

Financial Results Call Presentation

Third Quarter 2020



American States
Water Company

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NYSE: AWR

Today's Presenters

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President & CEO



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SVP – Finance & CFO



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.
- Non-GAAP financial measures discussed in this conference call include the water and electric gross margins, which are computed by subtracting total supply costs from total revenues, and AWR's operations in terms of diluted earnings per share by business segment, which is each business segment's earnings divided by the company's weighted average number of diluted shares, and also excludes the retroactive impact of the CPUC's August 2019 final decision on the general rate case from the electric segment's third quarter 2019 earnings results.
- The 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 the water and electric gross margins and earnings per share by business segment, excluding the retroactive August 2019 CPUC decision impacting the third quarter 2019 earnings results, as important 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.

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Q3 2020 Highlights

- Strong financials results
 - ✓ Consolidated diluted earnings per share:
 - Q3 2020 \$0.72
 - Q3 2019 \$0.69, excluding a \$0.07 retroactive adjustment recorded in Q3 2019 due to the retroactive impact of the August 2019 CPUC decision, related to periods prior to Q3 2019
- In July 2020 the Board approved a 9.8% increase in the quarterly cash dividend from \$0.305 to \$0.335 per share
- We continue to serve our customers and provide high quality water, electric and wastewater services for over 1 million customers throughout the country during the pandemic
- Capital expenditures were \$82.3 million for the first nine months of 2020 at the water and electric utilities and are expected to be \$105-\$120 million in 2020, barring further delays resulting from changes in capital improvement schedules due to the COVID-19 pandemic

Q3 Diluted EPS by Segment

	Q3 2020	Q3 2019	Variance
Water	\$0.57 ^(a)	\$0.53	\$0.04
Electric, adjusted	0.04	0.03 ^(b)	0.01
Contracted Services	0.10	0.12	(0.02)
AWR (parent)	0.01	0.01	—
Consolidated EPS, adjusted	0.72	0.69	0.03
Retroactive impact of electric GRC decision related to first six months of 2019 and full year of 2018	—	0.07	(0.07)
Consolidated EPS, as reported	\$0.72	\$0.76	(\$0.04)

^(a) Includes a \$0.02 per share increase related to higher gains on investments held for a retirement benefit plan as compared to Q3 2019

^(b) Excludes \$0.07 per share related to periods prior to Q3 2019, as a result of receiving the August 2019 CPUC final decision which was retroactive to January 1, 2018

Q3 Operating Revenues by Segment

(amounts in millions)	Q3 2020	Q3 2019	Variance
Water*	\$98.7	\$95.2	\$3.5
Electric*	8.3	12.0 ^(a)	(3.7)
Contracted Services	26.7	27.2	(0.5)
Total Operating Revenues	\$133.7	\$134.4	(\$0.7)

(a) Includes approximately \$3.7 million related to periods prior to Q3 2019 as a result of the August 2019 CPUC final decision on the electric general rate case

* Includes surcharges to collect previously incurred costs, and offset by corresponding increases in operating expenses, resulting in no material impact to earnings

Q3 Expenses⁽¹⁾ (excluding income taxes)



(amounts in millions)	Q3 2020	Q3 2019	Variance
Water and Electric Supply Costs	\$32.3	\$31.8	\$0.5
Other Operation	8.1	8.3	(0.2)
Administrative and General	20.6	20.6	—
Depreciation and Amortization	9.3	9.0	0.3
Maintenance	4.2	4.1	0.1
Property and Other Taxes	5.7	5.2	0.5
ASUS Construction	13.6	12.9	0.7
Gain on Sale of Assets	—	(0.1)	0.1
Total Operating Expenses	\$93.8	\$91.8	\$2.0
Interest Expense, net of Other Income	\$4.2	\$5.3	(\$1.1)

(1) Includes \$1.4 million and \$2.0 million for Q3 2020 and Q3 2019, respectively, for billed surcharges to collect previously incurred costs, with corresponding increases to operating expense, resulting in no material impact to earnings

EPS Bridge Q3 2019 to Q3 2020



(a) Excludes a \$0.07 per share retroactive impact recorded in Q3 2019 for the electric GRC related to periods prior to Q3 2019

YTD Diluted EPS by Segment

	YTD 2020	YTD 2019	Variance
Water^(a)	\$ 1.35	\$ 1.33	\$ 0.02
Electric, adjusted	0.13	0.11 ^(b)	0.02
Contracted Services	0.30	0.34	(0.04)
AWR (parent)	0.01	0.01	—
Consolidated EPS, adjusted	1.79	1.79	—
Retroactive impact of electric GRC decision related to 2018	—	0.04	(0.04)
Consolidated EPS, as reported	\$ 1.79	\$ 1.83	(\$ 0.04)

(a) YTD 2020 includes a \$0.02 per share decrease due to lower gains on investments as compared to YTD 2019. The YTD 2019 results include a reduction in expenses of \$1.1 million, or \$0.02 per share, associated with the CPUC's approval of the recovery of memo accounts, with no similar reduction in 2020. Excluding these items, YTD 2020 Water EPS increased by \$0.06 as compared to YTD 2019.

