pledge our common shares as collateral for a loan and has established, to the satisfaction of the nominating and governance committee, that the officer or director is able to repay the loan without resort to the pledged securities. Each of our officers and directors has represented to us that he or she has not purchased any financial instrument designed to hedge or offset any decrease in the market value of any company common shares held, directly or indirectly, by such officer or director, held any of our securities in a margin account or pledged any of our common shares as collateral for a loan since the adoption of this policy. We have not adopted any policy prohibiting hedging or pledging by any employee who is not an officer.

In addition to establishing and reviewing our compensation program, the compensation committee also examines the pay practices and policies relating to all employees of the company. Based on this examination, the compensation committee has concluded that our pay practices and policies do not appear to involve risks that could have a material adverse effect on us.

Elements of Executive Compensation

Our compensation program consists of base salary, short-term cash incentives, stock awards, retirement benefits, severance arrangements and welfare and other benefits and perquisites. We discuss each of these elements in more detail below. The compensation committee considers each of these elements independently before assessing whether its overall compensation program is competitive with that of our current peer group and other companies with which the company competes for executive talent.

Base Salary

We pay a base salary to enable us to attract and retain talented executive officers and to provide a fixed base of compensation commensurate with the individual responsibilities, performance and experience of each of our executives.

The compensation committee considered the following factors in setting the base salaries of individual executive officers in 2019:

- the competitiveness of the compensation of each executive officer compared to executive officers of our current peer group in comparable positions,
- the desire to compensate executives of GSWC in comparable positions in a similar manner,
- the desire to have more of the compensation of executives of ASUS to be performance-based,
- a subjective assessment of each executive's performance during 2018 including his or her performance in the areas of our business over which he or she had individual responsibility, and
- a review of the company's financial performance and management's accomplishments during 2018.

After consideration of the factors described above, the compensation committee increased the base salary of Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton, and Mr. Switzer by 3.2%, 4.5%, 4.0%, 5.0%, and 3.7%, respectively, in January 2019.

Short-Term Cash Incentives

We adopted a short-term cash performance incentive plan to motivate executives who participate in the plan to maximize our performance from a financial, operations and customer service perspective. We believe that the performance incentives set forth in our annual short-term cash incentive programs will encourage achievement of our objectives. Our customers and shareholders benefit if we achieve our customer service objectives. Our customers and shareholders also benefit if we can attract capital at a lower cost as a result of improved financial performance.

In March 2019, the compensation committee approved a short-term cash incentive program, which gave each named executive officer the opportunity to receive:

- 80% of each executive's target incentive based on achieving objective performance criteria in 2019, and
- 20% of each executive's target incentive based on a subjective assessment by the compensation committee of the executive officer's performance in 2019 following the end of the year.

The table below outlines the range of cash incentives approved by the compensation committee in 2019 for each executive officer under the plan.

Name	Threshold Cash Incentive as % of Base Salary	Target Cash Incentive as % of Base Salary	Maximum Cash Incentive as % of Base Salary
Robert J. Sprowls	40.00%	80.00%	124.00%
Eva G. Tang	16.25%	32.50%	50.38%
Denise L. Kruger	16.25%	32.50%	48.75%
James C. Cotton	26.63%	53.25%	90.53%
Bryan K. Switzer	13.40%	26.80%	40.20%

Under this program, the compensation committee approves specific performance metrics for each executive officer for the objective cash incentive depending on his or her responsibilities within the company, established minimums, targets, and maximums for each objective, and weights each executive's goals so that target achievement of all performance metrics will result in target cash incentive payout for the year for the objective portion of the award. The compensation committee may, in its discretion, reduce an award below the level earned for each of the criteria or upon the failure to satisfy other objective criteria, but, may not in any event, increase the amount of the bonus above the level specified for that criteria. The maximum amount that may be payable to any executive officer under this program is $1,250,000.

The performance goals for 2019 are set forth in the table below along with the level of achievement in 2019.

PERFORMANCE GOALS

Performance Measure	Performance Targets			Actual Performance
	Threshold	Target	Maximum	
Adjusted EPS - AWR Consolidated[(1)]	80% of Budget	100% of Budget	120% of Budget	111.7% of Adjusted Budget $2.29
Adjusted EPS - Regulated Utilities (RU)[(2)]	80% of Budget	100% of Budget	120% of Budget	114.6% of Adjusted Budget $1.81
Adjusted EPS - ASUS[(3)]	80% of Budget	100% of Budget	130% of Budget	102.2% of Adjusted Budget $0.47
Customer Complaints - RU[(4)]	≤ 0.14%	≤ 0.10%	≤ 0.06%	0.08%
Customer Complaint Standards - RU[(5)]	Rate of Complaints to the CAB ≤ 0.0225%	Rate of Complaints to the CAB ≤ 0.0175%	Rate of Complaints to the CAB ≤ 0.0125%	0.0105% Met Maximum
Capital Expenditures - RU[(6)]	≥ $100 million	≥ $115 million	≥ $125 million	$134.9 million Met Maximum
Supplier Diversity - RU[(7)]	≥ 26.5%	≥ 29.5%	≥ 32.5%	29.4%
Safety - Recordable Work Incidents - RU[(8)]	23	17	13	20
SOX Deficiencies - RU[(9)]	No MW, No SD and No more than 4 CDs	No MW, No SD and No more than 2 CDs	No MW, No SD and No CD	No MW, No SD and 1 CD
SOX Deficiencies - ASUS[(10)]	No MW, No SD and No more than 1 CD	No MW, No SD and No CD	N/A	No MW, No SD and No CD Met Target
Expense Optimization - ASUS[(11)]	≤ 101% of Budget	≤ 98% of Budget	≤ 96% of Budget	98.8% of Budget
Direct Construction Margin – ASUS[(12)]	≥ Budget less 100 basis points	≥ Budget	≥ Budget plus 100 basis points	10 basis points below budget
Direct Operating Margin – ASUS[(13)]	≥ Budget plus 200 basis points	≥ Budget plus 300 basis points	≥ Budget plus 400 basis points	550 basis points over budget Met Maximum
Safety - Recordable Work Incidents - ASUS[(14)]	12	9	6 and No OSHA Violations	13 Did Not Meet

(1) "Adjusted EPS - AWR Consolidated" means the Corporation's EPS for 2019 adjusted to remove 1) any write-offs associated with the CPUC's 2019 procurement audit of GSWC arising out of the settlement of claims approved by the CPUC in December 2011 related to the capital projects contracting matter, 2) any transaction fees and/or gain or loss on sale recognized in the financial statements in 2019 associated with a sale or restructuring of any of the Corporation's business units or the acquisition of any new businesses, and 3) expenses associated with new business development at Regulated Utilities. In addition, the performance target at ASUS was adjusted upward to reflect the effects of a tax benefit resulting from the Tax Cuts and Jobs Act enacted in December 2017

(2) "Adjusted EPS - Regulated Utilities" means the sum of the EPS of each of the Regulated Utilities for 2019 adjusted to remove 1) any write-offs associated with the CPUC's 2019 procurement audit of GSWC arising out of the settlement of claims approved by the CPUC in December 2011 related to the capital projects contracting matter, 2) any transaction fees and/or gain or

loss on sale recognized in the financial statements in 2019 associated with a sale or restructuring of any of the Corporation's business units or the acquisition of any new businesses, and 3) expenses associated with new business development.

(3) "Adjusted EPS - ASUS" means the EPS of ASUS for 2019 adjusted to remove the general office allocation to ASUS related to any transaction fees and/or gain or loss on sale recognized in the financial statements in 2019 associated with a sale of any of the Corporation's business units or the acquisition of any new businesses. In addition, the performance target was adjusted upward to reflect the effects of a tax benefit resulting from the Tax Cuts and Jobs Act enacted in December 2017.

(4) "Customer Complaints - RU" means the number of water quality, pressure, and leak complaints received from water customers by GSWC divided by the average number of water customers served by GSWC during 2019.

(5) "Customer Complaint Standards - RU" means the number of complaints on all matters on the Regulated Utilities received by the CPUC's Consumer Affairs Branch in 2019 divided by the average number of customers served by the Regulated Utilities during 2019.

(6) "Capital Expenditures - RU" means the dollar amount of capital expenditures for 2019 for the Regulated Utilities. Excluded from the actual results for 2019 are capital expenditures related to BVES's Wildfire Mitigation Plan, which were not included when establishing the performance target for this item.

(7) "Supplier Diversity - RU" means the percentage reported by the Regulated Utilities to the CPUC annually by March 1 in its General Order 156 Compliance Filing. The percentage is calculated by taking the Regulated Utilities' total procurement dollars for the reporting period with CPUC qualified women-owned, minority-owned, disabled veteran-owned, and lesbian, gay, bisexual and transgender-owned business enterprises divided by the Regulated Utilities' total procurement dollars (net of exclusions allowed under the General Order 156 Compliance Filing for the reporting period, such as payments for purchased water, purchased power, pump taxes, income taxes, franchise fees, and postage).

(8) "Safety-Recordable Work Incidents - RU" means the number of work-related injuries and illnesses as reported on the OSHA Form 300 for GSWC.

(9) "SOX Deficiencies - RU" means the number of "control deficiencies" (each a "CD"), "significant deficiencies" (each an "SD") and "material weaknesses" (each a "MW") reported for the Regulated Utilities in the independent auditor's report for 2019 pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.

(10) "SOX Deficiencies - ASUS" means the number of CDs, SDs and MWs reported for ASUS in the independent auditor's report for 2019 pursuant to Section 404 of SOX.

(11) "Expense Optimization – ASUS" means the sum of other operations, maintenance, and administrative and general expenses of ASUS in 2019 (as reflected in the Corporation's 10-K) excluding (i) expenses of ASUS incurred in connection with any new base awards during 2019, (ii) general office expenses of GSWC approved by the CPUC to be allocated to ASUS, (iii) expenses incurred in connection with ASUS's new business development cost center, (iv) expenses included in the Corporation's Form 10-K for awards recorded under the plan and the 2016 Stock Incentive Plan, and (v) expenses in connection with managing additional assets if the asset transfers as Budgeted for these additional assets are not approved by the government in 2019.

(12) "Direct Construction Margin – ASUS" means a percentage determined by dividing total construction revenues less ASUS construction costs (reported as expenses in the Corporation's Form 10-K for 2019 filed with the Securities and Exchange Commission) by total construction revenues. Construction revenues and construction costs for this purpose shall exclude the construction revenues and construction costs of any new base. Furthermore, in accordance with the Performance Incentive Plan, the performance target at ASUS was adjusted upward to reflect the net favorable construction-related revenue adjustment recorded in 2019 related to the Tax Cuts and Jobs Act enacted in December 2017

(13) "Direct Operating Margin – ASUS" means a percentage determined by dividing total operations and maintenance revenues less direct operations and maintenance expense by total operations and maintenance revenues as recorded in the Corporation's Form 10-K. Total operations and maintenance revenues for this purpose shall exclude revenues of any new base awards received in 2019. Direct operations and maintenance expense for this purpose shall include other operation, administration and general, depreciation and amortization, maintenance and property and other taxes as reflected in the Corporation's Form 10-K, but shall exclude (i) expenses of any new base awarded during 2019, (ii) expenses of ASUS administration and centralized functions, (iii) general office expenses of GSWC approved by the CPUC to be allocated to ASUS, and (iv) property and other taxes allocable to construction activities. Furthermore, in accordance with the Performance Incentive Plan, the performance target at ASUS was adjusted upward to reflect the net favorable revenue adjustment recorded in 2019 related to the Tax Cuts and Jobs Act enacted in December 2017.

