

Financial Results Call Presentation

Fourth Quarter and Full Year 2022



American States
Water Company

March 2, 2023

NYSE: AWR

Today's Presenters

Robert J. Sprowls

President & CEO



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SVP – Finance & CFO



Forward-Looking Statement

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

Non-GAAP Financial Measures



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

The non-GAAP financial measures discussed in this conference call include a discussion of diluted earnings per share by business segment and adjusted diluted earnings per share. Furthermore, the gains and losses generated on the investments held to fund one of the Company's retirement plans during the three- and twelve- month periods ended December 31, 2022 and 2021 have been excluded and the retroactive impact of new 2022 water rates not yet recorded due to the delay in receiving a final decision from the CPUC, which will be retroactive to January 1, 2022 when approved, have been included to calculate adjusted diluted earnings per share when communicating AWR's consolidated and its water segment's results for the three- and twelve-month periods ended December 31, 2022 and 2021 to help facilitate comparisons of AWR's performance from period to period.

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

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2022 Highlights

- Invested a record high \$167.4 million in company-funded infrastructure at our regulated utilities
- Received \$34.4 million in new capital upgrade awards at ASUS
- Recorded diluted earnings per share decreased \$0.44, or a \$0.12 per share increase as adjusted:
 - ✓ 2022 \$2.11 per share or \$2.59 per share adjusted based on below
 - ✓ 2021 \$2.55 per share or \$2.47 per share adjusted based on below
- Awaiting decision from the CPUC for GSWC's general rate case that will set new rates effective January 1, 2022 and if approved as settled, would be retroactive to January 1, 2022 and add \$0.38 per share to full year 2022
- Full year results reflect an unfavorable variance of \$0.18 per share from losses on investments held to fund a retirement plan (\$0.10 losses in 2022 vs. \$0.08 gains in 2021)
- AWR increased the annual dividend by 8.9%, reaching 68 consecutive years of annual dividend increases and 346th consecutive dividend payment

Q4 Diluted EPS by Segment



	Q4 2022	Q4 2021	Variance
Water ⁽¹⁾	\$ 0.28	\$ 0.36	\$ (0.08)
Electric	0.08	0.07	0.01
Contracted Services	0.17	0.13	0.04
AWR (Parent)	(0.03)	(0.01)	(0.02)
Consolidated Diluted EPS as reported	\$ 0.50	\$ 0.55	(\$0.05)
Adjustments:			
Gains on investments held for a retirement plan recorded to water segment ⁽²⁾	(0.03)	(0.04)	0.01
Water general rate case approved as settled ⁽³⁾	0.09	-	0.09
Consolidated Diluted EPS as adjusted	\$ 0.56	\$ 0.51	\$ 0.05
Water Diluted EPS as adjusted	\$ 0.34	\$ 0.32	\$ 0.02

- (1) GSWC recorded reduction of \$0.03 per share in Q4 2022 to reflect the lower cost of debt from the pending cost of capital proceeding.
- (2) EPS for Q4 2022 includes gains of \$1.3 million on investments held to fund a retirement plan, or \$0.03 per share, and gains of \$2.0 million for Q4 2021, or \$0.04 per share.
- (3) Had new water rates been approved & implemented as of 1/1/2022, the Water segment would have recorded additional revenues of \$6.7 million and additional water supply costs of \$1.9 million, which combined would increase QTD EPS by \$0.09 per share if it were to be recorded.

Q4 Operating Revenues by Segment



(amounts in millions)	Q4 2022	Q4 2021	Variance
Water*	\$75.0	\$77.7	(\$2.7)
Electric	11.0	10.1	0.9
Contracted Services	39.4	28.8	10.6
Total Operating Revenues	\$125.4	\$116.6	\$8.8

* Water revenues billed and recorded for Q4 2022 were based on 2021 adopted rates, pending a CPUC final decision on GSWC's general rate case

Water revenues, when reported in thousands, amount to \$75,041 for Q4 2022 compared to \$77,682 for Q4 2021, a decrease of \$2,641

