# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**for the quarterly period ended June 30, 2021**

**or**

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**for the transition period from to**

**Commission file number 001-14431**

# American States Water Company

(Exact Name of Registrant as Specified in Its Charter)

| | | | |
|---|---|---|---|
| **California** | | | **95-4676679** |
| (State or Other Jurisdiction of Incorporation or Organization) | | | (IRS Employer Identification No.) |
| **630 E. Foothill Blvd** | **San Dimas** | **CA** | **91773-1212** |
| (Address of Principal Executive Offices) | | | (Zip Code) |

**(909) 394-3600**

(Registrant's Telephone Number, Including Area Code)

**Not Applicable**

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

**Commission file number 001-12008**

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

| Title of each class | Trading symbol | Name of each exchange on which registered |
|---|---|---|
| **Common shares** | **AWR** | **New York Stock Exchange** |

# Golden State Water Company

(Exact Name of Registrant as Specified in Its Charter)

| | | | |
|---|---|---|---|
| **California** | | | **95-1243678** |
| (State or Other Jurisdiction of Incorporation or Organization) | | | (IRS Employer Identification No.) |
| **630 E. Foothill Blvd** | **San Dimas** | **CA** | **91773-1212** |
| (Address of Principal Executive Offices) | | | (Zip Code) |

**(909) 394-3600**

(Registrant's Telephone Number, Including Area Code)

**Not Applicable**

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

| | | | |
|---|---|---|---|
| American States Water Company | Yes x | | No ☐ |
| Golden State Water Company | Yes x | | No ☐ |

Indicate by check mark whether Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or such shorter period that the Registrant was required to submit and post such files).

| | | | |
|---|---|---|---|
| American States Water Company | Yes x | No | ☐ |
| Golden State Water Company | Yes x | No | ☐ |

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer” and smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

**American States Water Company**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Large accelerated filer | x | Accelerated filer | ☐ | Non-accelerated filer | ☐ | Smaller reporting company | ☐ | Emerging growth company | ☐ |

**Golden State Water Company**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ | Non-accelerated filer | x | Smaller reporting company | ☐ | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

| | | | |
|---|---|---|---|
| American States Water Company | Yes | ☐ | No x |
| Golden State Water Company | Yes | ☐ | No x |

As of July 30, 2021, the number of Common Shares outstanding of American States Water Company was 36,931,771 shares. As of July 30, 2021, all of the 170 outstanding Common Shares of Golden State Water Company were owned by American States Water Company.

Golden State Water Company meets the conditions set forth in General Instruction (H)(1)(a) and (b) of Form 10-Q and is therefore filing this Form, in part, with the reduced disclosure format for Golden State Water Company.

**AMERICAN STATES WATER COMPANY**
**and**
**GOLDEN STATE WATER COMPANY**
**FORM 10-Q**

**INDEX**

# PART I

## Item 1. Financial Statements

## General

The basic financial statements included herein have been prepared by Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments consisting of normal recurring items and estimates necessary for a fair statement of results for the interim period have been made.

It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto in the latest Annual Report on Form 10-K of American States Water Company and its wholly owned subsidiary, Golden State Water Company.

## Filing Format

American States Water Company ("AWR") is the parent company of Golden State Water Company ("GSWC"), Bear Valley Electric Service, Inc. ("BVESI"), and American States Utility Services, Inc. and its subsidiaries ("ASUS"). On July 1, 2020, GSWC completed the transfer of the electric utility assets and liabilities from its electric division to BVESI, in exchange for common shares of BVESI. GSWC then immediately distributed all of BVESI's common shares to AWR, whereupon BVESI became wholly owned directly by AWR. This reorganization did not result in any substantive changes to AWR's operations and business segments.

This quarterly report on Form 10-Q is a combined report being filed by two separate Registrants: AWR and GSWC. For more information, please see Note 1 of the Notes to Consolidated Financial Statements and the heading entitled "General" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations." References in this report to "Registrant" are to AWR and GSWC collectively, unless otherwise specified. GSWC makes no representations as to the information contained in this report other than with respect to itself.

## Forward-Looking Information

This Form 10-Q and the documents incorporated herein contain forward-looking statements intended to qualify for the "safe harbor" from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current estimates, expectations and projections about future events and assumptions regarding these events and include statements regarding management's goals, beliefs, plans or current expectations, taking into account the information currently available to management. Forward-looking statements are not statements of historical facts. For example, when we use words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "may" and other words that convey uncertainty of future events or outcomes, we are making forward-looking statements. We are not able to predict all the factors that may affect future results. We caution you that any forward-looking statements made by us are not guarantees of future performance and the actual results may differ materially from those in our forward-looking statements.

Factors affecting our financial performance are summarized under *Forward-Looking Information* and under "Risk Factors" in our Form 10-K for the period ended December 31, 2020 filed with the SEC. Please consider our forward-looking statements in light of these risks as you read this Form 10-Q. We qualify all of our forward-looking statements by these cautionary statements.

**AMERICAN STATES WATER COMPANY**
**CONSOLIDATED BALANCE SHEETS**
**ASSETS**
**(Unaudited)**

| (in thousands) | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Property, Plant and Equipment** | | |
| Regulated utility plant, at cost | $ 2,112,249 | $ 2,043,791 |
| Non-utility property, at cost | 37,662 | 36,578 |
| Total | 2,149,911 | 2,080,369 |
| Less - Accumulated depreciation | (579,278) | (568,326) |
| Net property, plant and equipment | 1,570,633 | 1,512,043 |
| | | |
| **Other Property and Investments** | | |
| Goodwill | 1,116 | 1,116 |
| Other property and investments | 37,414 | 35,318 |
| Total other property and investments | 38,530 | 36,434 |
| | | |
| **Current Assets** | | |
| Cash and cash equivalents | 5,359 | 36,737 |
| Accounts receivable — customers (less allowance for doubtful accounts of $7,445 in 2021 and $5,263 in 2020) | 28,516 | 29,162 |
| Unbilled receivable | 29,569 | 25,836 |
| Receivable from the U.S. government (Note 2) | 25,698 | 25,182 |
| Other accounts receivable (less allowance for doubtful accounts of $53 in 2021 and $53 in 2020) | 4,961 | 3,960 |
| Income taxes receivable | 1,147 | 103 |
| Materials and supplies, at weighted average cost | 8,773 | 8,619 |
| Regulatory assets — current | 14,394 | 13,088 |
| Prepayments and other current assets | 8,365 | 5,555 |
| Unrealized gains on purchased power contracts | 2,810 | — |
| Contract assets | 6,720 | 8,873 |
| Total current assets | 136,312 | 157,115 |
| | | |
| **Other Assets** | | |
| Unbilled revenue — receivable from U.S. government | 8,340 | 9,945 |
| Receivable from the U.S. government (Note 2) | 52,957 | 49,488 |
| Contract assets (Note 2) | 4,452 | 1,384 |
| Operating lease right-of-use assets | 10,633 | 11,146 |
| Regulatory assets | 9,799 | 3,451 |
| Other | 10,702 | 10,597 |
| Total other assets | 96,883 | 86,011 |
| | | |
| **Total Assets** | $ 1,842,358 | $ 1,791,603 |

*The accompanying notes are an integral part of these consolidated financial statements*

**AMERICAN STATES WATER COMPANY**
**CONSOLIDATED BALANCE SHEETS**
**CAPITALIZATION AND LIABILITIES**
**(Unaudited)**

| (in thousands, except number of shares) | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Capitalization** | | |
| Common shares, no par value | | |
| Authorized: 60,000,000 shares | | |
| Outstanding: 36,931,771 shares in 2021 and 36,889,103 shares in 2020 | $ 258,101 | $ 256,666 |
| Earnings reinvested in the business | 406,033 | 385,007 |
| Total common shareholders’ equity | 664,134 | 641,673 |
| Long-term debt | 412,345 | 440,348 |
| Total capitalization | 1,076,479 | 1,082,021 |
| | | |
| **Current Liabilities** | | |
| Long-term debt — current | 376 | 358 |
| Accounts payable | 65,951 | 63,788 |
| Income taxes payable | 390 | 6,783 |
| Accrued other taxes | 9,977 | 11,902 |
| Accrued employee expenses | 16,495 | 15,122 |
| Accrued interest | 4,496 | 4,832 |
| Unrealized losses on purchased power contracts | — | 1,537 |
| Contract liabilities (Note 2) | 688 | 1,800 |
| Operating lease liabilities | 2,049 | 2,013 |
| Other | 10,929 | 10,437 |
| Total current liabilities | 111,351 | 118,572 |
| | | |
| **Other Credits** | | |
| Notes payable to bank | 188,000 | 134,200 |
| Advances for construction | 64,180 | 63,374 |
| Contributions in aid of construction - net | 144,979 | 140,332 |
| Deferred income taxes | 134,644 | 131,172 |
| Unamortized investment tax credits | 1,188 | 1,224 |
| Accrued pension and other postretirement benefits | 96,766 | 95,639 |
| Operating lease liabilities | 9,028 | 9,636 |
| Other | 15,743 | 15,433 |
| Total other credits | 654,528 | 591,010 |
| | | |
| **Commitments and Contingencies (Note 9)** | | |
| | | |
| **Total Capitalization and Liabilities** | $ 1,842,358 | $ 1,791,603 |

*The accompanying notes are an integral part of these consolidated financial statements*

**AMERICAN STATES WATER COMPANY**
**CONSOLIDATED STATEMENTS OF INCOME**
**FOR THE THREE AND SIX MONTHS ENDED**
**JUNE 30, 2021 AND 2020**
**(Unaudited)**

| (in thousands, except per share amounts) | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Water | $ 91,633 | $ 87,074 | $ 166,662 | $ 158,498 |
| Electric | 8,108 | 7,679 | 19,647 | 18,647 |
| Contracted services | 28,673 | 26,525 | 59,165 | 53,210 |
| Total operating revenues | 128,414 | 121,278 | 245,474 | 230,355 |
| **Operating Expenses** | | | | |
| Water purchased | 20,916 | 18,754 | 36,155 | 32,846 |
| Power purchased for pumping | 2,861 | 2,398 | 5,006 | 4,257 |
| Groundwater production assessment | 5,220 | 5,030 | 9,660 | 9,178 |
| Power purchased for resale | 2,130 | 1,967 | 5,328 | 5,010 |
| Supply cost balancing accounts | (3,086) | (1,802) | (5,513) | (3,967) |
| Other operation | 8,534 | 7,959 | 16,751 | 16,445 |
| Administrative and general | 20,630 | 20,398 | 42,683 | 43,348 |
| Depreciation and amortization | 9,770 | 9,031 | 19,330 | 17,842 |
| Maintenance | 3,267 | 4,094 | 5,929 | 7,978 |
| Property and other taxes | 5,273 | 5,246 | 11,213 | 10,405 |
| ASUS construction | 15,052 | 12,487 | 30,756 | 25,598 |
| Total operating expenses | 90,567 | 85,562 | 177,298 | 168,940 |
| **Operating Income** | 37,847 | 35,716 | 68,176 | 61,415 |
| **Other Income and Expenses** | | | | |
| Interest expense | (6,032) | (5,322) | (12,290) | (11,372) |
| Interest income | 348 | 490 | 803 | 1,048 |
| Other, net | 1,875 | 3,009 | 2,531 | 775 |
| Total other income and expenses, net | (3,809) | (1,823) | (8,956) | (9,549) |
| **Income before income tax expense** | 34,038 | 33,893 | 59,220 | 51,866 |
| Income tax expense | 7,462 | 8,281 | 13,376 | 12,182 |
| **Net Income** | $ 26,576 | $ 25,612 | 45,844 | 39,684 |
| **Weighted Average Number of Common Shares Outstanding** | 36,916 | 36,884 | 36,907 | 36,872 |
| **Basic Earnings Per Common Share** | $ 0.72 | $ 0.69 | $ 1.24 | $ 1.07 |
| **Weighted Average Number of Diluted Shares** | 37,007 | 37,000 | 36,993 | 36,985 |
| **Fully Diluted Earnings Per Common Share** | $ 0.72 | $ 0.69 | $ 1.24 | $ 1.07 |
| **Dividends Paid Per Common Share** | $ 0.335 | $ 0.305 | $ 0.670 | $ 0.610 |

*The accompanying notes are an integral part of these consolidated financial statements*

**AMERICAN STATES WATER COMPANY**
**CONSOLIDATED STATEMENTS OF CHANGES**
**IN COMMON SHAREHOLDERS' EQUITY**
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021**
**(Unaudited)**

| | Three and Six Months Ended June 30, 2021 | | | |
|---|---|---|---|---|
| | Common Shares | | Reinvested | |
| (in thousands) | Number of Shares | Amount | Earnings in the Business | Total |
| **Balances at December 31, 2020** | 36,889 | $ 256,666 | $ 385,007 | $ 641,673 |
| Add: | | | | |
| Net income | | | 19,268 | 19,268 |
| Exercise of stock options and other issuances of Common Shares | 24 | — | | — |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 813 | | 813 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 49 | | 49 |
| Deduct: | | | | |
| Dividends on Common Shares | | | 12,361 | 12,361 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 49 | 49 |
| **Balances at March 31, 2021** | 36,913 | $ 257,528 | $ 391,865 | $ 649,393 |
| **Add:** | | | | |
| Net income | | | 26,576 | 26,576 |
| Exercise of stock options and other issuances of Common Shares | 19 | — | | — |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 531 | | 531 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 42 | | 42 |
| Deduct: | | | | |
| Dividends on Common Shares | | | 12,366 | 12,366 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 42 | 42 |
| **Balances at June 30, 2021** | 36,932 | $ 258,101 | $ 406,033 | $ 664,134 |

*The accompanying notes are an integral part of these consolidated financial statements.*

**AMERICAN STATES WATER COMPANY**
**CONSOLIDATED STATEMENTS OF CHANGES**
**IN COMMON SHAREHOLDERS' EQUITY**
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**
**(Unaudited)**

| | Three and Six Months Ended June 30, 2020 | | | |
|---|---|---|---|---|
| | Common Shares | | Reinvested | |
| **(in thousands)** | **Number of Shares** | **Amount** | **Earnings in the Business** | **Total** |
| **Balances at December 31, 2019** | 36,847 | $ 255,566 | $ 345,964 | $ 601,530 |
| Add: | | | | |
| Net income | | | 14,072 | 14,072 |
| Exercise of stock options and other issuances of Common Shares | 37 | 30 | | 30 |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 193 | | 193 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 52 | | 52 |
| Deduct: | | | | |
| Dividends on Common Shares | | | 11,242 | 11,242 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 52 | 52 |
| **Balances at March 31, 2020** | 36,884 | $ 255,841 | $ 348,742 | $ 604,583 |
| Add: | | | | |
| Net income | | | 25,612 | 25,612 |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 343 | | 343 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 39 | | 39 |
| Deduct: | | | | |
| Dividends on Common Shares | | | 11,250 | 11,250 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 39 | 39 |
| **Balances at June 30, 2020** | 36,884 | $ 256,223 | $ 363,065 | $ 619,288 |

*The accompanying notes are an integral part of these consolidated financial statements.*

**AMERICAN STATES WATER COMPANY**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**
**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| **(in thousands)** | **2021** | **2020** |
| **Cash Flows From Operating Activities:** | | |
| Net income | $ 45,844 | $ 39,684 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 19,520 | 18,008 |
| Provision for doubtful accounts | 548 | 569 |
| Deferred income taxes and investment tax credits | 353 | 1,234 |
| Stock-based compensation expense | 2,379 | 2,127 |
| Gain on investments held in a trust | (2,208) | (61) |
| Other — net | 215 | 157 |
| Changes in assets and liabilities: | | |
| Accounts receivable — customers | (2,087) | (10,514) |
| Unbilled receivable | (2,128) | (532) |
| Other accounts receivable | (1,001) | 139 |
| Receivables from the U.S. government | (3,584) | (2,587) |
| Materials and supplies | (154) | (1,739) |
| Prepayments and other assets | (1,997) | (1,400) |
| Contract assets | (1,316) | (1,820) |
| Regulatory assets | (8,802) | (6,995) |
| Accounts payable | 2,266 | (27) |
| Income taxes receivable/payable | (7,437) | 10,836 |
| Contract liabilities | (1,112) | (600) |
| Accrued pension and other postretirement benefits | 3,595 | 2,693 |
| Other liabilities | (1,750) | (2,909) |
| Net cash provided | 41,144 | 46,263 |
| **Cash Flows From Investing Activities:** | | |
| Capital expenditures | (76,147) | (62,587) |
| Other investing activities | 64 | 104 |
| Net cash used | (76,083) | (62,483) |
| **Cash Flows From Financing Activities:** | | |
| Proceeds from stock option exercises | — | 30 |
| Receipt of advances for and contributions in aid of construction | 6,837 | 4,630 |
| Refunds on advances for construction | (2,922) | (2,767) |
| Retirement or repayments of long-term debt | (28,156) | (210) |
| Net change in notes payable to banks | 53,800 | 44,000 |
| Dividends paid | (24,727) | (22,492) |
| Other financing activities | (1,271) | (1,809) |
| Net cash provided | 3,561 | 21,382 |
| **Net change in cash and cash equivalents** | (31,378) | 5,162 |
| **Cash and cash equivalents, beginning of period** | 36,737 | 1,334 |
| **Cash and cash equivalents, end of period** | $ 5,359 | $ 6,496 |
| **Non-cash transactions:** | | |
| Accrued payables for investment in utility plant | $ 27,758 | $ 19,892 |
| Property installed by developers and conveyed | $ 3,401 | $ 1,535 |

*The accompanying notes are an integral part of these consolidated financial statements*

**GOLDEN STATE WATER COMPANY**
**BALANCE SHEETS**
**ASSETS**
**(Unaudited)**

| (in thousands) | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Utility Plant** | | |
| Utility plant, at cost | $ 1,960,802 | $ 1,902,772 |
| Less - Accumulated depreciation | (510,283) | (502,283) |
| Net utility plant | 1,450,519 | 1,400,489 |
| | | |
| **Other Property and Investments** | 35,342 | 33,240 |
| | | |
| **Current Assets** | | |
| Cash and cash equivalents | 4,659 | 35,578 |
| Accounts receivable — customers (less allowance for doubtful accounts of $6,910 in 2021 and $4,907 in 2020) | 26,715 | 26,920 |
| Unbilled receivable | 20,502 | 19,330 |
| Other accounts receivable (less allowance for doubtful accounts of $53 in 2021 and $53 in 2020) | 2,521 | 3,255 |
| Intercompany receivable | — | 1,107 |
| Materials and supplies, at average cost | 3,833 | 3,659 |
| Regulatory assets — current | 14,394 | 11,325 |
| Prepayments and other current assets | 5,674 | 4,114 |
| Total current assets | 78,298 | 105,288 |
| | | |
| **Other Assets** | | |
| Operating lease right-of-use assets | 10,511 | 11,103 |
| Regulatory assets | 8,857 | 1,048 |
| Other | 9,586 | 9,614 |
| Total other assets | 28,954 | 21,765 |
| | | |
| **Total Assets** | $ 1,593,113 | $ 1,560,782 |

*The accompanying notes are an integral part of these financial statements*

**GOLDEN STATE WATER COMPANY**
**BALANCE SHEETS**
**CAPITALIZATION AND LIABILITIES**
**(Unaudited)**

| (in thousands, except number of shares) | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Capitalization** | | |
| Common Shares, no par value: | | |
| Authorized: 1,000 shares | | |
| Outstanding: 170 shares in 2021 and 2020 | $ 356,251 | $ 354,906 |
| Earnings reinvested in the business | 236,699 | 228,392 |
| Total common shareholder’s equity | 592,950 | 583,298 |
| Long-term debt | 412,345 | 440,348 |
| Total capitalization | 1,005,295 | 1,023,646 |
| | | |
| **Current Liabilities** | | |
| Long-term debt — current | 376 | 358 |
| Accounts payable | 50,210 | 45,613 |
| Accrued other taxes | 8,675 | 10,382 |
| Accrued employee expenses | 13,288 | 12,351 |
| Accrued interest | 4,218 | 4,545 |
| Income taxes payable to Parent | 532 | 4,612 |
| Operating lease liabilities | 2,018 | 1,956 |
| Other | 9,476 | 9,403 |
| Total current liabilities | 88,793 | 89,220 |
| | | |
| **Other Credits** | | |
| Intercompany payable to Parent | 41,835 | — |
| Advances for construction | 64,160 | 63,354 |
| Contributions in aid of construction — net | 143,336 | 138,691 |
| Deferred income taxes | 127,861 | 124,581 |
| Unamortized investment tax credits | 1,188 | 1,224 |
| Accrued pension and other postretirement benefits | 96,625 | 95,570 |
| Operating lease liabilities | 8,977 | 9,636 |
| Other | 15,043 | 14,860 |
| Total other credits | 499,025 | 447,916 |
| | | |
| **Commitments and Contingencies (Note 9)** | | |
| | | |
| **Total Capitalization and Liabilities** | $ 1,593,113 | $ 1,560,782 |

*The accompanying notes are an integral part of these financial statements*

**GOLDEN STATE WATER COMPANY**
**STATEMENTS OF INCOME**
**FOR THE THREE AND SIX MONTHS ENDED**
**JUNE 30, 2021 AND 2020**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands)** | **2021** | **2020** | **2021** | **2020** |
| **Operating Revenues** | | | | |
| Water | $ 91,633 | $ 87,074 | $ 166,662 | $ 158,498 |
| Electric (Note 11) | — | 7,679 | — | 18,647 |
| Total operating revenues | 91,633 | 94,753 | 166,662 | 177,145 |
| **Operating Expenses (Note 11)** | | | | |
| Water purchased | 20,916 | 18,754 | 36,155 | 32,846 |
| Power purchased for pumping | 2,861 | 2,398 | 5,006 | 4,257 |
| Groundwater production assessment | 5,220 | 5,030 | 9,660 | 9,178 |
| Power purchased for resale | — | 1,967 | — | 5,010 |
| Supply cost balancing accounts | (3,411) | (1,802) | (6,331) | (3,967) |
| Other operation | 6,376 | 6,370 | 12,189 | 13,000 |
| Administrative and general | 13,861 | 15,733 | 28,296 | 32,571 |
| Depreciation and amortization | 8,213 | 8,209 | 16,275 | 16,238 |
| Maintenance | 2,356 | 3,201 | 4,096 | 6,394 |
| Property and other taxes | 4,464 | 4,718 | 9,480 | 9,351 |
| Total operating expenses | 60,856 | 64,578 | 114,826 | 124,878 |
| **Operating Income (Note 11)** | 30,777 | 30,175 | 51,836 | 52,267 |
| **Other Income and Expenses** | | | | |
| Interest expense | (5,643) | (5,177) | (11,441) | (10,954) |
| Interest income | 179 | 181 | 266 | 499 |
| Other, net | 1,604 | 3,049 | 2,255 | 846 |
| Total other income and expenses, net | (3,860) | (1,947) | (8,920) | (9,609) |
| **Income before income tax expense** | 26,917 | 28,228 | 42,916 | 42,658 |
| Income tax expense | 5,957 | 7,309 | 9,725 | 10,537 |
| **Net Income (Note 11)** | $ 20,960 | $ 20,919 | $ 33,191 | $ 32,121 |

*The accompanying notes are an integral part of these consolidated financial statements*

