

AMERICAN STATES WATER CO
Form DEF 14A
March 29, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN
PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Soliciting Material Under Rule 14a-12
 Confidential, For Use of the
Commission Only (as permitted
by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials

AMERICAN STATES WATER COMPANY
(Name of Registrant as Specified In Its Charter)

N/A
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- (2) Form, Schedule or Registration Statement No.:
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Notice of 2011 Annual Meeting of Shareholders

Date: May 10, 2011

Time: 10:00 a.m., Pacific Time

Location: The Langham
1401 South Oak Knoll Avenue
Pasadena, California 91106

Record Date: March 18, 2011

Agenda: To elect the following three class III directors to the board of directors to serve until the annual meeting in 2014 or until their successors are duly elected and qualified:

Mr. James F. McNulty

Mr. Robert J. Sprowls

Ms. Janice F. Wilkins

To amend the Bylaws to increase the minimum and maximum size of the board from a range of five to nine directors to a range of six to eleven directors

To hold an advisory vote on the compensation of our named executive officers

To hold an advisory vote on the frequency of the vote on 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 2011 annual meeting or any adjournment thereof.

By order of the board of directors:

Ms. Eva G. Tang
Corporate Secretary

San Dimas, California
March 29, 2011

Important Notice Regarding the Availability of Proxy Materials
For the Shareholders Meeting to Be Held on May 10, 2011

Pursuant to rules adopted by the Securities and Exchange Commission, we have elected to provide access to our proxy materials by sending you the proxy statement, a proxy card and our Annual Report on Form 10-K for the year ended December 31, 2010. This proxy statement and our 2010 annual report are also available on the Internet at www.proxyvote.com. Shares must be voted either by telephone, online 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 of Internet availability of our proxy materials.

Directions for Attending the 2011 Annual Meeting

We will hold the 2011 annual meeting at The Langham, 1401 South Oak Knoll Avenue, Pasadena, California 91106.

For shareholders of record, the detachable portion of your proxy card is your ticket to the 2011 annual meeting. Please present your ticket when you reach the registration area at the 2011 annual meeting.

For shareholders who hold shares through a brokerage firm, bank or other holder 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 2011 annual meeting. You cannot vote your shares at the 2011 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 The Langham

American States Water Company

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March 29, 2011

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

2011 Proxy Statement

We are sending this proxy statement and the accompanying proxy to each of our shareholders of record on or about March 29, 2011 in connection with the solicitation by our board of directors of proxies to be voted at our 2011 annual meeting and any adjournments thereof. We have set the record date for determining the shareholders entitled to vote at the 2011 annual meeting as the close of business on March 18, 2011. As of March 18, 2011, we had 18,655,708 common shares outstanding. We do not have any other outstanding equity securities. Each of our common shares is entitled to one vote.

We will hold our 2011 annual meeting on May 10, 2011 at 10:00 a.m., Pacific Time, at The Langham, 1401 South Oak Knoll Avenue, Pasadena, California 91106.

INFORMATION ABOUT THE 2011 ANNUAL MEETING

What is the purpose of the 2011 annual meeting?

At our 2011 annual meeting, we will ask our shareholders to elect three class III directors who will serve until our annual meeting of shareholders in 2014, or until our shareholders duly elect their qualified successors. We will also ask shareholders to approve an amendment to our Bylaws to increase the minimum and maximum size of the board of directors from a range of five to nine to a range of six to eleven, 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 2011 annual meeting or any adjournment, including any proposal to adjourn the 2011 annual meeting. In addition, we are seeking advisory votes on the compensation that we pay our named executive officers, commonly referred to as a "say-on-pay" proposal, and on how frequently we should seek a "say-on-pay" advisory vote.

Even if you are able to attend the 2011 annual meeting, we encourage you to vote early using the mail, telephone or on-line methods described below.

Who may attend the 2011 annual meeting?

Our shareholders and our representatives may attend our 2011 annual meeting. If you are a shareholder of record on the record date, you must bring the detachable portion of your proxy card in order to gain admission to our 2011 annual meeting. You are a shareholder of record if your shares are registered directly in your name. We mailed this proxy statement 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 holder 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 to you.

How may I vote my shares in person at the 2011 annual meeting?

If you are the shareholder of record, you may vote your shares in person at the 2011 annual meeting if you have the detachable portion of your proxy card 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 2011 annual meeting since the 401(k) plan trustee is the holder of record of these shares.

