

# Financial Results Call Presentation

## Fourth Quarter and Full Year 2023



**American States**  
Water Company

**February 22, 2024**

**NYSE: AWR**

# Today's Presenters

## Robert J. Sprowls

President & CEO



## Eva G. Tang

SVP – Finance & CFO



# Forward-Looking Statement

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Certain matters discussed during this conference call may be forward-looking statements intended to qualify for the “safe harbor” from liability established by the Private Securities Litigation Reform Act of 1995. Please review a description of the company’s risks and uncertainties in our most recent Form 10-K and Form 10-Q on file with the Securities and Exchange Commission (SEC).

# Non-GAAP Financial Measures



This conference call includes a discussion of certain measures that are not prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States, and constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from consolidated financial information but are not presented in our financial statements that are prepared in accordance with GAAP.

The non-GAAP financial measures discussed in this conference call include a discussion of diluted earnings per share by business segment and adjusted diluted earnings per share. The gains and losses generated on investments held to fund one of the Company's retirement plans during the years ended December 31, 2023 and 2022 have been excluded when communicating the results to help facilitate comparisons of AWR's performance from period to period. Also, the impact of retroactive rates related to the full year 2022 recorded during the year ended December 31, 2023, resulting from the final decision on the water general rate case, and the impact from the estimates of revenues subject to refund recorded in 2022 and changes in estimates recorded in 2023, following the receipt of a final cost of capital decision in June 2023 have been excluded when communicating AWR's consolidated and water segment's results for the years ended December 31, 2023 and 2022 to help facilitate comparisons of AWR's performance from period to period.

These non-GAAP financial measures supplement our GAAP disclosures and should not be considered as alternatives to the GAAP measures. Furthermore, the non-GAAP financial measures may not be comparable to similarly titled non-GAAP financial measures of other registrants. The company uses these non-GAAP measures in evaluating its operating results and believes these measures are useful internal benchmarks in evaluating the performance of its operating segments. The company reviews these measures regularly and compares them to historical periods and to the operating budget. The computations and reconciliations of non-GAAP measures to the most directly comparable GAAP measure are provided in this presentation.

# Presentation Overview

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# 2023 Highlights

- Two final decisions were adopted by the CPUC
  - ✓ GSWC’s general rate case application that determined new rates for 2022-2024
  - ✓ GSWC’s cost of capital proceeding for 2022-2024
- GSWC filed and received an approval on the trigger of the Water Cost of Capital Mechanism (“WCCM”) for 2024 which increases the authorized ROE from 9.36% to 10.06% effective January 1, 2024
- GSWC filed a new general rate case application with the CPUC to determine new rates for 2025-2027 and requested capital budgets of \$611.4 million
- Recorded diluted earnings per share increased \$1.25, or a \$0.41 per share increase as adjusted:
  - ✓ 2023: \$3.36 per share recorded or \$2.75 per share adjusted
  - ✓ 2022: \$2.11 per share recorded or \$2.34 per share adjusted
- Earned a consolidated ROE for the year of 14.1% excluding the additional income from the adjusted items associated with the GRC and cost of capital decisions
- Our regulated utilities invested a record high of \$175.7 million in company-funded infrastructure in 2023 and ASUS received \$24.1 million in new capital upgrade awards

# 2023 Highlights (Continued)

- ASUS was awarded two new contracts by the U.S. Government to operate water and wastewater facilities
  - ✓ 50-year contract at Naval Air Station Patuxent River (Pax River) with an initial firm-fixed-price value estimated at \$349 million; subject to annual economic price adjustments
  - ✓ 15-year contract at Joint Base Cape Cod for up to a maximum initial firm-fixed-price value of \$45 million through the issuance of periodic task orders
- AWR increased its quarterly cash dividend in Q3 2023 by 8.2% and has reached 69 consecutive years of dividend increases

