

Corporate Presentation



American States
Water Company

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August 2020

NYSE: AWR

Certain matters discussed in this presentation are forward-looking statements intended to qualify for the “safe harbor” from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the Company “believes,” “anticipates,” “expects” or words of similar import. Similarly, statements that describe the Company’s future plans, objectives, estimates or goals are also forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements.

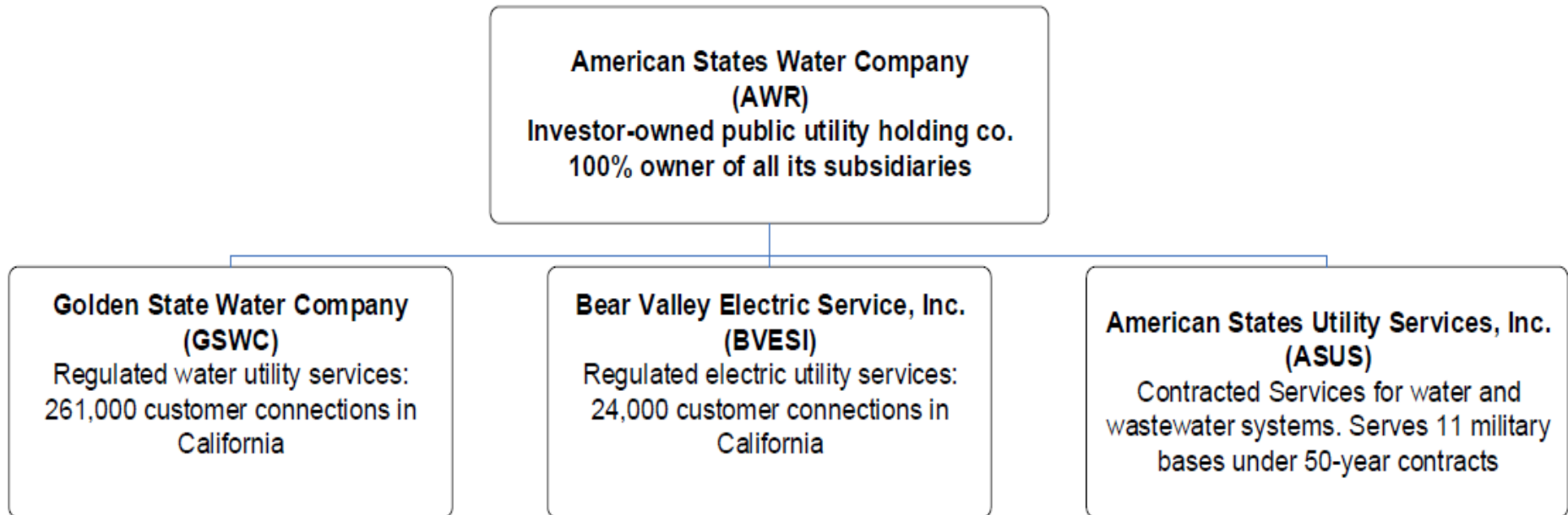
AWR is a low volatility utility with a secure and growing dividend, operating in a constructive regulatory environment in California, along with a growing unregulated contracted services business serving military bases under 50-year contracts.

- ❑ Listed on the NYSE: AWR
- ❑ AWR debt rating → A+ Stable
- ❑ GSWC debt ratings → A+ Stable/A2 Stable
- ❑ As of August 19, 2020:
 - ~36.9 million common shares outstanding
 - Institutional Ownership → ~76%⁽¹⁾
 - 52-week low/high → \$65.11/\$96.64⁽¹⁾
 - Average daily volume → ~196,000 shares (3 months)⁽¹⁾
 - Market capitalization → ~\$2.8 billion⁽¹⁾
 - Dividend yield → 1.72%⁽¹⁾



