

AUDIT/FINANCE COMMITTEE CHARTER
(Applicable to AWR and its subsidiaries, hereinafter “the Corporation”)

PURPOSES: The Audit/Finance Committee (hereinafter, "the Committee") is a committee of the Board of Directors (hereinafter, "the Board"). Its primary functions are: to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to the shareholders and others, the systems of internal controls which management and the Board have established, and the audit process; and to review and make recommendations to the Board with respect to the management of the financial affairs of the Corporation. In doing so, the Committee shall have the sole responsibility and authority to appoint, oversee, terminate and compensate the Corporation's independent accountants. The Committee shall provide an avenue of communication between the Board, management, the internal auditors and the independent accountants.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management. The independent auditors are responsible for planning and conducting the audit, in order to report on the financial statements. Nor is it the duty of the Committee to conduct investigations or to assure compliance with laws and regulations and the Corporation's code of conduct.

The outside auditor and internal audit function ultimately report to the Board of Directors and the Audit and Finance Committee of the Board of Directors.

ORGANIZATION: The Board shall appoint the members of the Committee annually. The Committee shall be composed of at least three, but not more than five, directors that meet the independence and experience requirements of the New York Stock Exchange. At least one member shall have the experience and knowledge to meet the definition of “financial expert” as defined by the rules of the Securities and Exchange Commission.

The Chairman of the Board shall serve as an "ex-officio" member of the Committee. The Board shall appoint one of the members of the Committee as Chairperson. It is the responsibility of the Chairperson to schedule all meetings of the Committee and, with the assistance of management, provide the Committee with a written agenda for all meetings.

Audit/Finance Committee members may receive no remuneration from the Corporation or its subsidiaries other than that received as members of the Board and committees of the Board.

In meeting its responsibilities, the Committee shall:

GENERAL

- - Have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall have unrestricted access to

members of management and all information relevant to its responsibilities. The Committee shall be empowered to retain independent counsel, accountants or others to assist it in the conduct of any investigation of matters brought to its attention within the scope of its duties as outlined herein.

- - Meet at least 4 times per year or more frequently as circumstances require.

The Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.

- - Submit the Committee meeting minutes and report actions of the Committee to the Board with such recommendations as the Committee may deem appropriate.

- - Review the Committee's charter annually and update as necessary and annually review its own performance.

- - Review accounting and financial human resources and succession planning within the Corporation.

- - Perform such other functions assigned by law, the Corporation's by-laws, or the Board.

- - Receive reports under Section 10A of the Securities Exchange Act, which requires the Corporation's independent auditors to report illegal acts (other than those which are inconsequential) to the Committee.

- - Meet at least quarterly with the internal auditor, the independent accountants and the chief financial officer in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee. Among the items to be discussed in these meetings are the independent accountants' evaluation of the Corporation's financial, accounting and auditing personnel and the cooperation and/or any conflicts experienced with management during the course of the audit or other related engagements.

INTERNAL CONTROLS AND RISK ASSESSMENT

- - Review and evaluate the effectiveness of the Corporation's process for assessing significant risks or exposures and the steps management has taken to minimize such risks to the Corporation.

- - Consider and review with management, the independent accountants (to the extent consistent with, or required by, their professional duties) and internal auditing:

1. The adequacy and effectiveness of, or weaknesses in, the Corporation's internal controls including computerized information system controls and security, the overall control environment and accounting and financial controls.

2. Any related significant findings and recommendations of the independent

accountants and internal auditing together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls.

- - Review with internal auditing the intended level of support for, and coordination with, the independent accountants. Discuss with the independent accountants their plans, if any, to use the work of internal auditing.

- - Discuss with management, the Corporation's independent accountants (to the extent consistent with, or required by, their professional duties), and internal auditing, the status and adequacy of management information systems and other information technology, including the significant risks related thereto and major controls over such activities.

FINANCIAL REPORTING

- - Review filings with the Securities and Exchange Commission (including, without limitation "Management's Discussion and Analysis of Financial Condition and Results of Operations," when applicable) and other significant published documents filed with other agencies containing the Corporation's consolidated financial statements, including annual and interim reports, pre-announced press releases of earnings, statutory filings, as well as financial information and earnings guidance provided to analysts and ratings agencies, and consider whether the information contained in these documents is consistent with the information contained in the financial statements.

- - Review with management and the independent accountants at the completion of the annual examination:

1. The Corporation's (and its separately reporting or consolidated subsidiaries, as applicable) annual consolidated financial statements and related footnotes.

2. The independent accountants' audit of the consolidated financial statements and its report thereon (and any separate reports on statements of subsidiaries, as applicable).

3. Any significant changes required in the independent accountants' audit plan.

4. Any serious difficulties or disputes with management encountered during the course of the audit.

5. The existence of significant estimates and judgments underlying the financial statements, including the rationale behind those estimates as well as the details on material accruals and reserves.

6. Other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards or pursuant to the rules of the Securities and Exchange Commission or the requirements of the New York Stock Exchange.