# Q4 Diluted EPS by Segment



|  | Q4 2023        | Q4 2022        | Variance       |
|--|----------------|----------------|----------------|
| Water  | \$ 0.41        | \$ 0.28        | \$ 0.13        |
| Electric   | 0.07           | 0.08           | (0.01)         |
| Contracted Services                                    | 0.12           | 0.17           | (0.05)         |
| AWR (Parent)   | (0.04)         | (0.03)         | (0.01)         |
| <b>Consolidated Diluted EPS as recorded (GAAP)</b>     | <b>\$ 0.55</b> | <b>\$ 0.50</b> | <b>\$ 0.05</b> |
| <b>Adjustment:</b>                                     |                |                |                |
| Impact of revenues subject to refund <sup>(1)</sup>    | -              | 0.03           | (0.03)         |
| <b>Consolidated Diluted EPS as adjusted (Non-GAAP)</b> | <b>\$ 0.55</b> | <b>\$ 0.53</b> | <b>\$ 0.02</b> |
| <b>Water Diluted EPS as adjusted (Non-GAAP)</b>        | <b>\$ 0.41</b> | <b>\$ 0.31</b> | <b>\$ 0.10</b> |

Note: Certain amounts in the table above may not foot or crossfoot due to rounding.

(1) EPS for Q4 2022 includes lower revenues of \$1.4 million, or a decrease in earnings of \$0.03 per share, for revenues subject to refund, which was reversed in the second quarter of 2023 based on the final decision on the cost of capital proceeding.

# Q4 Operating Revenues by Segment



| (amounts in millions)            | Q4 2023 | Q4 2022 | Variance |
|----------------------------------|---------|---------|----------|
| <b>Water</b>                     | \$87.6  | \$75.0  | \$12.6   |
| <b>Electric</b>                  | 11.1    | 11.0    | 0.1      |
| <b>Contracted Services</b>       | 26.4    | 39.4    | (13.0)   |
| <b>Total Operating Revenues*</b> | \$125.2 | \$125.4 | (\$0.2)  |

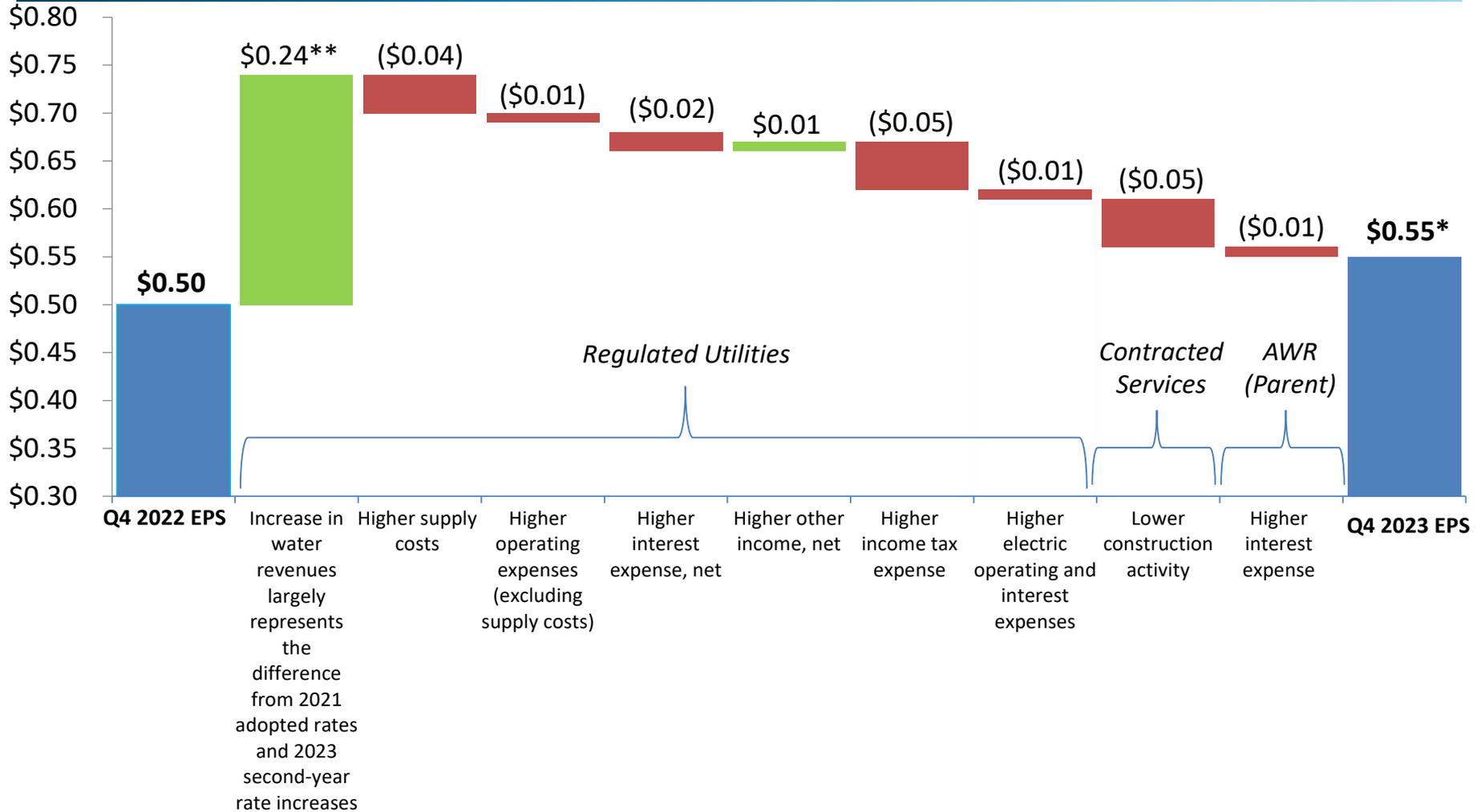
\* Certain amounts in the line item do not total due to rounding.