(b) Excludes \$0.04 per share related to 2018, as a result of receiving the August 2019 CPUC final GRC decision which was retroactive to January 1, 2018.

- Operating cash flows for year-to-date September 2020 increased to \$87.8 million from \$84.3 million in the same period of 2019
 - YTD 2019 included the refunding of \$7.2 million to water customers related to the 2017 Tax Cut and Jobs Act. There were no similar refunds in 2020
 - YTD 2020 saw an increase in water customer usage as compared to YTD 2019
 - These increases were partially offset by a decrease in cash flows from accounts receivable from utility customers due to the economic impact of the COVID-19 pandemic, and the suspension of service disconnections to customers for non-payment
- Invested \$82.3 million of company-funded capital work year-to-date at our regulated utilities
 - Capital expenditures for 2020 are expected to be \$105-\$120 million

- On July 8, 2020, Golden State Water completed the issuance of unsecured private placement notes totaling \$160 million, and used proceeds to pay down intercompany borrowings from AWR parent
- AWR used the proceeds to pay down amounts outstanding under its revolving credit facility; AWR then reduced its borrowing capacity under its revolving credit facility to \$200 million
- Established a separate 3-year, \$35 million revolving credit facility at our electric segment, not guaranteed by parent
- At this time, there are no plans for AWR to issue equity

Regulated Activity (GSWC)



Regulated Utilities Customer Service Areas

- On July 15, 2020 Golden State Water filed a general rate case (GRC) application for all water regions and the general office for new rates for the years 2022, 2023 and 2024:
 - Application includes capital budget requests of approximately \$450.6 million for the three-year rate cycle, and another \$11.4 million of capital projects to be filed for revenue recovery through advice letters once those projects are completed
 - A final decision is scheduled for the fourth quarter of 2021 with new rates effective January 1, 2022

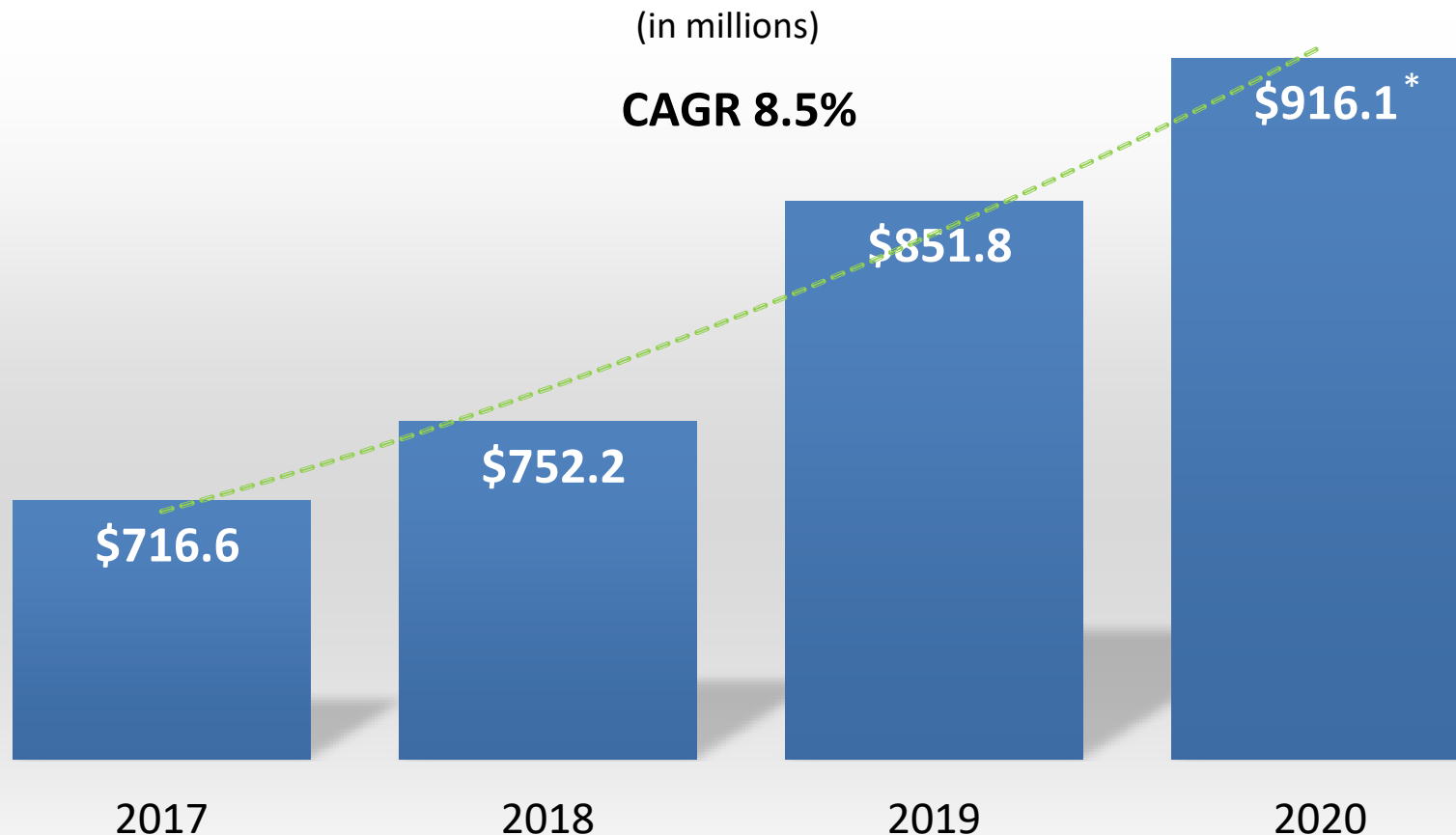
Regulated Activity (GSWC) (cont.)