7. Review the Corporation's accounting principles and proposed changes thereto.

- - Review the adequacy and appropriateness of the Corporation's code of business conduct.

- - Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations.

- - Assess internal processes for determining and managing key financial statement risk areas.

EXTERNAL INDEPENDENT AUDITOR

- - Review and consult with the Board concerning the independent accountants to be nominated to audit the consolidated financial statements of the Corporation and any separately reported subsidiaries. The Committee, however, shall have direct responsibility for appointing the independent accountants and has sole authority to approve the compensation of the independent accountants and to review and approve the discharge of the independent accountants.

- - Approve, in advance, all audit services, and all non-audit services provided by the Corporation's independent auditors that are not specifically prohibited under Sarbanes-Oxley unless such services are approved in accordance with policies relating to approval of services provided by the auditor duly adopted by the Committee. Non-audit services need not be approved in advance only if (1) (a) the aggregate amount of all such non-audit services are not more than 5% of all amounts paid to the independent auditors during the fiscal year, (b) they were not recognized to be non-audit services at the time of the engagement, and (c) they are promptly brought to the attention of the Committee and approved prior to the completion of the audit; or (2) if approved in accordance with policies relating to approval of services provided by the auditor duly adopted by the Committee.

- - Meet with and review the scope and approach for the proposed annual audit with the independent accountants to:

1. Assess the external auditors' process for identifying and responding to key audit and internal control risks.

2. Review the external auditors' identification of issues and business and financial risks and exposures.

3. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.

- - Confirm and assure the independence of the independent accountants in writing, including a review of the nature of all services and related fees provided by the independent accountants.

- - Review the qualifications of the independent accountant.

- - Direct the attention of the independent accountants to specific matters or areas deemed by the Committee to be of special significance; and authorize the independent accountants to perform such supplemental reviews or audits.

- - Instruct the independent accountants to communicate directly to the Committee any serious difficulties or disputes with management and resolve disputes between management and the independent accountants.

-- Recommend to the Board policies for the Corporation's hiring of employees or former employees of the independent accountants who were engaged on the Corporation's account.

-- At least annually, obtain and review from the independent accountants, a report describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and all relationships between the independent accountants and the Corporation.

-- Obtain and review any additional reports required to be obtained from the independent accountants pursuant to the rules of the Securities and Exchange Commission or the requirements of the New York Stock Exchange.

INTERNAL AUDITOR

- - Meet with the internal auditor and evaluate the internal audit process for establishing the annual internal audit plans and the focus on risk and the intended level of support for, and coordination with, the independent accountants.

- - Consider, in consultation with the internal auditors, the audit scope and the overall role of the internal auditors.

- - Review and evaluate the scope, risk assessment and nature of the internal auditors' plan and any subsequent changes, including whether or not the internal auditors' plan is sufficiently linked to the Corporation's overall business objectives and management's success and risk factors.

- - Receive prior to each meeting, a summary of the findings from completed internal audits since the prior such report and a progress report on the proposed audit plan, with explanations of deviations therefrom.

- - At least annually, consider and review with management and internal auditing:

1. Significant findings during the year and management's responses thereto,

including the timetable for implementation of the recommendations to correct weaknesses in internal control.

2. Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.

3. Any changes required in the planned scope of their audit plan.

4. The internal auditing department budget and staffing.

- - Internal auditing department's compliance with The IIA's Standards for the Professional Practice of Internal Auditing.

- - Review and concur in the appointment, replacement, reassignment, or dismissal of personnel in internal auditing.

- - Confirm and assure the independence of the internal auditor function within the Corporation.

FINANCE MATTERS

- - Review and make recommendations thereon to the Board for the following:

1. Proposed changes to the capital structure of the Corporation, including the establishment or revision of bank lines of credit or other short-term borrowing arrangements, the issuance of any intermediate or long-term indebtedness and the issuance of additional equity securities.

2. Proposed capital expenditures budget of the Corporation.

3. Performance of the investment manager for the Pension Plan assets.

4. Financial impact of the implementation of all compensation and employee benefit plans and of any amendments or modifications thereto and the actuarial assumptions and financial policies pertaining to the investment of funds related to such plans.

5. Operations of and reporting for all employee benefit plans to ensure that they are operated in accordance with existing legal requirements and sound financial principles.

- - Consider, review and make appropriate recommendations to the Board with respect to all other financial matters of the Corporation specifically delegated to it by the Board in the management of the financial affairs of the Corporation.

- - Review the activities of management in the sale and issuance of specific debt and equity securities, when specifically authorized to do so by action of the Board.

REPORTS

- - Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Corporation's annual proxy statement.

- - Submit a written affirmation annually, or whenever the composition of the Committee changes, to the New York Stock Exchange certifying that the Committee meets the requirements of the New York Stock Exchange.

- - Disclose, at least on a triennial basis, this Charter in the Corporation's annual meeting of shareholders.

Dated as of February 2, 2004.