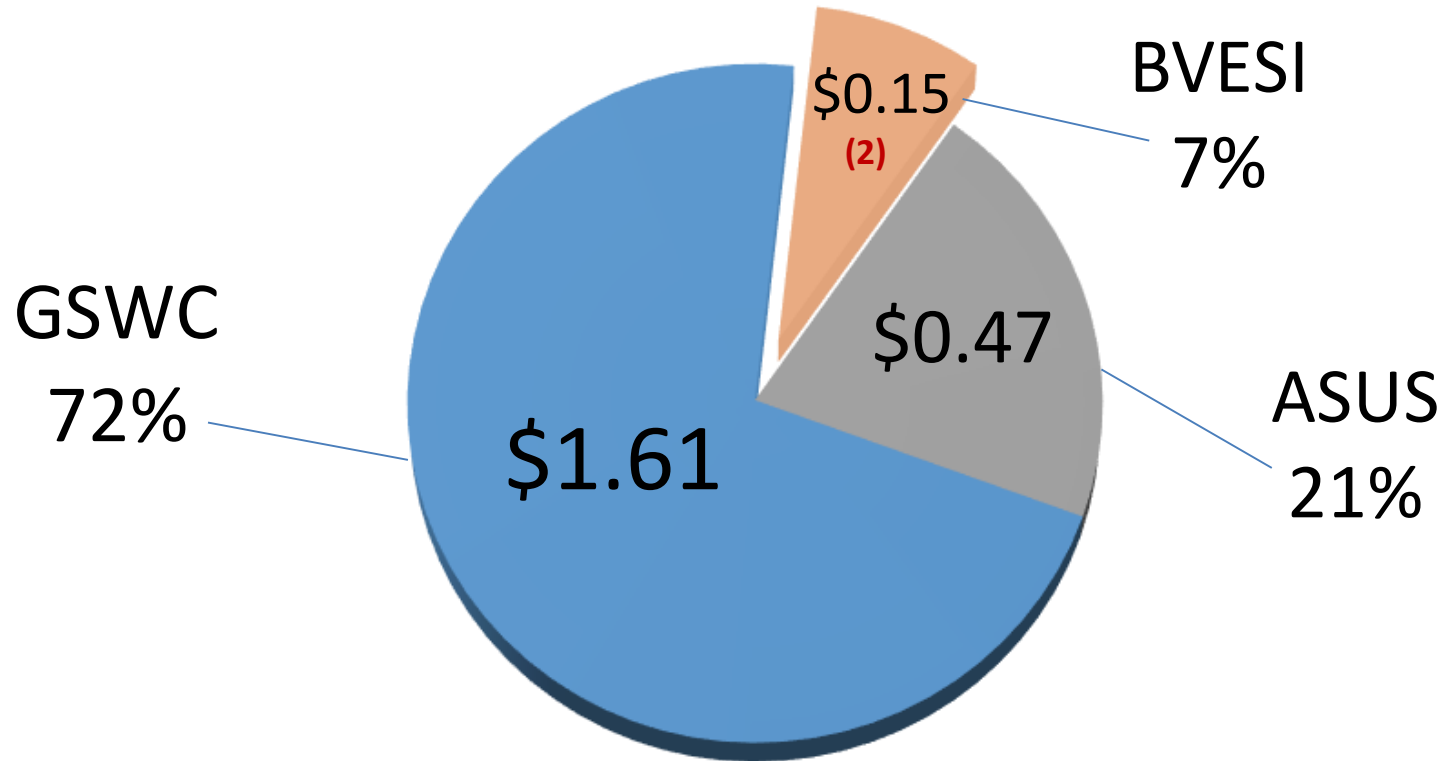
⁽¹⁾ Source: Yahoo! Finance

Company Organizational Structure⁽¹⁾



⁽¹⁾ Effective July 1, 2020, GSWC completed the transfer of the electric utility assets and liabilities from its electric division to BVESI, a separate and wholly owned subsidiary of AWR.