Regulated Utilities Customer Service Areas

- Final Decision in Phase 1 of Low Income Rate Affordability Program Proceeding issued on August 27, 2020 eliminates from any future GRC applications filed after August 27, 2020 any proposal to include the use of the Water Revenue Adjustment Mechanism (WRAM) and the Modified Cost Balancing Account (MCBA)
 - Replacing these mechanisms would result in more volatility in GSWC's future revenues and prevent full recovery of its authorized revenues
 - Does not impact WRAM/MCBA balances during the current rate cycle (2019-2021)
 - The company does not believe the decision applies to GSWC's GRC application filed in July 2020
 - In October GSWC filed an application for rehearing on this matter. At this time, the company cannot predict the outcome of this matter.

Adopted Average Water Rate Base



Note: Water segment has seen 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 rate base of over 10%. GSWC has requested \$450.6 million of capital expenditures for the new rate cycle and another \$11.4 million of advice letter projects in its GRC filing on July 15, 2020

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

Contracted Services (ASUS)

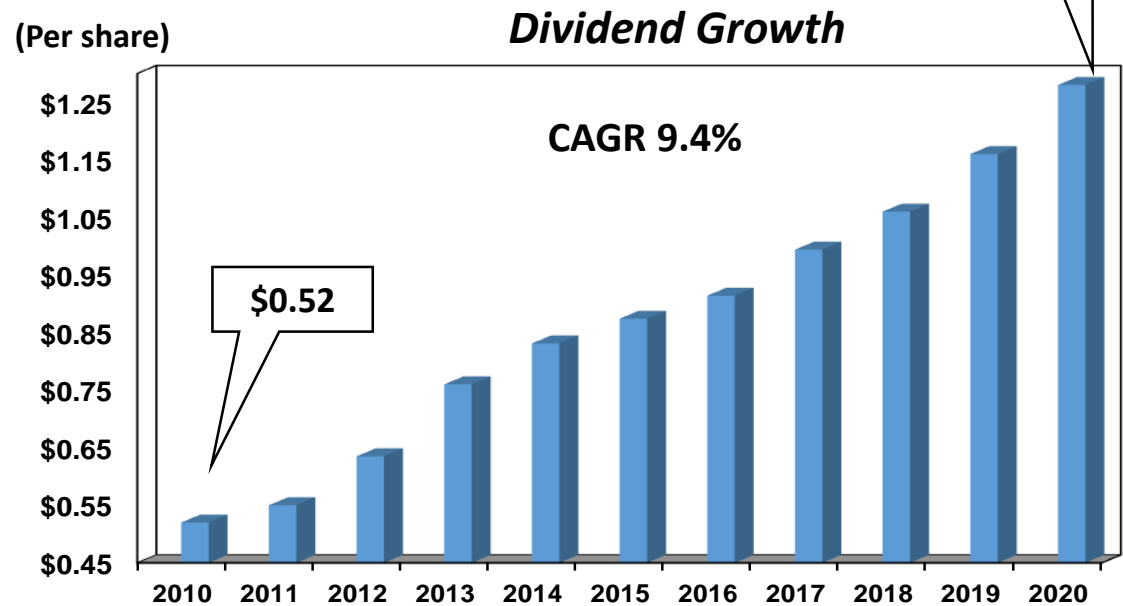
- ASUS's earnings contribution was \$0.10 per share for Q3 2020 as compared to \$0.12 for Q3 2019
 - We have experienced weather delays and slowdowns in permitting for construction projects and government funding for new capital projects
- ASUS is projected to contribute at the low end of \$0.46 - \$0.50 per share in 2020
- Actively pursuing new base privatizations



Serving Those Who Serve®

Dividends

- Board of Directors approved a fourth quarter cash dividend of \$0.335 per share
- Dividends paid every year **since 1931**
- Increased the dividend every calendar year for **66 consecutive years**
- Dividend policy: A CAGR of **more than 7%** over the long term



Questions and Answers