(14) "Safety-Recordable Work Incidents – ASUS" means the number of work-related injuries and illnesses as reported on the OSHA Form 300s for ASUS other than for new bases awarded in 2019.

Based on the performance measures and weighting of those performance measures determined by the compensation committee in the first quarter of the fiscal year, the objective bonus payout under short-term cash incentive awards made to Mr. Sprowls and Ms. Tang for 2019 was 131.4% of the target aggregate objective award. The objective bonus payout under short-term cash incentive awards made to Ms. Kruger and Mr. Switzer for 2019 was 127.5% of the target aggregate objective award. Mr. Cotton was not eligible to receive this objective bonus payout as a result of his termination of employment. In each case, the objective bonus payout was less than the maximum objective bonus payable under each executive's award agreement.

The compensation committee recognizes that these objective measures do not encompass all the objectives of the company in a given year and may not fully reflect the company's performance depending on outside factors such as weather, water quality and water supply. As a result, the payout structure includes a limited discretionary bonus component based on a subjective assessment of the performance of each executive officer by the compensation committee after the end of the year, taking into account the assessment of each executive officer by the independent directors after considering the chief executive officer's assessment of the performance of each of the other executive officers during the year.

The discretionary bonus payout under short-term cash incentive awards made to Mr. Sprowls for 2019 was 170.1% of the target aggregate discretionary reward. The discretionary bonus payout under short-term cash incentive awards made to Ms. Tang, Ms. Kruger and Mr. Switzer for 2019 was 140.0% of the target aggregate discretionary award. No discretionary bonus was paid to Mr. Cotton for 2019.

You can find additional information on the short-term cash incentive plan and the amounts paid to the named executive officers in 2019 under the heading "How were certain of our executive officers compensated in 2019? Non-Equity Incentive Compensation."

Equity Awards

The compensation committee considered the following factors in determining the amount and type of equity awards to be made to the chief executive officer, senior vice presidents and vice presidents in 2019:

- the past practices of the committee in awarding equity,
- a desire to have a higher percentage of the compensation of the chief executive officer of the company consist of equity,
- a desire to incentivize the executives of ASUS to obtain additional profitable contracts for water and wastewater services on military bases and the optimization of expenses at ASUS, and
- the market study prepared by Pearl Meyer which indicated that the company's long-term incentives for its named executive officers were below market median compared to that of our current peer group and consisted of a mixture of time vested equity awards and performance stock awards.

The policy of the compensation committee is generally to grant all equity awards to executive officers through a combination of time-vested restricted stock units and performance stock awards in order to base a higher portion of compensation on achieving objective performance goals established by the compensation committee. Information regarding the objective performance goals can be found under the heading "How were certain of our executive officers compensated in 2019? - Equity Compensation" and "Grants of Plan-Based Awards in 2019."

The compensation committee also concluded in January 2019 that 75% of the value of Mr. Sprowls' and Mr. Cotton's equity awards should be based upon the satisfaction of performance conditions and that approximately 50% of the value of equity awards to Ms. Tang, Ms. Kruger and Mr. Switzer should be subject to the satisfaction of performance conditions. The compensation committee determined the amount of these equity awards based on the target equity value and determined the number of shares based on the average closing price of the company's common shares for the thirty days ending on January 25, 2019.

Each equity award granted in 2019 generally vests over a three-year period, provided that, with respect to performance stock awards the performance criteria have been satisfied at the end of the three-year performance period. The compensation committee believes that granting equity awards with three-year vesting periods creates a substantial retention incentive and encourages the named executive officers to focus on the company's long-term business objectives and stock performance. A summary of exceptions to this general rule is set forth under the heading "How were certain of our executive officers compensated in 2019?-Equity Compensation."

Each time-vested restricted stock unit and performance stock award accumulate dividend equivalent rights through the service or performance period and are paid only to the extent the employee vests in the underlying restricted stock unit or performance stock award. The compensation committee believes that granting stock units with dividend equivalent rights helps align the interests of the named executive officers with the interests of the shareholders of a utility holding company who, in many cases, purchase and retain the stock of the holding company based on the dividends that the holding company consistently pays. Dividends have also historically been an important component of our total shareholder return.

If the executive's employment is terminated because of a change in control event (other than for cause, death or disability) or the executive terminates his or her employment for good reason, in each case, within two years following the change in control, each restricted stock unit and performance stock award will vest upon termination of employment free of restrictions. The compensation committee believes that the vesting of equity awards permits executives whose employment will be terminated as a result of the change in control to share in the value that they created for shareholders at the same time that the shareholders recognize that value upon a change in control. The performance period under the performance stock awards granted in 2017-2019 will also end and the performance awards will be paid out at target.

For our performance stock awards issued in 2017 for the period 2017 to 2019, the performance criteria applicable to the named executive officers in 2017 who were granted performance stock awards included total shareholder return relative to a defined peer group, GSWC's water segment operating expense level, ASUS cumulative net earnings criteria and ASUS new base acquisition success rate. The compensation committee defined for each named executive officer the proportion of performance stock awards allocated to each performance criteria based on their role within the company. In March 2020, the compensation committee certified the company's performance against the performance conditions for the 2017 performance stock award.

The table below sets forth the number of restricted stock units earned by each executive officer based upon satisfaction of the performance criteria set forth in each named executive officer's 2017 performance award agreement.

2017 PERFORMANCE AWARDS EARNED

Mix of Performance Criteria for Performance Award					
Executive	**Total Shareholder Return (1)**	**Aggregate GSWC Operating Expense Levels (2)**	**ASUS Cumulative Net Earnings (3)**	**New Base Acquisition Success Rate (4)**	**Total**
Robert J. Sprowls	25.0%	50.0%	25.0%	-	100.0%
Eva G. Tang	25.0%	50.0%	25.0%	-	100.0%
Denise L. Kruger	25.0%	75.0%	-	-	100.0%
James C. Cotton	25.0%	-	35.0%	40.0%	100.0%
Bryan K. Switzer	25.0%	75.0%	-	-	100.0%

Percent of Shares Earned Relative to Target Shares						
Executive	**Total Shareholder Return (1)**	**Aggregate GSWC Operating Expense Levels (2)**	**ASUS Cumulative Net Earnings (3)**	**New Base Acquisition Success Rate (4)**	**Total**	**Number of Shares Earned**
Robert J. Sprowls	50.0%	50.0%	37.5%	-	137.5%	20,922
Eva G. Tang	50.0%	50.0%	37.5%	-	137.5%	1,859
Denise L. Kruger	50.0%	75.0%	-	-	125.0%	2,536
James C. Cotton	50.0%	-	52.5%	22.7%	125.2%	2,963
Bryan K. Switzer	50.0%	75.0%	-	-	125.0%	1,845

(1) The company's total shareholder return in 2019 exceeded all members of its peer group resulting in a payout percentage of 200% of target. The total shareholder return criteria refer to total shareholder return during the performance period, including the reinvestment of dividends. The defined peer group for this purpose consists of the following water utilities: American Water Works Company, Inc., Essential Utilities, Inc. (previously called Aqua America, Inc.) Artesian Resources Corporation, California Water Service Group, Middlesex Water Company, SJW Group and The York Water Company.

(2) GSWC's water segment operating expense level was $267.2 million resulting in a payout percentage of 100% of target. The aggregate operating expense level criteria refers to the cumulative operating expenses of GSWC's water segment as reported in the Form 10-Ks filed with the Securities and Exchange Commission for the period beginning January 1, 2017 and ending on the last day of the performance period, as adjusted to remove (i) water supply, depreciation and amortization and maintenance expenses as reported in the Form 10-Ks, (ii) public relations, legal and other professional services expenses of GSWC during the performance period applicable to defending GSWC from condemnation considerations and actions applicable to GSWC's water segment, (iii) any costs of defense, costs of settlement and judgments incurred in connection with claims arising from water quality incidences accruing during the performance period which are incurred in connection with claims determined by the compensation committee to be extraordinary events, (iv) write-offs associated with decisions or actions of the CPUC applicable to the financial statements in the performance period for the water segment, and (v) gross-up of certain surcharges authorized by the CPUC to recover previously incurred costs recorded pursuant to generally accepted accounting principles. In addition, GSWC's expense targets were adjusted to reflect (i) direct costs (lease termination & severance payments) incurred in connection with the disposition of GSWC's Ojai water system in June of 2017, as well as to reflect only incurring a partial year of Ojai-related expenses incurred in 2017 and none in 2018 and 2019 due to the sale, and (ii) new accounting guidance, effective January 1, 2018 that changed the financial statement presentation of the non-service components of the company's pension and other postretirement benefit costs, which are no longer included in general and administrative expenses. Under the 2016 Stock Incentive Plan, the compensation committee is required to make adjustments to performance targets or business criteria to eliminate the effects of accounting changes and the gains and losses resulting from, and direct expenses incurred, in connection with the disposition of a business.

(3) ASUS cumulative net earnings were $46.7 million resulting in a payout percentage of 150% of target. The ASUS cumulative net earnings criteria refers to the cumulative net income of ASUS and its subsidiaries during the performance period. The performance targets were adjusted upward to reflect the tax benefits from the changes in tax law enacted in December 2017 and reflected in ASUS's actual results. Under the 2016 Stock Incentive Plan, the compensation committee is required to make adjustments to performance targets or business criteria to eliminate the effects of changes in tax laws.

(4) New base acquisition success rate was 22.7% resulting in a payout percentage of 56.7% of target. New base acquisition success rate criteria refers to the percentage that results from dividing (1) the sum of the amounts of the contract awards announced by the Department of Defense for the targeted new bases set forth in the targeted new base acquisition table for the targeted new bases awarded to ASUS during 2017-2019 by (2) the sum of the amount of contract awards announced by the Department of Defense during 2017-2019 for the targeted new bases set forth in the targeted new base acquisition table for the targeted new bases awarded to all competitors during 2017-2019, including ASUS.

Tax Considerations

Under Section 162(m) of the Internal Revenue Code, as modified by the Tax Cuts and Jobs Act of 2017, we may generally only deduct up to $1,000,000 of the compensation paid to named executive officers. Prior to the tax law change, there were exceptions to this limitation for performance-based compensation paid pursuant to a plan approved by shareholders. The law change provided for a transition so that the exception could still apply to agreements that were in effect on November 2, 2017. No such agreements are still in effect at the company as of March 30, 2020. Despite this exception having been repealed, the company has not made any adjustments to its compensation programs. The compensation committee believes that providing compensation that is not fully tax deductible may be required by competitive or other circumstances. As a result of the law change, the compensation committee expects to approve compensation of one or more executive officers that will not be fully tax deductible under Section 162(m).

Retirement Benefits

We provide retirement benefits that we believe are comparable to the benefits provided by other members of our current peer group to attract, retain and motivate talented and experienced executives. Our retirement benefit programs are also intended to provide fair, equitable and reasonable compensation to our executive officers and to assist in the retention of our executive officers. The change in the pension value of each executive officer may, however, differ markedly from that of members of our current peer group due to differences in the age and time of service of the executive officers of the company compared to that of executives in comparable positions in members of our peer group. Changes in pension value also differ by executive due to differences in cash compensation, the age of the executive and the number of years of service with the company.