# Q4 Expenses (Excluding income taxes)



| (amounts in millions)                           | Q4 2023       | Q4 2022       | Variance       |
|---|---------------|---------------|----------------|
| <b>Water and Electric Supply Costs</b>          | \$26.7        | \$24.9        | \$1.8          |
| <b>Other Operation</b>                          | 10.0          | 10.1          | (0.1)          |
| <b>Administrative and General</b>               | 22.2          | 21.2          | 1.0            |
| <b>Depreciation and Amortization</b>            | 10.8          | 10.9          | (0.1)          |
| <b>Maintenance</b>                              | 3.2           | 3.3           | (0.1)          |
| <b>Property and Other Taxes</b>                 | 6.2           | 5.6           | 0.6            |
| <b>ASUS Construction</b>                        | 11.3          | 21.9          | (10.6)         |
| <b>Gain on Sale of Assets</b>                   | (0.1)         | (0.1)         | -              |
| <b>Total Operating Expenses</b>                 | <b>\$90.3</b> | <b>\$97.8</b> | <b>(\$7.5)</b> |
|   |               |               |                |
| <b>Interest Expense, net of Interest Income</b> | \$9.2         | \$6.8         | \$2.4          |
| <b>Other Income, net of Other Expense</b>       | (\$2.9)       | (\$2.5)       | (\$0.4)        |

# EPS Bridge Q4 2022 to Q4 2023



\* Amount does not sum due to rounding.

\*\* Increase in water revenues includes the impact of lower revenues recorded during Q4 2022 of \$0.03 per share related to revenues subject to refund.

# Diluted EPS by Segment for the Year



|   | 2023    | 2022    | Variance |
|---|---------|---------|----------|
| <b>Water</b>  | \$ 2.77 | \$ 1.45 | \$ 1.32  |
| <b>Electric</b>   | 0.20    | 0.24    | (0.04)   |
| <b>Contracted Services</b>  | 0.50    | 0.46    | 0.04     |
| <b>AWR (Parent)</b>   | (0.10)  | (0.04)  | (0.06)   |
| <b>Consolidated Diluted EPS as recorded (GAAP)</b>  | \$ 3.36 | \$ 2.11 | \$ 1.25  |
| <b>Adjustments:</b>   |         |         |          |
| Impact of retroactive rates related to the full year of 2022 from the final decision in the water general rate case | (0.38)  | -       | (0.38)   |
| Impact related to final cost of capital proceeding <sup>(1)</sup>   | (0.13)  | 0.13    | (0.26)   |
| (Gains) losses on investments held for a retirement plan recorded to water segment <sup>(2)</sup>                   | (0.10)  | 0.10    | (0.20)   |
| <b>Consolidated Diluted EPS as adjusted (Non-GAAP)</b>  | \$ 2.75 | \$ 2.34 | \$ 0.41  |
| <b>Water Diluted EPS as adjusted (Non-GAAP)</b>   | \$ 2.16 | \$ 1.68 | \$ 0.48  |

Note: Certain amounts in the table above may not foot or crossfoot due to rounding.

- (1) The impact of the final cost of capital decision resulted in the reversal during 2023 of revenues subject to refund of \$6.4 million, or \$0.13 per share, due to a change in estimate from what had been recorded during 2022.
- (2) EPS for 2023 includes gains of \$5.0 million on investments held to fund a retirement plan, or \$0.10 per share, compared to losses of \$5.2 million for 2022, or \$0.10 per share.