2019 Adjusted Earnings per Share⁽¹⁾ by Subsidiary

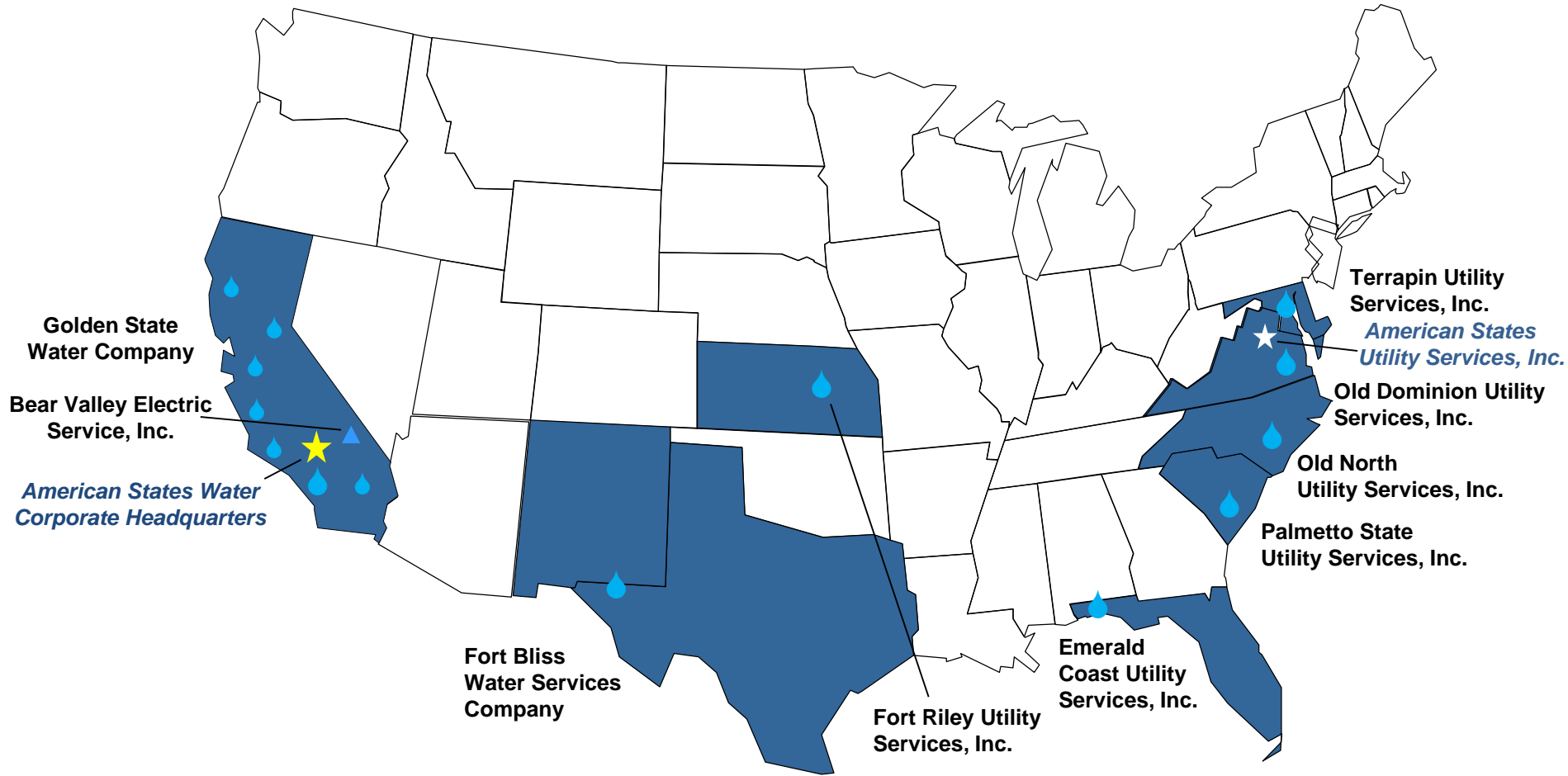


Diluted earnings per share as reported for 2019 were \$2.28 per share. The chart above,

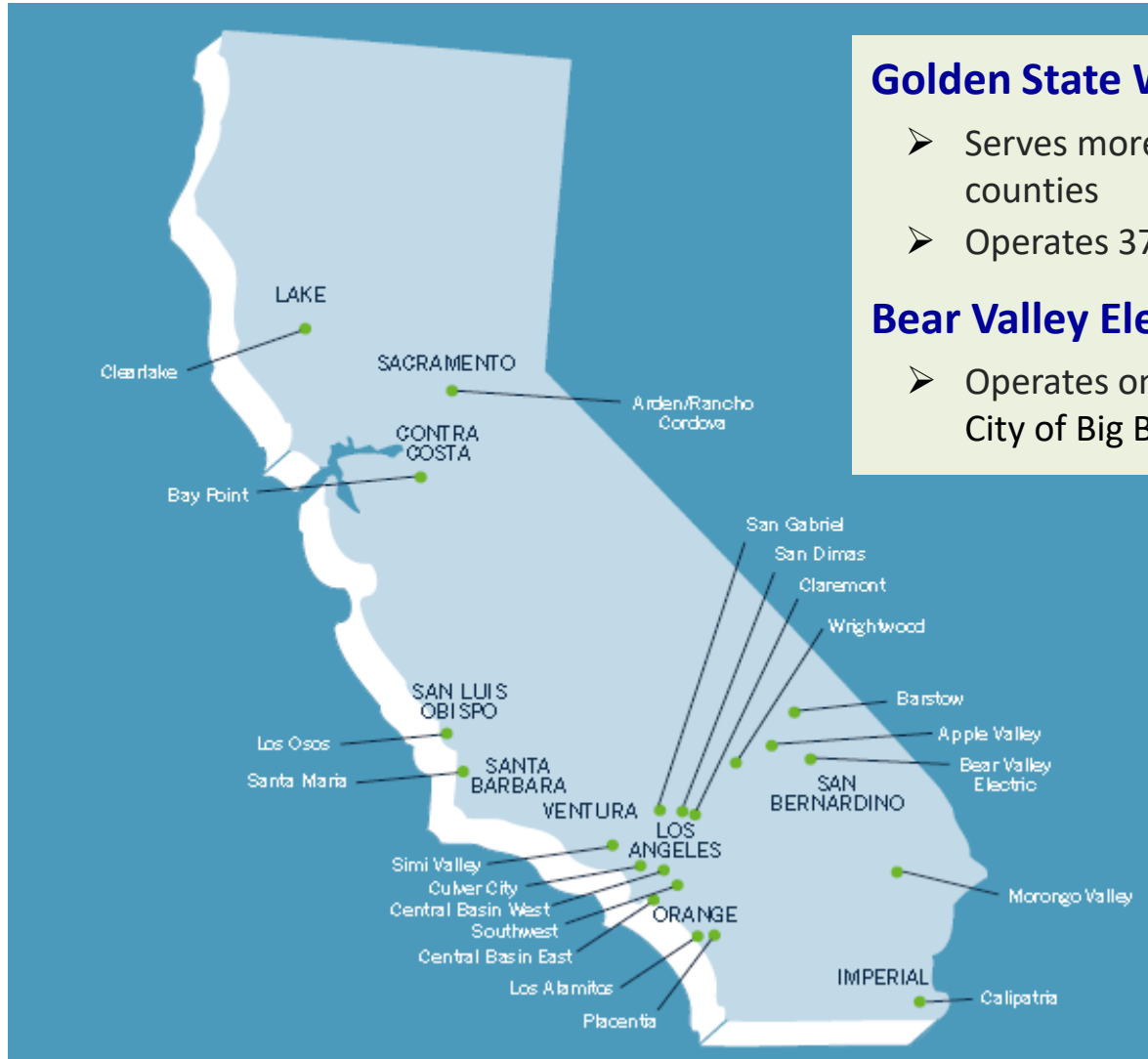
⁽¹⁾ does not include \$0.01 per share (less than 1%) related to AWR (parent), and

⁽²⁾ excludes \$0.04 per share related to the retroactive impact to the full year 2018 of the electric general rate case approved by the CPUC in August 2019.

AWR Service Area Map



Regulated Utilities Service Area Map



Golden State Water Company

- Serves more than 80 communities in 10 counties
- Operates 37 water systems

Bear Valley Electric Service, Inc.