Total compensation of our named executive officers was impacted by changes in pension values under our pension plan and supplemental retirement plan. Mr. Sprowls' total compensation, increased by $1,989,662 in 2019 including an increase of $1,666,730 in the change in pension values compared to last year even though we made no changes in the terms of our pension plan or supplemental retirement plan. Excluding the change in pension value, Mr. Sprowls' total compensation in 2019 increased by $322,932 due primarily to an increase in his "at-risk" related compensation (stock awards and objective short-term cash incentives).

The change in the pension values is affected by changes in actuarial assumptions such as discount rates and mortality. Most of the change in the pension values in 2019 was due to a decrease in discount rate used for the valuation. The discount rates used to value pension benefits in 2019 decreased by 100 basis points for the qualified pension plan and 104 basis points for the supplemental retirement plan as compared to the prior year. In contrast, the discount rates used to value pension benefits in 2018 increased by 67 basis points for the qualified pension plan and 68 basis points for the supplemental retirement plan as compared to 2017. The mortality assumption was also updated in 2019 resulting in a small change in the present value of benefits. These changes in the discount rate and mortality assumption also impacted the total compensation of our other named executive officers in 2019 and 2018.

We have no non-qualified deferred compensation arrangements.

Welfare and Other Benefits and Perquisites

We provide welfare and other benefits that we believe are comparable to the benefits provided by other members of our peer group and other perquisites that we believe are reasonable to attract, retain and motivate talented and experienced executives. Except as described under the heading "How were certain officers compensated in 2019?" and in this section, we provide the same benefits to executive officers as we provide to other employees of the company.

We do not have any employment agreements with any of our executive officers, other than Mr. Cotton. American States Utility Services, Inc. ("ASUS") paid Mr. Cotton $30,000 in connection with his termination of employment in January 2020.

Stock Ownership Guidelines

We have requested each of our executive officers to own common shares, restricted stock units, and other equity equivalents, including common shares held in our 401(k) plan, equal in value to:

- 3.0 times his salary for Mr. Sprowls, as the chief executive officer,
- 1.5 times his or her salary for Ms. Tang, Ms. Kruger and Mr. Cotton who are or were senior vice presidents, and
- 1.0 time his annual salary for Mr. Switzer, who is a vice president, and each of our other vice presidents.

We do not consider unexercised stock options to be equity equivalents of our common shares for this purpose. We consider these guidelines to have been satisfied once the minimum ownership requirements are met regardless of subsequent changes in the market value of our common shares. Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton, and Mr. Switzer satisfied these guidelines in 2019.

The nominating and governance committee may suspend or adjust these guidelines if they determine that the required holding of any executive officer is unduly burdensome by reason of personal circumstances affecting an executive officer or is the result of recent significant changes in the compensation of the executive officer.

Compensation Committee Report

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and in our Form 10-K for the year ended December 31, 2019 by incorporation by reference to this proxy statement.

This report is submitted by:

James L. Anderson, Chair
Diana M. Bontá, Member
Mary Ann Hopkins, Member
James F. McNulty, Member

How were certain of our executive officers compensated in 2019?

We compensated each of our most highly compensated executive officers in 2019 as more particularly described below. Unless otherwise specified, the principal position of the executive officer is with American States Water Company. We also reimbursed each of these executive officers for expenses incurred in the performance of his or her duties as an executive officer.

SUMMARY COMPENSATION TABLE(1)

Name and Principal Position	Year	Salary ($)(2)	Bonus ($)(3)	Stock Awards ($)(4)	Non-Equity Incentive Plan Compen-sation ($)(5)	Change in Pension Value and Non-Qualified Deferred Compen-sation Earnings ($)(6)	All Other Compen-sation ($)(7)	Total ($)	Total Excluding Change in Pension Value and Non-Qualified Deferred Compen-sation Earnings ($)
Robert J. Sprowls President and Chief Executive Officer	2019	$796,155	$217,000	$1,083,802	$670,286	$2,199,183	$29,273	$4,995,699	$ 2,796,516
	2018	771,635	175,500	986,385	521,600	532,453	18,464	3,006,037	2,473,584
	2017	748,654	147,000	888,208	495,600	1,586,890	14,400	3,880,752	2,293,862
Eva G. Tang Senior Vice President-Finance, Chief Financial Officer, Corporate Secretary and Treasurer	2019	461,158	42,042	118,264	157,808	816,130	23,580	1,618,982	802,852
	2018	441,192	38,993	118,958	132,438	38,600	18,792	788,973	750,373
	2017	417,804	35,740	118,425	120,495	814,754	17,249	1,524,467	709,713
Denise L. Kruger Senior Vice President, Regulated Utilities of Golden State Water Company	2019	459,051	41,842	118,264	152,424	1,017,728	25,556	1,814,865	797,137
	2018	441,446	38,993	118,958	130,767	-	21,189	751,353	751,353
	2017	424,469	36,304	177,660	123,043	727,293	22,795	1,511,564	784,271
James C. Cotton Former Senior Vice President and Procurement Officer of American States Utility Services, Inc. and its subsidiaries (8)	2019	360,456	-	137,952	170,412	561,382	21,671	1,251,873	690,491
	2018	343,369	53,148	163,991	158,027	97,600	16,385	832,520	734,920
	2017	327,000	54,054	138,169	120,557	282,343	14,819	936,942	654,599
Bryan K. Switzer Vice President-Regulatory Affairs (9)	2019	300,843	22,610	84,734	82,363	503,925	24,509	1,018,984	515,059

(1) We did not grant any stock option awards during the past three years.

(2) This column sets forth the amount paid to each named executive officer during the calendar year based on 26 pay periods.

(3) This column sets forth the amounts paid to a named executive officer as a discretionary bonus for 2017, 2018 and 2019 under the short-term cash incentive plan.

(4) This column sets forth the aggregate grant date fair value of the stock awards on the date of grant computed in accordance with FASB ASC Topic 718. We provide information regarding the assumptions used in the calculation of the value of these awards in Note 13 to our financial statements for the year ended December 31, 2019. Stock awards consist of time vested restricted stock units and performance stock awards in the form of restricted stock units. As a result of the termination of his employment in January 2020, Mr. Cotton will not receive any common shares related to his time-vested restricted stock awards granted in 2019 since none of these awards were vested at the time of termination of his employment. In addition, he will not receive 67% of the common shares related to his time-vested restricted stock awards granted in 2018 or 34% of the common shares related to his time-vested restricted stock awards granted in 2017 since none of these awards were vested at the time of termination of employment. For the performance stock awards granted in 2019 subject to performance conditions that have not been satisfied, we assumed that each executive officer would earn performance stock awards at the target level with a value of $812,835, $59,132, $59,132, $103,448 and $42,367 for Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton and Mr. Switzer, respectively. If each executive officer was instead to earn performance stock awards for awards granted in 2019 at the maximum level, the grant date fair value of stock awards granted to Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton and Mr. Switzer in 2019 would be $1,422,445, $103,481, $96,105, $227,592 and $68,846, respectively. As a result of the termination of his employment in January 2020, Mr. Cotton will not receive common shares related to 67% and 34% of his performance stock awards granted in 2019 and 2018, respectively, since none of these awards were vested at the time of the termination of his employment.

(5) Each named executive officer, other than Mr. Cotton, earned non-equity incentive compensation based upon a percentage of base salary and satisfaction of performance criteria under the short-term cash incentive programs approved by the compensation committee. However, as required by SEC rules, the summary compensation table shows the amount that Mr. Cotton would have received if his employment had not terminated in January 2020.

(6) This column sets forth the sum of the change in the value of the pension plan and the supplemental retirement plan for each of the named executive officers at December 31, 2019. The change in the pension value under the Golden State Water Company Pension Plan, or pension plan, for 2019, was $217,749, $218,396, $402,093, $187,021 and $216,704 for each of Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton and Mr. Switzer, respectively. The change in the pension value under the supplemental retirement plan for 2019 was $1,981,434, $597,734, $615,635, $374,361 and $287,221 for each of Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton and Mr. Switzer, respectively. See the Pension Benefits Table for additional information regarding the retirement age assumptions used in making these calculations. We provide additional information regarding the assumptions used to calculate the change in pension value in Note 12 to our audited financial statements in our Form 10-K for the year ended December 31, 2019. We do not have any non-qualified deferred compensation plans.

(7) We provide information on the amount and types of benefits included under the heading "All Other Compensation" in the table below.

(8) Under SEC rules, the compensation of Mr. Cotton shown in the Summary Compensation Table must be based on what he would have received if he had not terminated his employment in January 2020. However, Mr. Cotton's actual total compensation in 2019, excluding change in pension value and non-qualified deferred compensation earnings, was $416,265 due to his employment termination in January 2020. He forfeited all of his non-equity incentive plan compensation and 100%, 67% and 34% of his time-vested restricted stock units granted in 2019, 2018, and 2017, respectively, and 67% and 34% of his performance stock awards granted in 2019 and 2018 respectively, due to termination of his employment.

(9) Mr. Switzer was not a named officer in 2017 or 2018.

The following table provides information regarding the amount and types of benefits included under the heading "All Other Compensation" in the previous table.

ALL OTHER COMPENSATION

Name	Year	Employer 401(k) Matching Contribution ($)	Insurance ($)[1]	Personal Use of Company Car ($)[2]	Other Compen-sation ($)[3]	Total All Other Compensation ($)
Robert J. Sprowls	2019	$ 12,375	$ 11,491	$ 2,510	$ 2,897	$ 29,273
	2018	12,150	2,426	3,719	169	18,464
	2017	11,925	262	2,035	178	14,400
Eva G. Tang	2019	12,375	2,317	6,965	1,923	23,580
	2018	12,150	1,065	5,408	169	18,792
	2017	11,925	262	4,884	178	17,249
Denise L. Kruger	2019	12,375	1,197	9,409	2,575	25,556
	2018	12,150	606	8,264	169	21,189
	2017	11,925	262	9,180	1,428	22,795
James C. Cotton	2019	12,375	2,385	4,844	2,067	21,671
	2018	12,150	519	3,047	669	16,385
	2017	11,925	262	2,454	178	14,819
Bryan K. Switzer [4]	2019	12,375	6,274	5,650	210	24,509

(1) We provide group term life insurance to each of our employees and their families. In the event of the death of an employee or a family member, his or her beneficiary is entitled to receive up to $50,000 under the group life insurance policy. We also provide each employee with $50,000 of accidental death and dismemberment insurance, which pays additional benefits if an employee suffers a covered accidental loss resulting in death, dismemberment or paralysis. The cost of $139 was equally allocated to each of our employees, including the executive officers. In addition, we provide our board members and executive officers a blanket accident insurance policy. The policy is intended to provide coverage for traveling on company business or on assignment for the benefit of our company. We allocated one–third of the premium of $6,000 (three-year premium) for coverage under the blanket accident insurance policy equally to our board members and executive officers. The cost was $108 per person in 2019, $106 in 2018 and $105 in 2017. An executive officer may elect to participate in a term life insurance program which pays beneficiaries of the policy an amount equal to approximately two times the executive officer's salary in the event of his or her death. The cost in 2019 for each of Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton and Mr. Switzer was $11,244, $2,070, $950, $2,138 and $6,027, respectively.

(2) The value is based on an estimate of the aggregate incremental costs incurred by us for the personal use of company-provided automobiles by each of our named executive officers.