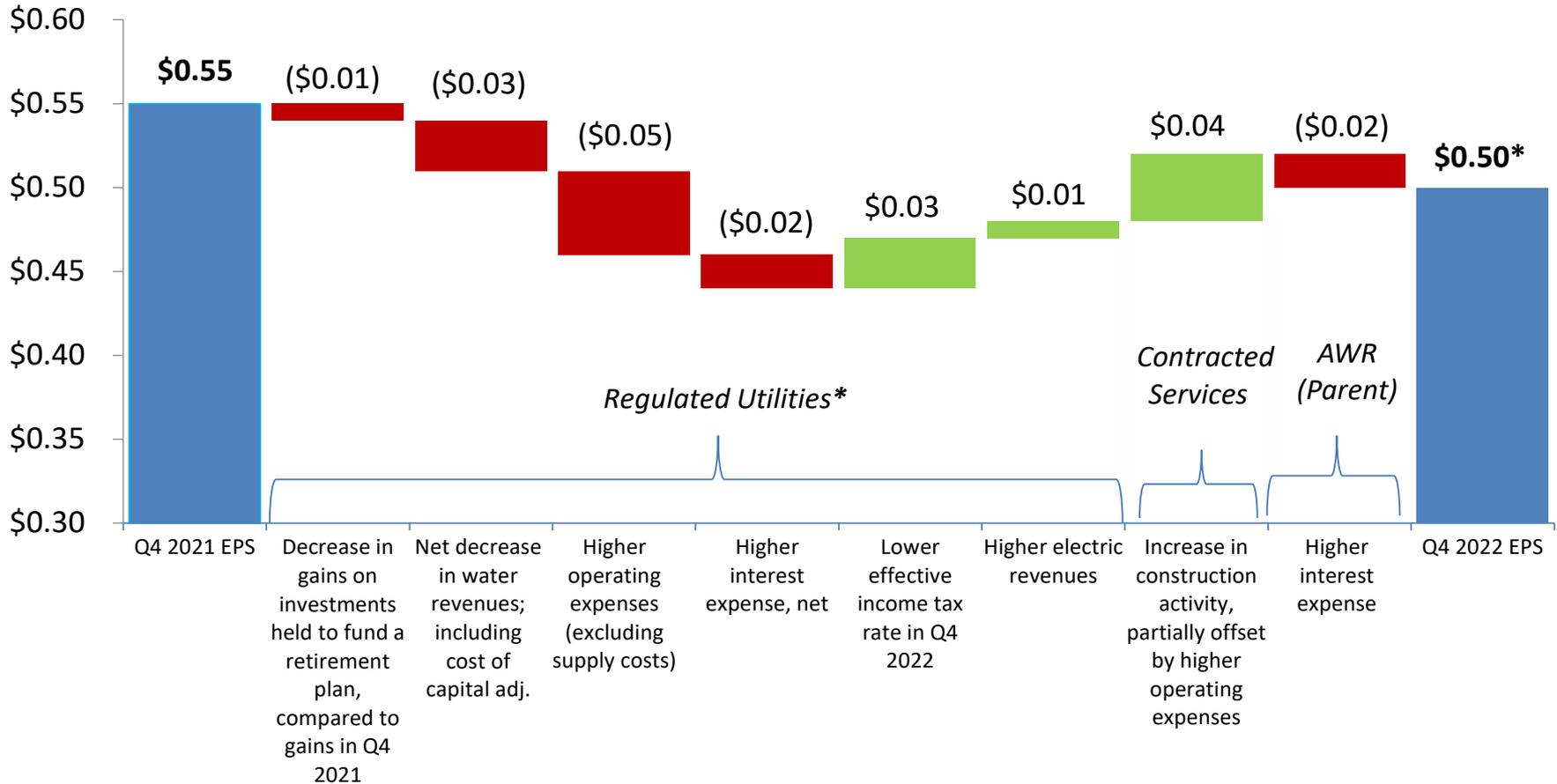
Q4 Expenses (Excluding income taxes)



(amounts in millions)	Q4 2022	Q4 2021	Variance
Water and Electric Supply Costs	\$24.9	\$24.3	\$0.6
Other Operation	10.1	8.6	1.5
Administrative and General	21.2	20.6	0.6
Depreciation and Amortization	10.9	10.4	0.5
Maintenance	3.3	3.9	(0.6)
Property and Other Taxes	5.6	5.3	0.3
ASUS Construction	21.9	14.0	7.9
Gain on Sale of Assets	(0.1)	(0.5)	0.4
Total Operating Expenses	\$97.8	\$86.6	\$11.2
Interest Expense, net of Interest Income	\$6.8	\$4.6	\$2.2
Other Income, net of Other Expense*	(\$2.5)	(\$2.1)	(\$0.4)

* Includes \$1.3 million gain in Q4 2022 and \$2.0 million gain in Q4 2021 on investments held to fund one of the company's retirement plans

EPS Bridge Q4 2021 to Q4 2022



* Excluding gains of \$1.3 million on investments held to fund a retirement plan, or \$0.03 per share, and including additional revenues and water supply costs had new water rates been approved by the CPUC and implemented on 1/1/2022 combined amount to \$4.8 million or \$0.09 per share. Consolidated adjusted diluted earnings for Q4 2022 would be \$0.56 per share, an adjusted increase of \$0.05 per share when compared to adjusted Q4 2021.