- Operates one electric system that serves the City of Big Bear Lake and surrounding areas

❑ The Company's **regulated utilities (GSWC and BVESI)**:

- Represented 76% and 79% of AWR revenues and net income, respectively, in 2019
 - ✓ The regulated **water utility** under GSWC represented 68% and 71%, respectively, in 2019
- GSWC and BVESI have a stable customer base, with about 90% of revenues derived from residential and commercial customers

❑ GSWC & BVESI are separately regulated by the California Public Utilities Commission (CPUC)

- **Revenue Requirement includes:**
 - ✓ Dollar for dollar recovery of projected operating expenses, plus
 - ✓ Rate of return on rate base (including projected CapEx)
- **GSWC and BVESI recover their capital investment from customers** over the life of the asset through annual depreciation and a return on its undepreciated capital assets

- ❑ **ASUS**, the company's **contracted services subsidiary** was established in 1998 and provides the company with:
 - A relatively low risk, growth investment
 - ✓ Allows AWR to capitalize on its competencies in operating water systems and in offering related services
 - Opportunities to improve companywide returns
 - A vehicle to diversify risk
 - ✓ By investing in high-growth states, similar to the way an investment manager diversifies risk by owning several different securities
 - A contributor to funding AWR's dividend to shareholders and covering the cost of being a publicly-traded company

- ❑ **ASUS** provides operations, maintenance and construction management services for water distribution and wastewater collection and treatment facilities at **eleven military bases in eight states under 50-year privatization contracts** with the U.S. government:
 - Fort Bliss in El Paso, Texas (parts in New Mexico)
 - Joint Base Andrews in Maryland
 - Fort Lee in Virginia (wastewater only)
 - Joint Expeditionary Base Little Creek – Fort Story and Joint Base Langley - Eustis in Virginia
 - Fort Jackson in Columbia, South Carolina
 - Fort Bragg, Pope Army Airfield, and Camp Mackall in Fayetteville, North Carolina
 - Eglin Air Force Base in Florida
 - Fort Riley in Kansas

- ❑ Numerous military bases still to be privatized; **active bids are currently in process**. Significant water and wastewater contracts to be awarded over the next 5 years.

- ❑ Under each of the 50-year contracts with the U.S. government, ASUS has the following revenue streams:
 - **O&M Revenues** for operating and maintaining the systems
 - ✓ A fixed amount each month included under the 50-year contracts, subject to annual economic price adjustments (EPAs)
 - **Construction Revenues** for:
 - ✓ Renewal and Replacement of existing capital assets included under the 50-year contracts, subject to annual EPAs
 - ✓ Other Capital Upgrades are additional projects (including improvements and expansion to the existing water and wastewater infrastructure) that in many cases are outside the scope of the 50-year contracts and are granted through contract modifications
- ❑ Filings for EPAs and requests for equitable adjustment provide ASUS with **additional revenues and margin**

☐ **Strong dividend track record**

- Increased the dividend in 2020 by 9.8% achieving a **10-Year CAGR of 9.4% from 2010 - 2020**
- Increased dividends to shareholders each calendar year for 66 consecutive years
- Paid dividends to shareholders every year since 1931
- Targeting a compound annual growth rate **of more than 7%** over the long term. Given AWR's earnings growth prospects, there is room to grow the dividend

☐ **Growth potential in earnings**

- 2019 Adjusted Diluted EPS of \$2.24 per share with a **10-Year CAGR of 10.7% from 2009 - 2019**
- Planned CapEx at **3.5-4.0 X** Depreciation will increase rate base at the regulated utility businesses
- Significant recent success and growth prospects for the military base privatization business