(3) The amounts in this column include, among other things, a holiday bonus paid to each of our active employees, anniversary grants to Mr. Sprowls, Ms. Kruger and Mr. Cotton based upon their years of service of fifteen years, twenty-five years and ten years, respectively, and reimbursement of our CEO and senior executive officers for participating in a physical examination.

(4) Mr. Switzer was not a named officer in 2017 or 2018.

Equity Compensation

During each of the last three years, we granted time-vested restricted stock units to each of our executive officers. Each of these time-vested restricted stock units is payable at the rate of 33% one year after the grant date, 33% two years after the grant date and 34% three years after the grant date. There are, however, some exceptions to this rule in certain circumstances following termination of employment for death, disability, change in control or retirement. Employment must be terminated within two years after the change in control (other than for cause) or the executive has terminated his or her employment for good reason within two years after the change in control in order for the change in control exception to apply. The executive must be at least 55 years of age and the sum of the employee's age and years of service must be equal to or greater than 75 at the time of retirement in order for the retirement exception to apply.

All the restricted stock unit awards granted to Mr. Sprowls, Ms. Tang, Ms. Kruger and Mr. Switzer are vested pursuant to the Rule of 75. Mr. Sprowls, Ms. Tang, Ms. Kruger and Mr. Switzer may not, however, receive any common shares in exchange for these restricted stock units prior to the date that the restricted stock unit vests absent retirement, death, disability or a termination of employment following a change in control event.

We awarded each of our executive officer's performance stock awards in the form of restricted stock units that vest at the rate of 33% one year after the grant date, 33% two years after the grant date and 34% three years after the grant date, subject to the satisfaction of the performance conditions set forth in the award agreement. There are, however, some exceptions to this rule in certain circumstances following termination of employment for death, disability, change in control or retirement. Employment must be terminated within two years after the change in control (other than for cause) or the executive has terminated his or her employment for good reason within two years after the change in control in order for the change in control exception to apply. The executive must be at least 55 years of age and the sum of the employee's age and years of service must be equal to or greater than 75 at the time of retirement in order for the retirement exception to apply. All the performance stock awards granted to Mr. Sprowls, Ms. Tang, Ms. Kruger and Mr. Switzer are vested pursuant to the Rule of 75, subject to the satisfaction of the performance conditions set forth in the award agreement.

For our performance stock awards issued in 2017 for the period 2017 to 2019, the performance criteria applicable to the named executive officers in 2017 who were granted performance stock awards included total shareholder return relative to a defined peer group, GSWC's water segment operating expense level, ASUS new base acquisition rate and ASUS cumulative net earnings criteria. The compensation committee defined for each named executive officer the proportion of performance stock awards allocated to each performance criteria based on his or her role within the company. In March 2020, the compensation committee certified the company's performance against the performance conditions for the 2017 performance stock award. You can find information regarding the number of restricted stock units earned by each named executive officer based upon satisfaction of the performance criteria set forth in each named executive officer's 2017 performance award agreement under the heading "Compensation, Discussion and Analysis-Equity Awards."

We also awarded each of our executive officers restricted stock units in an amount equal to the quarterly cash dividends payable on our common shares times the number of restricted stock units or performance awards granted to the executive officer, but not yet payable pursuant to the terms of his or her restricted stock unit or performance stock award agreement divided by the closing price of our common shares on the dividend payment date as provided in the 2016 plan. We refer to these types of awards as dividend equivalent rights. Restricted stock units awarded pursuant to dividend equivalent rights vest and are payable on the same basis as the underlying restricted stock units on which these restricted stock units were earned.

You can find information regarding the performance conditions applicable to the awards granted in 2019 following the "Grants of Plan-Based Awards" table. You may also find information regarding the performance goals for each of these performance criteria for performance stock awards granted in 2019 under the heading "What plan-based awards did we make to these executive officers in 2019?"

Non-Equity Incentive Compensation

During the past three years, each of our executive officers received short-term cash incentive awards based upon achieving objective financial, operations and customer service performance goals set at target, threshold and maximum levels under our short-term cash incentive program. The objective bonus of each executive officer is determined based on payout percentages established by the compensation committee in March of each year for each performance measure. The performance measures and payout percentages vary depending upon whether the executive is an administrative officer of GSWC, an operations officer of GSWC or an officer of ASUS. Mr. Sprowls and Ms. Tang are administrative officers of GSWC. Ms. Kruger and Mr. Switzer are operations officers of GSWC. Mr. Cotton was an officer of ASUS. Mr. Cotton did not receive any cash from his 2019 award due to his employment termination in January 2020.

In addition, each executive officer is granted a discretionary bonus based upon a subjective assessment of the individual performance of each executive officer by the compensation committee. 80% of the target aggregate bonus is based upon satisfaction of the performance goals described under the heading "Compensation Discussion and Analysis-Short-Term Cash Incentives" and 20% of the target aggregate bonus is based upon the subjective assessment of individual performance by the compensation committee. The amount of the bonus for 2019 based upon the objective performance criteria is set forth in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table for each executive officer, other than Mr. Cotton. For Mr. Cotton, the amount of his bonus based upon the satisfaction of the objective performance criteria is based on the amount that he would have received if he had not terminated his employment in January 2020. As a result of the termination of his employment in January 2020, Mr. Cotton did not, in fact, receive this bonus. The amount of the discretionary bonus for 2019 is disclosed in the Bonus column in the Summary Compensation Table.

The compensation committee determined the target aggregate bonus for each executive officer as a percentage of the base salary of each executive officer and made changes in 2019 based on an assessment of each officer's compensation relative to market. Target bonuses for each officer, other than other officers promoted to an officer position during the year, were:

- 80.0% in 2019,71.0% in 2018 and 70.0% in 2017 for the president and chief executive officer,
- 32.5% in 2019, 31.5% in 2018 and 30.5% in 2017 for the senior vice presidents other than the ASUS senior vice president,
- 53.25% in 2019, 51.5% in 2018 and 50.0% in 2017 for the ASUS senior vice president, and
- 26.8% in 2019, 26.0% in 2018 and 25.5% in 2017 for all other executives.

The payout percentages for the satisfaction of the performance criteria are set forth below. The sum of the actual payout percentages differs from the objective bonus total due to rounding.

PAYOUT PERCENTAGES FOR GSWC ADMINISTRATIVE AND GENERAL OFFICERS

Performance Measure	Target Payout Percentage			Payout Percentage
	Threshold	Target	Maximum	Actual
Adjusted EPS – AWR Consolidated	10.0%	20.0%	35.0%	28.8%
Adjusted EPS – RU	11.5%	20.0%	29.0%	26.6%
Adjusted EPS – ASUS	5.0%	10.0%	20.0%	10.7%
Customer Complaints – RU	1.5%	5.0%	7.0%	6.0%
Customer Complaint Standards – RU	1.5%	5.0%	7.0%	7.0%
Capital Expenditures – RU	4.0%	10.0%	15.0%	15.0%
SOX Deficiencies – RU	2.0%	5.0%	7.0%	6.0%
SOX Deficiencies – ASUS	2.0%	5.0%	N/A	5.0%
Objective Bonus Total	**37.5%**	**80.0%**	**120.0%**	**105.1%**

PAYOUT PERCENTAGES FOR GSWC OPERATIONS OFFICERS

Performance Measure	Target Payout Percentage			Payout Percentage
	Threshold	Target	Maximum	Actual
Adjusted EPS – RU	20.0%	40.0%	60.0%	54.6%
Customer Complaints – RU	2.0%	5.0%	7.0%	6.0%
Customer Complaint Standards – RU	2.0%	5.0%	7.0%	7.0%
Capital Expenditures – RU	7.5%	15.0%	20.0%	20.0%
Supplier Diversity – RU	2.0%	5.0%	7.0%	4.9%
Safety - Recordable Work Incidents – RU	2.0%	5.0%	7.0%	3.5%
SOX Deficiencies – RU	2.0%	5.0%	7.0%	6.0%
Objective Bonus Total	**37.5%**	**80.0%**	**115.0%**	**102.0%**

PAYOUT PERCENTAGES FOR ASUS OPERATIONS OFFICERS

Performance Measure	Target Payout Percentage			Payout Percentage
	Threshold	Target	Maximum	Actual
Adjusted EPS – ASUS	15.0%	40.0%	70.0%	42.2%
Direct Operating Margin – ASUS	7.0%	12.5%	24.0%	24.0%
Direct Construction Margin – ASUS	7.0%	12.5%	24.0%	12.0%
Expense Optimization – ASUS	4.0%	6.0%	12.0%	5.5%
Safety – Recordable Work Incidents – ASUS	2.5%	4.0%	5.0%	0.0%
SOX Deficiencies – ASUS	2.0%	5.0%	N/A	5.0%
Objective Bonus Total	**37.5%**	**80.0%**	**135.0%**	**88.6%***

*Line item does not total due to rounding.

The performance criteria for short-term cash incentive awards in 2018 and 2017 were based on similar types of performance criteria. The objective bonus payout under short-term cash incentive awards made to Mr. Sprowls and Ms. Tang in 2018 and 2017 was 95.1% and 94.4% as compared to the objective bonus target. The objective bonus payout under short-term cash incentive awards made to Ms. Kruger and Mr. Switzer in 2018 and 2017 was 93.9% and 94.9% as compared to the objective bonus target. The objective bonus payout under short-term cash incentive awards made to Mr. Cotton in 2018 and 2017 was 89.2% and 73.6% as compared to the objective bonus target.

You can find additional information regarding our short-term cash incentive program under the heading "Compensation, Discussion and Analysis-Short-Term Cash Incentives," including definitions for each of the performance measures.

Other Compensation

We have a 401(k) plan under which employees may invest a percentage of their pay, up to a maximum amount prescribed by law. We provide matching contributions for each of our employees who participate in the plan of 100% up to the first 3% of eligible compensation deferred and 50% of the next 3% of eligible compensation deferred. Each of our executive officers is entitled to participate in this plan on the same basis as other employees, subject to the limits imposed by the Internal Revenue Code.

We provide all active full-time employees with medical, dental and vision benefits and life insurance coverage. All employees are required to pay 15% of the company's premiums for medical, dental and vision benefits, except for certain employees at subsidiaries of ASUS. We pay all premiums for life insurance coverage in the amount of $50,000 for all employees and their families, plus additional benefits if any employee suffers a covered accidental loss resulting in death, dismemberment or paralysis, except for certain employees at subsidiaries of ASUS. We also have employee assistance, an anniversary award for reaching certain years of service and holiday bonus programs. Each of our executive officers is entitled to these benefits on the same basis as other employees. In addition, in 2019 we offered a term life insurance program to all officers of the company and its subsidiaries with premiums payable by the company. Under this program, the officer's primary beneficiaries are entitled to a benefit in an amount equal to approximately two-times the officer's base salary in the event of the officer's death. All of the named executive officers elected to participate in this program.

All active full-time employees at GSWC and ASUS and all active managers and exempt-employees at subsidiaries of ASUS, receive time off with pay for vacation, holiday and sick leave in accordance with company policy. Other employees at ASUS subsidiaries have different benefit packages. Executives receive vacation accrual based on the number of their continuous months of service, with 1 to 60 months of service earning 20 days per year of vacation; 61 to 120 months of continuous service earning 25 days of vacation per year and 121 or more months of continuous service earning 26 days of vacation per year. Executives receive sick leave benefits on the same basis as all other employees. Accrued vacation days that are not used in any year are carried over to the next year, provided that, effective January 1, 2012, the number of accrued and unused vacation days for each employee is subject to a cap equal to the total number of vacation days that such employee can accrue over a two-year period. When an employee reaches the cap, vacation accruals for the employee will cease until vacation days are used. When an employee's accrual rate increases because of increased service with the company, the employee's cap will increase accordingly. All employees are entitled to a cash payment, based on their then current salary, for any accrued, but unused, vacation days upon termination of employment as required by California law.