YTD Diluted EPS by Segment



	YTD 2022	YTD 2021	Variance
Water ⁽¹⁾	\$ 1.45	\$ 1.87	\$ (0.42)
Electric	0.24	0.21	0.03
Contracted Services	0.46	0.48	(0.02)
AWR (Parent)	(0.04)	(0.01)	(0.03)
Consolidated Diluted EPS as reported	\$ 2.11	\$ 2.55	(\$0.44)
Adjustments:			
Losses (gains) on investments held for a retirement plan recorded to water segment ⁽²⁾	0.10	(0.08)	0.18
Water general rate case approved as settled ⁽³⁾	0.38	-	0.38
Consolidated Diluted EPS as adjusted	\$ 2.59	\$ 2.47	\$ 0.12
Water Diluted EPS as adjusted	\$ 1.93	\$ 1.79	\$ 0.14

- (1) GSWC recorded reduction of \$0.13 per share to reflect the lower cost of debt from the pending cost of capital proceeding.
- (2) EPS for YTD 2022 includes losses on investments held to fund a retirement plan of \$5.2 million, or \$0.10 per share, and gains of \$4.3 million for YTD 2021, or \$0.08 per share.
- (3) Had the new 2022 water rates been approved by the CPUC effective January 1, 2022, GSWC would have recorded additional revenues of \$30.3 million, or \$0.59 per share, and additional water supply costs of \$9.6 million, or \$0.19 per share, per the settlement agreement with Public Advocates, as well as an additional reduction to revenues of \$1.1 million, or \$0.02 per share, to reflect the incremental impact of revenues subject to refund from the new 2022 rates as a result of the lower cost of debt in the pending cost of capital proceeding, which combined would have been \$0.38 per share higher.

- Operating cash flows were \$117.8 million for 2022, as compared to \$115.6 million for 2021
 - ✓ During 2022, GSWC and BVESI received COVID relief funds from state of CA totaling \$9.5 million and \$473,000, respectively
- Regulated utilities invested \$167.4 million on company-funded capital work for 2022
 - ✓ Capital expenditures for 2023 are expected to be \$140-\$160 million for our regulated utilities
- Financing Activities:
 - ✓ In April 2022, AWR amended its credit facility (expiring in May 2023) increasing the borrowing capacity from \$200 million to \$280 million to support GSWC's capital expenditures
 - AWR expects to renew and extend this facility or obtain a new facility prior to expiration date
 - ✓ In December 2022, GSWC executed a note purchase agreement for issuance of \$130 million; proceeds received in January 2023 were used to pay down intercompany borrowings with AWR as well as fund operations and capital expenditures for GSWC
- Credit ratings:
 - ✓ S&P: A+ credit rating for both AWR and GSWC, with negative outlook
 - ✓ Moody's: A2 rating with a stable outlook for GSWC

Regulatory Activity

- In November 2021, a settlement was reached on all but three of the items in the general rate case application filed in 2020 for new water rates for the years 2022, 2023 and 2024
 - ✓ Authorize \$404.8 million in capital infrastructure over the 3-year period
 - ✓ Had 2022 water rates been approved consistent with the settlement agreement and implemented on January 1, 2022, GSWC's earnings contribution per share for Q4 and the YTD would have been higher by \$0.09 and \$0.38, respectively
 - ✓ Increase the 2022 adopted revenues by \$30.3 million, increase the 2022 adopted supply costs by \$9.6 million as compared to the 2021 adopted levels and reduction to revenue of \$1.1 million to reflect incremental impact of revenues subject to refund from new 2022 rates as a result of the pending cost of capital proceeding
- In process of preparing next water general rate case to be filed in July 2023 for water rates in 2025-2027
- Senate Bill 1469 signed by the CA Governor allowing Class A water utilities to continue requesting the use of WRAM in their next general rate case



Regulated Utilities - Customer Service Areas

Regulatory Activity (Continued)

- In May 2021, GSWC filed its cost of capital application, requesting:

- ✓ a capital structure of 57% equity and 43% debt
- ✓ a return on equity of 10.5%
- ✓ an embedded cost of debt of 5.1%
- ✓ a return on rate base of 8.18%