☐ **Favorable regulatory environment in California**

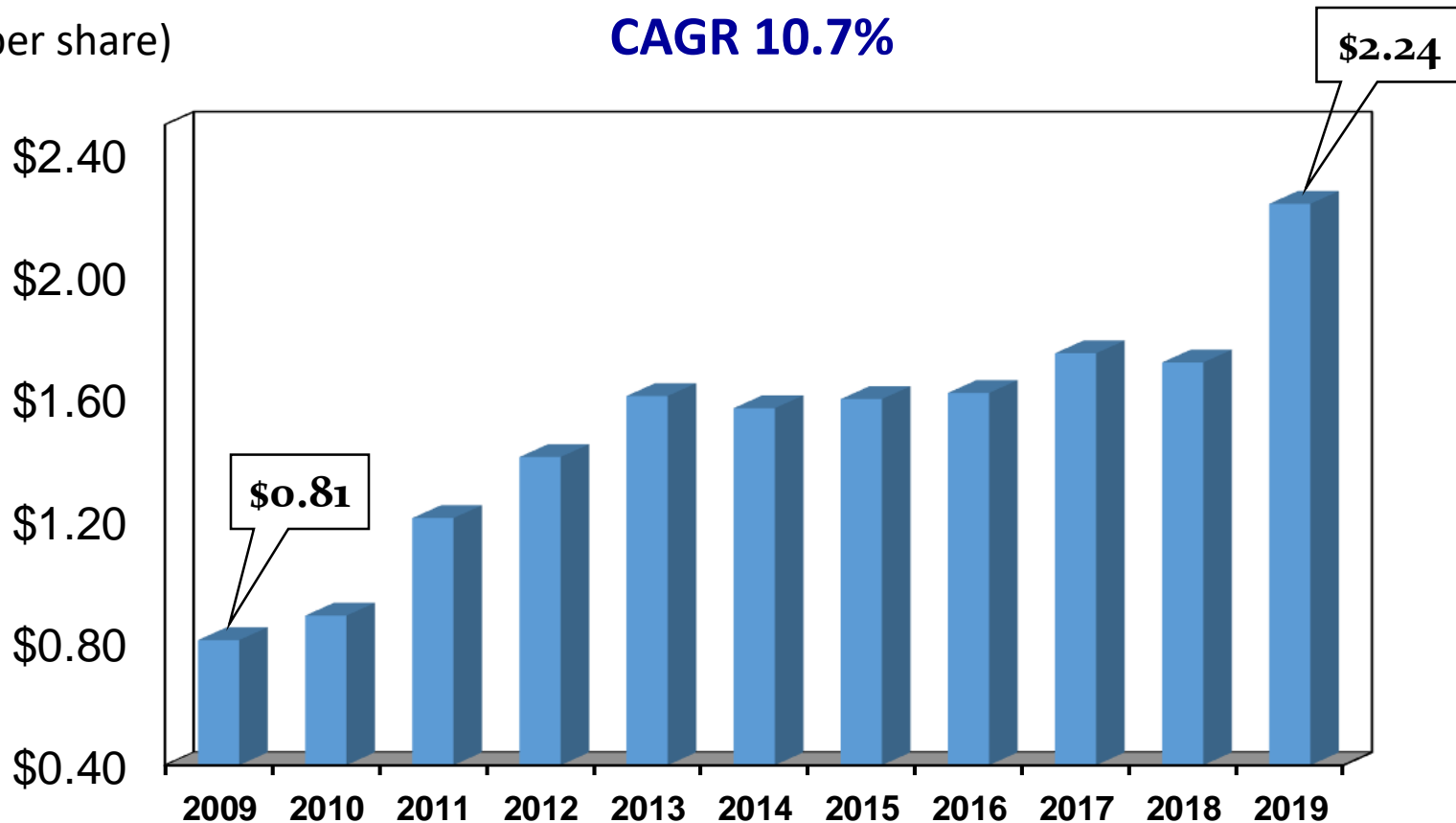
- Forward-looking (future) test years limit regulatory lag
- Recovery of / Return on Rate Base through the regulatory process
- Decouple revenue from sales to provide consistent returns through a Water Revenue Adjustment Mechanism (WRAM) and a Base Revenue Requirement Mechanism (BRRAM)

- ❑ **Well-positioned for privatization and consolidation opportunities**
 - Highly fragmented industry; few publicly-traded players; high barriers to entry
- ❑ **Aggressive posture toward recovery of operating costs and CapEx**
- ❑ **Stable utility customer base**
- ❑ **Seasoned and committed management team and Board**
- ❑ **Significant gender diversity at the Board and senior management level**
 - Five of AWR's eight independent directors are women
- ❑ **Strong balance sheet: "A+/A2" ratings** - one of the highest in the industry
- ❑ **Valuable water rights portfolio:** AWR owns ~72,400 acre-feet of adjudicated groundwater rights and a significant number of unadjudicated groundwater rights. In addition, AWR owns ~11,300 acre-feet of surface water rights

Adjusted⁽¹⁾ Diluted EPS from Operations

(per share)