Each of our executive officers is entitled to the benefits of a travel insurance policy provided by the company and the use of a company-owned car. Upon termination of employment, each executive is entitled to purchase his or her company-owned car at the wholesale price for such car taking into account the mileage on the car.

Under the company's relocation policy, the company will reimburse executive officers for covered relocation expenses, subject to specified limits. Under the terms of this policy, an officer is required to reimburse us for any expenses paid by us if the officer resigns or is terminated for misconduct and/or poor performance within 24 months after having commenced work at a new assigned work location. The compensation committee believes that it is appropriate for us to claw back any relocation expenses paid to an officer under these circumstances. No relocation expenses were paid to any named executive officer during the past three years.

Under the terms of a senior executive health examination program, the chief executive officer and each of our senior vice presidents and vice presidents is entitled to be reimbursed up to $2,500 for the costs of an executive physical examination at least once every two years.

Total Compensation

The proportion of salary, bonus and non-equity incentive plan compensation to total compensation set forth in the Summary Compensation Table for Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton and Mr. Switzer was 33.7%, 40.8%, 36.0%, 42.4% and 39.8% of total compensation, respectively. The proportion of equity compensation to total compensation set forth in the Summary Compensation Table for 2019 for Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton and Mr. Switzer was 21.7%, 7.3%, 6.5%, 11.0% and 8.3% of total compensation, respectively. The compensation committee has not adopted any policy regarding the allocation of total compensation among the various components of total compensation.

What plan-based awards did we make to these executive officers in 2019?

We granted restricted stock units for both time-vested and performance-based equity awards to each of our named executive officers in 2019 as more particularly described below. Each of the named executive officers, other than Mr. Cotton, also received a cash award under our short-term performance incentive plan based upon the satisfaction of certain performance criteria. The amount of this award is reflected in the Summary Compensation Table under the Non-Equity Incentive Compensation column and the award is described in detail under the non-equity incentive compensation section.

GRANTS OF PLAN-BASED AWARDS IN 2019

		Estimated Future Payouts Under Equity Incentive Plan Awards[1]				
Name	**Grant Date**	**Threshold (#)[2]**	**Target (#)[3]**	**Maximum (#)[4]**	**All Other Stock Awards: Number of Shares of Stock or Units (#)**	**Grant Date Fair Value of Stock Awards ($)[5]**
Robert J. Sprowls	1/29/19 1/29/19	 5,584.4	 12,509.0	 21,890.5	4,170.0	$270,967 812,835
Eva G. Tang	1/29/19 1/29/19	 406.1	 910.0	 1,592.5	910.0	$59,132 59,132
Denise L. Kruger	1/29/19 1/29/19	 406.1	 910.0	 1,479.0	910.0	$59,132 59,132
James C. Cotton[6]	1/29/19 1/29/19	 710.7	 1,592.0	 3,502.5	531.0	$34,504 103,448
Bryan K. Switzer	1/29/19 1/29/19	 291.1	 652.0	 1,059.5	652.0	$42,367 42,367

(1) These calculations assume that (i) the number of members of the company's peer group at the end of the performance period will be seven, (ii) the compensation committee will not make any downward adjustment in the amount of the award following the end of the performance period, and (iii) the executive officer will continue to be employed by or provide service to the company throughout the performance period or will be vested pursuant to the Rule of 75.

(2) This calculation assumes that the executive officer will achieve the minimum performance level established by the compensation committee for each performance condition set forth in the performance stock award granted to the executive officer in 2019. The performance required to achieve the total shareholder return minimum condition, the aggregate GSWC operating expense level minimum condition, the ASUS cumulative net earnings minimum condition and the ASUS new base acquisition

success rate minimum condition in the performance stock awards granted in 2019 is 28.57%, 50.00%, 50.00% and 50.00% of the target performance level, respectively.

(3) This calculation assumes that the executive officer will achieve the target performance level established by the compensation committee for each performance condition set forth in the performance stock award granted to the executive officer in 2019.

(4) This calculation assumes that the executive officer will achieve the maximum performance level established by the compensation committee for each performance condition set forth in the performance stock award granted to the executive officer in 2019. The performance required to achieve the total shareholder return maximum condition, the aggregate GSWC water segment operating expense level maximum condition, the ASUS cumulative net earnings maximum condition and ASUS new base acquisition success rate maximum condition is 200%, 150%, 200% and 250% of the target performance level, respectively.

(5) We provide information regarding the assumptions used to calculate the value of time-vested restricted stock units and performance stock granted on January 29, 2019 pursuant to the 2016 plan in Note 13 to our audited financial statements in our Form 10-K for the year ended December 31, 2019.

(6) Due to termination of Mr. Cotton's employment on January 17, 2020, 100% of his time-vested stock award was forfeited due to non-vesting. In addition, 67% of the 2019 performance stock award was forfeited due to non-vesting.

Mr. Sprowls and Ms. Tang can earn between 0% to 175.0%, Ms. Kruger and Mr. Switzer can earn between 0% to 162.5%, and Mr. Cotton would have been able to earn between 0% to 220.0% of the target amount set forth in the 2019 executive's performance award depending on the company's performance against the performance goals during the performance period, which consist of the following metrics: 25% of the performance stock awards granted are based on the company's total shareholder return compared to the total shareholder return of the company's defined peer group, referred to as the total shareholder return criteria and 75% of the performance stock awards will be earned based upon the satisfaction of one or more of the following performance conditions: aggregate GSWC water segment operating expense level criteria for GSWC operations and administrative officers, ASUS cumulative net earnings for GSWC administrative officers and ASUS officers and ASUS new base acquisition success rate for ASUS officers. The performance period commenced on January 1, 2019 and ends on December 31, 2021. The performance goals for Mr. Sprowls and Ms. Tang are based on the total shareholder return, the aggregate GSWC water segment operating expense level and the ASUS cumulative net earnings criteria. The performance stock awards for Ms. Kruger and Mr. Switzer are based on the total shareholder return criteria and the aggregate GSWC water segment operating expense level criteria. The performance goals for Mr. Cotton are based on the total shareholder return, the ASUS cumulative net earnings and the ASUS new base acquisition success rate criteria.

We disclose in the tables set forth below the performance goals for each of these performance criteria for performance stock awards granted in 2019:

2019 PERFORMANCE TARGETS AND PAYOUT PERCENTAGES FOR TOTAL SHAREHOLDER RETURN(1)

Total Shareholder Return	Payout as a Percentage of Target
≥ 7 members of the Peer Group	200.00%
≥ 6 members of the Peer Group	171.43%
≥ 5 members of the Peer Group	142.86%
≥ 4 members of the Peer Group	114.29%
≥ 3 members of the Peer Group	85.71%
≥ 2 members of the Peer Group	57.14%
≥ 1 member of the Peer Group	28.57%

(1) The total shareholder return criteria refer to total shareholder return during the performance period, including the reinvestment of dividends. The defined peer group for this purpose consists of the following water utilities: American Water Works Company, Inc., Essential Utilities, Inc. (previously called Aqua America, Inc.), Artesian Resources Corporation, California Water Service Group, Middlesex Water Company, SJW Group and The York Water Company.

2019 PERFORMANCE TARGETS AND PAYOUT PERCENTAGES FOR AGGREGATE GSWC OPERATING EXPENSE LEVEL[1]

Aggregate GSWC Operating Expense Level	Payout as a Percentage of Target
≤$275.5 million	150%
>$275.5 million and ≤$281.5 million	125%
>$281.5 million and ≤$301.5 million	100%
>$301.5 million and ≤$307.5 million	50%
>$307.5 million	0%

(1) The aggregate GSWC water segment operating expense level criteria refers to the cumulative operating expenses of the water segment as reported in the Form 10-Ks filed with the Securities and Exchange Commission for the period beginning January 1, 2019 and ending on the last day of the performance period, as adjusted to remove (i) water supply, depreciation and amortization and maintenance expenses as reported in the Form 10-Ks, (ii) public relations, legal and other professional services expenses of GSWC during the performance period applicable to defending GSWC from condemnation considerations and actions applicable to the water segment, (iii) any costs of defense, costs of settlement and judgments incurred in connection with claims arising from water quality incidences accruing during the performance period which are incurred in connection with claims determined by the compensation committee to be extraordinary events, (iv) write-offs associated with decisions or actions of the CPUC applicable to the financial statements in the performance period for the water segment, and (v) gross-up of certain surcharges authorized by the CPUC to recover previously incurred costs recorded pursuant to generally accepted accounting principles.

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2019 PERFORMANCE TARGETS AND PAYOUT PERCENTAGES FOR ASUS CUMULATIVE NET EARNINGS[1]

ASUS Cumulative Net Earnings	Payout as a Percentage of Target
≥$59.0 million	200%
≥$54.0 million and <$59.0 million	150%
≥$49.0 million and <$54.0 million	100%
≥$44.0 million and <$49.0 million	50%
<$44.0 million	0%

(1) The ASUS cumulative net earnings criteria refer to the cumulative net income of ASUS and its subsidiaries during the performance period, less the amount, if any, of adjustments made to our contract pricing due to the Tax Cuts and Jobs Act of 2017 enacted on December 22, 2017.

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2019 PERFORMANCE TARGETS AND PAYOUT PERCENTAGES FOR ASUS NEW BASE ACQUISITION SUCCESS RATE[1]

New Base Acquisition Success Rate	Payout as a Percentage of Target
100%	250%
80%	200%
60%	150%
40%	100%[2]
20%	50%
0%	0%

(1) New base acquisition success rate refers to the percentage that results from dividing (1) the sum of the amounts of the contract awards announced by the Department of Defense for the targeted new bases set forth in the target new base acquisition table for the targeted new bases awarded to ASUS during 2019-2021 plus the sum of the Initial Joint Inventory Adjustment Difference for any targeted new bases (the numerator), by (2) the sum of the amount of contract awards announced by the Department of Defense during 2019-2021 for the targeted new bases set forth in the targeted new base acquisition table for the targeted new bases awarded to all competitors during 2019-2021, including ASUS, plus the sum of the Initial Joint Inventory Adjustment Difference for any targeted new bases (the denominator). The term “Initial Joint Inventory Adjustment Difference” means, with respect to any targeted new base, the difference between (1) the amount of the contract award for each targeted new base at the time of the execution of the bill of sale for each targeted new base following a joint inventory of assets at such targeted new base, and (2) the amount of the contract award for the targeted new base announced by the Department of Defense at the time of the award.

(2) Payout will also be at target if the U.S government does not award at least two of the targeted new bases to all competitors, including ASUS, during the 2019-2021 performance period.

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What equity awards granted to these executive officers were outstanding at the end of the year?