**GOLDEN STATE WATER COMPANY**
**STATEMENTS OF CHANGES**
**IN COMMON SHAREHOLDER'S EQUITY**
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021**
**(Unaudited)**

| | Three and Six Months Ended June 30, 2021 | | | |
|---|---|---|---|---|
| | Common Shares | | Reinvested | |
| **(in thousands, except number of shares)** | **Number of Shares** | **Amount** | **Earnings in the Business** | **Total** |
| **Balances at December 31, 2020** | 170 | $ 354,906 | $ 228,392 | $ 583,298 |
| Add: | | | | |
| Net income | | | 12,231 | 12,231 |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 782 | | 782 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 45 | | 45 |
| Deduct: | | | | |
| Dividends on Common Shares | | | 12,400 | 12,400 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 45 | 45 |
| **Balances at March 31, 2021** | 170 | $ 355,733 | $ 228,178 | $ 583,911 |
| | | | | |
| Add: | | | | |
| Net income | | | 20,960 | 20,960 |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 479 | | 479 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 39 | | 39 |
| Deduct: | | | | |
| Dividends on Common Shares | | | 12,400 | 12,400 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 39 | 39 |
| **Balances at June 30, 2021** | 170 | $ 356,251 | $ 236,699 | $ 592,950 |

*The accompanying notes are an integral part of these financial statements*

**GOLDEN STATE WATER COMPANY**
**STATEMENTS OF CHANGES**
**IN COMMON SHAREHOLDER'S EQUITY**
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**
**(Unaudited)**

| | Three and Six Months Ended June 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Shares | | | Reinvested Earnings in the Business | | | |
| (in thousands, except number of shares) | Number of Shares | | Amount | | | | Total |
| **Balances at December 31, 2019** | 165 | $ | 293,754 | $ | 257,434 | $ | 551,188 |
| Add: | | | | | | | |
| Net income | | | | | 11,202 | | 11,202 |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | | 254 | | | | 254 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 46 | | | | 46 |
| Deduct: | | | | | | | |
| Dividends on Common Shares | | | | | 11,250 | | 11,250 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | | | 46 | | 46 |
| **Balances at March 31, 2020** | 165 | $ | 294,054 | $ | 257,340 | $ | 551,394 |
| Add: | | | | | | | |
| Net income | | | | | 20,919 | | 20,919 |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | | 296 | | | | 296 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 36 | | | | 36 |
| Deduct: | | | | | | | |
| Dividends on Common Shares | | | | | 11,250 | | 11,250 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | | | 36 | | 36 |
| **Balances at June 30, 2020** | 165 | $ | 294,386 | $ | 266,973 | $ | 561,359 |

*The accompanying notes are an integral part of these financial statements*

**GOLDEN STATE WATER COMPANY**
**STATEMENTS OF CASH FLOWS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**
**(Unaudited)**

| (in thousands) | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Net income | $ 33,191 | $ 32,121 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 16,404 | 16,403 |
| Provision for doubtful accounts | 490 | 569 |
| Deferred income taxes and investment tax credits | 328 | 1,603 |
| Stock-based compensation expense | 2,190 | 1,942 |
| Gain on investments held in a trust | (2,208) | (61) |
| Other — net | 170 | 141 |
| Changes in assets and liabilities: | | |
| Accounts receivable — customers | (2,282) | (10,514) |
| Unbilled receivable | (1,172) | (600) |
| Other accounts receivable | 734 | (109) |
| Materials and supplies | (174) | (2,134) |
| Prepayments and other assets | (485) | (894) |
| Regulatory assets | (8,489) | (6,995) |
| Accounts payable | 3,999 | 2,432 |
| Intercompany receivable/payable | (15) | (1,610) |
| Income taxes receivable/payable from/to Parent | (4,080) | 8,934 |
| Accrued pension and other postretirement benefits | 3,523 | 2,693 |
| Other liabilities | (2,075) | (2,888) |
| Net cash provided | 40,049 | 41,033 |
| **Cash Flows From Investing Activities:** | | |
| Capital expenditures | (63,809) | (59,589) |
| Note receivable from AWR parent | (23,000) | — |
| Receipt of payment of note receivable from AWR parent | 23,000 | — |
| Other investing activities | 60 | 58 |
| Net cash used | (63,749) | (59,531) |
| **Cash Flows From Financing Activities:** | | |
| Receipt of advances for and contributions in aid of construction | 6,814 | 4,630 |
| Refunds on advances for construction | (2,922) | (2,767) |
| Retirement or repayments of long-term debt | (28,156) | (210) |
| Net change in intercompany borrowings | 43,000 | 42,000 |
| Dividends paid | (24,800) | (22,500) |
| Other financing activities | (1,155) | (1,610) |
| Net cash (used) provided | (7,219) | 19,543 |
| **Net change in cash and cash equivalents** | (30,919) | 1,045 |
| **Cash and cash equivalents, beginning of period** | 35,578 | 401 |
| **Cash and cash equivalents, end of period** | $ 4,659 | $ 1,446 |
| **Non-cash transactions:** | | |
| Accrued payables for investment in utility plant | $ 26,231 | $ 19,815 |
| Property installed by developers and conveyed | $ 3,401 | $ 1,535 |

*The accompanying notes are an integral part of these financial statements*

**Note 1 — Summary of Significant Accounting Policies**

Nature of Operations: American States Water Company ("AWR") is the parent company of Golden State Water Company ("GSWC"), Bear Valley Electric Service, Inc. ("BVESI"), and American States Utility Services, Inc. ("ASUS") (and its wholly owned subsidiaries: Fort Bliss Water Services Company ("FBWS"), Terrapin Utility Services, Inc. ("TUS"), Old Dominion Utility Services, Inc. ("ODUS"), Palmetto State Utility Services, Inc. ("PSUS"), Old North Utility Services, Inc. ("ONUS"), Emerald Coast Utility Services, Inc. ("ECUS"), and Fort Riley Utility Services, Inc. ("FRUS")). The subsidiaries of ASUS are collectively referred to as the "Military Utility Privatization Subsidiaries". On July 1, 2020, GSWC completed the transfer of the electric utility assets and liabilities from its electric division to BVESI, a separate legal entity and wholly owned subsidiary of AWR (Note 11). This reorganization did not result in any substantive changes to AWR's operations and business segments. AWR, through its wholly owned subsidiaries, serves over one million people in nine states.

GSWC and BVESI are both California public utilities. GSWC is engaged in the purchase, production, distribution and sale of water throughout California serving approximately 262,000 customer connections. BVESI distributes electricity in several San Bernardino County mountain communities in California serving approximately 24,500 customer connections. The California Public Utilities Commission ("CPUC") regulates GSWC's and BVESI's businesses in matters including properties, rates, services, facilities, and transactions between GSWC, BVESI, and their affiliates.

ASUS, through its wholly owned subsidiaries, operates, maintains and performs construction activities (including renewal and replacement capital work) on water and/or wastewater systems at various U.S. military bases pursuant to initial 50-year firm fixed-price contracts. These contracts are subject to annual economic price adjustments and modifications for changes in circumstances, changes in laws and regulations, and additions to the contract value for new construction of facilities at the military bases.

There is no direct regulatory oversight by the CPUC over AWR or the operations, rates or services provided by ASUS or any of its wholly owned subsidiaries.

Basis of Presentation: The consolidated financial statements and notes thereto are presented in a combined report filed by two separate Registrants: AWR and GSWC. References in this report to "Registrant" are to AWR and GSWC, collectively, unless otherwise specified. AWR owns all of the outstanding common shares of GSWC, BVESI and ASUS. ASUS owns all of the outstanding common stock of the Military Utility Privatization Subsidiaries. The consolidated financial statements of AWR include the accounts of AWR and its subsidiaries. These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Intercompany transactions and balances have been eliminated in the AWR consolidated financial statements.

The consolidated financial statements included herein have been prepared by Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The December 31, 2020 condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. In the opinion of management, all adjustments consisting of normal, recurring items, and estimates necessary for a fair statement of the results for the interim periods have been made. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Form 10-K for the year ended December 31, 2020 filed with the SEC.

Related Party Transactions and Financing Activities: GSWC, BVESI and ASUS provide and/or receive various support services to and from their parent, AWR, and among themselves. GSWC has allocated certain corporate office administrative and general costs to its affiliates, BVESI and ASUS, using allocation factors approved by the CPUC. GSWC allocated corporate office administrative and general costs to the electric segment of approximately $679,000 and $700,000 during the three months ended June 30, 2021 and 2020, respectively and $1.5 million for each of the six month periods ended June 30, 2021 and 2020. GSWC allocated corporate office administrative and general costs to ASUS of approximately $1.3 million and $1.2 million during the three months ended June 30, 2021 and 2020, respectively and $2.8 million and 2.7 million during the six months ended June 30, 2021 and 2020, respectively.

AWR borrows under a $200.0 million credit facility, which expires in May 2023, and provides funds to GSWC and ASUS in support of their operations. The interest rate charged to GSWC and ASUS is sufficient to cover AWR's interest expense under the credit facility. As of June 30, 2021, there was $162.0 million outstanding under this facility. BVESI has a separate $35 million revolving credit facility, which expires in July 2023. Under the terms of the credit agreement, BVESI has the option to request an increase in the facility of an additional $15 million, which is subject to approval by the financial institution. As of June 30, 2021, there was $26.0 million outstanding under this facility.

The CPUC requires GSWC to completely pay off all intercompany borrowings it has from AWR within a 24-month period. The next 24-month period in which GSWC is required to pay off its intercompany borrowings from AWR ends in May 2023.

On May 24, 2021, GSWC redeemed early its 9.56% private placement notes in the amount of $28.0 million, which pursuant to the note agreement included a redemption premium of 3.0% on par value, or $840,000. GSWC recovers redemption premiums in its embedded cost of debt as filed in cost of capital proceedings where the cost savings from redeeming higher interest rate debt are passed on to customers. Accordingly, the redemption premium has been deferred as a regulatory asset. GSWC funded the redemption by borrowing from AWR parent, which AWR, in turn, funded from its revolving credit facility.

In October 2020, AWR issued an interest bearing promissory note to GSWC, which expires in May 2023. Under the terms of the note, AWR may borrow amounts up to $30 million for working capital purposes. AWR agrees to pay any unpaid principal amounts outstanding under this note, plus accrued interest. The borrowing and repayment activity of this note is reflected on GSWC's statements of cash flows under investing activities. There were no amounts outstanding under this note as of June 30, 2021.

COVID-19 Impact: GSWC, BVESI and ASUS have continued their operations throughout the COVID-19 pandemic given that their water, wastewater, and electric utility services are deemed essential. AWR's responses take into account orders issued by the CPUC, and the guidance provided by federal, state, and local health authorities and other government officials for the COVID-19 pandemic. Some of the actions taken by GSWC and BVESI continue to include: (i) suspending service disconnections for nonpayment pursuant to CPUC and state orders, and (ii) telecommuting by employees. On July 15, 2021, the CPUC issued a final decision in the second phase of the Low-Income Affordability Rulemaking which, among other things, extends the existing moratorium on water service disconnections due to non-payment until further CPUC guidance is issued, or February 1, 2022, whichever occurs first. On June 24, 2021, the CPUC issued a final decision to extend the moratorium on electric customer service disconnections until September 30, 2021. Under the terms of CPUC-adopted payment plans, actual electric service disconnections for non-payment will not occur until approximately December 1,

The pandemic has caused significant volatility on financial markets resulting in fluctuations in the fair value of plan assets in GSWC's pension and other retirement plans. Furthermore, as discussed above, GSWC's and BVESI's response to the pandemic required the suspension of service disconnections for nonpayment, which has significantly increased the amount of delinquent customer accounts receivable during the COVID-19 pandemic. Due to expected future credit losses on utility customer bills, GSWC and BVESI have increased their allowance for doubtful accounts for past due customer receivables. However, the CPUC has authorized GSWC and BVESI to track incremental costs, including bad debt expense in excess of what is included in their respective revenue requirements, incurred as a result of the pandemic in COVID-19-related memorandum accounts, such as a Catastrophic Event Memorandum Account ("CEMA"), which is to be filed with the CPUC for future recovery. GSWC and BVESI have recorded a combined total of approximately $6.7 million in these accounts as regulatory assets, as it is believed such amounts are probable of recovery. CEMA and other emergency-type memorandum accounts are well-established cost recovery mechanisms authorized as a result of a state/federal declared emergency, and are therefore recognized as regulatory assets for future recovery. As a result, the amounts recorded in the COVID-19-related memorandum accounts have not impacted GSWC's and BVESI's earnings. GSWC's COVID-19 memorandum account is being addressed in its pending water general rate case, while BVESI intends to include the memorandum account for recovery in its next general rate case application expected to be filed in 2022. Thus far, the COVID-19 pandemic has not had a material impact on ASUS's operations.

The CPUC's July 15, 2021 final decision discussed above also requires that amounts tracked in GSWC's COVID-19 CEMA account for unpaid customer bills be offset against any (i) federal and state relief for water utility bill debt, and (ii) customer payments through payment plan arrangements, prior to receiving recovery from customers. On June 28, 2021, the governor of California signed the Budget Act of 2021, which includes $1 billion in relief funding for overdue water customer bills, and $1 billion in relief funding for overdue electric customer bills. The water utility relief funding will be managed by the State Water Resources Control Board through the Community Water System COVID-19 Relief Program to provide direct assistance to community water systems to forgive customer water debt accrued during the COVID-19 pandemic. The electric utility relief funding will be managed by the California Department of Community Services and Development through the

California Arrearage Payment Program. Both GSWC and BVESI will participate and continue to monitor the status of federal- and state-funded utility relief programs to ensure that it receives all available funding sources.

Accounting Pronouncements Adopted in 2021:

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2019-12, *Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes*. The amendments in this update simplify the accounting for income taxes by removing certain exceptions and clarifying certain requirements regarding franchise taxes, goodwill, consolidated tax expenses, and annual effective tax rate calculations. The adoption of this guidance effective January 1, 2021 did not have a material impact on Registrant's financial statements.

**Note 2 — Revenues**

Most of Registrant's revenues are derived from contracts with customers, including tariff-based revenues from its regulated utilities at GSWC and BVESI. ASUS's initial 50-year firm fixed-price contracts with the U.S. government are considered service concession arrangements under ASC 853, *Service Concession Arrangements*. Accordingly, the services under these contracts are accounted for under Topic 606—*Revenue from Contracts with Customers*, and the water and/or wastewater systems are not recorded as Property, Plant and Equipment on Registrant's balance sheets.

Although GSWC and BVESI have a diversified base of residential, commercial, industrial, and other customers, revenues derived from residential and commercial customers generally account for approximately 90% of total water and electric revenues. The vast majority of ASUS's revenues are from the U.S. government. For the three and six months ended June 30, 2021 and 2020, disaggregated revenues from contracts with customers by segment were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(dollar in thousands)** | **2021** | **2020** | **2021** | **2020** |
| **Water:** | | | | |
| Tariff-based revenues | $ 86,687 | $ 77,264 | $ 160,975 | $ 146,518 |
| Surcharges (cost-recovery activities) | 975 | 962 | 1,509 | 1,696 |
| Other | 523 | 491 | 1,040 | 986 |
| Water revenues from contracts with customers | 88,185 | 78,717 | 163,524 | 149,200 |
| WRAM under-collection (alternative revenue program) | 3,448 | 8,357 | 3,138 | 9,298 |
| Total water revenues | 91,633 | 87,074 | 166,662 | 158,498 |
| | | | | |
| **Electric:** | | | | |
| Tariff-based revenues | 8,330 | 7,384 | 20,007 | 17,416 |
| Surcharges (cost-recovery activities) | 44 | 178 | 246 | 436 |
| Electric revenues from contracts with customers | 8,374 | 7,562 | 20,253 | 17,852 |
| BRRAM (over) under-collection (alternative revenue program) | (266) | 117 | (606) | 795 |
| Total electric revenues | 8,108 | 7,679 | 19,647 | 18,647 |
| | | | | |
| **Contracted services:** | | | | |
| Water | 18,765 | 13,472 | 37,648 | 28,173 |
| Wastewater | 9,908 | 13,053 | 21,517 | 25,037 |
| Contracted services revenues from contracts with customers | 28,673 | 26,525 | 59,165 | 53,210 |
| | | | | |
| Total AWR revenues | $ 128,414 | $ 121,278 | $ 245,474 | $ 230,355 |

The opening and closing balances of the receivable from the U.S. government, contract assets, and contract liabilities from contracts with customers, which are related entirely to ASUS, were as follows:

| **(dollar in thousands)** | **June 30, 2021** | **December 31, 2020** |
|---|---|---|
| Unbilled receivables | $ 16,347 | $ 14,924 |
| Receivable from the U.S. government | $ 78,655 | $ 74,670 |
| Contract assets | $ 11,172 | $ 10,257 |
| Contract liabilities | $ 688 | $ 1,800 |

Contract Assets - Contract assets are those of ASUS and consist of unbilled revenues recognized from work-in-progress construction projects, where the right to payment is conditional on something other than the passage of time. The classification of this asset as current or noncurrent is based on the timing of when ASUS expects to bill these amounts.

Contract Liabilities - Contract liabilities are those of ASUS and consist of billings in excess of revenue recognized. The classification of this liability as current or noncurrent is based on the timing of when ASUS expects to recognize revenue.

Revenues for the three and six months ended June 30, 2021, which were included in contract liabilities at the beginning of the period were $186,000 and $838,000, respectively. Contracted services revenues recognized during the three and six months ended June 30, 2021 from performance obligations satisfied in previous periods were not material.

As of June 30, 2021, Registrant's aggregate remaining performance obligations, which are entirely for the contracted services segment, were $3.2 billion. Registrant expects to recognize revenue on these remaining performance obligations over the remaining term of each of the 50-year contracts, which range from 34 to 47 years. Each of the contracts with the U.S. government is subject to termination, in whole or in part, prior to the end of its 50-year term for convenience of the U.S. government.

**Note 3 — Regulatory Matters**

In accordance with accounting principles for rate-regulated enterprises, GSWC and BVESI record regulatory assets, which represent probable future recovery of costs from customers through the ratemaking process, and regulatory liabilities, which represent probable future refunds that are to be credited to customers through the ratemaking process. At June 30, 2021, GSWC and BVESI had approximately $23.1 million of regulatory liabilities, net of regulatory assets, not accruing carrying costs. Of this amount, (i) $77.7 million of regulatory liabilities are excess deferred income taxes arising from the lower federal income tax rate due to the Tax Cuts and Jobs Act ("Tax Act") enacted in December 2017 that are expected to be refunded to customers, (ii) $7.9 million of regulatory liabilities are from flowed-through deferred income taxes, (iii) $64.1 million of net regulatory assets relates to the underfunded position in GSWC's pension and other retirement obligations (not including the two-way pension balancing accounts), and (iv) a $2.8 million regulatory liability related to a memorandum account authorized by the CPUC to track unrealized gains and losses on BVESI's purchase power contracts over the term of the contracts. The remainder relates to other items that do not provide for or incur carrying costs.

Regulatory assets represent costs incurred by GSWC and/or BVESI for which they have received or expect to receive rate recovery in the future. In determining the probability of costs being recognized in other periods, GSWC and BVESI consider regulatory rules and decisions, past practices, and other facts or circumstances that would indicate if recovery is probable. If the CPUC determines that a portion of either GSWC's or BVESI's assets are not recoverable in customer rates, the applicable utility must determine if it has suffered an asset impairment that requires it to write down the asset's value. Regulatory assets are offset against regulatory liabilities within each ratemaking area. Amounts expected to be collected or refunded in the next twelve months have been classified as current assets and current liabilities by ratemaking area. Regulatory assets, less regulatory liabilities, included in the consolidated balance sheets are as follows:

| (dollars in thousands) | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **GSWC** | | |
| Water Revenue Adjustment Mechanism and Modified Cost Balancing Account | $ 20,787 | $ 13,741 |
| Costs deferred for future recovery on Aerojet case | 6,116 | 6,751 |
| Pensions and other post-retirement obligations (Note 8) | 63,809 | 65,576 |
| COVID-19 memorandum accounts | 6,226 | 4,119 |
| Excess deferred income taxes | (73,668) | (74,185) |
| Flow-through taxes, net | (7,323) | (9,722) |
| Other regulatory assets | 11,491 | 10,670 |
| Various refunds to customers | (4,187) | (4,577) |
| Total GSWC | $ 23,251 | $ 12,373 |
| **BVESI** | | |
| Derivative unrealized (gain) loss (Note 5) | (2,810) | 1,537 |
| Other regulatory assets | 3,297 | 2,629 |
| Total AWR | $ 23,738 | $ 16,539 |

Regulatory matters are discussed in the consolidated financial statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 2020 filed with the SEC. The discussion below focuses on significant matters and developments since December 31, 2020.

***Alternative-Revenue Programs:***

GSWC records the difference between what it bills its water customers and that which is authorized by the CPUC using the Water Revenue Adjustment Mechanism ("WRAM") and the Modified Cost Balancing Account ("MCBA") accounts approved by the CPUC. The over- or under-collection of the WRAM is aggregated with the MCBA over- or under-collection for the corresponding ratemaking area and bears interest at the current 90-day commercial paper rate.

As required by the accounting guidance for alternative revenue programs, GSWC is required to collect its WRAM balances within 24 months following the year in which an under-collection is recorded in order to recognize such amounts as revenue. The recovery periods for the majority of GSWC's WRAM/MCBA balances are primarily within 12 to 24 months. During the six months ended June 30, 2021, GSWC recorded additional net under-collections in the WRAM/MCBA accounts of approximately $8.7 million due primarily to higher-than-adopted supply costs currently in billed customer rates. As of June 30, 2021, GSWC had an aggregated regulatory asset of $20.8 million, which is comprised of a $4.4 million under-collection in the WRAM accounts and a $16.4 million under-collection in the MCBA accounts.

***COVID-19 Memorandum Accounts*:**

The CPUC has approved GSWC's and BVESI's requests to activate COVID-19-related memorandum accounts, such as a Catastrophic Event Memorandum Account ("CEMA"), for the impact of the COVID-19 pandemic. GSWC's and BVESI's response to the pandemic has included suspending service disconnections for nonpayment, which has significantly increased the amount of delinquent customer accounts receivable during the COVID-19 pandemic. Costs incurred by GSWC and BVESI in response to the COVID-19 pandemic, including bad debt expense in excess of what is included in their respective revenue requirements, are being included in the COVID-19-related memorandum accounts for future recovery. As of June 30, 2021, a total of $6.7 million in COVID-19 related incremental costs have been recorded as regulatory assets as GSWC and BVESI believe their respective costs are probable of recovery. GSWC's COVID-19 memorandum account is being addressed in its pending water general rate case, while BVESI intends to include the memorandum account for recovery in its next general rate case application expected to be filed in 2022.

***Other Regulatory Assets*:**

Other regulatory assets represent costs incurred by GSWC or BVESI for which they have received or expect to receive rate recovery in the future. These regulatory assets are supported by regulatory rules and decisions, past practices, and other facts or circumstances that indicate recovery is probable. If the CPUC determines that a portion of either GSWC’s or BVESI's assets are not recoverable in customer rates, the applicable entity must determine if it has suffered an asset impairment that requires it to write down the asset's value. Included in other regulatory assets are CPUC-approved memorandum accounts to track the costs incurred in connection with the development and implementation of BVESI’s wildfire mitigation plans (“WMPs”), which are required by California legislation to be submitted annually to the CPUC for approval. The CPUC’s Wildfire Safety Division (now part of the California Natural Resources Agency effective July 1, 2021) has engaged an independent accounting firm to conduct examinations of the expenses and capital investments identified in the 2019 and 2020 WMPs for each of the investor-owned electric utilities, including BVESI. As of June 30, 2021, BVESI has approximately $1.9 million related to expenses accumulated in its WMPs memorandum accounts that have been recognized as regulatory assets for future recovery. BVESI’s examination of these expenses as well as the capital investments incurred for its WMPs is currently in progress and, at this time, management cannot predict the outcome or recommendations that may result from this examination.