CAGR 10.7%

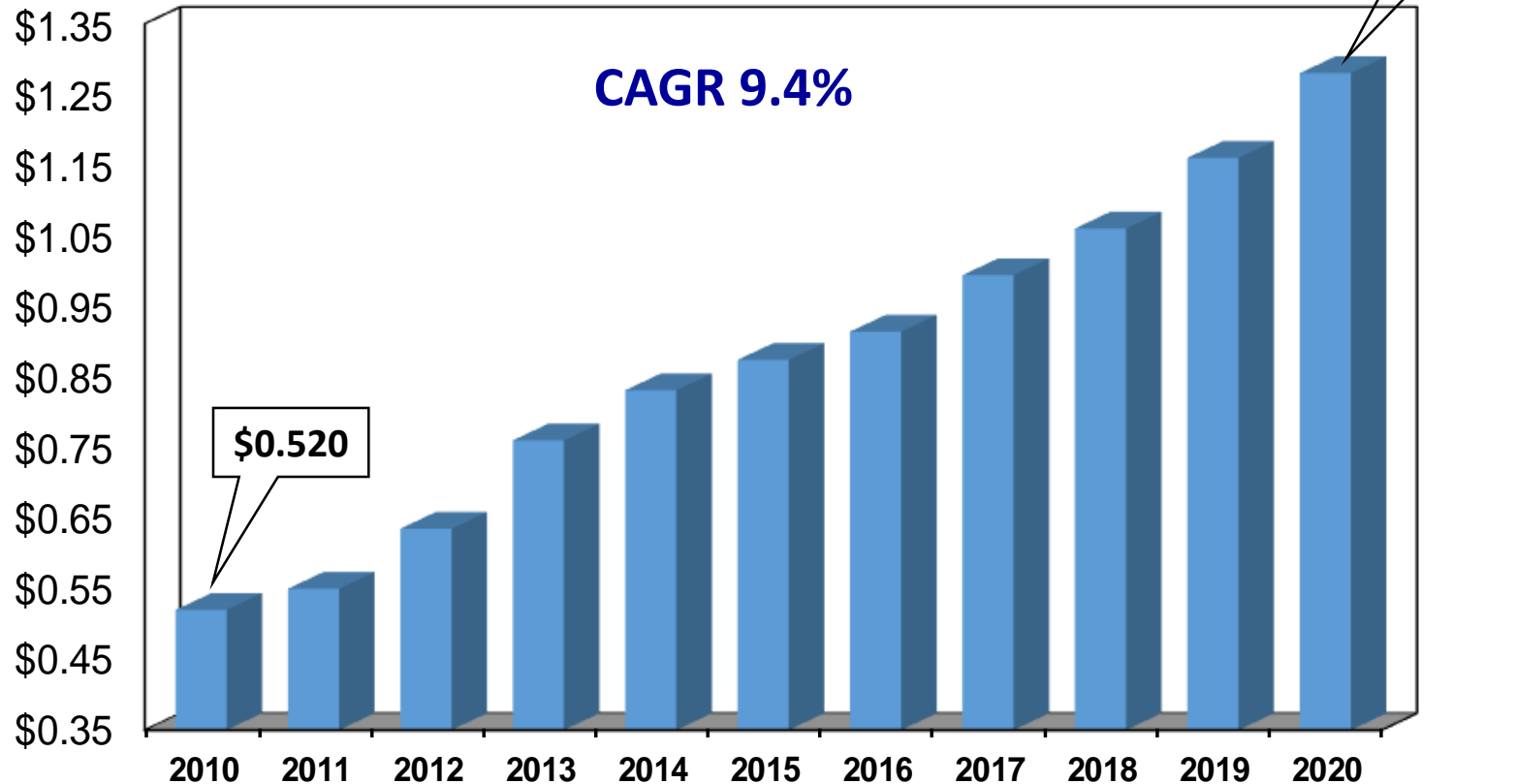


(1) 2017 **excludes** \$0.13 per share gain on the sale of GSWC's Ojai water system, and 2019 **excludes** \$0.04 per share for the retroactive impact of the electric GRC related to 2018.

Dividend Growth

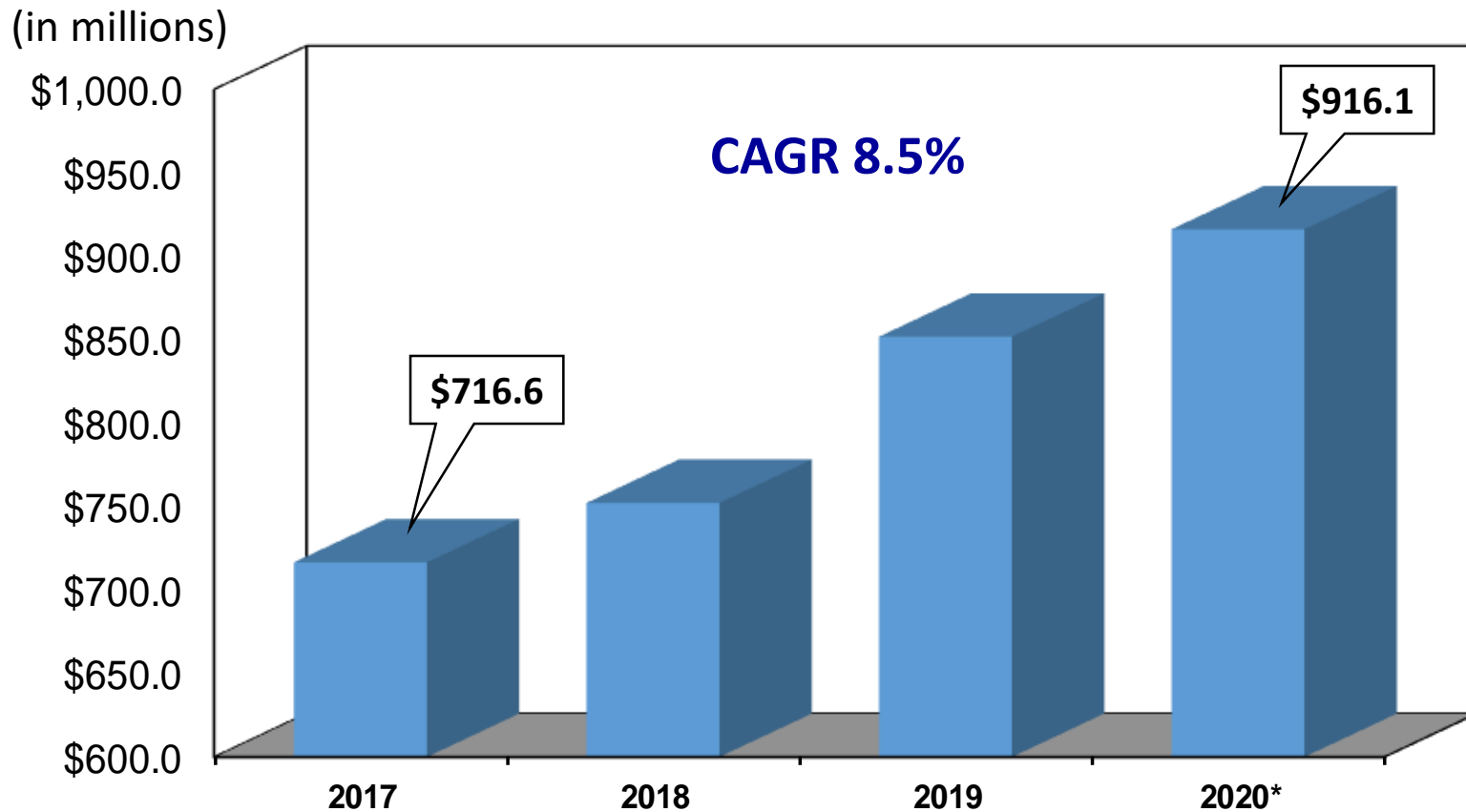
66 Consecutive Years of Dividend Increases

(per share)



*On July 28, 2020, the Board of Directors approved an 9.8% increase in the quarterly dividend
Targeting a dividend growth rate of more than 7% over the long term*

Adopted Average Water Rate Base



*Does not include \$20.4 million in advice letter projects

Note: The water segment saw record high levels of capital spend in 2018 and 2019 with over \$230 million in infrastructure investment, resulting in a 2-year compound annual growth rate in actual rate base of over 10%. GSWC has requested \$450.6 million of capital expenditures for the new three-year rate cycle and another \$11.4 million of advice letter projects in its GRC filing on July 15, 2020.