Each named executive officer had the restricted stock unit and equity incentive plan awards outstanding at December 31, 2019 described in the table below. Certain of the equity awards made to Mr. Sprowls, Ms. Tang, Ms. Kruger and Mr. Switzer have vested but are not yet payable. Information regarding the installment payment dates for these awards is provided in the footnotes following this table.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2019[(1)]

	Stock Awards			
Name	Number of Shares or Units That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested ($)[(2)]	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Rights or Other Rights That Have Not Vested[(8)]	Equity Incentive Plan Awards; Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested[(2)(8)]
Robert J. Sprowls	[(3)]	[(3)]	46,245	$4,006,667
Eva G. Tang	[(4)]	[(4)]	3,548	$307,339
Denise L. Kruger	[(5)]	[(5)]	3,295	$285,479
James C. Cotton	1,587[(6)]	$137,498[(6)]	3,548[(8)]	$307,399
Bryan K. Switzer	[(7)]	[(7)]	2,361	$204,557

(1) All options held by the named executive officers have been exercised as of December 31, 2019.

(2) We determined the market value of restricted stock units and performance stock awards that have not vested by multiplying the number of unvested restricted stock units and unvested performance stock awards outstanding on December 31, 2019 by the closing price of our common shares on December 31, 2019, as reported on *The Wall Street Journal* website (www.online.wsj.com). The closing price of our common shares on December 31, 2019, as so reported, was $86.64.

(3) Restricted stock unit awards made to Mr. Sprowls in the amount of 9,116 shares have vested pursuant to the Rule of 75 but had not yet been paid out. At December 31, 2019, these awards had a market value of $789,810.

(4) Restricted stock unit awards made to Ms. Tang in the amount of 2,148 shares have vested pursuant to the Rule of 75 but had not yet been paid out. At December 31, 2019, these awards had a market value of $186,103.

(5) Restricted stock unit awards made to Ms. Kruger in the amount of 2,390 shares have vested pursuant to the Rule of 75 but had not yet been paid out. At December 31, 2019, these awards had a market value of $207,070.

(6) All of these time-vested restricted stock unit awards made to Mr. Cotton were forfeited due to his termination of employment with ASUS in January 2020.

(7) Restricted stock unit awards made to Mr. Switzer in the amount of 1,721 shares have vested pursuant to the Rule of 75 but had not yet been paid out. At December 31, 2019, these awards had a market value of $149,107.

(8) We assumed for the purpose of this disclosure that each executive officer, other than Mr. Cotton, would earn performance stock awards at the maximum level for the 2018 grant and 2019 grant. The value listed includes dividend equivalent rights granted as of December 31, 2019 on these awards. We assumed that Mr. Cotton would earn performance stock awards at the target level. However, as result of his termination of employment in January 2020, 34% of Mr. Cotton's 2018 performance award is forfeited and 67% of his 2019 performance award is forfeited. Although the performance stock awards granted to Mr. Sprowls, Ms. Tang, Ms. Kruger and Mr. Switzer have vested pursuant to the Rule of 75, they have not been earned since the performance conditions have not been met.

Did any executive officers exercise options or have other stock awards vest in 2019?

Two of our named executive officers exercised stock options in 2019. All our named executive officers had outstanding awards of restricted stock units vest in 2019. No restricted stock vested in 2019.

OPTION EXERCISES AND STOCK VESTED IN 2019[1]

Name	Option Exercises		Stock Awards	
	No. of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	No. of Shares Acquired on Vesting (#)[2]	Value Realized on Vesting ($)[1][2]
Robert J. Sprowls	13,038	$749,148	36,227[3]	$1,925,492
Eva G. Tang	5,016	279,849	5,462[4]	231,922
Denise L. Kruger	–	–	6,652[5]	298,985
James C. Cotton	–	–	4,206[6]	297,989
Bryan K. Switzer	–	–	4,812[7]	216,894

(1) We determined the value realized on vesting of restricted stock units based on the closing market price of our common shares on the date of vesting as reported on *The Wall Street Journal* website (www.online.wsj.com).

(2) Includes performance stock award granted in 2017 which vested in 2019.

(3) Out of 36,227 shares fully vested in 2019, Mr. Sprowls acquired 4,974 common shares on February 5, 2019, upon the payout of restricted stock units with a market value of $334,329 on the date of acquisition. Mr. Sprowls is entitled to acquire the remaining 31,253 common shares, which were not payable during 2019, because of the immediate vesting of these common shares under the rule of 75. Mr. Sprowls acquired 4,725 of these common shares on February 5, 2020 with a market value of $417,990 on the date of acquisition. On March 13, 2020, Mr. Sprowls acquired 22,136 of these common shares (together with 84 common shares with respect to dividends declared on January 28, 2020 pursuant to dividend equivalent rights on these shares) with an aggregate market value of $1,591,163 on the date of acquisition. Mr. Sprowls was entitled to acquire the remaining 4,392 common shares, which were not payable during 2019, because of the vesting of these common shares under the Rule of 75. Mr. Sprowls has the right to acquire 1,557 of these common shares within 30 days from January 29, 2021, 1,396 of these common shares within 30 days from January 28, 2021 and 1,439 of these common shares within 30 days from January 28, 2022 as a result of the previous vesting of the 4,392 restricted stock units, the value of which was not realized during 2019, plus common shares with respect to dividends declared after December 31, 2019 on these common shares pursuant to dividend equivalent rights on these shares until the date of acquisition of these shares.

(4) Out of 5,462 shares fully vested in 2019, Ms. Tang acquired 1,347 common shares on February 5, 2019, upon the payout of restricted stock units with a market value of $90,541 on the date of acquisition. Ms. Tang is entitled to acquire the remaining 4,115 common shares, which were not payable during 2019, because of the immediate vesting of these common shares under the rule of 75. Ms. Tang acquired 1,154 of these common shares on February 5, 2020 with a market value of $102,092 on the date of acquisition. On March 13, 2020, Ms. Tang acquired 1,967 of these common shares (together with 7 common shares with respect to dividends declared on January 28, 2020 pursuant to dividend equivalent rights on these shares) with an aggregate market value of $141,381 on the date of acquisition. Ms. Tang was entitled to acquire the remaining 994 common shares, which were not payable during 2019, because of the vesting of these common shares under the Rule of 75. Ms. Tang has the right to acquire 375 of these common shares within 30 days from January 29, 2021, 305 of these common shares within 30 days from January 28, 2021 and 314 of these common shares within 30 days from January 28, 2022 as a result of the previous vesting of the 994 restricted stock units, the value of which was not realized during 2019, plus common shares with respect to dividends declared after December 31, 2019 on these common shares pursuant to dividend equivalent rights on these shares until the date of acquisition of these shares.

(5) Out of 6,652 shares fully vested in 2019, Ms. Kruger acquired 1,579 common shares on February 5, 2019, upon the payout of restricted stock units with a market value of $106,117 on the date of acquisition. Ms. Kruger is entitled to acquire the remaining 5,073 common shares, which were not payable during 2019, because of the immediate vesting of these common shares under the rule of 75. Ms. Kruger acquired 1,396 of these common shares on February 5, 2020 with a market value of $123,525 on the date of acquisition. On March 13, 2020, Ms. Kruger acquired 2,683 of these common shares (together with 10 common shares with respect to dividends declared on January 28, 2020 pursuant to dividend equivalent rights on these shares) with an aggregate market value of $192,868 on the date of acquisition. Ms. Kruger is entitled to acquire the remaining 994 common shares, which were not payable during 2019, because of the vesting of these common shares under the Rule of 75. Ms. Kruger has the right to acquire 375 of these common shares within 30 days from January 29, 2021, 305 of these common shares within 30 days from January 28, 2021 and 314 of these common shares within 30 days from January 28, 2022 as a result of the previous vesting of the 994 restricted stock units, the value of which was not realized during 2019, plus common shares with respect to dividends declared after December 31, 2019 on these common shares pursuant to dividend equivalent rights on these shares until the date of acquisition of these shares.

(6) Out of 4,206 shares fully vested in 2019, Mr. Cotton acquired 1,071 common shares on February 5, 2019, upon the payout of restricted stock units with a market value of $72,646 on the date of acquisition and 3,228 common shares on March 13, 2019,

upon the payout of restricted stock units with a market value of $230,631 on the date of acquisition. On March 13, 2020 Mr. Cotton acquired 3,135 common shares (together with 12 common shares with respect to dividends declared on January 28, 2020 pursuant to dividend equivalent rights on these shares) with an aggregate market value of $225,343 on the date of acquisition. Mr. Cotton is not entitled to acquire any more common shares in respect to time-vested payouts due to his termination from ASUS in January 2020.

(7) Out of 4,812 shares fully vested in 2019, Mr. Switzer acquired 1,139 common shares on February 5, 2019, upon the payout of restricted stock units with a market value of $76,578 on the date of acquisition. Mr. Switzer is entitled to acquire the 3,673 remaining common shares, which were not payable during 2019, because of the vesting of these common shares under the Rule of 75. Mr. Switzer acquired 1,009 of these common shares on February 5, 2020 with a market value of $89,243 on the date of acquisition. On March 13, 2020, Mr. Switzer acquired 1,952 of these common shares (together with 7 common shares with respect to dividends declared on January 28, 2020 pursuant to dividend equivalent rights on these shares) with an aggregate market value of $140,316 on the date of acquisition. Mr. Switzer is entitled to acquire the remaining 712 common shares, which were not payable during 2019, because of the vesting of these common shares under the Rule of 75. Mr. Switzer has the right to acquire 269 of these common shares within 30 days from January 29, 2021, 218 of these common shares within 30 days from January 28, 2021 and 225 of these common shares within 30 days from January 28, 2022 as a result of the previous vesting of the 712 restricted stock units, the value of which was not realized during 2019, plus common shares with respect to dividends declared after December 31, 2019 on these common shares pursuant to dividend equivalent rights on these shares until the date of acquisition of these shares.

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What pension benefits are payable to these executive officers?

We provide information in the table below reflecting the present value of the accumulated retirement benefits provided to each of our named executive officers as of December 31, 2019.

PENSION BENEFITS(1)

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)(3)
Robert J. Sprowls(2)	Pension Plan	15	$1,051,002
	Supplemental Retirement Plan	15	7,506,928
Eva G. Tang(2)	Pension Plan	23	1,735,760
	Supplemental Retirement Plan	23	3,392,451
Denise L. Kruger	Pension Plan	27	1,762,499
	Supplemental Retirement Plan	27	2,672,283
James C. Cotton	Pension Plan	11	521,204
	Supplemental Retirement Plan	11	783,600
Bryan K. Switzer	Pension Plan	19	1,395,655
	Supplemental Retirement Plan	19	1,318,963

(1) The present value of the accumulated benefit for each of our named executive officers is based on the age when he or she would be eligible to retire with full benefits, which is at 62 (or current age if later) except for Mr. Sprowls. The present value of the accumulated benefit is based on the age of 63 and 10 months for Mr. Sprowls, which is the age on which he is eligible to retire with full benefits. If we had assumed that each of them would retire at age 65, the normal retirement age under each of these plans, the present value of the accumulated benefit under the pension plan would instead be $980,247, $1,669,414, $1,488,022, $438,365 and $1,222,068 for Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton and Mr. Switzer, respectively, and the present value of the accumulated benefit under the supplemental retirement plan would be $7,011,627, $3,265,236, $2,262,675, $661,348 and $1,158,102 for Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton and Mr. Switzer, respectively.

(2) Mr. Sprowls and Ms. Kruger were eligible to retire with a 13.33% and 31.25% reduction in benefits, respectively, at December 31, 2019. Ms. Tang became eligible to retire with full benefits in August 2017. Mr. Switzer became eligible to retire with full benefits in March 2019. If we had assumed that Mr. Sprowls and Ms. Kruger retired at December 31, 2019, the present value of accumulated benefit for the pension plan would be $993,706 and $1,682,315, respectively, and the present value of accumulated benefit for the supplemental retirement plan would be $7,084,860 and $2,537,604, respectively.