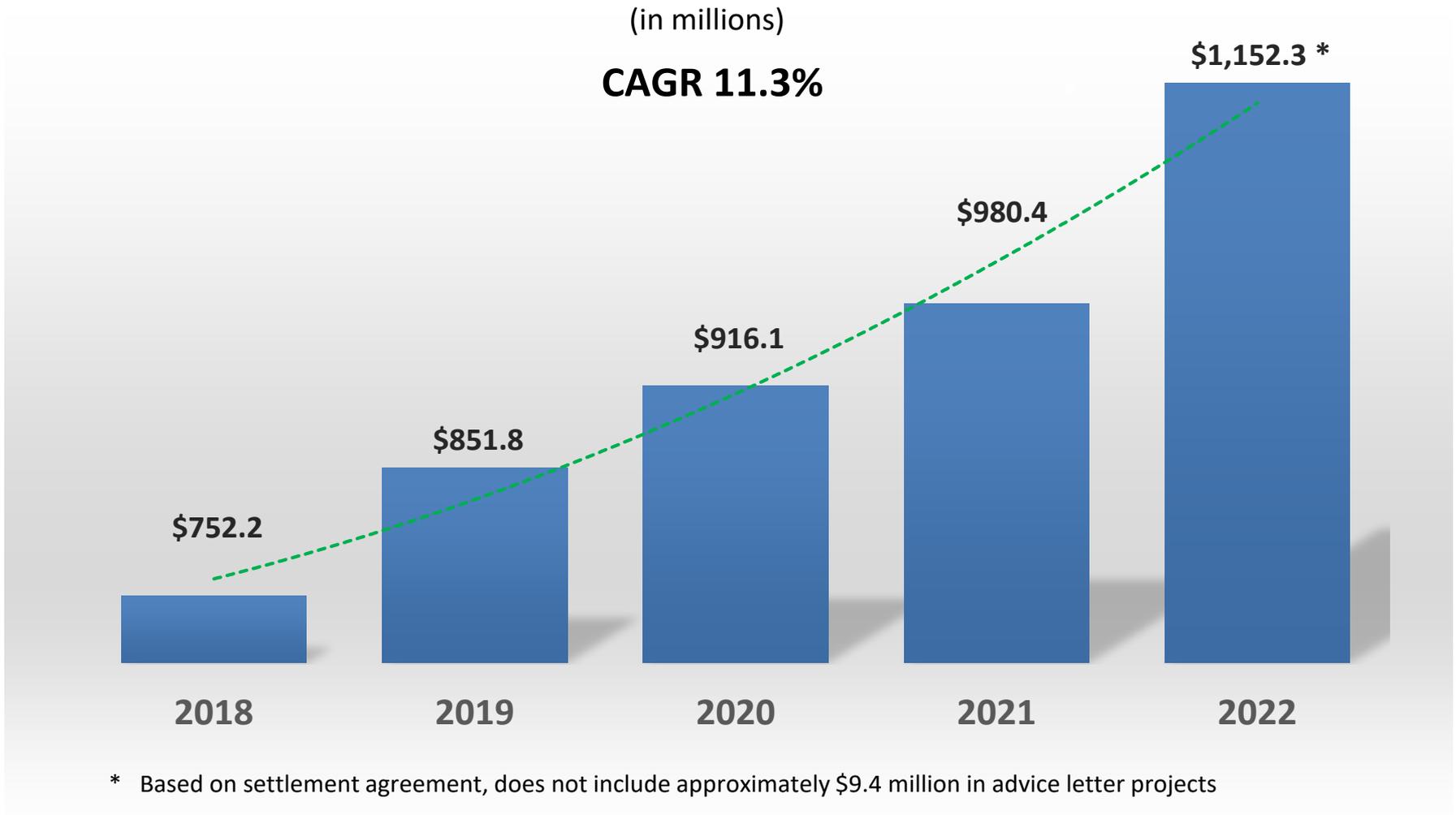
Will be effective for the years 2022 - 2024

- ✓ In Q4 and YTD 2022, we recorded a reduction to revenues to reflect our best estimate at this time of the potential impact from the pending cost of capital application, which includes the effects of GSWC's lower cost of debt requested in its application
 - ✓ The lower revenues decreased earnings per share in Q4 and the YTD by \$0.03 and \$0.13, respectively. Changes in estimates will be made, if necessary, as more information in this proceeding becomes available.
- For the period from October 1, 2021 through September 30, 2022, the Moody's rate increased by more than 100 basis points from the benchmark, which triggered the water cost of capital mechanism ("WCCM") adjustment. The WCCM is expected to be addressed by the CPUC in the pending proposed decision.