How may I vote my shares without attending the 2011 annual meeting?

All proxies that shareholders properly sign and return, unless properly revoked, will be voted at the 2011 annual meeting or any adjournment thereof in accordance with the instructions indicated on the proxy.

You may vote your shares without attending the 2011 annual meeting by mail, by telephone or by Internet.

Voting by Mail

- ◆ You may sign, date and return your proxy cards 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 the proxy card in hand before calling.
- ◆ If your shares are held through a brokerage firm, bank or other holder of record, you may vote by telephone only if the holder of record (broker, bank or other holder of record) offers that option to you.
- ◆ Votes submitted by telephone must be received by 11:59 p.m., Eastern Time, on May 9, 2011 in order to be voted at the 2011 annual meeting.

Voting by Internet

- ◆ You may also choose to vote by proxy using the Internet. The Internet address is www.proxyvote.com which is also listed on the proxy card. Please have the proxy card in hand before going online. You may also view our proxy statement and 2011 annual report at this web-site.
- ◆ If your shares are held through a brokerage firm, bank or other holder of record, you may vote by the Internet only if the holder of record (broker, bank or other holder of record) offers that option to you.
- ◆ Votes submitted by Internet must be received by 11:59 p.m., Eastern Time, on May 9, 2011 in order to be voted at the 2011 annual meeting.

Regardless of whether or not you attend the 2011 annual meeting in person, we encourage all of 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 using any of the methods described above. Votes submitted by telephone or using the Internet must be received by 11:59 p.m. on May 6, 2011 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 2011 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 2011 annual meeting and voting in person, or
- ◆ presenting a written notice of the revocation of the proxy at the 2011 annual meeting.

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

Please bear in mind that your execution of a proxy will not affect your right to attend the 2011 annual meeting or any adjournment thereof and vote in person; however, your attendance at the 2011 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 a nominee by checking the “for All Except” box and writing the number(s) of the nominee(s) on the line below), or
- ◆ “FOR ALL EXCEPT,” and write in the nominee(s) with respect to whom you choose to withhold your authority to vote.

With respect to the vote to approve the proposed amendment to our Bylaws to increase the minimum and maximum size of our board of directors from a range of five to nine to a range of six to eleven directors, the advisory vote on 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”

You will also be asked to express your views as to whether we should hold a “say-on-pay” advisory vote every one, two or three years. You will also be given an opportunity to abstain from voting on this matter.

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 2011 annual meeting.

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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 2011 annual meeting?

Our board recommends that you vote your shares

- ◆ “FOR” each of the nominees for class III director,
- ◆ “FOR” the proposal to amend the Bylaws to increase the minimum and maximum size of the board from a range of five to nine to a range of six to eleven,
- ◆ “FOR” approval of the compensation of the named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, referred to herein as a “say-on-pay” advisory vote,
- ◆ “FOR” a “say-on-pay” advisory vote every three years, 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” the election of the board’s nominees as directors, “FOR” the proposal to amend our bylaws, “FOR” approval of the compensation of the named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, “FOR” a “say-on-pay” advisory vote every three years, 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 2011 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 2011 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 amendment to our bylaws to increase the minimum and maximum size of the board from a range of five to nine directors to a range of six to eleven directors must be approved by an affirmative vote of a majority of our outstanding common shares entitled to vote at the 2011 annual meeting. Abstentions on this proposal will have the effect of a vote against the proposal. Brokers are authorized to vote on this proposal unless you instruct otherwise.

Proposal 3

The compensation of the named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion will be approved upon an affirmative vote of a majority of our common shares represented in person or by proxy and voting at our 2011 annual meeting, provided that the shares voting affirmatively also constitute at least a majority of the required quorum at the 2011 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 4

We are requesting your views regarding whether a “say-on-pay” advisory vote should be held every one, two or three years. We are not seeking your approval of the board’s recommendation to hold a “say-on-pay” advisory vote every three years. Brokers are not authorized to vote on this proposal unless you instruct otherwise. This vote is advisory and non-binding on the company and the board.

Proposal 5

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 at our 2011 annual meeting, provided that the shares voting affirmatively also constitute at least a majority of the required quorum at the 2011 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 card 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 three 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 2011 annual meeting?