(3) We used the same assumptions to calculate the change in pension value in Note 12 to our audited financial statements in our Form 10-K for the year ended December 31, 2019, except that retirement age is assumed to be the earliest date on which any of the executive officers, may retire under the plan without any benefit reduction due to age. We ignored for the purpose of this calculation what actuaries refer to as pre-retirement decrements.

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Each of our named executive officers is a participant in the pension plan. This plan is a defined benefit pension plan available to all eligible employees hired prior to January 1, 2011 who are 21 years or older and have completed 1,000 hours of service in the first year of employment or in any subsequent plan year. The normal retirement benefit is 2% of an employee's five highest consecutive years' average earnings multiplied by the number of years of credited service, up to a maximum of 40 years, reduced by a percentage of primary social security benefits. Normal retirement age is 65. An employee must have five years of service in order to receive benefits under this plan. For purposes of this plan, compensation includes an executive's salary and all other reportable compensation received by the executive, except bonuses, the imputed value of the personal use of company-owned vehicles, unused vacation pay, severance pay and long-term incentive program payments, up to the maximum amount permitted under the Internal Revenue Code (which was $280,000 at January 1, 2020). Any employee hired after December 31, 2010 is eligible for participation in a defined contribution plan.

We also provide each of our named executive officers additional pension benefits under the supplemental retirement plan. Each executive has the right to receive a benefit under the terms of this plan equal to the sum of 2% of compensation for each year of service before 2006 plus 3% of compensation for each year of service after 2005, up to a combined maximum of 60% of compensation, less a percentage of primary social security benefits and amounts payable to the executive under the pension plan. For purposes of this plan, compensation includes all compensation included under the pension plan, cash incentive compensation and dividend equivalent rights on options granted prior to 2006. For participants who were employed by the company on January 1, 2006, the benefit is the greater of the benefit under the formula described in the previous sentence or the benefit under the previous formula. Under the previous formula, each executive was entitled to receive a benefit equal to the sum of 2% of compensation for each year of service, up to a maximum of 40 years, less a percentage of primary social security benefits and amounts payable to the executive under the pension plan.

Under the terms of each of the plans, an employee who is eligible may retire and receive benefits at age 55, with a 50% reduction in his or her benefits for early commencement. An employee who retires after age 55 but before age 62 will also receive benefits reduced for early commencement. The amount of the reduction will depend upon the employee's age at the date payment of his or her benefits begins and whether the sum of his or her age and completed years of service, as of the date of his or her termination, is equal to or greater than 80. An employee who retires at or after age 62 but before age 65 will also receive benefits reduced for early commencement based on his or her age at retirement unless the sum of his or her age and completed years of service, as of the date of his or her termination, is equal to or greater than 80, in which case the employee will be entitled to full, unreduced benefits. Under the terms of the supplemental retirement plan, an employee who is vested will begin receiving benefits within 60 days following the later of separation from service, age 55 or an age over 55 previously elected by the employee, subject to any delay required under Section 409A of the Internal Revenue Code.

We did not make any payments to any named executive officer under either of our pension plans during the last year.

We also provide a Medicare supplement insurance policy for each employee who we hired prior to February 1, 1995 and his or her spouse at or after age 65. The only named executive officer that has a right to this benefit after reaching age 65 is Ms. Kruger.

Do any executive officers participate in a non-qualified deferred compensation plan?

None of our named executive officers are participants in a defined contribution or non-qualified deferred compensation plan, other than our 401(k) Investment Incentive Program, which is a tax-qualified defined contribution plan available to our employees generally, and the supplemental retirement plan described above.

What are the terms of the change in control agreement with executive officers?

Each of our executive officers is a party to a change in control agreement which provides for certain benefits in the event of a change in control of the company if the executive officer's employment is terminated (other than for cause, death or disability) or the executive terminates employment for good reason, in each case, within two years following the change in control event. A change in control under these agreements will generally include:

- any sale or other change in ownership of substantially all our assets, unless our business is continued by another entity in which the holders of our voting securities immediately before the sale or other change own more than 70% of the continuing entity's voting securities immediately after the sale or other change,
- any reorganization or merger, unless the holders of our voting securities immediately before the event own more than 70% of the continuing entity's securities immediately after the reorganization or merger and at least a majority of the members of the board of directors of the surviving entity were members of our board of directors at the time of execution of the agreement or approval by our board of directors,
- an acquisition by any person, entity or group acting in concert of more than 50% of our voting securities, unless the holders of our voting securities immediately before the acquisition own more than 70% of the acquirer's voting securities immediately after the acquisition,
- a tender offer or exchange offer by any person, entity or group which results in such person, entity or group owning more than 25% of our voting securities, unless the tender offer is made by the company or any of its subsidiaries or approved by a majority of the members of our board of directors who were in office at the beginning of the 12-month period preceding the commencement of the tender offer, or
- a change of one-half or more of the members of our board of directors within a 12-month period, unless at least two-thirds of the directors then still in office at the beginning of the 12-month period approved the election or nomination for election of the new directors.

The company must require any successor to the company to assume all change in control agreements.

Each executive may terminate his or her employment for good reason if within two years after the change in control any of the following occur and the company is unable to remedy the condition within a 20-day cure period:

- the executive is assigned duties inconsistent in any respect with the executive's position, authority, duties or responsibilities (or any diminution thereof) or the executive is not re-appointed to the same position,
- the executive's salary or benefits are reduced (including the elimination of any cash incentive or other cash bonus plan or any equity incentive or other equity-based compensation plan, without providing adequate substitutes, any modification thereof that substantially diminishes the executive's salary, cash or equity compensation or the substantial diminishment of fringe benefits),

- the executive is located at an office that increases the distance from the executive's home by more than 35 miles, or
- any successor to all or substantially all the business and/or assets of the company does not assume or agree to perform the change in control agreements.

In addition, all unvested options and restricted stock units (including performance stock awards granted in the form of restricted stock units if the performance conditions have been satisfied) will vest immediately prior to the date on which the executive's employment is terminated. For each of the executive officers, a change in control will occur under the same circumstances described in his or her change in control agreement.

Under the terms of the change in control agreements, each named executive officer is entitled to an amount equal to 2.99 times the sum of the executive's annual base salary at the highest rate in effect in any year of the three calendar years immediately preceding the date of termination of employment, including the year in which employment is terminated, plus any payments to be made to the executive pursuant to any cash performance incentive plan with respect to the year of termination of employment, assuming performance at the target level.

Each of the executives is also entitled to be paid (a) a cash lump sum within 10 days of the date of termination of employment of the executive's base salary and accrued but unpaid vacation pay through such date, and (b) cash at the end of each four month period during the twelve months immediately following the date of termination of employment, an amount equal to the sum of the excess of the accrued benefits under the pension plan and the supplemental retirement plan if the executive was credited with an additional three years of credited service over the actuarial equivalent of the executive's vested benefits under the pension plan, such sum divided by three, provided that the executive has not breached his or her one-year non-competition and non-solicitation agreement with the company. Each of these executives is also entitled to coverage under our health and welfare benefit plans for a period of two years after termination of employment (three years for Mr. Sprowls and Ms. Tang).

If it is determined that any amount payable to any executive under a change in control agreement would give rise to an excise tax under Section 4999 of the Internal Revenue Code, then the amount payable to the executive will be reduced to the extent necessary so that no portion of the payments will be subject to the excise tax, provided that such reduction will only be made if it would result in the executive retaining a greater amount of payments on an after-tax basis (after taking into account federal, state and local income, excise and payroll taxes).

If we are unable to deduct any payments, we make under a change in control agreement due to the limitations imposed by Section 162(m) of the Internal Revenue Code, we will defer such payments to the extent necessary to enable us to deduct the payments. Each executive will be entitled to interest on any deferred payments at the applicable federal tax rate under the Internal Revenue Code (which changes monthly). Under Section 162(m) of the Internal Revenue Code, we generally may not deduct for federal income tax purposes annual compensation more than $1,000,000 paid to any named executive officer.

In addition, if we are required to make any payment under a change in control agreement which would be subject to Section 409A of the Internal Revenue Code, we will defer these payments until the later of six months following the date of termination of the executive's employment and the payment or commencement date specified in the change in control agreement.

What do we estimate we will pay each of our named executive officers in the event his or her employment is terminated because of a change in control?

Assuming that the employment of each of our named executives was terminated on December 31, 2019, a change in control occurred on that date under the change in control agreements and the 2016 plan and based on the assumptions set forth in the footnotes below, we estimate that we would have made the following payments to our named executive officers:

CHANGE IN CONTROL BENEFITS[(1)]

Payments and Benefits	Robert J. Sprowls	Eva G. Tang	Denise L. Kruger	James C. Cotton	Bryan K. Switzer
Payments					
Base Salary Benefit	$2,383,628	$1,381,380	$1,374,802	$1,079,988	$900,887
Bonus Benefit	1,906,902	448,949	446,812	575,094	241,438
Pension Plan and Supplemental Retirement Plan Benefits[(2)]	1,821,003	–	15,422	291,788	386,075
Benefits					
Welfare and Fringe Benefits[(3)]	102,199	74,676	62,747	64,905	55,149
Purchase of Automobile Benefit[(4)]	4,257	5,106	6,450	5,033	4,812
Restricted Stock Units Benefit[(5)]	789,810	186,103	207,070	137,498	149,107
Performance Stock Awards[(6)]	2,289,543	175,665	175,665	307,392	125,868
Total	$9,297,342[(7)]	$2,271,879	$2,288,968	$2,461,698	$1,863,336[(7)]

(1) We have assumed, for purposes of preparing this table, that we make all change in control payments to each continuing named executive officer in July 2020. We have excluded for the purpose of this calculation, amounts paid to each named executive officer for accrued, but unpaid base salary and vacation pay payable within ten days after termination of employment.

(2) In calculating the single sum actuarial equivalent, we used an interest rate equal to 3.51% and the mortality table named and described in detail in Section A.1 of the pension plan, after reduction, if any, of the benefit using the "Regular Factors" under Section A.4 of the pension plan, and each continuing executive officer's age at December 31, 2019, less a percentage of primary social security benefits. Ms. Tang has already accrued the maximum percentage that may be accrued under the supplemental retirement plan so a change in control will have no impact on her supplemental retirement plan benefits.

(3) Welfare benefits include (i) 85% of dental, medical and vision insurance premiums paid by the company for each named executive officer, under the insurance plans currently offered by the company, (ii) each named executive officer's pro rata share of the group term life insurance and accidental death and dismemberment premiums, (iii) reimbursement of health club dues for each named executive officer, up to a maximum of $1,800 a year, (iv) reimbursement for a health examination for each named executive officer, up to a maximum of $2,500 biannually, and (v) executive life insurance policy for each of the named executive officers. Welfare benefit amounts were calculated based on these benefits for a period of three years after termination of employment for Mr. Sprowls and Ms. Tang and two years after termination of employment for each of the other named executive officers. We assumed, for the purposes of this table, that each executive officer would be reimbursed up to the maximum amount for health club benefits and biannual health examination.

(4) We estimated the value of this benefit as the difference between (i) the wholesale value of the company car which the named executive officer has the right to purchase at the wholesale value, and (ii) the retail value of the car as shown in a national auto research publication.