*BVESI Other CEMA Regulatory Asset*: BVESI activated a CEMA account to track the incremental costs incurred in response to a severe winter storm that occurred in February 2019 and which resulted in the declaration of an emergency by the governor of California. Incremental costs of $455,000 were included in the CEMA account and recorded as a regulatory asset. BVESI subsequently filed for recovery of these costs. In May 2021, the CPUC issued a final decision denying BVESI’s request for recovery, claiming that BVESI did not adequately demonstrate that the costs incurred were incremental and beyond costs already included in BVESI’s revenue requirement. The decision does permit BVESI to file a new application on the issue of incrementality should it wish to continue pursuing recovery. BVESI believes the storm costs were incremental and beyond what was included in its revenue requirement and will file a new application to continue pursuing recovery. As a result, the costs in this CEMA account remain as a regulatory asset at June 30, 2021 as the Company continues to believe the incremental costs were properly tracked and included in the CEMA account consistent with the CPUC's well-established past practices. The CPUC allows CEMA accounts to be established following a state/federal declared emergency, and are therefore recognized as regulatory assets for future recovery. However, if BVESI does not ultimately prevail in obtaining recovery, it will result in a charge to earnings for the write-off of this CEMA regulatory asset totaling $455,000. At this time, management cannot predict the final outcome of this matter.

**Note 4 — Earnings per Share/Capital Stock**

In accordance with the accounting guidance for participating securities and earnings per share ("EPS"), Registrant uses the "two-class" method of computing EPS. The "two-class" method is an earnings allocation formula that determines EPS for each class of common stock and participating security. AWR has participating securities related to restricted stock units that earn dividend equivalents on an equal basis with AWR's Common Shares, and that have been issued under AWR's stock incentive plans for employees and the non-employee directors stock plans. In applying the "two-class" method, undistributed earnings are allocated to both common shares and participating securities.

The following is a reconciliation of Registrant's net income and weighted average Common Shares outstanding used for calculating basic net income per share:

| **Basic:** | For The Three Months Ended June 30, | | For The Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands, except per share amounts)** | **2021** | **2020** | **2021** | **2020** |
| Net income | $ 26,576 | $ 25,612 | $ 45,844 | $ 39,684 |
| Less: (a) Distributed earnings to common shareholders | 12,366 | 11,250 | 24,727 | 22,492 |
| Distributed earnings to participating securities | 35 | 40 | 65 | 77 |
| Undistributed earnings | 14,175 | 14,322 | 21,052 | 17,115 |
| | | | | |
| (b) Undistributed earnings allocated to common shareholders | 14,135 | 14,271 | 20,997 | 17,057 |
| Undistributed earnings allocated to participating securities | 40 | 51 | 55 | 58 |
| Total income available to common shareholders, basic (a)+(b) | $ 26,501 | $ 25,521 | $ 45,724 | $ 39,549 |
| | | | | |
| Weighted average Common Shares outstanding, basic | 36,916 | 36,884 | 36,907 | 36,872 |
| **Basic earnings per Common Share** | $ 0.72 | $ 0.69 | $ 1.24 | $ 1.07 |

Diluted EPS is based upon the weighted average number of Common Shares, including both outstanding shares and shares potentially issuable in connection with restricted stock units granted under AWR's stock incentive plans for employees and the non-employee directors stock plans, and net income. There were no options outstanding as of June 30, 2021 and 2020 under these plans. At June 30, 2021 and 2020, there were 107,772 and 133,863 restricted stock units outstanding, respectively, including performance shares awarded to officers of the Registrant.

The following is a reconciliation of Registrant's net income and weighted average Common Shares outstanding for calculating diluted net income per share:

| **Diluted:** | For The Three Months Ended June 30, | | For The Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands, except per share amounts)** | **2021** | **2020** | **2021** | **2020** |
| Common shareholders earnings, basic | $ 26,501 | $ 25,521 | $ 45,724 | $ 39,549 |
| Undistributed earnings for dilutive stock-based awards | 40 | 51 | 55 | 58 |
| Total common shareholders earnings, diluted | $ 26,541 | $ 25,572 | $ 45,779 | $ 39,607 |
| | | | | |
| Weighted average common shares outstanding, basic | 36,916 | 36,884 | 36,907 | 36,872 |
| Stock-based compensation (1) | 91 | 116 | 86 | 113 |
| Weighted average common shares outstanding, diluted | 37,007 | 37,000 | 36,993 | 36,985 |
| | | | | |
| **Diluted earnings per Common Share** | $ 0.72 | $ 0.69 | $ 1.24 | $ 1.07 |

(1) All of the 107,772 and 133,863 restricted stock units at June 30, 2021 and 2020, respectively, were included in the calculation of diluted EPS for the three and six months ended June 30, 2021 and 2020.

During the six months ended June 30, 2021, AWR issued 42,668 common shares related to restricted stock units. During the six months ended June 30, 2020, AWR issued 37,260 common shares related to restricted stock units and stock options for approximately $30,000, under Registrant's stock incentive plans for employees.

During the six months ended June 30, 2021 and 2020, AWR paid $1.3 million and $1.8 million, respectively, to taxing authorities on employees' behalf for shares withheld related to net share settlements. During the six months ended June 30, 2021 and 2020, GSWC paid $1.2 million and $1.6 million, respectively, to taxing authorities on employees' behalf for shares withheld related to net share settlements. These payments are included in the stock-based compensation caption of the statements of equity.

During the three months ended June 30, 2021 and 2020, AWR paid quarterly dividends of approximately $12.4 million, or $0.335 per share, and $11.3 million, or $0.305 per share, respectively. During the six months ended June 30, 2021 and 2020, AWR paid quarterly dividends of approximately $24.7 million, or $0.670 per share, and $22.5 million, or $0.610 per share, respectively.

During the three months ended June 30, 2021 and 2020, GSWC paid dividends of $12.4 million and $11.3 million, respectively, to AWR during these periods. During the six months ended June 30, 2021 and 2020, GSWC paid dividends of $24.8 million and $22.5 million, respectively, to AWR during these periods.

## Note 5 — Derivative Instruments

BVESI purchases power under long-term contracts at a fixed cost depending on the amount of power and the period during which the power may be purchased under such contracts. These contracts provide power at a fixed cost over approximately three- and five-year terms depending on the amount of power and period during which the power is purchased under the contracts.

BVESI's purchase power contracts are subject to the accounting guidance for derivatives and require mark-to-market derivative accounting. Among other things, the CPUC authorized the use of a regulatory asset and liability memorandum account to offset the mark-to-market entries required by the accounting guidance. Accordingly, all unrealized gains and losses generated from the purchased power contracts are deferred on a monthly basis into a non-interest bearing regulatory memorandum account that tracks the changes in fair value of the derivative throughout the terms of the contracts. As a result, these unrealized gains and losses did not impact AWR's earnings. As of June 30, 2021, there was a $2.8 million unrealized gain recorded as a regulatory liability in the memorandum account for the purchased power contracts. The notional volume of derivatives remaining under these long-term contracts as of June 30, 2021 was 417,649 megawatt hours.

The accounting guidance for fair value measurements applies to all financial assets and financial liabilities that are measured and reported on a fair value basis. Under the accounting guidance, BVESI has made fair value measurements that are classified and disclosed in one of the following three categories:

*Level 1*: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

*Level 2*: Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; or

*Level 3*: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

To value the contracts, Registrant utilizes various inputs that include quoted market prices for energy over the duration of the contracts. The market prices used to determine the fair value for this derivative instrument were estimated based on independent sources such as broker quotes and publications that are not observable in or corroborated by the market. When such inputs have a significant impact on the measurement of fair value, the instruments are categorized as Level 3. Accordingly, the valuation of the derivatives on Registrant's purchased power contract has been classified as Level 3 for all periods presented.

The following table presents changes in the fair value of the Level 3 derivatives for the three and six months ended June 30, 2021 and 2020. The change in fair value was due to an increase in energy prices during the three and six months ended June 30, 2021.

| | For The Three Months Ended June 30, | | For The Six Months Ended June 30, | |
|---|---|---|---|---|
| **(dollars in thousands)** | **2021** | **2020** | **2021** | **2020** |
| Fair value at beginning of the period | $ 1,224 | $ (4,280) | $ (1,537) | $ (3,171) |
| Unrealized gains (losses) on purchased power contracts | 1,586 | 453 | 4,347 | (656) |
| Fair value at end of the period | $ 2,810 | $ (3,827) | $ 2,810 | $ (3,827) |

**Note 6 — Fair Value of Financial Instruments**

For cash and cash equivalents, accounts receivable, accounts payable and short-term debt, the carrying amount is assumed to approximate fair value due to the short-term nature of these items.

Investments held in a Rabbi Trust for the supplemental executive retirement plan ("SERP") are measured at fair value and totaled $28.1 million as of June 30, 2021. All equity investments in the Rabbi Trust are Level 1 investments in mutual funds. The investments held in the Rabbi Trust are included in "Other Property and Investments" on Registrant's balance sheets.

The table below estimates the fair value of long-term debt held by GSWC. The fair values as of June 30, 2021 and December 31, 2020 were determined using rates for similar financial instruments of the same duration utilizing Level 2 methods and assumptions. Changes in the assumptions will produce different results.

| | June 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| **(dollars in thousands)** | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| Financial liabilities: | | | | |
| Long-term debt—GSWC (1) | $ 416,115 | $ 494,861 | $ 444,271 | $ 559,752 |

(1) Excludes debt issuance costs.

**Note 7 — Income Taxes**

AWR's effective income tax rate ("ETR") was 21.9% and 24.4% for the three months ended June 30, 2021 and 2020, respectively, and was 22.6% and 23.5% for the six months ended June 30, 2021 and 2020, respectively. GSWC's ETR was 22.1% and 25.9% for the three months ended June 30, 2021 and 2020, respectively, and was 22.7% and 24.7% for the six months ended June 30, 2021 and 2020, respectively.

The AWR and GSWC effective tax rates differed from the federal corporate statutory tax rate of 21% primarily due to (i) state taxes; (ii) permanent differences, including the excess tax benefits from share-based payments, which were reflected in the income statements and resulted in a reduction to income tax expense during the three and six months ended June 30, 2021 and 2020; (iii) the ongoing amortization of the excess deferred income tax liability; and (iv) differences between book and taxable income that are treated as flow-through adjustments in accordance with regulatory requirements (principally from plant, rate-case, and compensation related items). As a regulated utility, GSWC treats certain temporary differences as flow-through in computing its income tax expense consistent with the income tax method used in its CPUC-jurisdiction ratemaking. Flow-through items either increase or decrease tax expense and thus impact the ETR.

**Note 8 — Employee Benefit Plans**

The components of net periodic benefit costs for Registrant's pension plan, postretirement medical benefit plan and SERP for the three and six months ended June 30, 2021 and 2020 were as follows:

| | For The Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | Other Postretirement Benefits | | SERP | |
| (dollars in thousands) | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Components of Net Periodic Benefits Cost:** | | | | | | |
| Service cost | $ 1,625 | $ 1,372 | $ 40 | $ 47 | $ 348 | $ 244 |
| Interest cost | 1,712 | 1,986 | 31 | 56 | 229 | 247 |
| Expected return on plan assets | (3,134) | (2,950) | (134) | (127) | — | — |
| Amortization of prior service cost | 109 | 109 | — | — | — | — |
| Amortization of actuarial (gain) loss | 993 | 526 | (287) | (199) | 419 | 211 |
| Net periodic benefits costs under accounting standards | 1,305 | 1,043 | (350) | (223) | 996 | 702 |
| Regulatory adjustment - deferred | (351) | (148) | — | — | — | — |
| Total expense (benefit) recognized, before surcharges and allocation to overhead pool | $ 954 | $ 895 | $ (350) | $ (223) | $ 996 | $ 702 |

| | For The Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | Other Postretirement Benefits | | SERP | |
| (dollars in thousands) | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Components of Net Periodic Benefits Cost:** | | | | | | |
| Service cost | $ 3,250 | $ 2,780 | $ 80 | $ 94 | $ 696 | $ 488 |
| Interest cost | 3,424 | 3,940 | 62 | 112 | 458 | 494 |
| Expected return on plan assets | (6,268) | (5,900) | (268) | (254) | — | — |
| Amortization of prior service cost | 218 | 218 | — | — | — | — |
| Amortization of actuarial (gain) loss | 1,986 | 968 | (574) | (398) | 838 | 422 |
| Net periodic benefits costs under accounting standards | 2,610 | 2,006 | (700) | (446) | 1,992 | 1,404 |
| Regulatory adjustment - deferred | (702) | (241) | — | — | — | — |
| Total expense (benefit) recognized, before surcharges and allocation to overhead pool | $ 1,908 | $ 1,765 | $ (700) | $ (446) | $ 1,992 | $ 1,404 |

In September 2021, Registrant expects to contribute approximately $3.5 million to its pension plan.

As authorized by the CPUC in the water and electric general rate case decisions, GSWC and BVESI each utilize two-way balancing accounts to track differences between the forecasted annual pension expenses in rates, or expected to be in rates, and the actual annual expense recorded in accordance with the accounting guidance for pension costs.

During the three months ended June 30, 2021 and 2020, GSWC's actual pension expense was higher than the amounts included in water customer rates by $351,000 and $148,000, respectively. During the six months ended June 30, 2021 and 2020, GSWC's actual pension expense was higher than the amounts included in water customer rates by $702,000 and $241,000, respectively. BVESI's actual expense was lower than the amounts included in electric customer rates for all periods presented. As of June 30, 2021, GSWC and BVESI had over-collections in their two-way pension balancing accounts of $315,000 and $102,000, respectively, included as part of regulatory assets and liabilities (Note 3).

**Note 9 — Contingencies**

***Environmental Clean-Up and Remediation:***

GSWC has been involved in environmental remediation and cleanup at one of its plant sites that contained an underground storage tank which was used to store gasoline for its vehicles. This tank was removed from the ground in July 1990 along with the dispenser and ancillary piping. Since then, GSWC has been involved in various remediation activities at this site. Analysis indicates that off-site monitoring wells may be necessary to document effectiveness of remediation.

As of June 30, 2021, the total amount spent to clean up and remediate GSWC's plant facility was approximately $6.0 million, of which $1.5 million has been paid by the State of California Underground Storage Tank Fund. Amounts paid by GSWC have been included in rate base and approved by the CPUC for recovery. As of June 30, 2021, GSWC has a regulatory asset and an accrued liability for the estimated additional cost of $1.3 million to complete the cleanup at the site. The estimate includes costs for two years of continued activities of groundwater cleanup and monitoring, future soil treatment and site-closure-related activities. The ultimate cost may vary as there are many unknowns in remediation of underground gasoline spills and this is an estimate based on currently available information. Management also believes it is probable that the estimated additional costs will be approved in rate base by the CPUC.

***Other Litigation:***

Registrant is also subject to other ordinary routine litigation incidental to its business, some of which may include claims for compensatory and punitive damages. Management believes that rate recovery, proper insurance coverage and reserves are in place to insure against, among other things, property, general liability, employment, and workers' compensation claims incurred in the ordinary course of business. Insurance coverage may not cover certain claims involving punitive damages. Registrant does not believe the outcome from any pending suits or administrative proceedings will have a material effect on Registrant's consolidated results of operations, financial position, or cash flows.

**Note 10 — Business Segments**

AWR has three reportable segments: water, electric and contracted services. Prior to July 1, 2020, GSWC had two segments, water and electric. On July 1, 2020, GSWC completed the transfer of the electric utility assets and liabilities from its electric division to BVESI, a separate legal entity and now a wholly owned subsidiary of AWR (Note 11). On a stand-alone basis, AWR has no material assets or liabilities other than its equity investments in its subsidiaries, note payables to its subsidiaries and deferred taxes.

All activities of GSWC and BVESI are geographically located within California. Activities of ASUS and its subsidiaries are conducted in California, Florida, Georgia, Kansas, Maryland, New Mexico, North Carolina, South Carolina, Texas and Virginia. Each of ASUS's wholly owned subsidiaries is regulated, if applicable, by the state in which the subsidiary primarily conducts water and/or wastewater operations. Fees charged for operations and maintenance and renewal and replacement services are based upon the terms of the contracts with the U.S. government, which have been filed, as appropriate, with the commissions in the states in which ASUS's subsidiaries are incorporated.

The tables below set forth information relating to AWR's operating segments and AWR Parent. The utility plant amounts are net of respective accumulated provisions for depreciation. Capital additions reflect capital expenditures paid in cash, excluding U.S. government- and third-party contractor-funded capital expenditures for ASUS and property installed by developers and conveyed to GSWC or BVESI.

| | As Of And For The Three Months Ended June 30, 2021 | | | | |
|---|---|---|---|---|---|
| **(dollars in thousands)** | **Water** | **Electric** | **Contracted Services** | **AWR Parent** | **Consolidated AWR** |
| Operating revenues | $ 91,633 | $ 8,108 | $ 28,673 | $ — | $ 128,414 |
| Operating income (loss) | 30,777 | 1,795 | 5,278 | (3) | 37,847 |
| Interest expense, net | 5,464 | 88 | (88) | 220 | 5,684 |
| Net property, plant and equipment | 1,450,519 | 98,496 | 21,618 | — | 1,570,633 |
| Depreciation and amortization expense (1) | 8,213 | 642 | 915 | — | 9,770 |
| Income tax expense (benefit) | 5,957 | 458 | 1,271 | (224) | 7,462 |
| Capital additions | 31,985 | 6,416 | 653 | — | 39,054 |

| | As Of And For The Three Months Ended June 30, 2020 | | | | |
|---|---|---|---|---|---|
| **(dollars in thousands)** | **Water** | **Electric** | **Contracted Services** | **AWR Parent** | **Consolidated AWR** |
| Operating revenues | $ 87,074 | $ 7,679 | $ 26,525 | $ — | $ 121,278 |
| Operating income (loss) | 28,662 | 1,513 | 5,543 | (2) | 35,716 |
| Interest expense, net | 4,857 | 139 | (220) | 56 | 4,832 |
| Net property, plant and equipment | 1,353,671 | 80,343 | 22,384 | — | 1,456,398 |
| Depreciation and amortization expense (1) | 7,601 | 608 | 822 | — | 9,031 |
| Income tax expense (benefit) | 6,970 | 339 | 1,301 | (329) | 8,281 |
| Capital additions | 22,076 | 5,500 | 1,467 | — | 29,043 |

| | As Of And For The Six Months Ended June 30, 2021 | | | | |
|---|---|---|---|---|---|
| **(dollars in thousands)** | **Water** | **Electric** | **Contracted Services** | **AWR Parent** | **Consolidated AWR** |
| Operating revenues | $ 166,662 | $ 19,647 | $ 59,165 | $ — | $ 245,474 |
| Operating income (loss) | 51,836 | 5,243 | 11,102 | (5) | 68,176 |
| Interest expense, net | 11,175 | 174 | (317) | 455 | 11,487 |
| Net property, plant and equipment | 1,450,519 | 98,496 | 21,618 | — | 1,570,633 |
| Depreciation and amortization expense (1) | 16,275 | 1,281 | 1,774 | — | 19,330 |
| Income tax expense (benefit) | 9,725 | 1,342 | 2,662 | (353) | 13,376 |
| Capital additions | 63,809 | 11,198 | 1,140 | — | 76,147 |

| (dollars in thousands) | As Of And For The Six Months Ended June 30, 2020 Water | Electric | Contracted Services | AWR Parent | Consolidated AWR |
|---|---|---|---|---|---|
| Operating revenues | $ 158,498 | $ 18,647 | $ 53,210 | $ — | $ 230,355 |
| Operating income (loss) | 47,267 | 5,000 | 9,152 | (4) | 61,415 |
| Interest expense, net | 9,990 | 465 | (297) | 166 | 10,324 |
| Net property, plant and equipment | 1,353,671 | 80,343 | 22,384 | — | 1,456,398 |
| Depreciation and amortization expense (1) | 15,023 | 1,215 | 1,604 | — | 17,842 |
| Income tax expense (benefit) | 9,348 | 1,189 | 2,049 | (404) | 12,182 |
| Capital additions | 50,535 | 9,054 | 2,998 | — | 62,587 |

(1) Depreciation computed on GSWC's and BVESI's transportation equipment is recorded in other operating expenses and totaled $94,000 and $83,000 for the three months ended June 30, 2021 and 2020, respectively, and totaled $189,000 and $165,000 for the six months ended June 30, 2021 and 2020, respectively.

The following table reconciles total net property, plant and equipment (a key figure for ratemaking) to total consolidated assets (in thousands):

| | June 30, 2021 | 2020 |
|---|---|---|
| Total net property, plant and equipment | 1,570,633 | $ 1,456,398 |
| Other assets | 271,725 | 241,570 |
| Total consolidated assets | $ 1,842,358 | $ 1,697,968 |

**Note 11 - Completion of Electric Utility Reorganization Plan**

On July 1, 2020, GSWC completed the transfer of approximately $71.3 million in net assets and equity (based on their recorded amounts) from its electric utility division to BVESI in exchange for common shares of BVESI of equal value. This was a non-cash transaction, and no gain or loss was recognized. GSWC then immediately distributed all of BVESI's common shares to AWR, whereupon BVESI became wholly owned directly by AWR. The reorganization did not result in any substantive changes to AWR's operations or business segments. In addition, pursuant to federal and state tax law, the exchange and distribution qualify as a tax-free reorganization; consequently, no income tax liability was triggered for the AWR consolidated group or any of its members.

The transfer between GSWC and BVESI, both wholly owned subsidiaries of AWR, was considered a common control transaction. Although the electric utility division was considered a separate business segment and component of GSWC, the transfer did not qualify as a discontinued operation based on management's assessment of the applicable accounting guidance. As a result of this transfer, from July 1, 2020 onward, operating results and cash flows of the electric segment, as well as its assets and liabilities, are no longer included in GSWC's financial statements, but continue to be included in AWR's consolidated financial statements. GSWC's statements of income and cash flows for the three and six months ended June 30, 2020 include the electric segment's results.

The table below sets forth selected information relating to the electric segment's results of operations for the three and six months ended June 30, 2021 and 2020, and its cash flows for the six months ended June 30, 2021 (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 (Subsidiary of AWR) | 2020 (Division of GSWC) | 2021 (Subsidiary of AWR) | 2020 (Division of GSWC) |
| Electric revenues | $ 8,108 | $ 7,679 | $ 19,647 | $ 18,647 |
| Operating expenses | 6,313 | 6,166 | 14,404 | 13,647 |
| Operating income | $ 1,795 | $ 1,513 | $ 5,243 | $ 5,000 |
| Net income | $ 1,302 | $ 1,063 | $ 3,826 | $ 3,409 |

| | Six Months Ended June 30, 2021 (Subsidiary of AWR) |
|---|---|
| Net cash provided from operating activities | $ 5,236 |
| Net cash used in investing activities | (11,198) |
| Net cash provided from financing activities (1) | 5,815 |
| Net change in cash and cash equivalents | (147) |
| Cash and cash equivalents, beginning of period | 367 |
| Cash and cash equivalents, end of period | $ 220 |

(1) Effective July 1, 2020, BVESI has a 3-year, $35 million revolving credit facility agreement. As of June 30, 2021, there was $26.0 million outstanding under this facility. Under the terms of the credit agreement, BVESI has the option to request an increase in the facility of an additional $15.0 million subject to approval by the financial institution.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### General

The following discussion and analysis provides information on AWR's consolidated operations and assets, and includes specific references to AWR's individual segments and its subsidiaries (GSWC, BVESI, and ASUS and its subsidiaries), and AWR (parent) where applicable.

Included in the following analysis is a discussion of the water and electric gross margins. The water and electric gross margins are computed by subtracting total supply costs from total revenues. Registrant uses these gross margins as important measures in evaluating its operating results. Registrant believes these measures are useful internal benchmarks in evaluating the performance of GSWC and BVESI. The discussions and tables included in the following analysis also present Registrant's operations in terms of earnings per share by business segment, which equals each business segment's earnings divided by Registrant's weighted average number of diluted common shares. Furthermore, the gains generated during the three-and six-month periods ended June 30, 2021 and 2020 on the investments held to fund one of the Company's retirement plans have been excluded when communicating the results to help facilitate comparisons of the Company's performance from period to period. All of these items are derived from consolidated financial information but are not presented in our financial statements that are prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. These items constitute "non-GAAP financial measures" under the Securities and Exchange Commission rules.