- Operating cash flows were \$67.7 million for 2023, as compared to \$117.8 million for 2022 largely from the delay in the water GRC and lower water consumption
  - ✓ GSWC has implemented:
    - new 2023 rate increases;
    - surcharges to recover all retroactive revenues accumulated since 2022 through July 30, 2023 (implemented in October 2023);
- Investing Activities:
  - ✓ 2023: Regulated utilities invested \$175.7 million in infrastructure investments
  - ✓ 2024: Capital expenditures for our regulated utilities are expected to be \$160-\$200 million
- Credit ratings:
  - ✓ S&P: A and A+ credit ratings for AWR and GSWC, respectively, with stable outlook for both companies
  - ✓ Moody's: A2 rating with a stable outlook for GSWC

# Regulatory Activity

- On June 29, 2023, CPUC adopted a final decision in GSWC's general rate case application for all water regions and its general office determining new water rates for the years 2022–2024.
  - ✓ Authorizes \$404.8 million in capital infrastructure over the 3-year period
  - ✓ Increases 2022 adopted revenues by \$30.3 million and increases 2022 adopted supply costs by \$9.6 million as compared to the 2021 adopted levels, or combined \$0.40 per share
  - ✓ Adopts new operating expense levels for 2022 including higher depreciation expense of \$790,000, or \$0.02 per share, resulting from overall higher composite depreciation rates
  - ✓ Allows for additional increases in adopted revenues for 2023 and 2024 subject to an earnings test and changes to the inflationary index values.
- In August 2023, GSWC filed its general rate case for water rates in 2025-2027 and requested capital budgets of approximately \$611.4 million over the rate cycle.



Regulated Utilities - Customer Service Areas

# Regulatory Activity (Continued)

- On June 29, 2023, the CPUC adopted a final decision on GSWC's 2021 cost of capital application that:
  - ✓ adopts GSWC's requested capital structure of 57% equity/43% debt and cost of debt of 5.1% filed in the application;
  - ✓ adopts a return on equity of 8.85% for GSWC as compared to 8.9% previously authorized;
  - ✓ allows for the continuation of the WCCM through December 31, 2024; and
  - ✓ adopts the new cost of capital prospectively through December 31, 2024.
- Water Cost of Capital Mechanism
  - ✓ For the periods from October 1, 2021 to September 30, 2022 and October 1, 2022 to September 30, 2023, the Moody's Aa utility bond rate increased by 102.8 and 139.7 basis points from the benchmark, respectively, which triggered the WCCM adjustment
    - On June 30, 2023, GSWC filed an advice letter to establish the WCCM for 2023, which increased GSWC's 8.85% adopted return on equity in the decision to 9.36% effective July 31, 2023.
    - On October 12, 2023, GSWC filed an advice letter to establish the WCCM for 2024, which has been approved by the CPUC and increased GSWC's 9.36% adopted return on equity to 10.06% effective January 1, 2024.