- ❑ **July 2020: A 9.8% increase** in the third quarter cash dividend, resulting in an increase in the annual dividend from \$1.22 per share to \$1.34 per share. This is in addition to a 10.9% increase in 2019, 7.8% in 2018, 5.4% in 2017, and 8% in 2016.
- ❑ **July 2020:** Effective July 1, 2020, completed a reorganization plan that transferred GSWC's electric division to Bear Valley Electric Service, Inc., a separate legal entity and wholly owned subsidiary of AWR.
- ❑ **July 2020:** AWR has a revolving credit facility expiring in May 2023, which had been previously amended to temporarily increase the borrowing capacity up to \$260 million. Effective July 15, 2020, AWR reduced the aggregate borrowing capacity back down to \$200 million following the issuance of long-term debt by its water subsidiary, GSWC.



- ❑ **June 2020:** S&P affirmed an A+ credit rating with a stable outlook on both AWR and GSWC.
- ❑ **February 2020:** For nine consecutive years, the “2020 Women on Boards” organization, a national campaign targeting gender diversity at the corporate leadership level, has recognized American States Water for its commitment to diversity (five of AWR’s eight independent directors are women, including the Chairman of the Board).
- ❑ **July 2019:** Changed the company’s dividend policy to achieve a compound annual growth rate in the dividend of more than 7% over the long-term.

- ❑ **July 2020:** GSWC filed a general rate case application, which will determine new water rates for the years 2022 – 2024. Among other things, GSWC requested capital budgets of ~\$450.6 million for the 3-year rate cycle, and another \$11.4 million of capital projects to be filed for revenue recovery when completed. A decision is scheduled for the fourth quarter of 2021 with new rates to become effective January 1, 2022.
- ❑ **July 2020:** GSWC completed the issuance of unsecured private placement notes totaling \$160 million. Because of its strong credit rating, GSWC was able to obtain favorable terms including historically low coupon rates ranging from 2.17% - 2.90%. GSWC used the proceeds from the notes to pay down the majority of its intercompany borrowings from AWR.
- ❑ **May 2020:** The CPUC approved GSWC's finance application requesting authority to issue additional long-term debt and equity securities not to exceed \$465 million to support its water operations.



- ❑ **May 2019:** The CPUC issued a final decision in the water general rate case, which sets new rates for the years 2019 – 2021. The final decision approves a settlement agreement in its entirety entered into by GSWC and the CPUC’s Public Advocates Office. Among other things, the final decision:
 - Authorizes GSWC to invest approximately \$334.5 million in capital infrastructure over the three-year rate cycle
 - Increased the water gross margin by \$7.1 million in 2019 compared to 2018 adopted, which reflects a lower adopted depreciation expense of \$7.0 million and tax refunds of \$2.2 million due to tax reform (without these decreases, margin increases by \$16.3 million)
 - Allows for additional water gross margin increases in 2020 and 2021:
 - ✓ An additional increase of \$10.4 million in water gross margin was approved by the CPUC and the rate increases were effective January 1, 2020
 - ✓ A potential additional gross margin increase of \$11.4 million for 2021, subject to an earnings test and changes in inflationary index values

- **March 2018:** The CPUC issued a final decision in the cost of capital proceeding for GSWC and three other water utilities for the years 2018 – 2020. Among other things, the decision adopted for GSWC:
- An ROE of 8.90%
 - A capital structure with 57% equity / 43% debt
 - A return on rate base (RORB) of 7.91%
 - Continuation of the water cost of capital adjustment mechanism

In March 2020, the CPUC approved postponement of the next cost of capital proceeding by one year. GSWC's next scheduled cost of capital filing was required to take place on May 1, 2020 effective for the years 2021 - 2023.

- New filing date will be May 1, 2021, with a corresponding effective date of January 1, 2022
- There will be no changes to GSWC's rate of return on rate base of 7.91% during the one-year extension

- ❑ **July 2020:** Effective July 1, 2020, began operating as a stand alone and wholly owned subsidiary of AWR, and established a separate 3-year, \$35 million revolving credit facility that will support the electric business operations and capital expenditures. BVESI can request an increase in the facility by an additional \$15 million.
- ❑ **February 2020:** The electric division under GSWC received its initial safety certification from the CPUC, which under new California legislation improves electric utilities' ability to recover wildfire costs. In August 2020, the CPUC approved the transfer of the safety certification to the new subsidiary, BVESI.
- ❑ **December 2019:** The CPUC issued a final decision approving, among other things, the reorganization plan and BVESI's authority to issue long-term financing not to exceed \$75 million.
- ❑ **June 2019:** The CPUC approved BVESI's first Wildfire Mitigation Plan, which among other things, approves capital projects and programs dedicated to improving system safety and reliability specifically aimed at reducing the possibility of wildfires.



