

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

PURPOSES: The Compensation Committee (hereinafter, “the Committee”) of the Board of Directors (hereinafter, “the Board”) will serve as an administrative arm of the Board to make decisions for the Board with respect to all forms of compensation to the executive officers of the Corporation and all bonus and stock compensation to employees, including management perquisites.

The Committee is also responsible for producing an annual report on executive compensation to be included in the Corporation’s annual report to the extent such a report is required by applicable law or NYSE rules.

MEMBERSHIP: The members of the Committee will be outside directors of the Board, to comply with Rule 16b-3, and shall meet the independence requirements of the New York Stock Exchange. The members will also be outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

RESPONSIBILITIES: The Committee will review and recommend to the Board decisions respecting (i) all forms of compensation paid to the executive officers of the Corporation and such other officers of the Corporation as directed by the Board, (ii) the grant of all forms of bonus and stock compensation provided to employees of the Corporation, (iii) the long-term strategy of employee compensation and the types of stock and other compensation plans to be used by the Corporation and the shares and amounts reserved thereunder, and (iv) any other compensation matters as from time to time directed by the Board.

The Committee shall review, periodically, the performance of the Chief Executive Officer and his direct reports. The Committee will review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO’s performance in light of these goals and objectives, and set the CEO’s compensation level based on this evaluation.

The Committee shall act as administrator (as defined therein) of the Corporation’s Long Term Incentive Plan, within the authority delegated by the Board.

The Committee shall also have the authority to determine compensation for all persons employed or retained by the Corporation and shall recommend compensation of directors.

The Committee shall annually review its own performance.

Dated as of October 28, 2002