Registrant believes that the disclosures of the water and electric gross margins, and earnings per share by business segment provide investors with clarity surrounding the performance of its segments. Registrant reviews these measurements regularly and compares them to historical periods and to its operating budget. However, these measures, which are not presented in accordance with GAAP, may not be comparable to similarly titled measures used by other entities and should not be considered as an alternative to operating income or earnings per share, which are determined in accordance with GAAP. A reconciliation of the water and electric gross margins to the most directly comparable GAAP measures is included in the table under the section titled "*Operating Expenses: Supply Costs.*" A reconciliation to AWR's diluted earnings per share is included in the discussion under the sections titled "*Summary of Second Quarter Results by Segment"* and "*Summary of Year-to-Date Results by Segment.*"

### Overview

Factors affecting our financial performance are summarized under "Risk Factors" in our Form 10-K for the period ended December 31, 2020 filed with the SEC.

***Water and Electric Segments:***

GSWC's and BVESI's revenues, operating income, and cash flows have been earned primarily through delivering potable water to homes and businesses in California and electricity in the City of Big Bear Lake and surrounding areas in San Bernardino County, California, respectively. Rates charged to GSWC and BVESI customers are determined by the CPUC. These rates are intended to allow recovery of operating costs and a reasonable rate of return on capital. GSWC and BVESI plan to continue seeking additional rate increases in future years from the CPUC to recover operating and supply costs and receive reasonable returns on invested capital. Capital expenditures in future years at GSWC and BVESI are expected to remain at higher levels than depreciation expense. When necessary, GSWC and BVESI are able to obtain funds from external sources in the capital markets and through bank borrowings.

*General Rate Case Filings and Other Matters:*

*Water GRC for the years 2022 – 2024:*

On July 15, 2020, GSWC filed a general rate case application for all its water regions and its general office. This general rate case will determine new water rates for the years 2022 – 2024. Among other things, GSWC requested capital budgets in this application 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 only through advice letters when those projects are completed. In June 2021, the assigned administrative law judge issued an order deferring evidentiary hearings to October 2021. As a result, the CPUC may not be able to issue its final decision by the end of 2021. If a final decision is issued after January 1, 2022, the new rates adopted in the final decision will be retroactive to be effective as of January 1, 2022.

*Water General Rate Case for the years 2019 – 2021:*

In May 2019, the CPUC issued a final decision in GSWC's water general rate case, which determined new rates for the years 2019 – 2021 with rates retroactive to January 1, 2019. Among other things, the final decision authorized GSWC to invest approximately $334.5 million over the rate cycle. The $334.5 million of infrastructure investment included $20.4 million of capital projects to be filed for revenue recovery through advice letters when those projects are completed. Due to changes in circumstances, not all the anticipated advice letter projects have been completed during this rate cycle.

The final decision also allowed for water gross margin increases in 2020 and 2021, subject to an earnings test. The full second-year step increases generated an additional $10.4 million in water gross margin for 2020. Effective January 1, 2021, the CPUC also approved all third-year rate increases, which GSWC achieved as a result of passing the earnings test. The third-year rate increases are expected to generate an additional increase in the water gross margin of approximately $11.1 million in 2021 as compared to 2020.

*Final Decision in the First Phase of the Low-Income Affordability Rulemaking:*

On August 27, 2020, the CPUC issued a final decision in the first phase of the CPUC’s Order Instituting Rulemaking evaluating the low income ratepayer assistance and affordability objectives contained in the CPUC’s 2010 Water Action Plan. This decision also addressed other issues, including the continued use of the Water Revenue Adjustment Mechanism ("WRAM") and the Modified Cost Balancing Account ("MCBA"). The MCBA is a full-cost balancing account used to track the difference between adopted and actual water supply costs (including the effects of changes in both rates and volume). Based on the final decision, any general rate case application filed by GSWC and the other California water utilities after August 27, 2020 may not include a proposal to continue the use of the WRAM or MCBA, but may instead include a proposal to use a limited price adjustment mechanism and an incremental supply cost balancing account.

The final decision will not have any impact on GSWC's WRAM or MCBA balances during the current rate cycle (2019 – 2021). In February 2021, the assigned administrative law judge in the pending general rate case proceeding confirmed that GSWC may continue using the WRAM and MCBA through the year 2024. GSWC’s next general rate case application will be filed in 2023 to establish new rates for the years 2025 – 2027, which may not include the WRAM or MCBA for those years.

Since its implementation in 2008, the WRAM and MCBA have helped mitigate fluctuations in GSWC’s earnings due to changes in water consumption by its customers or changes in water supply mix. Replacing them with mechanisms recommended in the final decision will likely result in more volatility in GSWC’s future earnings and could result in less than or more than full recovery of its authorized water gross margin. In October 2020, GSWC, certain other California water utilities, and the California Water Association filed separate applications for rehearing on this matter. Due to the delay in the CPUC issuing a decision on any of these applications for rehearing, GSWC filed a petition for writ of review to the California Supreme Court in May 2021, requesting the Court to review the CPUC's final decision on this matter. In response, the CPUC requested that the California Supreme Court hold the case, pending a CPUC decision on the October 2020 applications for rehearing, which the CPUC indicated would be forthcoming in August 2021. The California Supreme Court granted the CPUC's request. At this time, management cannot predict the outcome of this matter.

*Final Decision in the Second Phase of the Low-Income Affordability Rulemaking:*

On July 15, 2021, the CPUC issued a final decision in the second phase of the Low-Income Affordability Rulemaking. Among other things, this decision extended the existing moratorium implemented during the COVID-19 pandemic on water service disconnections due to non-payment, pending further CPUC guidance, or February 1, 2022, whichever occurs first. The final decision also requires that amounts tracked in GSWC's COVID-19 CEMA account for unpaid customer bills be offset against any (i) federal and state relief for water utility bill debt, and (ii) customer payments through payment plan arrangements, prior to receiving recovery from customers.

*Cost of Capital Proceeding:*

Investor-owned water utilities serving California are required to file their cost of capital applications on a triennial basis. GSWC filed a cost of capital application with the CPUC in May 2021 requesting a capital structure of 57% equity and 43% debt, a return on equity of 10.5%, and a return on rate base of 8.18%. A final decision on this proceeding is scheduled for the fourth quarter of 2021, with an effective date of January 1, 2022. GSWC's current authorized rate of return on rate base of 7.91% will remain in effect through December 31, 2021.

*Electric Segment General Rate Case:*

On August 15, 2019, the CPUC issued a final decision in the electric general rate case. Among other things, the decision (i) extended the rate cycle by one year to include 2022; (ii) increased the electric gross margin for 2018 by approximately $2.3 million compared to the 2017 adopted electric gross margin, adjusted for tax reform changes; (iii) allows the electric segment to construct capital projects of approximately $44 million over the 5-year rate cycle, all of which are dedicated to improving system safety and reliability; and (iv) increased the adopted electric gross margin by $1.2 million for each of the years 2019 and 2020, by $1.1 million for 2021, and by $1.0 million for 2022. The rate increases for 2019 - 2022 are not subject to an earnings test. The decision authorized a return on equity for the electric segment of 9.6% and included a capital structure and debt cost that is consistent with those approved by the CPUC in March 2018 in connection with GSWC's water segment cost of capital proceeding. The rate case decision continues to apply to BVESI.

***Contracted Services Segment:***

ASUS's revenues, operating income and cash flows are earned by providing water and/or wastewater services, including operation and maintenance services and construction of facilities at the water and/or wastewater systems at various military installations, pursuant to 50-year firm fixed-price contracts. The contract price for each of these 50-year contracts is subject to annual economic price adjustments. Additional revenues generated by contract operations are primarily dependent on new construction activities under contract modifications with the U.S. government or agreements with other third-party prime contractors.

***COVID-19:***

GSWC, BVESI and ASUS have continued their operations throughout the COVID-19 pandemic given that their water, wastewater, and electric utility services are deemed essential. Registrant's responses to the COVID-19 pandemic take into account orders issued by the CPUC, and the guidance provided by federal, state, and local health authorities and other government officials. The response by GSWC and BVESI continues to include: (i) suspending service disconnections for nonpayment pursuant to CPUC and state orders, and (ii) telecommuting by employees. The CPUC's July 15, 2021 final decision in the second phase of the Low-Income Affordability Rulemaking extends the existing moratorium on water service disconnections due to non-payment until further CPUC guidance is issued, or February 1, 2022, whichever occurs first. On June 24, 2021, the CPUC issued a final decision to extend the moratorium on electric disconnections until September 30, 2021. Under the terms of CPUC-adopted payment plans, actual electric service disconnections for non-payment will not occur until approximately December 1, 2021.

The pandemic has caused significant volatility in financial markets resulting in fluctuations in the fair value of plan assets in GSWC's pension and other retirement plans. Furthermore, as discussed above, GSWC's and BVESI's response to the pandemic required the suspension of service disconnections for nonpayment, which has significantly increased the amount of delinquent customer accounts receivable during the COVID-19 pandemic. Due to expected future credit losses on utility customer bills, GSWC and BVESI have increased their allowance for doubtful accounts as of June 30, 2021 for past due customer receivables. The CPUC has authorized GSWC and BVESI to track incremental costs, including bad debt expense in excess of what is included in their respective revenue requirements, in COVID-19-related memorandum accounts, such as a Catastrophic Event Memorandum Account ("CEMA"), which is to be filed with the CPUC for future recovery. Through June 30, 2021, AWR has recorded approximately $6.7 million in these COVID-19-related memorandum accounts related to bad debt expense in excess of GSWC’s and BVESI's revenue requirement, personal protective equipment, printing costs and other incremental costs. By tracking these costs in memorandum accounts, utilities can later request authorization from the CPUC for recovery of these costs. CEMA and other emergency-type memorandum accounts are well-established cost recovery mechanisms authorized as a result of a state/federal declared emergency, and are therefore recognized as regulatory assets for future recovery. As a result, the amounts recorded in the COVID-19-related memorandum accounts have not impacted GSWC's and BVESI's earnings. GSWC's COVID-19 memorandum account is being addressed in its pending water general rate case, while BVESI intends to include the memorandum account for recovery in its next general rate case application expected to be filed in 2022. Thus far, the COVID-19 pandemic has not had a material impact on ASUS's operations.

The CPUC's July 15, 2021 final decision discussed above also requires that amounts tracked in GSWC's COVID-19 CEMA account for unpaid customer bills be offset against any (i) federal and state relief for water utility bill debt, and (ii) customer payments through payment plan arrangements, prior to receiving recovery from customers. On June 28, 2021, the governor of California signed the Budget Act of 2021, which includes $1 billion in relief funding for overdue water customer bills, and $1 billion in relief funding for overdue electric customer bills. The water utility relief funding will be managed by the State Water Resources Control Board through the Community Water System COVID-19 Relief Program to provide direct assistance to community water systems to forgive customer water debt accrued during the COVID-19 pandemic. The electric utility relief funding will be managed by the California Department of Community Services and Development through the California Arrearage Payment Program. Both GSWC and BVESI will participate and continue to monitor the status of federal- and state-funded utility relief programs to ensure that it receives all available funding sources.

**Summary of Second Quarter Results by Segment**

The table below sets forth the second quarter diluted earnings per share by business segment:

| | Diluted Earnings per Share | | |
|---|---|---|---|
| | Three Months Ended | | |
| | 6/30/2021 | 6/30/2020 | CHANGE |
| Water | $ 0.57 | $ 0.54 | $ 0.03 |
| Electric | 0.04 | 0.03 | 0.01 |
| Contracted services | 0.11 | 0.12 | (0.01) |
| Consolidated diluted earnings per share | $ 0.72 | $ 0.69 | $ 0.03 |

*Water Segment:*

Diluted earnings per share from the water utility segment for the three months ended June 30, 2021 increased by $0.03 per share as compared to the same period in 2020. Included in the results for the second quarter of 2021 were gains on investments held to fund one of the Company's retirement plans totaling $1.6 million, or $0.03 per share, as compared to higher gains of $2.4 million, or approximately $0.05 per share, for the same period in 2020 largely due to volatility in the financial markets last year caused by the early stages of the COVID-19 pandemic. Excluding this unfavorable variance of $0.02 per share, diluted earnings for the second quarter of 2021 increased by $0.05 per share due to the following items (excluding the impact of billed surcharges, which have no effect on net earnings):

- An increase in the water gross margin of $3.2 million, or approximately $0.06 per share, as a result of new rates authorized by the CPUC. Effective January 1, 2021, GSWC received its full third-year step increase, which it achieved as a result of passing an earnings test. The full step increase is expected to generate an additional $11.1 million in water gross margin for 2021.
- An overall increase in operating expenses (excluding supply costs), which negatively impacted earnings by $0.02 per share mainly due to increases in water treatment costs and depreciation expense, partially offset by a decrease in maintenance expense.
- An increase in interest expense (net of interest and other income), which negatively impacted earnings by approximately $0.02 per share resulting primarily from an overall increase in total borrowing levels and higher interest rates at the water segment compared to the same period in 2020. The overall higher interest rates resulted from the issuance of long-term debt in July 2020 and GSWC used the proceeds to pay down its intercompany borrowings (as required by the CPUC), which bear lower short-term rates.
- Changes in the effective income tax rate resulting from certain flow-through taxes and permanent items for the three months ended June 30, 2021 as compared to the same period in 2020, favorably impacted earnings by approximately $0.03 per share.

*Electric Segment:*

Diluted earnings per share from the electric utility segment for the three months ended June 30, 2021 increased $0.01 per share due primarily to an increase in the electric gross margin resulting from higher customer rates for 2021 approved by the CPUC. Overall operating expenses at the electric segment (excluding supply costs) were relatively flat as compared to the same period in 2020.

*Contracted Services Segment:*

Diluted earnings from the contracted services segment for the three months ended June 30, 2021 decreased $0.01 per share largely due to higher construction costs incurred on certain projects.

## Summary of Year-to-Date Results by Segment

The table below sets forth the year-to-date diluted earnings per share by business segment:

| | Diluted Earnings per Share | | |
|---|---|---|---|
| | Six Months Ended | | |
| | 6/30/2021 | 6/30/2020 | CHANGE |
| Water | $ 0.90 | $ 0.78 | $ 0.12 |
| Electric | 0.10 | 0.09 | 0.01 |
| Contracted services | 0.24 | 0.20 | 0.04 |
| Consolidated diluted earnings per share | $ 1.24 | $ 1.07 | $ 0.17 |

*Water Segment:*

Diluted earnings per share from the water segment for the six months ended June 30, 2021 increased by $0.12 per share as compared to the same period in 2020. Included in the results for the six months ended June 30, 2021 were gains on investments held to fund one of the Company's retirement plans totaling $2.2 million, or $0.04 per share, as compared to minimal gains generated during the same period in 2020 largely due to volatility in the financial markets last year caused by the early stages of the COVID-19 pandemic. Excluding this favorable variance of $0.04 per share, diluted earnings for the six months ended June 30, 2021 at the water segment increased by $0.08 per share due to the following items (excluding the impact of billed surcharges, which have no effect on net earnings):

- An increase in the water gross margin of $5.7 million, or approximately $0.11 per share, as a result of new rates authorized by the CPUC. GSWC received its full third-year step increases effective January 1, 2021, which are expected to generate an additional $11.1 million in water gross margin for 2021.
- An overall increase in operating expenses (excluding supply costs), which negatively impacted earnings by approximately $0.03 per share due, in large part, to an increase in water treatment costs, depreciation expense and property taxes as compared to the same period in 2020, partially offset by a decrease in maintenance expense.
- An overall increase in interest expense (net of interest and other income), which negatively impacted earnings by approximately $0.03 per share resulting primarily from an overall increase in total borrowing levels and higher interest rates at the water segment compared to the same period in 2020. The overall higher interest rates resulted from the issuance of long-term debt in July 2020 and GSWC used the proceeds to pay down its intercompany borrowings (as required by the CPUC), which bear lower short-term rates.
- Changes in the effective income tax rate resulting from certain flow-through taxes and permanent items for the six months ended June 30, 2021 as compared to the same period in 2020, favorably impacted earnings by approximately $0.03 per share.

*Electric Segment:*

Diluted earnings per share from the electric segment for the six months ended June 30, 2021 increased by $0.01 per share as compared to the same period in 2020 largely due to an increase in the electric gross margin resulting from new rates authorized by the CPUC, as well as a decrease in interest expense.

*Contracted Services Segment:*

Diluted earnings from the contracted services segment for the six months ended June 30, 2021 increased by $0.04 per share as compared to the same period in 2020 primarily due to an overall increase in construction activity and management fee revenue, as well as a decrease in overall operating expenses including lower legal and other outside services costs. The increase in construction activity was largely due to timing differences of when work was performed as compared to the first six months of 2020. We expect the contracted services segment to contribute $0.45 to $0.49 per share for the year 2021.

The following discussion and analysis for the three and six months ended June 30, 2021 and 2020 provides information on AWR's consolidated operations and assets and, where necessary, includes specific references to AWR's individual segments and subsidiaries: GSWC, BVESI and ASUS and its subsidiaries.

***Consolidated Results of Operations — Three Months Ended June 30, 2021 and 2020 (amounts in thousands, except per share amounts):***

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Water | $ 91,633 | $ 87,074 | $ 4,559 | 5.2 % |
| Electric | 8,108 | 7,679 | 429 | 5.6 % |
| Contracted services | 28,673 | 26,525 | 2,148 | 8.1 % |
| Total operating revenues | 128,414 | 121,278 | 7,136 | 5.9 % |
| | | | | |
| OPERATING EXPENSES | | | | |
| Water purchased | 20,916 | 18,754 | 2,162 | 11.5 % |
| Power purchased for pumping | 2,861 | 2,398 | 463 | 19.3 % |
| Groundwater production assessment | 5,220 | 5,030 | 190 | 3.8 % |
| Power purchased for resale | 2,130 | 1,967 | 163 | 8.3 % |
| Supply cost balancing accounts | (3,086) | (1,802) | (1,284) | 71.3 % |
| Other operation | 8,534 | 7,959 | 575 | 7.2 % |
| Administrative and general | 20,630 | 20,398 | 232 | 1.1 % |
| Depreciation and amortization | 9,770 | 9,031 | 739 | 8.2 % |
| Maintenance | 3,267 | 4,094 | (827) | (20.2)% |
| Property and other taxes | 5,273 | 5,246 | 27 | 0.5 % |
| ASUS construction | 15,052 | 12,487 | 2,565 | 20.5 % |
| Total operating expenses | 90,567 | 85,562 | 5,005 | 5.8 % |
| | | | | |
| OPERATING INCOME | 37,847 | 35,716 | 2,131 | 6.0 % |
| | | | | |
| OTHER INCOME AND EXPENSES | | | | |
| Interest expense | (6,032) | (5,322) | (710) | 13.3 % |
| Interest income | 348 | 490 | (142) | (29.0)% |
| Other, net | 1,875 | 3,009 | (1,134) | (37.7)% |
| | (3,809) | (1,823) | (1,986) | 108.9 % |
| | | | | |
| INCOME BEFORE INCOME TAX EXPENSE | 34,038 | 33,893 | 145 | 0.4 % |
| | | | | |
| Income tax expense | 7,462 | 8,281 | (819) | (9.9)% |
| | | | | |
| NET INCOME | $ 26,576 | $ 25,612 | $ 964 | 3.8 % |
| | | | | |
| Basic earnings per Common Share | $ 0.72 | $ 0.69 | $ 0.03 | 4.3 % |
| | | | | |
| Fully diluted earnings per Common Share | $ 0.72 | $ 0.69 | $ 0.03 | 4.3 % |

***Operating Revenues:***

*General*

GSWC and BVESI rely upon approvals by the CPUC of rate increases to recover operating expenses and to provide for a return on invested and borrowed capital used to fund utility plant. ASUS relies on economic price and equitable adjustments by the U.S. government in order to recover operating expenses and provide a profit margin for ASUS. Current operating revenues and earnings may be negatively impacted if the Military Utility Privatization Subsidiaries do not receive adequate rate relief or adjustments in a timely manner. ASUS's earnings are also impacted by the level of additional construction projects at the Military Utility Privatization Subsidiaries, which may or may not continue at current levels in future periods.

*Water*

For the three months ended June 30, 2021, revenues from water operations increased by $4.6 million to $91.6 million as compared to the same period in 2020 due primarily to full third-year step increases for 2021.

Billed water consumption for the second quarter of 2021 increased 12% as compared to the same period in 2020 due, in part, to warmer and drier than normal weather conditions experienced in California. Currently, changes in consumption generally do not have a significant impact on recorded revenues due to the CPUC-approved WRAM in place in all but one small rate-making area. GSWC records the difference between what it bills its water customers and that which is authorized by the CPUC in the WRAM accounts as regulatory assets or liabilities.

*Electric*

Electric revenues for the three months ended June 30, 2021 increased by $429,000 to $8.1 million as a result of new CPUC-approved electric rates effective January 1, 2021, as well as a 9% increase in electric usage as compared to the same period in 2020. The higher usage was due to an increase in tourist activity experienced in the Big Bear Lake area as the economy continues to reopen. Due to the CPUC-approved Base Revenue Requirement Adjustment Mechanism, which adjusts certain revenues to adopted levels authorized by the CPUC, changes in usage do not have a significant impact on earnings.

*Contracted Services*

Revenues from contracted services are composed of construction revenues (including renewal and replacements) and management fees for operating and maintaining water and/or wastewater systems at various military bases. For the three months ended June 30, 2021, revenues from contracted services increased $2.1 million to $28.7 million as compared to $26.5 million for the same period in 2020. This was due primarily to increases in construction activity as well as increases in management fees due to the successful resolution of various economic price adjustments.

ASUS subsidiaries continue to enter into U.S. government-awarded contract modifications and agreements with third-party prime contractors for new construction projects at the Military Utility Privatization Subsidiaries. Earnings and cash flows from modifications to the original 50-year contracts with the U.S. government and agreements with third-party prime contractors for additional construction projects may or may not continue in future periods.

***Operating Expenses:***

***Supply Costs***

Supply costs for the water segment consist of purchased water, purchased power for pumping, groundwater production assessments and changes in the water supply cost balancing accounts. Supply costs for the electric segment consist primarily of purchased power for resale, the cost of natural gas used by BVESI's generating unit, the cost of renewable energy credits and changes in the electric supply cost balancing account. Total supply costs comprise the largest segment of total operating expenses. Supply costs accounted for approximately 31.0% and 30.8% of total operating expenses for the three months ended June 30, 2021 and 2020, respectively.

Water and electric gross margins are computed by subtracting total supply costs from total revenues. Registrant uses these gross margins and related percentages as an important measure in evaluating its operating results. Registrant believes these measures are useful internal benchmarks in evaluating the utility business performance within its water and electric segments. Registrant reviews these measurements regularly and compares them to historical periods and to its operating budget. However, these measures, which are not presented in accordance with GAAP, may not be comparable to similarly titled measures used by other entities, and should not be considered as an alternative to operating income, which is determined in accordance with GAAP.

The table below provides the amounts (in thousands) of increases (decreases) and percent changes in water and electric revenues, supply costs and gross margin during the three months ended June 30, 2021 and 2020. There was a slight decrease in water surcharges, and a decrease of $134,000 in electric surcharges to recover previously incurred costs. Surcharges to recover previously incurred costs are recorded to revenues when billed to customers and are offset by a corresponding amount in operating expenses, resulting in no impact to earnings.