- **August 2019:** The CPUC issued a final decision in GSWC’s electric general rate case, which set new rates effective January 1, 2018. The final decision approves a settlement agreement in its entirety entered into by GSWC and the CPUC’s Public Advocates Office. Among other things, the final decision:
- Extends the rate cycle by one year (new rates are effective for 2018 – 2022),
 - Increases the electric gross margin for 2018 by approximately \$2.3 million compared to the 2017 adopted electric gross margin, adjusted for tax reform,
 - Authorizes BVES to construct all the capital projects requested in its application, which are dedicated to improving system safety and reliability and total approximately \$44 million over the 5-year rate cycle, and
 - Increases the adopted electric gross margin by \$1.2 million for each of the years 2019 and 2020, by \$1.1 million in 2021, and by \$1.0 million in 2022 (the rate increases for 2019 – 2022 are not subject to an earnings test).

Because the new rates were retroactive to January 1, 2018, the cumulative impact from the rate changes for the full year 2018 was recorded in 2019, which resulted in an increase to net earnings of \$0.04 per share.



- ❑ **July 2020:** Stuart Harrison was hired as the new Senior Vice President of ASUS. Stuart's experience and background includes:
 - Proven business development track record working with the Department of Defense (DOD)
 - Senior Vice President — Infrastructure and Engineering at Amentum (formerly AECOM) from 2011-2020
 - Vice President – Intelligence Community Programs at Parsons Corporation
 - Held various positions in the U.S. Army spanning 25 years
 - Education includes Master of Arts from U.S. Naval War College, Master of Science in Environmental Engineering from Pennsylvania State University and West Point graduate

- ❑ **July 2018:** ASUS assumed the operations of the water distribution and wastewater collection and treatment facilities at Fort Riley in Kansas after completing a transition period and a detailed joint inventory study. The value of the 50-year contract is **\$681 million**, subject to annual economic price adjustments.

- ❑ **Actively pursue** new military base privatizations for the DOD.



- ❑ **ASUS continues** to pursue new construction work on the military bases it serves:
 - During the six months ended June 30, 2020, ASUS has been awarded approximately \$6 million in new construction projects, some of which have been or are expected to be completed during 2020, and the remainder in 2021.
 - In 2019, 2018, 2017 and 2016, ASUS was awarded \$23 million, \$24.0 million, \$20.2 million and \$24.0 million, respectively

- ❑ **Update on Economic Price Adjustments (EPAs)** with the U.S. government for operating and maintaining the water and wastewater systems at the various military bases.
 - Pricing on all of our 50-year contracts with the U.S. government is current
 - All the contracts have successfully been converted to annual EPAs

- ❑ Deliver outstanding customer service
- ❑ Focus on operational efficiency to minimize costs to customers and determine additional ways to generate efficiencies through new technology implementation and process improvement
- ❑ Make prudent capital additions that enhance shareholder and customer value on a timely basis within approved rates:
 - In 2019, the Regulated Utilities invested **\$136.2 million** in company-funded capital. They expect to spend **\$105 – \$120 million** in 2020.
 - Adopted Average Water Rate Base at GSWC grows at a 3-Year CAGR of **8.5%** from 2017 through 2020.
- ❑ Earn the authorized return on equity and return on rate base

- Receive timely recovery of costs
- Maintain good working relationship with state regulatory commission
- Be proactive in managing resources and influencing policy
- Expand customer base through organic growth and acquisitions
- Employ management systems to conserve water and energy resources (see our *Corporate Social Responsibility Report* available at www.aswater.com)
- Maintain a strong water supply portfolio
- Purchase goods and services from diverse vendors

- ❑ Increase net income at the military bases currently served through:
 - Efficient operations
 - Requests for equitable adjustments
 - Economic price adjustments

- ❑ Increase the size and scope of our contracted services operations:
 - Further develop service opportunities on current military bases
 - Actively pursue numerous military bases still to be privatized; active bids are currently in process

- ❑ Earn higher returns on investment than the allowed returns for regulated utilities

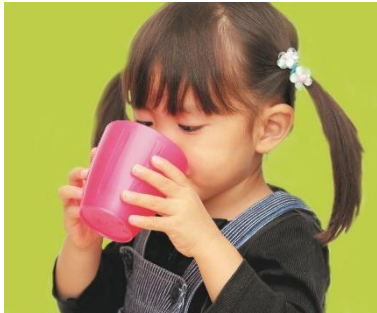
- ❑ Deliver outstanding customer service

- ❑ GSWC meets its customers' water demand on average with:
 - **~55%** from GSWC's own groundwater sources
 - ✓ GSWC has a significant portfolio of adjudicated water rights
 - **~40%** purchased principally from the Metropolitan Water District (MWD) and its member agencies, imported from:
 - ✓ California State Water Project
 - ✓ Colorado River
 - **~5%** from surface water under contracts with the United States Bureau of Reclamation and the Sacramento Municipal Utility District

We will continue to:

- Focus on growing the regulated utility businesses through necessary infrastructure replacement and water customer acquisition
- Improve efficiency of current operations at all business segments
- Pursue rate case and other regulatory filings timely
- Grow the contracted services business through additional military base privatizations and by developing significant opportunities for new construction work on the bases we currently serve
- Meet the needs of our customers and investors
- Be a leader in the industry by sticking to what we do best

***Providing value for investors and quality
service to the customer***



<http://www.aswater.com>