(5) We measured the fair value of restricted stock units which were not converted to shares at December 31, 2019 assuming the price of our common shares on the date of each executive's termination of employment was $86.64.

(6) We measured the fair value of 2018 and 2019 performance stock award units which were not converted to shares as of December 31, 2019 assuming the price of our common shares on the date of each executive's termination of employment was $86.64. We assumed that the performance awards for both 2018 and 2019 grants would be paid out at target as provided in the performance stock award agreement.

(7) This executive's payment will be reduced to the extent necessary so that no portion of such payment will be subject to excise tax under Section 4999 of the Internal Revenue Code, provided that the reduction will result in the executive retaining a greater amount of the payment on an after-tax basis (after taking into account federal, state and local income taxes and payroll taxes).

What is our CEO to median employee pay ratio?

We estimated the median of the 2019 total annual compensation of our employees, excluding Mr. Sprowls, to be $140,170, using the same median employee identified in 2017. This median employee's total compensation for 2019 was $140,170 compared to $76,371 in 2018, a difference of $63,799. This increase was due primarily to a change in the pension value in 2019 compared to 2018 due mostly from a decrease in the discount rate used in calculating the change in pension value.

The 2019 total annual compensation of Mr. Sprowls set forth on the Summary Compensation Table is $4,995,699. The ratio of the total annual compensation of Mr. Sprowls to the estimated total annual compensation of our median employee in 2019 was 35.6 to 1. We believe this pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules. If we eliminated the actuarial change in pension value from our calculation for both Mr. Sprowls' total annual compensation and the median employee's total annual compensation, the ratio of the total annual compensation of Mr. Sprowls to the estimated total annual compensation of our median employee would be 35.9 to 1.

As permitted by SEC rules, we used the same median employee because there have been no changes in our employee population or employee compensation that we reasonably believe would result in a significant change to this pay ratio disclosure. We selected our median employee based on the annual gross wages reflected in our payroll records in 2017 for each of our employees on December 31, 2017. We did not annualize the compensation of employees who did not work a full year or make any other adjustments to our calculation of total annual compensation. We then computed the same median employee's 2019 total annual compensation using the same methodology used in calculating Mr. Sprowls' total annual compensation in the Summary Compensation Table, including the calculation of the actuarial change in pension value.

Because the SEC rules for identifying the median employee and calculating the pay ratio based on that employee's total annual compensation allow companies to use a variety of methodologies, to apply certain exclusions and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable to our pay ratio, as other companies may utilize different methodologies, exclusions, estimates and assumptions in calculating their pay ratios. These companies may also operate in different industries and different geographic locations, be of a different size, have different revenues, earnings and market capitalization and be subject to different regulation than the company.

PROPOSAL 2: ADVISORY VOTE TO APPROVE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

This proposal to approve the compensation of our named executive officers, commonly referred to as a "say-on-pay" proposal, is provided pursuant to section 14A of the Securities Exchange Act of 1934 and gives our shareholders the opportunity to express their views on the compensation of our named executive officers as described in this proxy statement. This vote is not binding and is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we will ask our shareholders to vote "**FOR**" the following resolution at the 2020 annual meeting:

> RESOLVED, that the compensation of our named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, compensation tables and related material disclosed in this proxy statement, is hereby APPROVED.

Target aggregate total direct compensation of Mr. Sprowls, Ms. Tang and Mr. Kruger increased modestly in 2019, while the target aggregate total direct compensation of Mr. Cotton was lower. Mr. Switzer was not a named executive officer in 2017 or 2018. Actual aggregate total direct compensation of the executive officers of the company (using 2019 salaries, bonuses and the value of 2019 equity grants) were below the market median determined by Pearl Meyer based on 2019 proxy statement information for members of the current peer group approved by the compensation committee, blended with data obtained by Pearl Meyer from three industry surveys.

Based upon an assessment of the realizable direct compensation of our CEO compared to CEOs in our current peer group, our CEO's realizable compensation rank was at the 50th percentile rank when assessing 2016 to 2018 pay and performance and 2017 to 2019 pay and performance. Our total shareholder return rank (including reinvestment dividends) was at the 75th percentile for the 2016-2018 period and 100th percentile for the 2017 to 2019 period. As a result, our CEO pay rank remains below our total shareholder return rank. Further information regarding the alignment of our CEO's pay with total shareholder return is provided under "Compensation Discussion and Analysis - Alignment of CEO Pay with Performance."

In recent years, the compensation committee has made an increasing percentage of the total compensation of an executive officer in the form of equity awards. Approximately 75%, 50%, 50%, 75% and 50% of the value of all stock awards made to Mr. Sprowls, Ms. Tang, Ms. Kruger, Mr. Cotton and Mr. Switzer, respectively, in 2019 were also dependent upon the satisfaction of performance criteria over a three-year performance period. The remainder of the stock awards were time vesting awards, which vest over a three-year period.

Approximately 97.7% of the votes cast for or against our "say-on-pay" proposal in 2019 were cast in favor of the compensation of our named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and related materials disclosed in our 2019 proxy statement. Abstentions were not counted as a vote either for or against this proposal.

This "say-on-pay" vote is advisory, and therefore not binding on us, the compensation committee or the board. However, the board and the compensation committee intend to review the voting results and will seek to determine the causes of a negative vote, if significant. Shareholders who wish to communicate with the board of directors or management regarding our executive compensation program or other matters may do so in the manner described under "Governance of the Company- What is the process for shareholders and other interested persons to send communications to our board?"

If no voting specification is made on a properly returned or voted proxy card, the named proxies will vote "**FOR**" this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

PROPOSAL 3: RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit and finance committee has appointed PricewaterhouseCoopers LLP, or PwC, as our independent registered public accounting firm for the year ended December 31, 2020, subject to reconsideration if our shareholders do not ratify this appointment.

PwC has served as our registered public accounting firm since 2002 and reports directly to the audit and finance committee. In determining whether to reappoint PwC as our registered public accounting firm in January 2019, the audit and finance committee considered many factors, including:

- the quality of its discussions with the audit and finance committee and the board and the performance of the lead audit partner and the audit team assigned to our account;
- the potential impact of changing our registered public accounting firm;
- the overall strength and reputation of the firm based upon, among other things, PwC’s most recent Public Company Accounting Oversight Board inspection report and the results of “peer review” and self-review examinations;
- the results of management’s and the audit and finance committee’s annual evaluations of the qualifications, performance and independence of PwC;
- PwC’s independence program and its processes for maintaining independence; and
- the appropriateness of PwC’s fees on an absolute basis and as compared to its peer firms.

We expect representatives of PwC to attend the 2020 annual meeting. They will have an opportunity to make a statement at the 2020 annual meeting, if they desire to do so. They will also be available to respond to appropriate questions from you if you attend the 2020 annual meeting.

What are the audit and finance committee’s pre-approval policies and procedures?

The audit and finance committee has adopted a policy statement regarding the approval of audit, audit-related, tax and other services provided by our registered public accounting firm. This policy statement specifies guidelines and procedures we will use to assist us in maintaining the independence of our registered public accounting firm and complying with Sections 201 and 202 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations promulgated by the SEC. The audit and finance committee administers this policy statement. The policy statement established the four categories of permitted services described below, the reporting procedure for each category of permitted services, prohibited services and the pre-approval process we use for each category of permitted service.

The audit and finance committee has reviewed the advisability and acceptability of utilizing our external auditor, PwC, for non-audit services. In reviewing this matter, the committee focused on the ability of our external auditor to maintain its independence. Based on input from management and the committee’s review of procedures established by PwC, the committee finds that it is both advisable and acceptable to employ our external auditor for certain limited non-audit services from time-to-time.

Principal Accounting Fees and Services

The aggregate fees billed or fees we expect to be billed to us by PwC for the years ended December 31, 2019 and 2018 are as follows:

Type of Fee	2019	2018
Audit Fees	$1,544,073	$1,388,390
Tax Fees	37,589	35,000
All Other Fees	900	67,700
Total	$1,582,562	$1,491,090

Audit Fees

Audit fees represent the aggregate fees billed, or fees we expect to be billed, for professional services rendered in connection with the audit of our annual financial statements (including the audit of internal control over financial reporting), a review of our financial statements included in our Form 10-Qs filed with the SEC, audits of the company's subsidiaries and other services normally provided by our accountants in connection with statutory or regulatory filings and engagements. The audit fees also include out-of-pocket expenses incurred in providing audit services.

Audit-Related Fees

Audit-related fees represent the aggregate fees billed, or fees we expect to be billed, for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements and are not included in audit fees. On a quarterly basis, the audit and finance committee pre-approves a specific quarterly limit on the amount of audit-related fees for non-audit services. Management is also required to report the specific engagements to the committee and obtain specific pre-approval from the committee. We did not incur any audit-related fees in 2019 or 2018.

Tax Fees

Tax fees represent the aggregate fees billed, or fees we expect to be billed, for professional services for tax compliance, tax advice and tax planning, including tax return review, review of tax laws and regulations and cases and other support in connection with complying with federal and state tax reporting and payment requirements. All tax fees have been pre-approved by the audit and finance committee.

All Other Fees

In 2018, we incurred fees to the advisory branch of PwC for assessing our finance and accounting organization. In 2019, we incurred fees to the advisory branch of PwC for $900 for obtaining access to SEC disclosure checklists prepared by PwC. These fees were pre-approved by the audit and finance committee.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

OTHER MATTERS

Our management knows of no business, other than that mentioned above, to be transacted at the 2020 annual meeting. Unless otherwise instructed, the named proxies intend to vote in accordance with their judgment on any other matter that may properly come before the 2020 annual meeting.

OBTAINING ADDITIONAL INFORMATION FROM US

This proxy statement incorporates by reference certain information from our financial statement footnotes in our Form 10-K for the year ended December 31, 2019. We undertake, on written or oral request, to provide you (or a beneficial owner of our securities entitled to vote), without charge, a copy of our annual report on Form 10-K for the year ended December 31, 2019 as filed with the SEC, including our financial statements and schedules. You should address your requests to the corporate secretary at American States Water Company, 630 East Foothill Boulevard, San Dimas, California 91773, telephone number 909-394-3600.

Unless we have been instructed otherwise, shareholders sharing the same address are receiving, as applicable, Notices in a single envelope or only one copy of our proxy statement. If we are sending a Notice, the envelope contains a unique control number that each shareholder may use to access our proxy materials and vote. If we are mailing a paper copy of our proxy materials, each shareholder at the shared address receives a separate proxy card. We will, however, deliver promptly a separate copy of this proxy statement to a shareholder at a shared address to which a single copy of this proxy statement was delivered, upon written or oral request. You may direct this request to us at the address or telephone number listed above. If you share an address with another shareholder and wish to receive a single copy of this proxy statement, instead of multiple copies, you may direct this request to us at the address or telephone number listed above.

If you received our proxy materials in the U.S. mail and would like to reduce the costs incurred by us in mailing proxy materials to you, you can consent to receiving future proxy materials, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions on your proxy card to vote by using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

You may visit our website at http://www.aswater.com to view the charters of our audit and finance committee, nominating and governance committee and compensation committee. We also provide a copy of our code of conduct and guidelines on significant governance issues on this website. You can find this information on our website by clicking on “Investors” and then clicking on “Governance.” You can also find a copy of our corporate social responsibility report by clicking on “About Us” on this website.

American States
Water Company

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