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| WATER OPERATING REVENUES (1) | $ 91,633 | $ 87,074 | $ 4,559 | 5.2 % |
| WATER SUPPLY COSTS: | | | | |
| Water purchased (1) | $ 20,916 | $ 18,754 | $ 2,162 | 11.5 % |
| Power purchased for pumping (1) | 2,861 | 2,398 | 463 | 19.3 % |
| Groundwater production assessment (1) | 5,220 | 5,030 | 190 | 3.8 % |
| Water supply cost balancing accounts (1) | (3,411) | (2,004) | (1,407) | 70.2 % |
| TOTAL WATER SUPPLY COSTS | $ 25,586 | $ 24,178 | $ 1,408 | 5.8 % |
| WATER GROSS MARGIN (2) | $ 66,047 | $ 62,896 | $ 3,151 | 5.0 % |
| | | | | |
| ELECTRIC OPERATING REVENUES (1) | $ 8,108 | $ 7,679 | $ 429 | 5.6 % |
| ELECTRIC SUPPLY COSTS: | | | | |
| Power purchased for resale (1) | $ 2,130 | $ 1,967 | $ 163 | 8.3 % |
| Electric supply cost balancing accounts (1) | 325 | 202 | 123 | 60.9 % |
| TOTAL ELECTRIC SUPPLY COSTS | $ 2,455 | $ 2,169 | $ 286 | 13.2 % |
| ELECTRIC GROSS MARGIN (2) | $ 5,653 | $ 5,510 | $ 143 | 2.6 % |

(1) As reported on AWR’s Consolidated Statements of Income, except for supply cost balancing accounts. The sum of water and electric supply cost balancing accounts in the table above are shown in AWR’s Consolidated Statements of Income and totaled $(3,086,000) and $(1,802,000) for the three months ended June 30, 2021 and 2020, respectively. Revenues include surcharges, which increase both revenues and operating expenses by corresponding amounts, thus having no net earnings impact.

(2) Water and electric gross margins do not include depreciation and amortization, maintenance, administrative and general, property or other taxes or other operation expenses.

Two of the principal factors affecting water supply costs are the amount of water produced and the source of the water. Generally, the variable cost of producing water from wells is less than the cost of water purchased from wholesale suppliers. Under the CPUC-approved MCBA, GSWC tracks adopted and actual expense levels for purchased water, power purchased for pumping and pump taxes. GSWC records the variances (which include the effects of changes in both rate and volume) between adopted and actual purchased water, purchased power, and pump tax expenses. GSWC recovers from, or refunds to, customers the amount of such variances. GSWC tracks these variances individually for each water rate-making area.

The overall actual percentages of purchased water for the three months ended June 30, 2021 and 2020 were approximately 44% and 43%, respectively, as compared to the authorized adopted percentages of 36% for the three months ended June 30, 2021 and 2020. The higher actual percentage of purchased water as compared to the adopted percentage resulted from a higher volume of purchased water costs due to several wells being out of service. The increases in power purchased for pumping, as well as groundwater production assessments, were due to increases in electricity usage for pumping as well as increased rates and pump taxes as compared to the three months ended June 30, 2020.

For the three months ended June 30, 2021, the water supply cost balancing account had a $3.4 million under-collection as compared to a $2.0 million under-collection during the same period in 2020. This variance was due to the higher costs for purchased water, pumping and groundwater assessments.

For the three months ended June 30, 2021, the cost of power purchased for resale to BVESI's electric customers increased slightly to $2.1 million as compared to $2.0 million during the same period in 2020 due to a higher average price per megawatt-hour. The average price per megawatt-hour, including fixed costs, increased from $57.08 for the three months ended June 30, 2020 to $63.45 for the same period in 2021. The over-collection in the electric supply cost balancing account increased as compared to the three months ended June 30, 2020 due to an updated adopted supply cost effective January 1, 2021.

***Other Operation***

The primary components of other operation expenses include payroll costs, materials and supplies, chemicals and water treatment costs and outside service costs of operating the regulated water systems, including the costs associated with water transmission and distribution, pumping, water quality, meter reading, billing, and operations of district offices as well as the electric system. Registrant's contracted services operations incur many of the same types of expenses. For the three months ended June 30, 2021 and 2020, other operation expenses by business segment consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 6,376 | $ 5,678 | $ 698 | 12.3 % |
| Electric Services | 638 | 692 | (54) | (7.8)% |
| Contracted Services | 1,520 | 1,589 | (69) | (4.3)% |
| Total other operation | $ 8,534 | $ 7,959 | $ 575 | 7.2 % |

For the three months ended June 30, 2021, the $698,000 increase in other operation at the water segment was due to higher outside service costs associated with water treatment processes.

***Administrative and General***

Administrative and general expenses include payroll costs related to administrative and general functions, all employee-related benefits, insurance expenses, outside legal and consulting fees, regulatory-utility-commission expenses, expenses associated with being a public company and general corporate expenses charged to expense accounts. For the three months ended June 30, 2021 and 2020, administrative and general expenses by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 13,861 | $ 13,700 | $ 161 | 1.2 % |
| Electric Services | 2,065 | 2,033 | 32 | 1.6 % |
| Contracted Services | 4,701 | 4,663 | 38 | 0.8 % |
| AWR (parent) | 3 | 2 | 1 | 50.0 % |
| Total administrative and general | $ 20,630 | $ 20,398 | $ 232 | 1.1 % |

***Depreciation and Amortization***

For the three months ended June 30, 2021 and 2020, depreciation and amortization by business segment consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 8,213 | $ 7,601 | $ 612 | 8.1 % |
| Electric Services | 642 | 608 | 34 | 5.6 % |
| Contracted Services | 915 | 822 | 93 | 11.3 % |
| Total depreciation and amortization | $ 9,770 | $ 9,031 | $ 739 | 8.2 % |

The overall increase in depreciation expense resulted from additions to utility plant and other fixed assets since the second quarter of 2020.

***Maintenance***

For the three months ended June 30, 2021 and 2020, maintenance expense by business segment consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 2,356 | $ 2,819 | $ (463) | (16.4)% |
| Electric Services | 199 | 382 | (183) | (47.9)% |
| Contracted Services | 712 | 893 | (181) | (20.3)% |
| Total maintenance | $ 3,267 | $ 4,094 | $ (827) | (20.2)% |

Maintenance expense decreased at the water segment due to lower unplanned maintenance incurred as compared to the same period in 2020.

The decrease in maintenance expense at the electric segment is largely due to timing differences of when the work was performed as compared to the same period in 2020.

The decrease in maintenance expense at the contracted services segment is largely due to timing differences of when the work was performed as compared to the same period in 2020. Maintenance expense at the contracted services segment is expected to be incurred at a higher rate for the remainder of 2021 than experienced during the first six months of 2021.

***Property and Other Taxes***

For the three months ended June 30, 2021 and 2020, property and other taxes by business segment consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 4,464 | $ 4,438 | $ 26 | 0.6 % |
| Electric Services | 315 | 280 | 35 | 12.5 % |
| Contracted Services | 494 | 528 | (34) | (6.4)% |
| Total property and other taxes | $ 5,273 | $ 5,246 | $ 27 | 0.5 % |

***ASUS Construction***

For the three months ended June 30, 2021, construction expenses for contracted services were $15.1 million, increasing $2.6 million compared to the same period in 2020 due largely to an increase in construction activity.

***Interest Expense***

For the three months ended June 30, 2021 and 2020, interest expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 5,643 | $ 5,006 | $ 637 | 12.7 % |
| Electric Services | 117 | 171 | (54) | (31.6)% |
| Contracted Services | 109 | 86 | 23 | 26.7 % |
| AWR (parent) | 163 | 59 | 104 | 176.3 % |
| Total interest expense | $ 6,032 | $ 5,322 | $ 710 | 13.3 % |

Registrant's borrowings consist of bank debts under revolving credit facilities and long-term debt issuances at GSWC. Consolidated interest expense increased as compared to the same period in 2020 resulting primarily from an overall increase in total borrowing levels to support, among other things, the capital expenditures program at the regulated utilities.

***Interest Income***

For the three months ended June 30, 2021 and 2020, interest income by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 179 | $ 149 | $ 30 | 20.1 % |
| Electric Services | 29 | 32 | (3) | (9.4)% |
| Contracted Services | 197 | 306 | (109) | (35.6)% |
| AWR (parent) | (57) | 3 | (60) | * |
| Total interest income | $ 348 | $ 490 | $ (142) | (29.0)% |

*not meaningful

***Other Income and (Expense), net***

For the three months ended June 30, 2021 and 2020, other income and (expense), net by business segment, consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 1,604 | $ 3,021 | $ (1,417) | (46.9)% |
| Electric Services | 54 | 28 | 26 | 92.9 % |
| Contracted Services | (41) | (40) | (1) | 2.5 % |
| AWR (parent) | 258 | — | 258 | N/A |
| Total other income and (expense), net | $ 1,875 | $ 3,009 | $ (1,134) | (37.7)% |

For the three months ended June 30, 2021, other income (net of other expense) decreased mostly as a result of lower gains generated and recorded on investments held to fund one of Registrant's retirement plans as compared to the same period in 2020, which was impacted by volatile market conditions due to the early effects of the COVID-19 pandemic.

***Income Tax Expense***

For the three months ended June 30, 2021 and 2020, income tax expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 5,957 | $ 6,970 | $ (1,013) | (14.5)% |
| Electric Services | 458 | 339 | 119 | 35.1 % |
| Contracted Services | 1,271 | 1,301 | (30) | (2.3)% |
| AWR (parent) | (224) | (329) | 105 | (31.9)% |
| Total income tax expense | $ 7,462 | $ 8,281 | $ (819) | (9.9)% |

Consolidated income tax expense for the three months ended June 30, 2021 decreased by $819,000 primarily due to net changes in certain flow-through and permanent items at GSWC. AWR's overall effective income tax rate ("ETR") was 21.9% and 24.4% for the three months ended June 30, 2021 and 2020, respectively. GSWC's ETR was 22.1% and 25.9% for the three months ended June 30, 2021 and 2020, respectively.

For a comparison of the financial results for the second quarter of 2020 to 2019, see "*Consolidated Results of Operations-Three Months Ended June 30, 2020 and June 30, 2019*" in Registrant's Form 10-Q for the period ended June 30, 2020 filed with the SEC.

***Consolidated Results of Operations — Six Months Ended June 30, 2021 and 2020 (amounts in thousands, except per share amounts):***

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Water | $ 166,662 | $ 158,498 | $ 8,164 | 5.2 % |
| Electric | 19,647 | 18,647 | 1,000 | 5.4 % |
| Contracted services | 59,165 | 53,210 | 5,955 | 11.2 % |
| Total operating revenues | 245,474 | 230,355 | 15,119 | 6.6 % |
| | | | | |
| OPERATING EXPENSES | | | | |
| Water purchased | 36,155 | 32,846 | 3,309 | 10.1 % |
| Power purchased for pumping | 5,006 | 4,257 | 749 | 17.6 % |
| Groundwater production assessment | 9,660 | 9,178 | 482 | 5.3 % |
| Power purchased for resale | 5,328 | 5,010 | 318 | 6.3 % |
| Supply cost balancing accounts | (5,513) | (3,967) | (1,546) | 39.0 % |
| Other operation | 16,751 | 16,445 | 306 | 1.9 % |
| Administrative and general | 42,683 | 43,348 | (665) | (1.5)% |
| Depreciation and amortization | 19,330 | 17,842 | 1,488 | 8.3 % |
| Maintenance | 5,929 | 7,978 | (2,049) | (25.7)% |
| Property and other taxes | 11,213 | 10,405 | 808 | 7.8 % |
| ASUS construction | 30,756 | 25,598 | 5,158 | 20.2 % |
| Total operating expenses | 177,298 | 168,940 | 8,358 | 4.9 % |
| | | | | |
| OPERATING INCOME | 68,176 | 61,415 | 6,761 | 11.0 % |
| | | | | |
| OTHER INCOME AND EXPENSES | | | | |
| Interest expense | (12,290) | (11,372) | (918) | 8.1 % |
| Interest income | 803 | 1,048 | (245) | (23.4)% |
| Other, net | 2,531 | 775 | 1,756 | 226.6 % |
| | (8,956) | (9,549) | 593 | (6.2)% |
| | | | | |
| INCOME BEFORE INCOME TAX EXPENSE | 59,220 | 51,866 | 7,354 | 14.2 % |
| | | | | |
| Income tax expense | 13,376 | 12,182 | 1,194 | 9.8 % |
| | | | | |
| NET INCOME | $ 45,844 | $ 39,684 | $ 6,160 | 15.5 % |
| | | | | |
| Basic earnings per Common Share | $ 1.24 | $ 1.07 | $ 0.17 | 15.9 % |
| | | | | |
| Fully diluted earnings per Common Share | $ 1.24 | $ 1.07 | $ 0.17 | 15.9 % |

***Operating Revenues:***

*General*

GSWC and BVESI rely upon approvals by the CPUC of rate increases to recover operating expenses and to provide for a return on invested and borrowed capital used to fund utility plant. ASUS relies on economic price and equitable adjustments by the U.S. government in order to recover operating expenses and provide a profit margin for ASUS. Current operating revenues and earnings can be negatively impacted if the Military Utility Privatization Subsidiaries do not receive adequate rate relief or adjustments in a timely manner. ASUS's earnings are also impacted by the level of additional construction projects at the Military Utility Privatization Subsidiaries, which may or may not continue at current levels in future periods.

*Water*

For the six months ended June 30, 2021, revenues from water operations increased by $8.2 million to $166.7 million as compared to the same period in 2020 due primarily to full third-year step increases for 2021. These increases were partially offset by lower surcharges billed during the six months ended June 30, 2021 related to CPUC-approved surcharges to recover previously incurred costs. These surcharges are largely offset by corresponding decreases in operating expenses, resulting in no impact to earnings.

Billed water consumption for the first six months of 2021 increased 8% as compared to the same period in 2020 due, in part, to warmer and drier than normal weather conditions experienced in California. Currently, changes in consumption generally do not have a significant impact on recorded revenues due to the CPUC-approved WRAM in place in all but one small rate-making area. GSWC records the difference between what it bills its water customers and that which is authorized by the CPUC in the WRAM accounts as regulatory assets or liabilities.

*Electric*

Electric revenues for the six months ended June 30, 2021 increased by $1.0 million to 19.6 million as a result of new CPUC-approved electric rates effective January 1, 2021, as well as a 9% increase in electric usage as compared to the same period in 2020. The higher usage was due to an increase in tourist activity experienced in the Big Bear Lake area as the economy continues to reopen. Due to the CPUC-approved Base Revenue Requirement Adjustment Mechanism, which adjusts certain revenues to adopted levels authorized by the CPUC, changes in usage do not have a significant impact on earnings.

*Contracted Services*

Revenues from contracted services are composed of construction revenues (including renewal and replacements) and management fees for operating and maintaining the water and/or wastewater systems at various military bases. For the six months ended June 30, 2021, revenues from contracted services increased $6.0 million to $59.2 million as compared to $53.2 million for the same period in 2020. This was due primarily to an increase in construction activity compared to the first six months of 2020. In addition, there were increases in management fees due to the successful resolution of various economic price adjustments.

ASUS subsidiaries continue to enter into U.S. government-awarded contract modifications and agreements with third-party prime contractors for new construction projects at the Military Utility Privatization Subsidiaries. Earnings and cash flows from modifications to the original 50-year contracts with the U.S. government and agreements with third-party prime contractors for additional construction projects may or may not continue in future periods.

***Operating Expenses:***

***Supply Costs***

Supply costs for the water segment consist of purchased water, purchased power for pumping, groundwater production assessments and changes in the water supply cost balancing accounts. Supply costs for the electric segment consist primarily of purchased power for resale, the cost of natural gas used by BVESI's generating unit, the cost of renewable energy credits and changes in the electric supply cost balancing account. Total supply costs comprise the largest segment of total operating expenses. Supply costs accounted for approximately 28.6% and 28.0% of total operating expenses for the six months ended June 30, 2021 and 2020, respectively.

Water and electric gross margins are computed by subtracting total supply costs from total revenues. Registrant uses these gross margins and related percentages as an important measure in evaluating its operating results. Registrant believes these measures are useful internal benchmarks in evaluating the utility business performance within its water and electric segments. Registrant reviews these measurements regularly and compares them to historical periods and to its operating budget. However, these measures, which are not presented in accordance with GAAP, may not be comparable to similarly titled measures used by other entities, and should not be considered as an alternative to operating income, which is determined in accordance with GAAP.

The table below provides the amounts (in thousands) of increases (decreases) and percent changes in water and electric revenues, supply costs and gross margin during the six months ended June 30, 2021 and 2020. There was a decrease of $186,000 in water surcharges, and a decrease of $190,000 in electric surcharges to recover previously incurred costs. Surcharges to recover previously incurred costs are recorded to revenues when billed to customers and are offset by a corresponding amount in operating expenses, resulting in no impact to earnings.

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| WATER OPERATING REVENUES (1) | $ 166,662 | $ 158,498 | $ 8,164 | 5.2 % |
| WATER SUPPLY COSTS: | | | | |
| Water purchased (1) | $ 36,155 | $ 32,846 | $ 3,309 | 10.1 % |
| Power purchased for pumping (1) | 5,006 | 4,257 | 749 | 17.6 % |
| Groundwater production assessment (1) | 9,660 | 9,178 | 482 | 5.3 % |
| Water supply cost balancing accounts (1) | (6,331) | (4,278) | (2,053) | 48.0 % |
| TOTAL WATER SUPPLY COSTS | $ 44,490 | $ 42,003 | $ 2,487 | 5.9 % |
| WATER GROSS MARGIN (2) | $ 122,172 | $ 116,495 | $ 5,677 | 4.9 % |
| | | | | |
| ELECTRIC OPERATING REVENUES (1) | $ 19,647 | $ 18,647 | $ 1,000 | 5.4 % |
| ELECTRIC SUPPLY COSTS: | | | | |
| Power purchased for resale (1) | $ 5,328 | $ 5,010 | $ 318 | 6.3 % |
| Electric supply cost balancing accounts (1) | 818 | 311 | 507 | 163.0 % |
| TOTAL ELECTRIC SUPPLY COSTS | $ 6,146 | $ 5,321 | $ 825 | 15.5 % |
| ELECTRIC GROSS MARGIN (2) | $ 13,501 | $ 13,326 | $ 175 | 1.3 % |

(1) As reported on AWR’s Consolidated Statements of Income, except for supply cost balancing accounts. The sum of water and electric supply cost balancing accounts in the table above are shown in AWR’s Consolidated Statements of Income and totaled $(5,513,000) and $(3,967,000) for the six months ended June 30, 2021 and 2020, respectively. Revenues include surcharges, which increase both revenues and operating expenses by corresponding amounts, thus having no net earnings impact.

(2) Water and electric gross margins do not include depreciation and amortization, maintenance, administrative and general, property or other taxes or other operation expenses.

Two of the principal factors affecting water supply costs are the amount of water produced and the source of the water. Generally, the variable cost of producing water from wells is less than the cost of water purchased from wholesale suppliers. Under the CPUC-approved MCBA, GSWC tracks adopted and actual expense levels for purchased water, power purchased for pumping and pump taxes. GSWC records the variances (which include the effects of changes in both rate and volume) between adopted and actual purchased water, purchased power, and pump tax expenses. GSWC recovers from, or refunds to, customers the amount of such variances. GSWC tracks these variances individually for each water rate-making area.

The overall actual percentages of purchased water for each of the six month periods ended June 30, 2021 and 2020 was approximately 44%, as compared to the authorized adopted percentages of 33% for the six months ended June 30, 2021 and 2020. The higher actual percentage of purchased water as compared to the adopted percentage resulted from a higher volume of purchased water costs due to several wells being out of service. The increases in power purchased for pumping, as well as groundwater production assessments, were due to increases in electricity usage for pumping as well as increased rates and pump taxes as compared to the six months ended June 30, 2020.

For the six months ended June 30, 2021, the water supply cost balancing account had a $6.3 million under-collection as compared to a $4.3 million under-collection during the same period in 2020. This variance was due to the higher than adopted supply mix, as well as higher costs for purchased water, pumping and groundwater assessments.

For the six months ended June 30, 2021, the cost of power purchased for resale to BVESI's electric customers increased to $5.3 million as compared to $5.0 million during the same period in 2020 due primarily to a higher average price per megawatt-hour. The average price per megawatt-hour, including fixed costs, increased from $68.26 for the six months ended June 30, 2020 to $69.40 for the same period in 2021. The over-collection in the electric supply cost balancing account increased as compared to the six months ended June 30, 2020 due to an updated adopted supply cost effective January 1, 2021.

***Other Operation***

The primary components of other operation expenses include payroll costs, materials and supplies, chemicals and water treatment costs and outside service costs of operating the regulated water systems, including the costs associated with water transmission and distribution, pumping, water quality, meter reading, billing, and operations of district offices as well as the electric system. Registrant's contracted services operations incur many of the same types of expenses. For the six months ended June 30, 2021 and 2020, other operation expenses by business segment consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 12,189 | $ 11,497 | $ 692 | 6.0 % |
| Electric Services | 1,409 | 1,503 | (94) | (6.3)% |
| Contracted Services | 3,153 | 3,445 | (292) | (8.5)% |
| Total other operation | $ 16,751 | $ 16,445 | $ 306 | 1.9 % |

For the six months ended June 30, 2021, the increase in other operation expense at the water segment was primarily due to higher outside service costs associated with water treatment processes.

For the six months ended June 30, 2021, the $292,000 decrease at the contracted services segment was primarily due to lower outside services, materials, chemical and labor costs.

***Administrative and General***

Administrative and general expenses include payroll costs related to administrative and general functions, all employee-related benefits, insurance expenses, outside legal and consulting fees, regulatory-utility-commission expenses, expenses associated with being a public company and general corporate expenses charged to expense accounts. For the six months ended June 30, 2021 and 2020, administrative and general expenses by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 28,296 | $ 28,252 | $ 44 | 0.2 % |
| Electric Services | 4,494 | 4,319 | 175 | 4.1 % |
| Contracted Services | 9,888 | 10,773 | (885) | (8.2)% |
| AWR (parent) | 5 | 4 | 1 | 25.0 % |
| Total administrative and general | $ 42,683 | $ 43,348 | $ (665) | (1.5)% |

For the six months ended June 30, 2021, the increase in administrative and general expenses at the electric segment was primarily related to an increase in employee-related benefit costs as compared to the same period in 2020.

For the six months ended June 30, 2021, the decrease in administrative and general expenses at the contracted services segment was primarily related to decreases in legal and outside service costs, and labor and employee-related benefit costs, as compared to the same period in 2020. Legal and outside services tend to fluctuate from period to period.

***Depreciation and Amortization***

For the six months ended June 30, 2021 and 2020, depreciation and amortization by business segment consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 16,275 | $ 15,023 | $ 1,252 | 8.3 % |
| Electric Services | 1,281 | 1,215 | 66 | 5.4 % |
| Contracted Services | 1,774 | 1,604 | 170 | 10.6 % |
| Total depreciation and amortization | $ 19,330 | $ 17,842 | $ 1,488 | 8.3 % |

The overall increase in depreciation expense resulted from additions to utility plant and other fixed assets since the second quarter of 2020.

***Maintenance***

For the six months ended June 30, 2021 and 2020, maintenance expense by business segment consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 4,096 | $ 5,706 | $ (1,610) | (28.2)% |
| Electric Services | 407 | 688 | (281) | (40.8)% |
| Contracted Services | 1,426 | 1,584 | (158) | (10.0)% |
| Total maintenance | $ 5,929 | $ 7,978 | $ (2,049) | (25.7)% |

Maintenance expense decreased at the water segment due to lower unplanned maintenance incurred as compared to the same period in 2020.

The decrease in maintenance expense at the electric segment is largely due to timing differences of when the work was performed as compared to the same period in 2020.

The decrease in maintenance expense at the contracted services segment is largely due to timing differences of when the work was performed as compared to the same period in 2020. Maintenance expense at the contracted services segment is expected to be incurred at a higher rate for the remainder of 2021 than experienced during the first six months of 2021.