# Regulatory Activity (Continued)

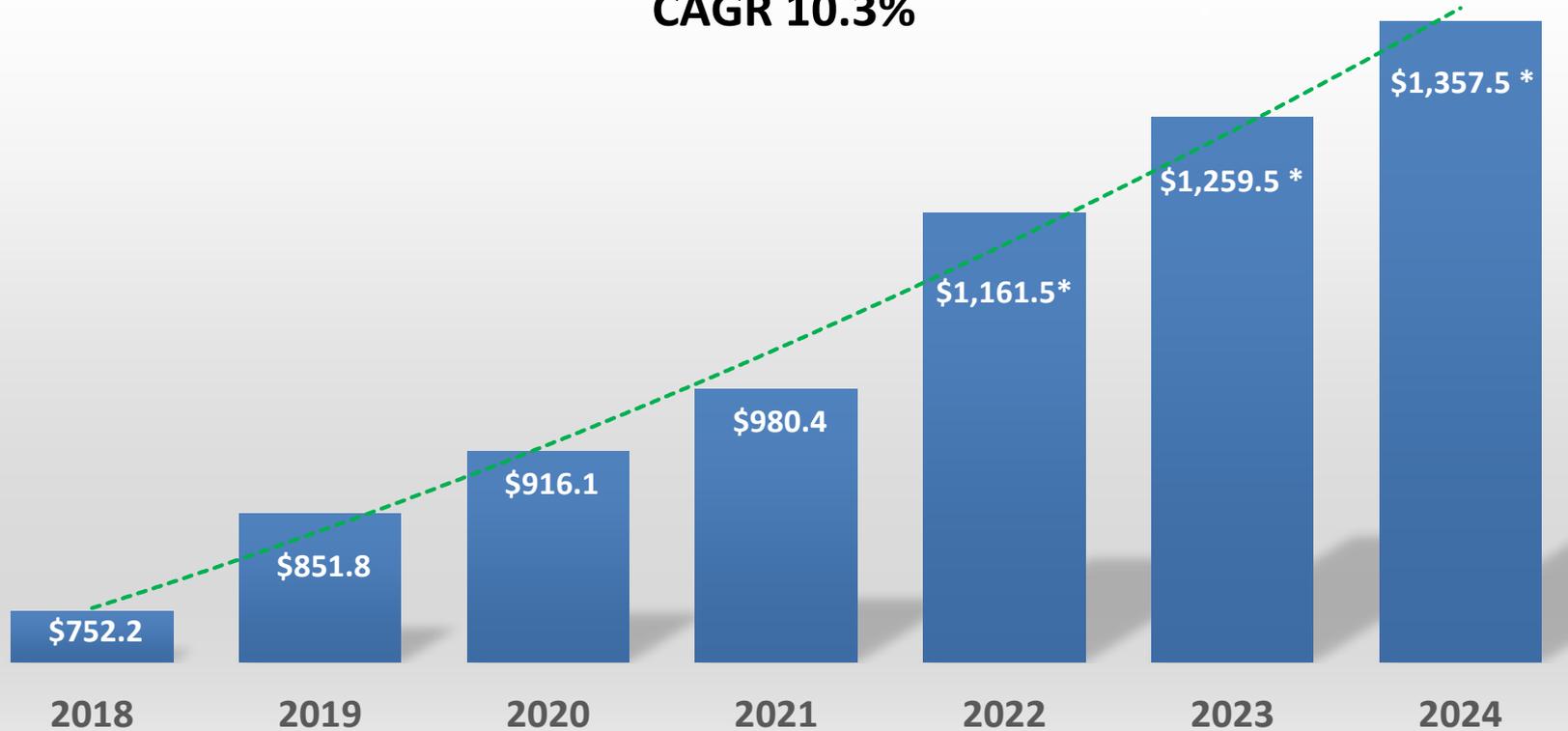
- On February 2, 2024, the CPUC approved a request filed jointly by GSWC and three other Class A investor-owned water utilities to defer the next cost of capital applications deadline by one year to May 1, 2025. The joint request also asked for:
  - current cost of capital to remain effect through 2025
  - new cost of debt, ROE and capital structure to start effective January 1, 2026
  - WCCM to remain active through the one year deferral period
- On August 30, 2022, BVES filed a general rate case to set new rates for the years 2023-2026. In addition, BVES requested:
  - ✓ a capital budget of \$68.2 million
  - ✓ a capital structure of 61.8% equity and 38.2% debt
  - ✓ a return on equity of 11.25%
  - ✓ an embedded cost of debt of 5.51%
  - ✓ a return on rate base of 9.05%
  - ✓ recovery of more than \$22 million in capital spend related to wildfire mitigation plans.

# GSWC Adopted Average Water Rate Base



(in millions)

**CAGR 10.3%**



\* Based on the final decision in the current general rate case plus includes approximately \$9.4 million in advice letter projects.