A quorum is present if shareholders holding a majority of shares entitled to vote on the record date are present at the 2011 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 will solicit proxies by U.S. mail or, in the case of brokers, banks and other nominees by personal delivery. We have engaged the services of Morrow & Company for \$5,500 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 2011 annual meeting in order 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 2011 annual meeting, no business may be transacted at the 2011 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

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 2012 annual meeting. The term of the class II directors will expire at the 2013 annual meeting. The term of the class III directors elected at this annual meeting will expire at the 2014 annual meeting.

Lloyd E. Ross, the chair of the board, is a non-voting ex-officio member of all committees of the board and is the presiding director for executive sessions of the board. The board holds executive sessions of the board following regularly scheduled meetings and on an as-needed basis, some of which are non-management executive sessions. Currently, Mr. 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 six executive sessions of the board in 2010, three of which included non-management executive sessions.

The board of directors has determined that Mr. Ross and seven of the other members of the board are independent directors of the company. The board believes that this leadership structure, in which the chair is an independent director, ensures a greater role for the eight 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 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 in order to assist it in overseeing financial risks. The chair of the audit and finance committee also serves as a liaison between the audit and finance committee and the anti-fraud committee of the company. The audit and finance committee is not responsible for the oversight of non-financial risks. These oversight responsibilities are 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, if any, 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. The strategy and corporate development committee oversees strategic, financial and execution risks associated with the company's strategic plans.

Diana M. Bontá was appointed as a liaison between the board and management with respect to providing additional oversight of the company's ERM programs. Dr. Bontá reports to the audit and finance committee and 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.

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 nine 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 five without obtaining shareholder approval. If the number of authorized directors is decreased to five, 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?

The majority of the remaining directors may fill vacancies on the board, except those existing as a result 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, members 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 of these committees operates under a written charter which identifies the purpose of the committee and its primary functions and responsibilities. Copies of these charters are available on our website at www.aswater.com.

The board has also established a committee, known as the ASUS committee, to review our contracted services business and a strategy and corporate development committee. From time to time, the board establishes special committees or appoints members of the board to serve as liaisons between the board and management with respect to special projects. Six members of the board served as liaisons between the board and/or its committees and management in 2010.

How often did the board and each of the committees meet during 2010?

During 2010,

- ◆ directors met, as a board, ten times,
- ◆ the audit and finance committee met eight times,
- ◆ the nominating and governance committee met six times,
- ◆ the ASUS committee met eight times,
- ◆ the compensation committee met ten times, and
- ◆ the strategy and corporate development committee met five times,

No board member attended less than 75% of the meetings of the board in 2010. No committee member 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, CEO succession and board training.

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

The nominating and governance committee assesses nominees for directors on the basis of 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 of 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
- ◆ public utility and/or other regulated industry
- ◆ corporate governance
- ◆ customer and community service

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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 directors on a variety of criteria, including:

- ◆ independence
- ◆ commitment, time and energy devoted to service on the board
- ◆ overall and likely future contributions to the board
- ◆ attendance at, and preparation for, board and committee meetings
- ◆ effectiveness as chair of the board or a committee
- ◆ collegiality
- ◆ understanding the role of the board and the committees on which he or she serves
- ◆ judgment and appropriateness of comments, and
- ◆ willingness to challenge and stimulate management

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

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.

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?

Ms. Holloway is the chair of the nominating and governance committee. Mr. Anderson, Dr. Bontá and Mr. Dodge are members of this committee. Mr. Ross serves as 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 9, 2012 and February 26, 2012, in order for your nominee to be considered for election as a director at the 2012 annual meeting. If we change the 2012 annual meeting date by more than 30 days from the date of our 2011 annual meeting or 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 Securities and Exchange Commission 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 2011 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.

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

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?

Mr. Kathol is the chair of the audit and finance committee. Mr. King was appointed the vice chair of the audit and finance committee on February 23, 2011. The vice chair acts as the chair of the audit and finance committee and otherwise performs the duties of the chair contemplated by the policies and procedures of the company to be performed by the chair during such time as Mr. Kathol is unable to perform the duties of chair. Mr. Dodge is a member of this committee. Mr. Ross serves as a non-voting ex-officio member of this committee.

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

The board of directors determined that Mr. Kathol and Mr. King are "audit committee financial experts" under the corporate governance listing standards 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 Securities and Exchange Commission,
- ◆ 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 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 the confidential anonymous submission by our employees of concerns regarding questionable accounting or auditing matters or related party transactions, and
- ◆ reviews the committee's charter and its own performance annually.

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's responsibility is to monitor and oversee our financial reporting process. PricewaterhouseCoopers LLP reports directly to the audit and finance committee and the board of directors.