***Property and Other Taxes***

For the six months ended June 30, 2021 and 2020, property and other taxes by business segment consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 9,480 | $ 8,751 | $ 729 | 8.3 % |
| Electric Services | 668 | 600 | 68 | 11.3 % |
| Contracted Services | 1,065 | 1,054 | 11 | 1.0 % |
| Total property and other taxes | $ 11,213 | $ 10,405 | $ 808 | 7.8 % |

Property and other taxes increased overall due mostly to capital additions at the water segment and the associated higher assessed property values.

***ASUS Construction***

For the six months ended June 30, 2021, construction expenses for contracted services were $30.8 million, increasing $5.2 million compared to the same period in 2020 due largely to an increase in construction activity as compared to the same period last year.

***Interest Expense***

For the six months ended June 30, 2021 and 2020, interest expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 11,441 | $ 10,404 | $ 1,037 | 10.0 % |
| Electric Services | 233 | 550 | (317) | (57.6)% |
| Contracted Services | 218 | 247 | (29) | (11.7)% |
| AWR (parent) | 398 | 171 | 227 | 132.7 % |
| Total interest expense | $ 12,290 | $ 11,372 | $ 918 | 8.1 % |

Registrant's borrowings consist of bank debts under revolving credit facilities and long-term debt issuances at GSWC. Consolidated interest expense increased as compared to the same period in 2020 resulting primarily from an overall increase in total borrowing levels to support, among other things, the capital expenditures program at the regulated utilities.

***Interest Income***

For the six months ended June 30, 2021 and 2020, interest income by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 266 | $ 414 | $ (148) | (35.7)% |
| Electric Services | 59 | 85 | (26) | (30.6)% |
| Contracted Services | 535 | 544 | (9) | (1.7)% |
| AWR (parent) | (57) | 5 | (62) | (1,240.0)% |
| Total interest income | $ 803 | $ 1,048 | $ (245) | (23.4)% |

The decrease in interest income during the six months ended June 30, 2021 was largely due to lower interest earned on regulatory assets at the water and electric segments bearing interest at the current 90-day commercial paper rate, which has decreased compared to the same period in 2020.

***Other Income and (Expense), net***

For the six months ended June 30, 2021 and 2020, other income and (expense), net by business segment, consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 2,255 | $ 783 | $ 1,472 | 188.0 % |
| Electric Services | 100 | 63 | 37 | 58.7 % |
| Contracted Services | (82) | (71) | (11) | 15.5 % |
| AWR (parent) | 258 | — | 258 | N/A |
| Total other income and (expense), net | $ 2,531 | $ 775 | $ 1,756 | 226.6 % |

For the six months ended June 30, 2021, other income (net of other expense) increased mostly as a result of larger gains generated and recorded on investments held to fund one of Registrant's retirement plans as compared to the same period in 2020, which was impacted by volatile market conditions due to the early effects of the COVID-19 pandemic.

***Income Tax Expense***

For the six months ended June 30, 2021 and 2020, income tax expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 9,725 | $ 9,348 | $ 377 | 4.0 % |
| Electric Services | 1,342 | 1,189 | 153 | 12.9 % |
| Contracted Services | 2,662 | 2,049 | 613 | 29.9 % |
| AWR (parent) | (353) | (404) | 51 | (12.6)% |
| Total income tax expense | $ 13,376 | $ 12,182 | $ 1,194 | 9.8 % |

Consolidated income tax expense for the six months ended June 30, 2021 increased by $1.2 million due to an increase in pretax income, partially offset by a decrease in the overall effective income tax rate ("ETR"). AWR's ETR was 22.6% and 23.5% for the six months ended June 30, 2021 and 2020, respectively. The decrease in ETR resulted primarily from net changes in certain flow-through and permanent items at GSWC. GSWC's ETR was 22.7% and 24.7% for the six months ended June 30, 2021 and 2020, respectively.

For a comparison of the financial results for the first six months of 2020 to 2019, see "*Consolidated Results of Operations-Six Months Ended June 30, 2020 and June 30, 2019*" in Registrant's Form 10-Q for the period ended June 30, 2020 filed with the SEC.

**Critical Accounting Policies and Estimates**

Critical accounting policies and estimates are those that are important to the portrayal of AWR's financial condition, results of operations and cash flows and require the most difficult, subjective or complex judgments of AWR's management. The need to make estimates about the effect of items that are uncertain is what makes these judgments difficult, subjective and/or complex. Management makes subjective judgments about the accounting and regulatory treatment of many items. These judgments are based on AWR's historical experience, terms of existing contracts, AWR's observance of trends in the industry, and information available from other outside sources, as appropriate. Actual results may differ from these estimates under different assumptions or conditions.

The critical accounting policies used in the preparation of the Registrant's financial statements that it believes affect the more significant judgments and estimates used in the preparation of its consolidated financial statements presented in this report are described in *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in Registrant's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC. There have been no material changes to Registrant's critical accounting policies.

## Liquidity and Capital Resources

***AWR***

Registrant’s regulated business is capital intensive and requires considerable capital resources. A portion of these capital resources is provided by internally generated cash flows from operations. AWR anticipates that interest expense will increase in future periods due to the need for additional external capital to fund construction programs at its regulated utilities and as market interest rates increase. In addition, as the capital investment program continues to increase, coupled with the elimination of bonus depreciation for regulated utilities due to tax reform enacted in 2017, AWR and its subsidiaries anticipate they will need to access external financing more often. AWR believes that costs associated with capital used to fund construction at GSWC and BVESI will continue to be recovered through water and electric rates charged to customers.

AWR funds its operating expenses and pays dividends on its outstanding Common Shares primarily through dividends from its wholly owned subsidiaries. The ability of GSWC and BVESI to pay dividends to AWR is restricted by California law. Under these restrictions, approximately $593.0 million was available for GSWC to pay dividends to AWR on June 30, 2021. Approximately $66.7 million was available for BVESI to pay dividends to AWR as of June 30, 2021. ASUS's ability to pay dividends to AWR is dependent upon state laws in which each Military Utility Privatization Subsidiary operates, as well as ASUS's ability to pay dividends under California law.

When necessary, Registrant obtains funds from external sources through the capital markets, as well as from bank borrowings. Access to external financing on reasonable terms depends on the credit ratings of AWR and GSWC and current business conditions, including that of the water utility industry in general as well as conditions in the debt or equity capital markets. AWR currently has access to a $200.0 million credit facility and borrows under this facility, which expires in May 2023, to provide funds to GSWC and ASUS in support of their operations. The interest rate charged to GSWC and ASUS is sufficient to cover AWR’s interest expense under the credit facility. As of June 30, 2021, there was $162.0 million outstanding under this facility. BVESI has a separate $35 million revolving credit facility, which expires in July 2023. As of June 30, 2021, there was $26.0 million outstanding under this facility. Borrowings made under this facility support BVESI's operations and capital expenditures. Under the terms of the credit agreement, BVESI has the option to request an increase in the facility of an additional $15.0 million, subject to approval by the financial institution.

On May 24, 2021, GSWC redeemed early its 9.56% private placement notes in the amount of $28.0 million, which pursuant to the note agreement included a redemption premium of 3.0% on par value, or $840,000. GSWC recovers redemption premiums in its embedded cost of debt as filed in cost of capital proceedings where the cost savings from redeeming higher interest rate debt are passed on to customers. Accordingly, the redemption premium has been deferred as a regulatory asset. Prior to May 15, 2021, the notes were subject to a make whole premium. GSWC funded the redemption by borrowing from AWR parent, which AWR, in turn, funded from its revolving credit facility.

As part of the response to the COVID-19 pandemic, GSWC and BVESI have suspended service disconnections for non-payment pursuant to CPUC and state orders, which has significantly increased the amount of delinquent customer accounts receivable during the COVID-19 pandemic. This has affected Registrant's cash flows from operating activities and increased the need to borrow under AWR's and BVESI's credit facilities. On July 15, 2021, the CPUC issued a final decision in the second phase of the Low-Income Affordability Rulemaking which, among other things, extended the existing moratorium on water service disconnections due to non-payment until further CPUC guidance is issued, or February 1, 2022, whichever occurs first. On June 24, 2021, the CPUC issued a final decision to extend the moratorium on electric disconnections until September 30, 2021. Under the terms of CPUC-adopted payment plans, actual electric service disconnections for non-payment will not occur until approximately December 1, 2021.

In March 2021, Standard and Poor’s Global Ratings (“S&P”) affirmed an A+ credit rating for both AWR and GSWC. S&P also revised its rating outlook to negative from stable for both companies. S&P’s debt ratings range from AAA (highest possible) to D (obligation is in default). In June 2021, Moody's Investors Service ("Moody's") retained its A2 rating with a stable outlook for GSWC. Securities ratings are not recommendations to buy, sell or hold a security, and are subject to change or withdrawal at any time by the rating agencies. Registrant believes that AWR’s sound capital structure and A+ credit rating, combined with its financial discipline, will enable Registrant to access the debt and equity markets.

AWR’s ability to pay cash dividends on its Common Shares outstanding depends primarily upon cash flows from its subsidiaries. AWR intends to continue paying quarterly cash dividends on or about March 1, June 1, September 1 and December 1, subject to earnings and financial conditions, regulatory requirements and such other factors as the Board of Directors may deem relevant. On July 27, 2021, AWR's Board of Directors approved a 9% increase in the third quarter dividend, from $0.335 per share to $0.365 per share on AWR's Common Shares. Dividends on the Common Shares will be paid on September 1, 2021 to shareholders of record at the close of business on August 16, 2021. AWR has paid common dividends every year since 1931, and has increased the dividends received by shareholders each calendar year for 67 consecutive years, which places it in an exclusive group of companies on the New York Stock Exchange that have achieved that result. AWR's current policy is to achieve a compound annual growth rate in the dividend of more than 7% over the long-term.

Registrant's current liabilities may at times exceed its current assets. Management believes that internally generated cash flows from operations, borrowings from AWR's and BVESI's credit facilities, and access to long-term financing from capital markets will be adequate to provide sufficient capital to maintain normal operations and to meet capital and financing requirements of AWR and its subsidiaries.

*Cash Flows from Operating Activities*:

Cash flows from operating activities have generally provided sufficient cash to fund operating requirements, including a portion of construction expenditures at GSWC and BVESI, and construction expenses at ASUS, and to pay dividends. Registrant’s future cash flows from operating activities are expected to be affected by a number of factors, including utility regulation; changes in tax law; maintenance expenses; inflation; compliance with environmental, health and safety standards; production costs; customer growth; per-customer usage of water and electricity; weather and seasonality; conservation efforts; compliance with local governmental requirements, including mandatory restrictions on water use; the impact of the COVID-19 pandemic on its customers' ability to pay utility bills and required cash contributions to pension and post-retirement plans. Future cash flows from contracted services subsidiaries will depend on new business activities, existing operations, the construction of new and/or replacement infrastructure at military bases, timely economic price and equitable adjustment of prices, timely collection of payments from the U.S. government and other prime contractors operating at the military bases and any adjustments arising out of an audit or investigation by federal governmental agencies.

ASUS funds its operating expenses primarily through internal operating sources, which include U.S. government funding under 50-year contracts for operations and maintenance costs and construction activities, as well as investments by, or loans from, AWR. ASUS, in turn, provides funding to its subsidiaries. ASUS's subsidiaries may also from time to time provide funding to ASUS or its subsidiaries.

Cash flows from operating activities are primarily generated by net income, adjusted for non-cash expenses such as depreciation and amortization, and deferred income taxes. Cash generated by operations varies during the year. Net cash provided by operating activities of Registrant was $41.1 million for the six months ended June 30, 2021 as compared to $46.3 million for the same period in 2020. This decrease was largely due to timing differences of income and payroll tax payments, which were deferred during the second quarter of 2020 as a result of COVID-19 relief legislation in effect in 2020, but not in 2021. This was partially offset by an improvement in cash from accounts receivable related to non-residential customers due, in part, to improved economic conditions as compared to the first six months of 2020, which was affected by the early stages of the COVID-19 pandemic. There was also an increase in customer rates and consumption. The timing of cash receipts and disbursements related to other working capital items also affected the change in net cash provided by operating activities.

*Cash Flows from Investing Activities*:

Net cash used in investing activities was $76.1 million for the six months ended June 30, 2021 as compared to $62.5 million for the same period in 2020 largely due to an increase in capital expenditures at the regulated utilities. Registrant invests capital to provide essential services to its regulated customer base, while working with the CPUC to have the opportunity to earn a fair rate of return on investment. Registrant’s infrastructure investment plan consists of both infrastructure renewal programs (where infrastructure is replaced, as needed) and major capital investment projects (where new water treatment, supply and delivery facilities are constructed). The regulated utilities may also be required from time to time to relocate existing infrastructure in order to accommodate local infrastructure improvement projects. Projected capital expenditures and other investments are subject to periodic review and revision. For the year 2021, the regulated utilities' company-funded capital expenditures are expected to be between $125 and $135 million.

*Cash Flows from Financing Activities*:

Registrant’s financing activities include primarily: (i) the proceeds from the issuance of Common Shares, (ii) the issuance and repayment of long-term debt and notes payable to banks, and (iii) the payment of dividends on Common Shares. In order to finance new infrastructure, GSWC also receives customer advances (net of refunds) for, and contributions in aid of, construction. Borrowings on AWR's and BVESI's credit facilities are used to fund GSWC and BVESI capital expenditures, respectively, until long-term financing is arranged. Overall debt levels are expected to increase to fund a portion of the costs of the capital expenditures that will be made by the regulated utilities.

Net cash provided by financing activities was $3.6 million for the six months ended June 30, 2021 as compared to cash provided of $21.4 million during the same period in 2020. This decrease in cash was primarily due to the early redemption of GSWC's 9.56% private placement notes in the amount of $28.0 million in May 2021. This was partially offset by an increase in net borrowings on AWR's credit facility during the first six months of 2021 as compared to the same period in 2020.

***GSWC***

GSWC funds its operating expenses, payments on its debt, dividends on its outstanding common shares, and a portion of its construction expenditures through internal sources. Internal sources of cash flow are provided primarily by retention of a portion of earnings from operating activities. Internal cash generation is influenced by factors such as weather patterns, conservation efforts, environmental regulation, litigation, changes in tax law and deferred taxes, changes in supply costs and regulatory decisions affecting GSWC’s ability to recover these supply costs, timing of rate relief, increases in maintenance expenses and capital expenditures, surcharges authorized by the CPUC to enable GSWC to recover expenses previously incurred from customers, and CPUC requirements to refund amounts previously charged to customers. Internal cash flows may also be impacted by delays in receiving payments from GSWC customers due to the economic impact of the COVID-19 pandemic and state legislation suspending customer disconnections for non-payment.

GSWC may, at times, utilize external sources for long-term financing, as well as obtain funds from equity investments and intercompany borrowings from its parent, AWR, to help fund a portion of its operations and construction expenditures. AWR borrows under a revolving credit facility, which expires in May 2023, and provides funds to GSWC in support of its operations under intercompany borrowing arrangements. The CPUC requires GSWC to completely pay off all intercompany borrowings it has from AWR within a 24-month period. The next 24-month period in which GSWC is required to pay off its intercompany borrowings from AWR ends in May 2023. In July 2020, GSWC completed the issuance of unsecured private placement notes totaling $160.0 million.

In addition, GSWC receives advances and contributions from customers, home builders and real estate developers to fund construction necessary to extend service to new areas. Advances for construction are generally refundable at a rate of 2.5% in equal annual installments over 40 years. Utility plant funded by advances and contributions is excluded from rate base. Generally, GSWC amortizes contributions in aid of construction at the same composite rate of depreciation for the related property.

As is often the case with public utilities, GSWC’s current liabilities may at times exceed its current assets. Management believes that internally generated funds, along with the proceeds from the issuance of long-term debt, borrowings from AWR and common share issuances to AWR, will be adequate to provide sufficient capital to enable GSWC to maintain normal operations and to meet its capital and financing requirements pending recovery of costs in rates.

On July 1, 2020, GSWC completed the transfer of the net assets from its electric utility division to BVESI. As a result of this transfer, from July 1, 2020 onward, the cash flows of the electric segment are no longer included in GSWC's statement of cash flows, but continue to be included in AWR's consolidated statement of cash flows.

*Cash Flows from Operating Activities*:

Net cash provided by operating activities was $40.0 million for the six months ended June 30, 2021 as compared to $41.0 million for the same period in 2020. This decrease was largely due to timing differences of income and payroll tax payments, which were deferred during the second quarter of 2020 as a result of COVID-19 relief legislation in effect in 2020, but not in 2021. This was partially offset by an improvement in cash from accounts receivable related to non-residential customers due, in part, to improved economic conditions as compared to the first six months of 2020, which was affected by the the early stages of the COVID-19 pandemic. There was also an increase in customer rates and consumption. The timing of cash receipts and disbursements related to other working capital items also affected the change in net cash provided by operating activities.

*Cash Flows from Investing Activities*:

Net cash used in investing activities was $63.7 million for the six months ended June 30, 2021 as compared to $59.5 million for the same period in 2020. Due to the electric utility reorganization effective July 1, 2020, GSWC's cash flows from investing activities during the six months ended June 30, 2021 do not include the electric segment's capital expenditures, whereas the cash flows for the six months ended June 30, 2020 include the electric segment's capital expenditures.

In October 2020, AWR issued an interest bearing promissory note to GSWC, which expires in May 2023. Under the terms of this note, AWR may borrow amounts up to $30 million for working capital purposes. AWR agrees to pay any unpaid principal amounts outstanding under this note, plus accrued interest. During the first six months of 2021, AWR borrowed and subsequently repaid $23 million from/to GSWC under the terms of the note.

*Cash Flows from Financing Activities*:

Net cash used in financing activities was $7.2 million for the six months ended June 30, 2021 as compared to $19.5 million net cash provided for the same period in 2020. This decrease was largely due to the early redemption of GSWC's 9.56% private placement notes in the amount of $28.0 million in May 2021.

**Contractual Obligations and Other Commitments**

Registrant has various contractual obligations, which are recorded as liabilities in the consolidated financial statements. Other items, such as certain purchase commitments, are not recognized as liabilities in the consolidated financial statements but are required to be disclosed. In addition to contractual maturities, Registrant has certain debt instruments that contain an annual sinking fund or other principal payments. Registrant believes that it will be able to refinance debt instruments at their maturity through public issuance, or private placement, of debt or equity. Annual payments to service debt are generally made from cash flows from operations.

See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations, Commitments and Off-Balance Sheet Arrangements"* section of the Registrant's Form 10-K for the year ended December 31, 2020 filed with the SEC for a detailed discussion of contractual obligations and other commitments.

**Contracted Services**

Under the terms of the current and future utility privatization contracts with the U.S. government, each contract's price is subject to an economic price adjustment ("EPA") on an annual basis. In the event that ASUS (i) is managing more assets at specific military bases than were included in the U.S. government's request for proposal, (ii) is managing assets that are in substandard condition as compared to what was disclosed in the request for proposal, (iii) prudently incurs costs not contemplated under the terms of the utility privatization contract, and/or (iv) becomes subject to new regulatory requirements, such as more stringent water-quality standards, ASUS is permitted to file, and has filed, requests for equitable adjustment ("REAs"). The timely filing for and receipt of EPAs and/or REAs continues to be critical in order for the Military Utility Privatization Subsidiaries to recover increasing costs of operating, maintaining, renewing, and replacing the water and/or wastewater systems at the military bases it serves.

Under the Budget Control Act of 2011 (the "2011 Act"), substantial automatic spending cuts, known as "sequestration," have impacted the expected levels of Department of Defense budgeting. The Military Utility Privatization Subsidiaries have not experienced any earnings impact to their existing operations and maintenance and renewal and replacement services, as utility privatization contracts are an "excepted service" within the 2011 Act. While the ongoing effects of sequestration have been mitigated through the passage of various legislation, most recently the Bipartisan Budget Act of 2019 for fiscal years 2020 and 2021 along with the anticipated expiration of the 2011 act in 2021, similar issues may arise as part of fiscal uncertainty and/or future debt-ceiling limits imposed by Congress. However, any future impact on ASUS and its operations through the Military Utility Privatization Subsidiaries will likely be limited to (a) the timing of funding to pay for services rendered, (b) delays in the processing of EPAs and/or REAs, (c) the timing of the issuance of contract modifications for new construction work not already funded by the U.S. government, and/or (d) delays in the solicitation for and/or awarding of new contracts under the Department of Defense utility privatization program.

At times, the Defense Contract Auditing Agency and/or the Defense Contract Management Agency may, at the request of a contracting officer, perform audits/reviews of contractors for compliance with certain government guidance and regulations, such as the Federal Acquisition Regulations and Defense Federal Acquisition Regulation Supplements. Certain audit/review findings, such as system deficiencies for government-contract-business-system requirements, may result in delays in the resolution of filings submitted to and/or the ability to file new proposals with the U.S. government.

**Regulatory Matters**

*Water Segment:*

*Recent Changes in Rates*

The CPUC approved water rate increases effective January 1, 2021. These increases are expected to generate an additional $11.1 million in the adopted water gross margin for 2021 as compared to the adopted water gross margin in 2020.

*General Rate Case*

On July 15, 2020, GSWC filed a general rate case application for all its water regions and the general office. This general rate case will determine new water rates for the years 2022 – 2024. Among other things, GSWC requested capital budgets 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 when those projects are completed. In June 2021, the assigned administrative law judge issued an order deferring evidentiary hearings to October 2021. As a result, the CPUC may not be able to issue its final decision by the end of 2021. If a final decision is issued after January 1, 2022, the new rates adopted in the final decision will be retroactive to be effective as of January 1, 2022.

*Final Decision in the First Phase of the Low-Income Affordability Rulemaking*

On August 27, 2020, the CPUC issued a final decision in the first phase of the CPUC's Order Instituting Rulemaking evaluating the low income ratepayer assistance and affordability objectives contained in the CPUC's 2010 Water Action Plan. Based on the final decision, any general rate case application filed by GSWC and the other California water utilities after August 27, 2020 may not include a proposal to continue the use of the WRAM or MCBA. Instead the utility may include a proposal to use a limited price adjustment mechanism and an incremental supply cost balancing account.

The final decision will not have any impact on GSWC's WRAM or MCBA balances during the current rate cycle (2019 – 2021). In February 2021, the assigned administrative law judge in the pending general rate case proceeding confirmed that GSWC may continue the use of the WRAM and MCBA through the year 2024. GSWC's next general rate case application will be filed in 2023 to establish new rates for the years 2025 – 2027 and, based on the August 27, 2020 decision, may not include the WRAM or MCBA for those years.

Since its implementation in 2008, the WRAM and MCBA have helped mitigate fluctuations in GSWC's earnings due to changes in water consumption by its customers or changes in water supply mix. Replacing them with other more limited mechanisms recommended in the final decision would likely result in more volatility in GSWC's future earnings and could result in less than or more than full recovery of its authorized water gross margin. In October 2020, GSWC, certain other California water utilities, and the California Water Association filed separate applications for rehearing on this matter. Due to the delay in the CPUC issuing a decision on any of these applications for rehearing, GSWC filed a petition for writ of review to the California Supreme Court in May 2021, requesting the Court to review the CPUC's final decision on this matter. In response, the CPUC requested that the California Supreme Court hold the case, pending a CPUC decision on the October 2020 applications for rehearing, which the CPUC indicated would be forthcoming in August 2021. The California Supreme Court granted the CPUC's request. At this time, management cannot predict the outcome of this matter.