# Contracted Services (ASUS)

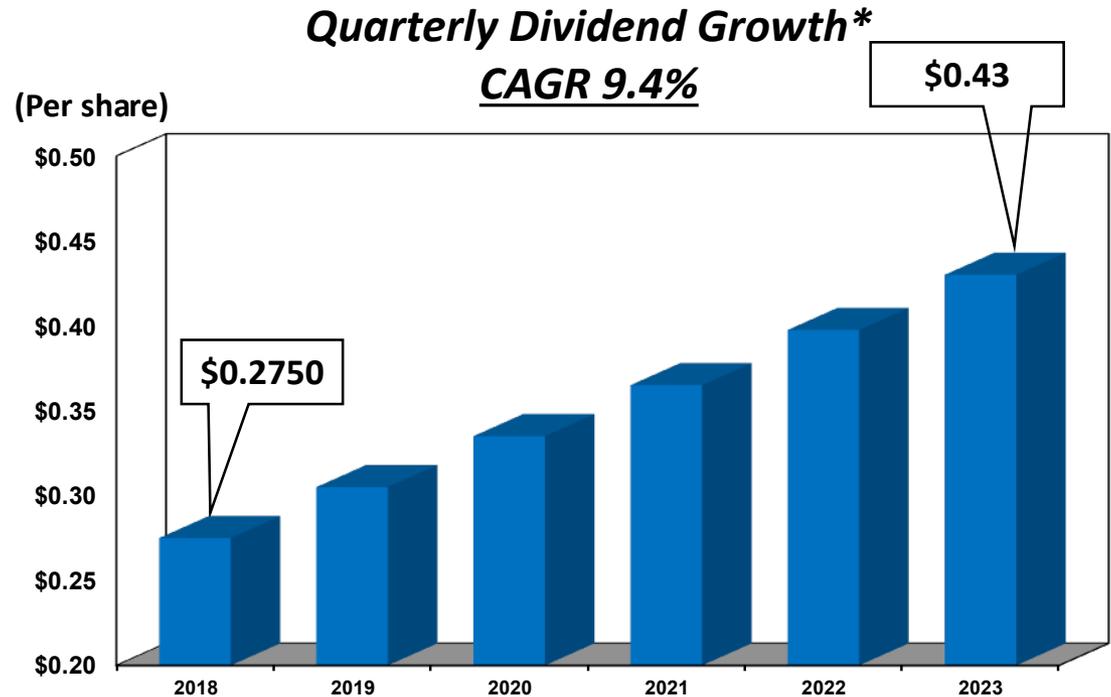
- Earnings for full year of 2023 were \$0.50 per share as compared to \$0.46 per share for 2022. The increase was largely due to an increase in management fee revenues resulting from resolutions of economic price adjustments and an overall increase in construction activity during 2023 as compared to 2022.
- Earnings for Q4 2023 were \$0.12 per share as compared to \$0.17 per share for Q4 2022. The decrease was primarily due to lower construction activity during the current quarter.
- ASUS was awarded two new contracts by the U.S. Government
  - ✓ 50-year contract at Naval Air Station Patuxent River with an initial firm fixed-price value estimated at \$349 million
  - ✓ 15-year contract at Joint Base Cape Cod for up to a maximum initial firm fixed-price value of \$45 million.
- We received \$24.1 million in new capital upgrade awards, excluding the two new contracts awarded in 2023.
- ASUS is projected to contribute \$0.50 - \$0.54 per share in 2024.
- We are confident that we can effectively compete for new military base contract awards in the future, based on our strong history and expertise.



*Serving Those Who Serve®*

# Dividends

- The Board of Directors approved a first quarter 2024 cash dividend of \$0.43 per share
- Dividend policy: CAGR of **more than 7%** over the long term continues to be met
- Dividends paid every year since 1931
- Increased dividend every calendar year for **69 consecutive years**



\*Increases to quarterly dividends have been announced in the third quarter of each year.

# Questions and Answers

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# Computations and Reconciliations of Non-GAAP Financial Measures



Below are the computations and reconciliations of diluted earnings per share from the measure of operating income by business segment to AWR's consolidated diluted earnings per share for the three and twelve months ended December 31, 2023 and 2022:

|   | <u>Water</u>     |                  | <u>Electric</u> |                 | <u>Contracted Services</u> |                 | <u>AWR (Parent)</u> |                   | <u>Consolidated (GAAP)</u> |                  |
|---|------------------|------------------|-----------------|-----------------|----------------------------|-----------------|---------------------|-------------------|----------------------------|------------------|
| <i>In 000's except per share amounts</i>  | <u>Q4 2023</u>   | <u>Q4 2022</u>   | <u>Q4 2023</u>  | <u>Q4 2022</u>  | <u>Q4 2023</u>             | <u>Q4 2022</u>  | <u>Q4 2023</u>      | <u>Q4 2022</u>    | <u>Q4 2023</u>             | <u>Q4 2022</u>   |
| Operating income                          | \$ 25,171        | \$ 15,294        | \$ 3,413        | \$ 3,767        | \$ 6,297                   | \$ 8,555        | \$ (2)              | \$ (2)            | \$ 34,879                  | \$ 27,614        |
| Other (income) and expense                | 4,037            | 3,181            | 243             | (6)             | 404                        | 101             | 1,671               | 1,071             | 6,355                      | 4,347            |
| Income tax expense (benefit)              | <u>6,015</u>     | <u>1,723</u>     | <u>721</u>      | <u>794</u>      | <u>1,488</u>               | <u>2,077</u>    | <u>(128)</u>        | <u>44</u>         | <u>8,096</u>               | <u>4,638</u>     |
| Net income (loss)                         | <u>\$ 15,119</u> | <u>\$ 10,390</u> | <u>\$ 2,449</u> | <u>\$ 2,979</u> | <u>\$ 4,405</u>            | <u>\$ 6,377</u> | <u>\$ (1,545)</u>   | <u>\$ (1,117)</u> | <u>\$ 20,428</u>           | <u>\$ 18,629</u> |
| Weighted Average Number of Diluted Shares | <u>37,085</u>    | <u>37,049</u>    | <u>37,085</u>   | <u>37,049</u>   | <u>37,085</u>              | <u>37,049</u>   | <u>37,085</u>       | <u>37,049</u>     | <u>37,085</u>              | <u>37,049</u>    |
| Diluted earnings (loss) per share         | <u>\$ 0.41</u>   | <u>\$ 0.28</u>   | <u>\$ 0.07</u>  | <u>\$ 0.08</u>  | <u>\$ 0.12</u>             | <u>\$ 0.17</u>  | <u>\$ (0.04)</u>    | <u>\$ (0.03)</u>  | <u>\$ 0.55</u>             | <u>\$ 0.50</u>   |

|   | <u>Water</u>      |                  | <u>Electric</u> |                 | <u>Contracted Services</u> |                  | <u>AWR (Parent)</u> |                   | <u>Consolidated (GAAP)</u> |                  |
|---|-------------------|------------------|-----------------|-----------------|----------------------------|------------------|---------------------|-------------------|----------------------------|------------------|
| <i>In 000's except per share amounts</i>  | <u>2023</u>       | <u>2022</u>      | <u>2023</u>     | <u>2022</u>     | <u>2023</u>                | <u>2022</u>      | <u>2023</u>         | <u>2022</u>       | <u>2023</u>                | <u>2022</u>      |
| Operating income                          | \$ 159,177        | \$ 92,455        | \$ 11,196       | \$ 11,740       | \$ 26,151                  | \$ 22,449        | \$ 216              | \$ (8)            | \$ 196,740                 | \$ 126,636       |
| Other income and (expense)                | 20,780            | 22,339           | 2,202           | 425             | 1,446                      | (273)            | 5,792               | 2,085             | 30,220                     | 24,576           |
| Income tax expense (benefit)              | <u>35,689</u>     | <u>16,346</u>    | <u>1,515</u>    | <u>2,439</u>    | <u>6,109</u>               | <u>5,476</u>     | <u>(1,714)</u>      | <u>(597)</u>      | <u>41,599</u>              | <u>23,664</u>    |
| Net income (loss)                         | <u>\$ 102,708</u> | <u>\$ 53,770</u> | <u>\$ 7,479</u> | <u>\$ 8,876</u> | <u>\$ 18,596</u>           | <u>\$ 17,246</u> | <u>\$ (3,862)</u>   | <u>\$ (1,496)</u> | <u>\$ 124,921</u>          | <u>\$ 78,396</u> |
| Weighted Average Number of Diluted Shares | <u>37,077</u>     | <u>37,039</u>    | <u>37,077</u>   | <u>37,039</u>   | <u>37,077</u>              | <u>37,039</u>    | <u>37,077</u>       | <u>37,039</u>     | <u>37,077</u>              | <u>37,039</u>    |
| Diluted earnings (loss) per share         | <u>\$ 2.77</u>    | <u>\$ 1.45</u>   | <u>\$ 0.20</u>  | <u>\$ 0.24</u>  | <u>\$ 0.50</u>             | <u>\$ 0.46</u>   | <u>\$ (0.10)</u>    | <u>\$ (0.04)</u>  | <u>\$ 3.36</u>             | <u>\$ 2.11</u>   |

Note: Certain amounts in the table above may not foot or crossfoot due to rounding.