*Final Decision in the Second Phase of the Low-Income Affordability Rulemaking:*

On July 15, 2021, the CPUC issued a final decision in the second phase of the Low-Income Affordability Rulemaking. Among other things, this decision extended the existing moratorium implemented during the COVID-19 pandemic on water service disconnections due to non-payment until further CPUC guidance is issued, or February 1, 2022, whichever occurs first. The final decision also requires that amounts tracked in GSWC's COVID-19 CEMA account for unpaid customer bills be offset against any (i) federal and state relief for water utility bill debt, and (ii) customer payments through payment plan arrangements, prior to receiving recovery from customers.

*Cost of Capital Proceeding*

GSWC filed a cost of capital application with the CPUC in May 2021. The application requests a capital structure of 57% equity and 43% debt, which is GSWC's currently adopted capital structure, a return on equity of 10.5%, and a return on rate base of 8.18%. A final decision on this proceeding is scheduled for the fourth quarter of 2021, with an effective date of January 1, 2022. GSWC's current authorized rate of return on rate base of 7.91% will remain in effect through December 31, 2021.

<u>Electric Segment</u>:

*Recent Changes in Rates*

On August 15, 2019, the CPUC issued a final decision on the electric segment's general rate case which, among other things, increases the adopted electric gross margin by $1.1 million for 2021, and by $1.0 million for 2022. The rate case decision continues to apply to BVESI.

*Wildfire Mitigation Plans and Safety Certification*

California requires all investor-owned electric utilities to submit an annual wildfire mitigation plan (WMP) to the CPUC for approval. The WMP must include a utility's plans on constructing, maintaining, and operating its electrical lines and equipment to minimize the risk of catastrophic wildfire. BVESI's second WMP filed with the CPUC in 2020 was approved in January 2021. The CPUC is currently reviewing BVESI's latest WMP submission. Capital expenditures and other costs incurred as a result of the WMP are subject to CPUC audit. Furthermore, the CPUC's Wildfire Safety Division (now part of the California Natural Resources Agency effective July 1, 2021) has engaged an independent accounting firm to conduct examinations of the expenses and capital investments identified in the 2019 and 2020 WMPs for each of the investor-owned electric utilities, including BVESI. As of June 30, 2021, BVESI has approximately $1.9 million related to expenses accumulated in its WMPs memorandum accounts that have been recognized as regulatory assets for future recovery. BVESI's examination of these expenses as well as the capital investments incurred for its WMPs is currently in progress and at this time, management cannot predict the outcome or recommendations that may result from this examination.

Additionally, the California legislature enacted Assembly Bill (AB) 1054 in July 2019, which among other things, changed the burden of proof applicable in CPUC proceedings in which an electric utility with a valid safety certification seeks to recover wildfire costs. Traditionally, an electric utility seeking to recover costs had the burden to prove that it acted reasonably. Under AB 1054, if an electric utility has a valid safety certification, it will be presumed to have acted reasonably unless a party to the relevant proceeding creates a “serious doubt” as to the reasonableness of the utility’s conduct. In February 2021, BVESI filed its 2021 safety certification to the CPUC. BVESI's current safety certification remains in effect while the CPUC reviews BVESI's 2021 safety certification filing.

*BVESI CEMA Regulatory Asset*

BVESI activated a CEMA account to track the incremental costs incurred in response to a severe winter storm that occurred in February 2019 and which resulted in the declaration of an emergency by the governor of California. Incremental costs of $455,000 were included in the CEMA account and recorded as a regulatory asset. BVESI subsequently filed for recovery of these costs. In May 2021, the CPUC issued a final decision denying BVESI’s request for recovery, claiming that BVESI did not adequately demonstrate that the costs incurred were incremental and beyond costs already included in BVESI’s revenue requirement. The decision does permit BVESI to file a new application on the issue of incrementality should it wish to continue pursuing recovery. BVESI believes the storm costs were incremental and beyond what was included in its revenue requirement and will file a new application to continue pursuing recovery. As a result, the costs in this CEMA account remain as a regulatory asset at June 30, 2021 as the Company continues to believe the incremental costs were properly tracked and included in the CEMA account consistent with the CPUC's well-established past practices. The CPUC allows CEMA accounts to be established following a state/federal declared emergency, and are therefore recognized as regulatory assets for future recovery. However, if BVESI does not ultimately prevail in obtaining recovery, it will result in a charge to earnings for the write-off of this CEMA regulatory asset totaling $455,000. At this time, management cannot predict the final outcome of this matter.

*COVID-19*:

In response to the ongoing economic impact of the COVID-19 pandemic, on June 15, 2021, the CPUC issued a final decision in the second phase of the Low-Income Affordability Rulemaking which, among other things, extends the existing emergency water customer protections from June 30, 2021 to February 1, 2022. On June 21, 2021, the CPUC also issued a proposed decision to extend the moratorium on electric disconnections until September 30, 2021. Under the terms of CPUC-adopted payment plans, actual electric service disconnections for non-payment will not occur until approximately December 1, 2021.

Due to expected future credit losses on utility customer bills as a result of the pandemic, GSWC and BVESI continue to increase their allowance for doubtful accounts as of June 30, 2021. The CPUC has authorized GSWC and BVESI to track incremental costs, including bad debt expense in excess of what is included in their respective revenue requirements, in COVID-19-related memorandum accounts, such as a Catastrophic Event Memorandum Account ("CEMA") to be filed with the CPUC for future recovery. Through June 30, 2021, AWR has recorded approximately $6.7 million in these COVID-19-related memorandum accounts related to bad debt expense in excess of GSWC’s and BVESI's revenue requirement, personal protective equipment, printing costs and other incremental costs. By tracking these costs in memorandum accounts, utilities can later request authorization from the CPUC for recovery of these costs. GSWC's COVID-19 memorandum account is being addressed in its pending water general rate case, while BVESI intends to include the memorandum account for recovery in its next general rate case application expected to be filed in 2022. The CPUC's July 15, 2021 final decision also requires that amounts tracked in GSWC's CEMA account for unpaid customer bills be offset against any (i) federal and state relief for water utility bill debt, and (ii) customer payments through payment plan arrangements, prior to receiving recovery from customers.

See *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Regulatory Matters”* section of the Registrant’s Form 10-K for the year-ended December 31, 2020 filed with the SEC for a discussion of other regulatory matters.

**Environmental Matters**

GSWC is required to comply with the safe drinking water standards established by the U.S. Environmental Protection Agency (“US EPA”) and the Division of Drinking Water ("DDW") under the State Water Resources Control Board (“SWRCB”). The US EPA regulates contaminants that may have adverse health effects that are known or likely to occur at levels of public health concern, and the regulation of which will provide a meaningful opportunity for health risk reduction. The DDW, acting on behalf of the US EPA, administers the US EPA’s program in California. Similar state agencies administer these rules in the other states in which Registrant operates.

GSWC currently tests its water supplies and water systems according to, among other things, requirements listed in the Federal Safe Drinking Water Act (“SDWA”). In compliance with the SDWA and to assure a safe drinking water supply to its customers, GSWC has incurred operating costs for testing to determine the levels, if any, of the constituents in its sources of supply and additional expense to treat contaminants in order to meet federal and state maximum contaminant level standards and consumer demands. GSWC expects to incur additional capital costs as well as increased operating costs to maintain or improve the quality of water delivered to its customers in light of anticipated stress on water resources associated with watershed and aquifer pollution, as well as to meet future water quality standards. The CPUC rate-making process provides GSWC with the opportunity to recover prudently incurred capital and operating costs in future filings associated with achieving water quality standards. Management believes that such incurred and expected future costs will be authorized for recovery by the CPUC.

*Drinking Water Notifications Levels:*

In July 2018, DDW issued drinking water notification levels for certain fluorinated organic chemicals used to make certain fabrics and other materials, used in various other industrial processes. These chemicals were also present in certain fire suppression agents. These chemicals are referred to as perfluoroalkyl substances ("PFAS"). Notification levels are health-based advisory levels established for contaminants in drinking water for which maximum contaminant levels have not been established. The US EPA has also established health advisory levels for these compounds. Notification to consumers is required when the advisory levels or notification levels are exceeded.

California Assembly Bill No. 756, signed into law in July 2019 and effective in January 2020 requires, among other things, additional notification requirements for water systems detecting levels of PFAS above certain levels. GSWC is in the process of collecting and analyzing samples for PFAS under the direction of DDW. GSWC has removed some wells from service and expects to incur additional costs to treat impacted wells. GSWC has provided customers with information regarding PFAS detection and provided updated information via its website.

In February 2020, DDW established new response levels for two of the PFAS compounds - 10 parts per trillion for perfluorooctanoic acid ("PFOA") and 40 parts per trillion for perfluorooctanesulfonic acid ("PFOS"). In March 2021, DDW issued a notification level and response level of 0.5 parts per billion (ppb) and 5 ppb, respectively, for perfluorobutane sulfonic acid (PFBS). The CPUC has authorized GSWC to track incremental costs, including laboratory testing and monitoring costs, customer and public notification costs, and chemical and operating treatment costs, incurred as a result of PFAS contamination in a Polyfluoroalkyl Substances Memorandum Account to be filed with the CPUC for future recovery.

See *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Environmental Matters”* section of the Registrant’s Form 10-K for the year-ended December 31, 2020 filed with the SEC for a discussion of environmental matters applicable to GSWC and ASUS and its subsidiaries.

**Water Supply**

See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—California Drought"* section of the Registrant's Form 10-K for the year-ended December 31, 2020 filed with the SEC for a discussion of water supply issues. The discussion below focuses on significant matters and changes since December 31, 2020.

*Drought Impact:*

In May 2018, the California Legislature passed two bills that provide a framework for long-term water-use efficiency standards and drought planning and resiliency. The initial steps for implementing this legislation have been laid out in a summary document by the California Department of Water Resources ("DWR") and the State Water Resources Control Board ("SWRCB"). Over the next several years, State agencies, water suppliers and other entities will be working to meet the requirements and implement plans. A notable milestone is the establishment of an indoor water use standard of 55 gallons per capita per day (gpcd) until 2025, at which time the standard may be reduced to 52.5 gpcd or a new standard as recommended by DWR.

California's recent period of multi-year drought resulted in reduced recharge to the state's groundwater basins. GSWC utilizes groundwater from numerous groundwater basins throughout the state. Several of these basins, especially smaller basins, experienced lower groundwater levels because of the drought. Several of GSWC's service areas rely on groundwater as their only source of supply. Given the critical nature of the groundwater levels in California's Central Coast area, GSWC implemented mandatory water restrictions in certain service areas in accordance with CPUC procedures. In the event of water supply shortages beyond the locally available supply, GSWC would need to transport additional water from other areas, increasing the cost of water supply. Registrant's liquidity may be adversely impacted by changes in water supply costs.

For the current 2021 water year, precipitation and snow levels have been well below average. The April 1st snow survey showed levels around 59% of average for the Sierra snowpack and precipitation statewide at approximately 50% of average for the water year. Due to warmer temperatures, especially in the northern portions of the State, below normal runoff from winter snowpack resulted in low reservoir levels throughout the State. As a result, California is entering into yet another concerning drought. As of July 27, 2021, the U.S. Drought Monitor reported that nearly 90% of California is considered to be in extreme drought, as compared to only 3% one year ago. These dry conditions are more pronounced in northern, central and eastern portions of California, while Southern California areas continue to experience moderate to severe drought conditions.

On March 3, 2021, the United States Department of Agriculture declared a natural disaster for 50 counties in California, including those served by GSWC, due to drought impacts on agriculture. To date, the governor of California has proclaimed a state of emergency for 50 of the 58 counties in California. In addition, the governor of California signed an executive order asking all Californians to voluntarily reduce water usage by 15 percent as compared to 2020 usage due to the persisting dry conditions. This order was followed by a July 8, 2021 letter from the CPUC calling on all investor-owned water utilities to implement voluntary conservation measures to achieve this 15 percent level. Additional mandates directed by the state of California are possible should dry conditions persist.

Due to local conditions, water-use restrictions and allocations remain in place for customers in some of GSWC's service areas from the previous drought. GSWC has water supply contingency plans in place, which address different actions to be taken based upon available water supply. GSWC is contacting all of its customers and encouraging them to voluntarily reduce water usage by 15% in accordance with the governor of California's executive order. GSWC will need to make a filing with the CPUC before implementing any mandatory cut backs. Registrant's liquidity may be adversely impacted by mandatory water-use restrictions imposed on customers. GSWC has filed with the CPUC for authority to establish a Water Conservation Memorandum Account that will track incremental drought-related costs for future recovery.

*Metropolitan Water District/ State Water Project:*

GSWC supplements groundwater production with wholesale purchases from the Metropolitan Water District of Southern California ("MWD") member agencies. Water supplies available to the MWD through the State Water Project ("SWP") vary from year to year based on several factors. Every year, the California Department of Water Resources ("DWR") establishes the SWP allocation for water deliveries to state water contractors. DWR generally establishes a percentage allocation of delivery requests based on several factors, including weather patterns, snow-pack levels, reservoir levels and biological diversion restrictions. The SWP is a major source of water for the MWD. In December 2020, DWR set the initial SWP delivery allocation at 10 percent of requests for the 2020 calendar year. Due to ongoing dry conditions, the delivery allocation was decreased to 5 percent in March 2021. At this time, it is projected that initial SWP delivery allocations for 2022 may be at similarly low levels. MWD also relies on Colorado River supplies. The Colorado River Basin is also experiencing prolonged dry conditions, which are impacting Lake Mead water levels. This has resulted in a first ever lower Basin shortage condition forecasted for 2022. However, MWD has stated that it currently has robust reserves in storage through 2022 and is not currently projecting shortages in the current water year.

**New Accounting Pronouncements**

Registrant is subject to newly issued requirements as well as changes in existing requirements issued by the Financial Accounting Standards Board. See Note 1 of the Unaudited Notes to Consolidated Financial Statements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Registrant is exposed to certain market risks, including fluctuations in interest rates, commodity price risk primarily relating to changes in the market price of electricity at BVESI, and other economic conditions. Market risk is the potential loss arising from adverse changes in prevailing market rates and prices.

The quantitative and qualitative disclosures about market risk are discussed in *Item 7A-Quantitative and Qualitative Disclosures About Market Risk*, contained in Registrant's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC.

## Item 4. Controls and Procedures

### (a) Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934 (the "Exchange Act"), we have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), of the effectiveness, as of the end of the fiscal quarter covered by this report, of the design and operation of our "disclosure controls and procedures" as defined in Rule 13a-15(e) and 15d-15(e) promulgated by the SEC under the Exchange Act. Based upon that evaluation, the CEO and the CFO concluded that disclosure controls and procedures, as of the end of such fiscal quarter, were adequate and effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

### (b) Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended June 30, 2021, that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

# PART II

## Item 1. Legal Proceedings

Registrant is subject to ordinary routine litigation incidental to its business, some of which may include claims for compensatory and punitive damages. No legal proceedings are pending, which are believed to be material. Management believes that rate recovery, proper insurance coverage and reserves are in place to insure against, among other things, property, general liability, employment, and workers' compensation claims incurred in the ordinary course of business. Insurance coverage may not cover certain claims involving punitive damages.

## Item 1A. Risk Factors

There have been no significant changes in the risk factors disclosed in our 2020 Annual Report on Form 10-K filed with the SEC.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The shareholders of AWR have approved the material features of all equity compensation plans under which AWR issues equity securities. The following table provides information about repurchases of Common Shares by AWR during the second quarter of 2021:

| Period | Total Number of Shares Purchased | | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Maximum Number of Shares That May Yet Be Purchased under the Plans or Programs (1)(3) |
|---|---|---|---|---|---|
| April 1 – 30, 2021 | 320 | | $ 78.48 | — | — |
| May 1 – 31, 2021 | 251 | | $ 78.23 | — | — |
| June 1 – 30, 2021 | 2,552 | | $ 79.40 | — | — |
| Total | 3,123 | (2) | $ 79.22 | — | |

(1) None of the common shares were purchased pursuant to any publicly announced stock repurchase program.

(2) These Common Shares were acquired on the open market for employees pursuant to the Company's 401(k) plan and for participants in the Common Share Purchase and Dividend Reinvestment Plan.

(3) Neither the 401(k) plan nor the Common Share Purchase and Dividend Reinvestment Plan contain a maximum number of Common Shares that may be purchased in the open market.

## Item 3. Defaults Upon Senior Securities

None

## Item 4. Mine Safety Disclosure

Not applicable

## Item 5. Other Information

(a) On July 27, 2021, AWR's Board of Directors approved a 9% increase in the third quarter dividend, from $0.335 per share to $0.365 per share on AWR's Common Shares. Dividends on the Common Shares will be paid on September 1, 2021 to shareholders of record at the close of business on August 16, 2021.

(b) There have been no material changes during the second quarter of 2021 to the procedures by which shareholders may nominate persons to the Board of Directors of AWR.

**Item 6. Exhibits**

(a) The following documents are filed as Exhibits to this report:

| | |
|---|---|
| 3.1 | By-Laws of American States Water Company incorporated by reference to Exhibit 3.1 of Registrant's Form 10-Q, filed August 6, 2012 (File No. 1-14431) |
| 3.2 | By-laws of Golden State Water Company incorporated by reference to Exhibit 3.2 of Registrant's Form 8-K filed May 13, 2011 (File No. 1-14431) |
| 3.3 | Amended and Restated Articles of Incorporation of American States Water Company, as amended, incorporated by reference to Exhibit 3.1 of Registrant's Form 8-K filed June 19, 2013 |
| 3.4 | Restated Articles of Incorporation of Golden State Water Company, as amended, incorporated herein by reference to Exhibit 3.1 of Registrant's Form 10-Q for the quarter ended September 30, 2005 (File No. 1-14431) |
| 4.1 | Indenture, dated September 1, 1993 between Golden State Water Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee, as supplemented, incorporated herein by reference to Exhibit 4.01 of Golden State Water Company Form S-3 filed December 12, 2008 (File No. 333-156112) |
| 4.2 | Note Purchase Agreement dated as of October 11, 2005 between Golden State Water Company and Co-Bank, ACB incorporated by reference to Exhibit 4.1 of Registrant's Form 8-K filed October 13, 2005 (File No. 1-14431) |
| 4.3 | Description of Common Shares incorporated by reference to Exhibit 4.3 to Registrant's Form 10-K for the year ended December 31, 2019 |
| 4.4 | Description of Debt Securities incorporated by reference to Exhibit 4.4 to Registrant's Form 10-K for the year ended December 31, 2019 |
| 10.1 | Second Sublease dated October 5, 1984 between Golden State Water Company and Three Valleys Municipal Water District incorporated herein by reference to Registrant's Registration Statement on Form S-2, Registration No. 33-5151 |
| 10.2 | Loan Agreement between California Pollution Control Financing Authority and Golden State Water Company, dated as of December 1, 1996 incorporated by reference to Exhibit 10.7 of Registrant's Form 10-K for the year ended December 31, 1998 (File No. 1-14431) |
| 10.3 | Water Supply Agreement dated as of June 1, 1994 between Golden State Water Company and Central Coast Water Authority incorporated herein by reference to Exhibit 10.15 of Registrant's Form 10-K with respect to the year ended December 31, 1994 (File No. 1-14431) |
| 10.4 | 2003 Non-Employee Directors Stock Purchase Plan, as amended, incorporated herein by reference to Exhibit 10.4 to Registrant's Form 8-K filed on May 20, 2015 (File No. 1-14431) (2) |
| 10.5 | Dividend Reinvestment and Common Share Purchase Plan incorporated herein by reference to American States Water Company Registrant's Form S-3D filed November 12, 2008 (File No. 1-14431) |
| 10.6 | Form of Amended and Restated Change in Control Agreement between American States Water Company or a subsidiary and certain executives incorporated herein by reference to Exhibit 10.4 to Registrant's Form 8-K filed on November 21, 2014 (File No. 1-14431) (2) |
| 10.7 | Golden State Water Company Pension Restoration Plan, as amended, incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on May 21, 2009 (File No. 1-14431) (2) |
| 10.8 | Amended and Restated Credit Agreement between American States Water Company dated June 3, 2005 with Wells Fargo Bank, N.A., as Administrative Agent, as amended , incorporated by reference to Exhibit 10.1 to Registrant's 8-K dated June 21, 2021 |
| 10.9 | Form of Indemnification Agreement for executive officers other than the CEO, SVPs and VP of Finance, incorporated by reference to Exhibit 10.21 to Registrant's Form 10-K for the year ended December 31, 2006 (File No. 1-14431) (2) |
| 10.10 | Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments incorporated herein by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on April 2, 2014 (2) |
| 10.11 | Officer Relocation Policy incorporated herein by reference to Exhibit 10.5 to the Registrant's Form 8-K filed on July 31, 2009 (2) |
| 10.12 | Form of Indemnification Agreement for directors, CEO, SVPs and VP of Finance (1) |

| | |
|---|---|
| 10.13 | 2016 Stock Incentive Plan incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on May 19, 2016 (2) |
| 10.14 | 2013 Non-Employee Directors Plan incorporated by reference herein to Exhibit 10.2 to the Registrant's Form 8-K filed on March 25, 2016 (2) |
| 10.15 | Performance Incentive Plan incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on May 20, 2015 (2) |
| 10.16 | Note Purchase Agreement dated July 8, 2020 incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed July 14, 2020 |
| 10.17 | Form of 2019 Performance Award Agreement incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on February 1, 2019 (2) |
| 10.18 | Separation Agreement and General Release of All Claims incorporated by reference to Exhibit 10.24 to Registrant's Form 10-K filed on February 24, 2020 (2) |
| 10.19 | Form of 2020 Performance Award Agreement incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed January 31, 2020 (2) |
| 10.20 | Form of Restricted Stock Award Agreement for officers with respect to time-vested restricted stock awards under the 2016 Stock Incentive Plan after December 31, 2017 incorporated by reference to Exhibit 10.1 of Form 8-K filed on November 3, 2017 (2) |
| 10.21 | Form of 2021 Performance Award Agreement incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed February 5, 2021 (2) |
| 10.22 | 2021 Short-Term Incentive Program incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed on April 1, 2021 (2) |
| 10.23 | Form of Award Agreement for the 2021 Short-Term Incentive Program incorporated by reference to Exhibit 10.2 of Registrant's Form 8-K filed on April 1, 2021 (2) |
| 10.24 | Contract for Professional Services effective July 10, 2021 incorporated by reference from Exhibit 10.1 to Form 8-K filed on July 15, 2021 (2) |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for AWR (1) |
| 31.1.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for GSWC (1) |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for AWR (1) |
| 31.2.1 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for GSWC (1) |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (3) |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (3) |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | XBRL Taxonomy Extension Schema (3) |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase (3) |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase (3) |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase (3) |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase (3) |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

(1) Filed concurrently herewith
(2) Management contract or compensatory arrangement
(3) Furnished concurrently herewith

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized and as its principal financial officer.

**AMERICAN STATES WATER COMPANY ("AWR"):**

By: /s/ EVA G. TANG
Eva G. Tang
Senior Vice President - Finance, Chief Financial Officer, Corporate Secretary and Treasurer

**GOLDEN STATE WATER COMPANY ("GSWC"):**

By: /s/ EVA G. TANG
Eva G. Tang
Senior Vice President - Finance, Chief Financial Officer and Secretary

Date: August 2, 2021

# [AMENDED AND RESTATED][1]

# INDEMNIFICATION AGREEMENT

This [Amended and Restated] Indemnification Agreement (“**Agreement**”) is made as of May __, 2021 by and between American States Water Company, a California corporation (“**Company**”), and [__________] (“**Indemnitee**”), a [director/officer] of the Company. [This Agreement fully amends, restates and supersedes any prior indemnification agreement between the Company and any of its Subsidiaries and Indemnitee [including without limitation the Indemnification Agreement dated _______.]

## R E C I T A L S

A. Indemnitee is currently serving as a [director/officer] of the Company and each of the following direct or indirect wholly-owned subsidiaries of the Company: Golden State Water Company, a California corporation, [American States Utility Services, Inc., a California corporation, Fort Bliss Water Services Company, a Texas corporation, Old Dominion Utility Services, Inc., a Virginia corporation, Terrapin Utility Services, Inc., a Maryland corporation, Palmetto State Utility Services, Inc., a South Carolina corporation, Old North Utility Services, Inc., a North Carolina corporation, Emerald Coast Utility Services, Inc., a Florida corporation, Fort Riley Utility Services, Inc., a Kansas corporation [and California Cities Water Company, a California corporation]][2] (the “**Existing Subsidiaries**”) and in such capacity has rendered valuable services to the Company. The Existing Subsidiaries and any other direct or indirect subsidiary of the Company, whether now existing or hereafter created, for which Indemnitee serves as a director or officer are collectively referred to as the “**Subsidiaries**”.

B. The Company may from time to time request Indemnitee to serve as a director of other Subsidiaries.

C. Both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies.

D. The board of directors of the Company (the "**Board**") has determined that enhancing the ability of the Company to retain and attract as directors and officers the most capable persons is in the best interests of the Company and that the Company therefore should seek to assure such persons that indemnification and insurance coverage is available.

E. In recognition of the need to provide Indemnitee with substantial protection against personal liability, in order to procure Indemnitee's continued service as a director and/or officer of the Company or its Subsidiaries and to enhance Indemnitee's ability to serve the Company in an effective manner, and in order to provide such protection pursuant to express contract rights (intended to be enforceable irrespective of, among other things, any amendment to

[1] Note To Draft: include bracketed language for D’s & O’s who have existing agreements but delete for new directors or officers.
[2] Note To Draft: update as appropriate.

the Company's Articles of Incorporation or Bylaws (collectively, the "**Constituent Documents**"), any change in the composition of the Board or any change in control or business combination transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of, and the advancement of Expenses (as defined in Section 1(f) below) to, Indemnitee as set forth in this Agreement and for the continued coverage of the Indemnitee under the Company's directors' and officers' liability insurance policies.

F. This Agreement is a supplement to and in furtherance of the Constituent Documents of the Company and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

G. Indemnitee does not regard the protection available under the Constituent Documents and insurance as adequate in the present circumstances, and may not be willing to serve as a [director/officer] without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that [s/he] be so indemnified.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the continued services of the Indemnitee and in order to induce the Indemnitee to continue to serve as a [director/officer] of the Company and the Existing Subsidiaries and any other Subsidiary, the Company and the Indemnitee do hereby agree as follows:

1. **<u>Definitions</u>**. As used in this Agreement:

(a) "**Beneficial Owner**" has the meaning given to the term "beneficial owner" in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

(b) “**CCC**” means the California Corporations Code as it may be amended from time to time.

(c) "**Change in Control**" means the occurrence after the date of this Agreement of any of the following events:

1. any sale, lease, exchange or other change in ownership (in one or a series of transactions) of all or substantially all of the assets of the Company, unless its business is continued by another entity in which holders of the Company’s voting securities immediately before the event own, either directly or indirectly, more than seventy percent (70%) of the continuing entity’s voting securities immediately after the event;

2. any reorganization or merger of the Company, unless (i) the holders of the Company’s voting securities immediately before the event own, either directly or

indirectly, more than seventy percent (70%) of the continuing or surviving entity's voting securities immediately after the event, and (ii) at least a majority of the members of the Board of the surviving entity resulting from such reorganization or merger were members of the incumbent Board of the Company at the time of the execution of the initial agreement or of the action of such incumbent Board providing for such reorganization or merger;

3. an acquisition by any person, entity or group acting in concert of more than fifty percent (50%) of the voting securities of the Company, unless the holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than seventy percent (70%) of the acquirer's voting securities immediately after the acquisition;

4. the consummation of a tender offer or exchange offer by any individual, entity or group which results in such individual, entity or group becoming the Beneficial Owner of twenty-five percent (25%) or more of the voting securities of the Company, unless the tender offer is made by the Company or any of its subsidiaries or the tender offer is approved by a majority of the members of the Board of the Company who were in office at the beginning of the twelve month period preceding the commencement of the tender offer; or

5. a change of one-half or more of the members of the Board of Directors of the Company within a twelve-month period, unless the election or nomination for election by shareholders of new directors within such period constituting a majority of the applicable Board was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were in office at the beginning of the twelve month period.

(d) "**Corporate Status**" describes the status of a person who is or was a director, officer, employee, agent or fiduciary of the Company or of any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving at the express written request or implied authorization of the Company.

(e) "**Disinterested Director**" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(f) "**Expenses**" shall include, without limitation, all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal or injunctive relief resulting from any Proceeding and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) “**Independent Counsel**” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement or to whom Indemnitee shall reasonably object. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(h) "**Person**" means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity and includes the meaning set forth in Sections 13(d) and 14(d) of the Exchange Act.

(i) “**Proceeding**” includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of his or her Corporate Status, by reason of any action taken by him or her or of any inaction on his or her part while acting in his or her Corporate Status; in each case whether or not he or she is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or before the date of this Agreement, but excluding one initiated by an Indemnitee to enforce his or her rights under this Agreement.

(j) "**Voting Securities**" means any securities of the Company that vote generally in the election of directors.

2. **Agreement to Serve**. In reliance on this Agreement, the Indemnitee agrees to continue to serve as a director and/or officer of the Company and/or one or more of its Subsidiaries, for so long as the Indemnitee is duly elected or appointed or until such time as the Indemnitee tenders the Indemnitee's resignation in writing or is removed from all positions as a director of the Company and/or its Subsidiaries. This Agreement shall not be deemed an employment agreement between the Company (or any of its Subsidiaries) and Indemnitee.

3. **Indemnification**. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such laws may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of the Company. So long as either (i) the Company determines pursuant to Section 317(e) of the CCC that Indemnitee has acted in good faith and in a manner that Indemnitee reasonably believed to be in the best interest of the Company (and that in the case of a criminal Proceeding, Indemnitee had no reasonable cause to believe that such conduct was unlawful), or (ii) Indemnitee has already been successful on the merits in such a Proceeding, Indemnitee shall be entitled to the rights of indemnification provided in this Section 3(a) if, by reason of his or her Corporate Status, Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of the Company. Subject to the limitations in this Section 3(a), Indemnitee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or her, or on his or her behalf, in connection with such Proceeding or any claim, issue or matter therein.

(b) Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 3(b) if, by reason of his or her Corporate Status, the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company. Pursuant to this Section 3(b), Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee, or on the Indemnitee's behalf, in connection with such Proceeding if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; provided, however, if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been ultimately determined to be liable to the Company unless and to the extent that a California state court shall determine that such indemnification may be made.

(c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his or her Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he or she shall be indemnified to the maximum extent permitted by law, as such laws may be amended from time to time, against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

(d) Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his or her Corporate Status, a witness, or is made (or asked) to respond to discovery requests, in any Proceeding to which Indemnitee is not a party, he or she shall be indemnified against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

4. **Conclusive Presumption Regarding Standards of Conduct**. The Indemnitee shall be conclusively presumed to have met the relevant standards of conduct, if any, as defined by California law, for indemnification pursuant to this Agreement, unless a determination is made that the Indemnitee has not met such standards (i) by the Board by a majority vote of a quorum thereof consisting of directors who were not parties to the Proceeding for which a claim is made under this Agreement, (ii) by the shareholders of the Company by majority vote of a quorum thereof consisting of shareholders who are not parties to the Proceeding due to which a claim is made under this Agreement, (iii) in a written opinion by Independent Counsel, the selection of whom has been approved by the Indemnitee in writing, or (iv) by a court of competent jurisdiction. Further, in any litigation, arbitration or other proceeding to enforce Indemnitee’s rights under this Agreement, no determination by the Board, shareholders or Independent Counsel that Indemnitee did not meet the applicable standards of conduct shall create a presumption for the purpose of such proceeding that Indemnitee has not met the applicable standards of conduct.

5. **Advances of Expenses**. Indemnitee shall have the right to advancement by the Company, prior to the final disposition of any Proceeding by final adjudication to which there are no further rights of appeal, of any and all Expenses actually and reasonably paid or incurred by Indemnitee in connection with any Proceeding arising out of Indemnitee’s Corporate Status. Indemnitee's right to such advancement is not subject to the satisfaction of any standard of conduct. Without limiting the generality or effect of the foregoing, within thirty (30) days after any request by Indemnitee, the Company shall, in accordance with such request, (a) pay such Expenses on behalf of Indemnitee, (b) advance to Indemnitee funds in an amount sufficient to pay such Expenses, or (c) reimburse Indemnitee for such Expenses. In connection with any request for Expense advances, Indemnitee shall not be required to provide any documentation or

information to the extent that the provision thereof would undermine or otherwise jeopardize attorney-client privilege. In connection with any request for Expense advances, Indemnitee shall execute and deliver to the Company an undertaking (which shall be accepted without reference to Indemnitee's ability to repay the Expense advances), to repay any amounts paid, advanced, or reimbursed by the Company for such Expenses to the extent that it is ultimately determined, following the final disposition of such Proceeding, that Indemnitee is not entitled to indemnification hereunder. Indemnitee's obligation to reimburse the Company for Expense advances shall be unsecured and no interest shall be charged thereon.

6. **Notification and Defense of Proceedings**.

(a) Notification of Proceedings. Indemnitee shall notify the Company in writing as soon as practicable of any Claim which could relate to a Proceeding or for which Indemnitee could seek Expense advances, including a brief description (based upon information then available to Indemnitee) of the nature of, and the facts underlying, such Proceeding. The failure by Indemnitee to timely notify the Company hereunder shall not relieve the Company from any liability hereunder unless and to the extent the Company's ability to participate in the defense of such claim was materially and adversely affected by such failure. If at the time of the receipt of such notice, the Company has directors' and officers' liability insurance in effect under which coverage for Proceedings is potentially available, the Company shall give prompt written notice to the applicable insurers in accordance with the procedures set forth in the applicable policies. The Company shall provide to Indemnitee a copy of such notice delivered to the applicable insurers, and copies of all subsequent correspondence between the Company and such insurers regarding the Proceeding, in each case substantially concurrently with the delivery or receipt thereof by the Company.

(b) Defense of Proceedings. The Company shall be entitled to participate in the defense of any Proceeding at its own expense and, except as otherwise provided below, to the extent the Company so wishes, it may assume the defense thereof with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to assume the defense of any such Proceeding, the Company shall not be liable to Indemnitee under this Agreement or otherwise for any Expenses subsequently directly incurred by Indemnitee in connection with Indemnitee's defense of such Proceeding other than reasonable costs of investigation, serving as a witness or as otherwise provided below. Indemnitee shall have the right to employ its own legal counsel in such Proceeding, but all Expenses related to such counsel incurred after notice from the Company of its assumption of the defense shall be at Indemnitee's own expense; provided, however, that if (i) Indemnitee's employment of its own legal counsel has been authorized by the Company, (ii) Indemnitee has reasonably determined that there may be a conflict of interest between Indemnitee and the Company in the defense of such Claim, (iii) after a Change in Control, Indemnitee's employment of its own counsel has been approved by the Independent Counsel or (iv) the Company shall not in fact have employed counsel to assume the defense of such Claim, then Indemnitee shall be entitled to retain its own separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any such Claim) and all Expenses related to such separate counsel shall be borne by the Company.

(c) Settlement of Claims. The Company shall not be liable to Indemnitee under this Agreement for any amounts paid in settlement of any threatened or pending Claim related to a Proceeding effected without the Company's prior written consent, which shall not be unreasonably withheld; provided, however, that if a Change in Control has occurred, the Company shall be liable for indemnification of the Indemnitee for amounts paid in settlement if an Independent Counsel has approved the settlement. The Company shall not settle any Claim related to an Indemnifiable Event in any manner that would impose any cost, Expense or liability on the Indemnitee or would admit wrongdoing on the part of Indemnitee, in each case without the Indemnitee's prior written consent.

7. **Indemnification Procedure; Determination of Right to Indemnification**.

(a) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination (subject to Section 4 hereof) with respect to Indemnitee’s entitlement thereto shall be made in the specific case by one of the following four methods, which, if no Change in Control has occurred, shall be at the election of the Board: (1) by a majority vote of the Disinterested Directors, even though less than a quorum, (2) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum, (3) if there are no Disinterested Directors or if the Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee, or (4) if so directed by the Board, by the shareholders of the Company. If a Change in Control shall have occurred, a determination (subject to Section 4 hereof) with respect to Indemnitee’s entitlement thereto shall be made (x) if the Indemnitee so requests in writing, by a majority vote of the Disinterested Directors, even if less than a quorum of the Board or (y) otherwise, by Independent Counsel in a written opinion addressed to the Board, a copy of which shall be delivered to Indemnitee.

(b) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 7(a) hereof, the Independent Counsel shall be selected as provided in this Section 7(b). The Independent Counsel shall be selected by the Board. Indemnitee may, within 10 days after such written notice of selection shall have been given, deliver to the Company a written objection to such selection which shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by

Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a California state court or other court of competent jurisdiction for resolution of any objection which shall have been made by the Indemnitee to the Company's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 7(a) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 7(b), regardless of the manner in which such Independent Counsel was selected or appointed.

(c) The Indemnitee's Expenses incurred in connection with any proceeding concerning the Indemnitee's right to indemnification or Expense advances in whole or in part pursuant to this Agreement shall also be indemnified by the Company, regardless of the outcome of such action, suit or proceeding.

(d) Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Company or its Subsidiaries, including financial statements, or on information supplied to Indemnitee by the officers of the Company in the course of their duties, or on the advice of legal counsel for the Company or on information or records given or reports made to the Company by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Company shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 7(d) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(e) If the person, persons or entity empowered or selected under Section 7(a) to determine whether Indemnitee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification absent a prohibition of such indemnification under applicable law; provided, however, that such 60 day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person, persons or entity making such determination with respect to entitlement to indemnification in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 7(e) shall not apply if the determination of entitlement to indemnification is to be made by the shareholders pursuant to Section 7(a) of this Agreement and if (A) within 15 days after receipt by the Company of the request for such determination, the Board or the Disinterested Directors, if appropriate, resolve to submit such determination to the shareholders for their consideration at an annual meeting thereof to be held within 75 days after such receipt and such determination is made thereat, or (B) a special meeting of shareholders is called within 15 days after such receipt for the purpose of making such determination, such meeting is held for such purpose within 60 days after having been so called and such determination is made thereat.

(f) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board or shareholder of the Company shall act reasonably and in good faith in making a determination regarding the Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(g) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any action, claim or proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such action, suit or proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(h) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

8. **Limitations on Indemnification**. The Company shall make no payments pursuant to this Agreement:

(a) To indemnify or advance funds to the Indemnitee for Expenses with respect to Proceedings initiated or brought voluntarily by the Indemnitee and not by way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under California law, but such indemnification or advancement of expenses may be provided by the Company in specific cases if the Board finds it to be appropriate;

(b) To indemnify the Indemnitee for any Expenses, judgments, fines, penalties or ERISA excise taxes sustained in any Proceeding for which payment is actually made to the Indemnitee under a valid and collectible insurance policy, except in respect of any excess beyond the amount of payment under such insurance;

(c) To indemnify the Indemnitee for any Expenses, judgments, fines or penalties sustained in any Proceeding for an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Exchange Act, the rules and regulations promulgated thereunder and amendments thereto or similar provisions of any federal, state or local statutory law;

(d) If a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful;

(e) To indemnify the Indemnitee for any Expenses based upon or attributable to the Indemnitee gaining in fact any personal profit or advantage to which the Indemnitee was not legally entitled; and

(f) To indemnify or advance Expenses to Indemnitee for Indemnitee's reimbursement to the Company of any bonus or other incentive-based or equity-based compensation previously received by Indemnitee or payment of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements under Section 304 of the Sarbanes-Oxley Act of 2002 in connection with an accounting restatement of the Company or the payment to the Company of profits arising from the purchase or sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act). Indemnitee remains subject to the Company’s recoupment policy for incentive-based or equity based compensation.

9. **Maintenance of Liability Insurance**.

(a) The Company hereby covenants and agrees that, as long as the Indemnitee continues to serve as a director and/or officer of the Company and/or any Subsidiary and thereafter as long as the Indemnitee may be subject to any possible Proceeding, the

Company, subject to subsection (c) below, shall promptly obtain and maintain in full force and effect directors' and officers' liability insurance ("**D&O Insurance**") in reasonable amounts from established and reputable insurers providing coverage.

(b) In all D&O Insurance policies, the Indemnitee shall be named as an insured in such a manner as to provide the Indemnitee the same rights and benefits as are accorded to the most favorably insured of the directors and officers of the Company and its Subsidiaries. Upon request, the Company will provide to Indemnitee copies of all directors' and officers' liability insurance applications, binders, policies, declarations, endorsements and other related materials.

(c) Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain D&O Insurance if the Company determines, in its sole discretion, that such insurance is not reasonably available, the premium costs for such insurance are disproportionate to the amount of coverage provided, the coverage provided by such insurance is so limited by exclusions that it provides an insufficient benefit, or the Indemnitee is covered by similar insurance maintained by a Subsidiary of the Company. If the Company makes such a determination, it shall notify the Indemnitee 30 calendar days prior to discontinuing coverage.

10. **Indemnification Hereunder Not Exclusive**. The indemnification provided by this Agreement shall not be deemed exclusive of any other rights to which the Indemnitee may be entitled under the Company's Constituent Documents, any agreement, vote of shareholders or Disinterested Directors of the Company, provision of California law, or otherwise, both as to action in the Indemnitee's official capacity and as to action in another capacity on behalf of the Company or any Subsidiary while holding such office. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in the CCC, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Constituent Documents and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

**11.** **Subrogation**. In the event of payment to Indemnitee under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee. Indemnitee shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

12. **Successors and Assigns**. This Agreement shall be binding upon, and shall inure to the benefit of the Indemnitee and the Indemnitee's heirs, executors, administrators and

assigns, whether or not Indemnitee has ceased to be a director and/or officer of the Company or any wholly owned subsidiary or any director and/or officer of any of their successors and assigns.

13. **Merger, Consolidation or Change in Control**. If the Company is a constituent corporation in a merger or consolidation, whether the Company is the resulting or surviving corporation or is absorbed as a result thereof, or if there is a Change in Control of the Company, Indemnitee shall stand in the same position under this Agreement with respect to the resulting, surviving or changed corporation as Indemnitee would have with respect to the Company if its separate existence had continued or if there had been no Change in the Control of the Company.

14. **Severability**. Each and every paragraph, sentence, term and provision of this Agreement is separate and distinct so that if any paragraph, sentence, term or provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of any other paragraph, sentence, term or provision hereof. To the extent required, any paragraph, sentence, term or provision of this Agreement may be modified by a court of competent jurisdiction to preserve its validity and to provide the Indemnitee with the broadest possible indemnification permitted under applicable law.

15. **Savings Clause**. If this Agreement or any paragraph, sentence, term or provision hereof is invalidated on any ground by any court of competent jurisdiction, the Company shall nevertheless indemnify the Indemnitee as to any Expenses, judgments, fines, penalties or ERISA excise taxes incurred with respect to any Proceeding to the fullest extent permitted by any applicable paragraph, sentence, term or provision of this Agreement that has not been invalidated or by any other applicable provision of applicable law.

16. **Interpretation; Governing Law**. This Agreement shall be construed as a whole and in accordance with its fair meaning. Headings are for convenience only and shall not be used in construing meaning. This Agreement shall be governed and interpreted in accordance with the laws of the State of California applicable to contracts made and to be performed in such state without giving effect to its principles of conflicts of laws.

17. **Amendments**. No amendment, waiver, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by the party against whom enforcement is sought. The indemnification rights afforded to the Indemnitee hereby are contract rights and may not be diminished, eliminated or otherwise affected by amendments to the Company's Articles of Incorporation, the Company's Bylaws or by other agreements, including directors' and officers' liability insurance policies. Except as specifically provided herein, no failure to exercise or any delay in exercising any right or remedy hereunder shall constitute a waiver thereof.

18. **Counterparts**. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective

[________], 2021 when one or more counterparts have been signed by each party and delivered to the other.

19. **Notices**. Any notice required to be given under this Agreement shall be directed to American States Water Company, 630 East Foothill Blvd., San Dimas, California 91773; Attention: Chief Financial Officer, and to Indemnitee at the address given on the signature page hereto or to such other address as either shall designate in writing.

[*Signature page to follow*]

**IN WITNESS WHEREOF,** the parties have executed this Indemnification Agreement as of the date first written above.

**[RECIPIENT NAME]**

_____________

Notice Address:

________________________________________

________________________________________

________________________________________

**AMERICAN STATES WATER COMPANY**

By:_____________

Its: President & CEO

**Exhibit 31.1**

***Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for AWR***

I, Robert J. Sprowls, certify that:

1) I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2021 of American States Water Company (referred to as “the Registrant”);

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4) The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting.

5) The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of Registrant’s board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal controls over financial reporting.

| | | | |
|---|---|---|---|
| Dated: | August 2, 2021 | By: | /s/ ROBERT J. SPROWLS |
| | | | Robert J. Sprowls |
| | | | President and Chief Executive Officer |

**Exhibit 31.2**

***Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for AWR***

I, Eva G. Tang, certify that:

1) I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2021 of American States Water Company (referred to as "the Registrant");

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4) The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

5) The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Dated: August 2, 2021

By: /s/ EVA G. TANG
Eva G. Tang
Senior Vice President-Finance, Chief Financial Officer, Corporate Secretary and Treasurer

**Exhibit 31.1.1**

***Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for GSWC***

I, Robert J. Sprowls, certify that:

1) I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2021 of Golden State Water Company (referred to as “GSWC”);

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of GSWC as of, and for, the periods presented in this report;

4) GSWC’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for GSWC and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to GSWC, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of GSWC’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in GSWC’s internal control over financial reporting that occurred during GSWC’s most recent fiscal quarter (GSWC’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, GSWC’s internal control over financial reporting.

5) GSWC’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the GSWC’s auditors and the audit committee of GSWC’s board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the GSWC’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in GSWC’s internal controls over financial reporting.

| | | | |
|---|---|---|---|
| Dated: | August 2, 2021 | By: | /s/ ROBERT J. SPROWLS |
| | | | Robert J. Sprowls |
| | | | President and Chief Executive Officer |

**Exhibit 31.2.1**

***Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for GSWC***

I, Eva G. Tang, certify that:

1) I have reviewed this quarterly report on Form 10-Q for the period June 30, 2021 of Golden State Water Company (referred to as "GSWC");

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of GSWC as of, and for, the periods presented in this report;

4) GSWC's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for GSWC and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to GSWC, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of GSWC's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in GSWC's internal control over financial reporting that occurred during GSWC's most recent fiscal quarter (GSWC's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, GSWC's internal control over financial reporting.

5) GSWC's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to GSWC's auditors and the audit committee of GSWC's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect GSWC's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in GSWC's internal controls over financial reporting.

| | | | |
|---|---|---|---|
| Dated: | August 2, 2021 | By: | /s/ EVA G. TANG |
| | | | Eva G. Tang |
| | | | Senior Vice President-Finance, Chief Financial Officer and Secretary |

**Exhibit 32.1**

***Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002***
***(18 U.S.C. Section 1350)***

In connection with the Quarterly Report of American States Water Company and Golden State Water Company (the “Registrant”) on Form 10-Q for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert J. Sprowls, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ ROBERT J. SPROWLS
Robert J. Sprowls
President and Chief Executive Officer

Date: August 2, 2021

**Exhibit 32.2**

***Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002***
***(18 U.S.C. Section 1350)***

In connection with the Quarterly Report of American States Water Company and Golden State Water Company (the “Registrant”) on Form 10-Q for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eva G. Tang, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ EVA G. TANG
Eva G. Tang
Senior Vice President-Finance, Chief Financial Officer,
Corporate Secretary and Treasurer

Date: August 2, 2021