Regulatory Activity (Continued)

- On August 30, 2022, BVESI filed a general rate case to set new rates for the years 2023-2026. In addition, BVESI requested:
 - ✓ capital budget of \$68.2 million
 - ✓ a capital structure of 61.8% equity and 38.2% debt
 - ✓ a return on equity of 11.25%
 - ✓ an embedded cost of debt of 5.1%
 - ✓ a return on rate base of 9.05%
 - ✓ requested recovery of more than \$20 million in capital spend related to wildfire mitigation plans

Adopted Average Water Rate Base



Contracted Services (ASUS)

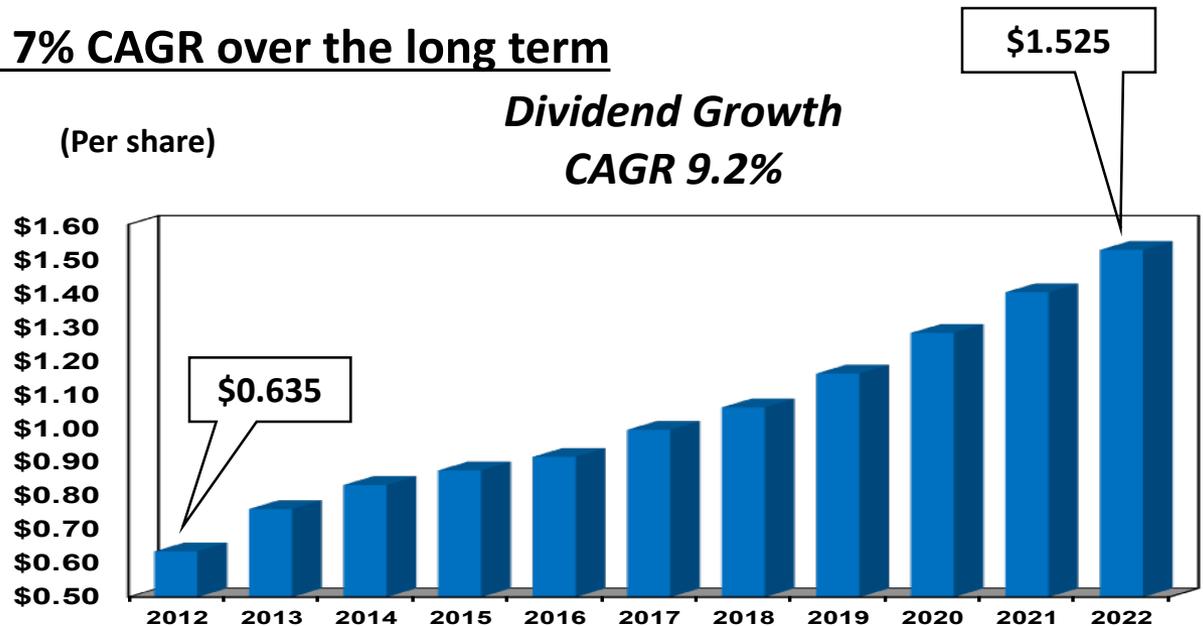
- Earnings for Q4 2022 were \$0.17 per share as compared to \$0.13 per share in Q4 2021, an increase of \$0.04 per share. The increase was largely due to an increase in construction activity during the current quarter.
- Earnings for full year 2022 were \$0.46 per share as compared to \$0.48 per share for 2021, as the contracted services segment experienced challenges in construction activity resulting from longer materials supply chain lead-times, weather conditions and other delays during the first nine months of 2022
- We project that ASUS will contribute \$0.45 - \$0.49 per share for 2023
- We received \$34.4 million in new capital upgrade awards at ASUS
- We are confident that we can effectively compete for new military base contract awards in the future, based on our strong history and expertise
- The completion of filings for economic price adjustments, requests for equitable adjustment, asset transfers and contract modifications awarded for new projects provide ASUS with additional revenues and dollar margin



Serving Those Who Serve®

Dividends

- The Board of Directors approved a first quarter 2023 cash dividend of \$0.3975 per Common Share
- In 2022, the Board of Directors approved an 8.9% increase in the annual dividend from \$1.46 per share to \$1.59 per share
- Quarterly dividend has grown at a CAGR of 9.3% over the last five years, and achieving 9.2% over the last ten years
- Dividend policy: **More than 7% CAGR over the long term**
- Dividends paid every year since 1931
- Increased dividend every calendar year for **68 consecutive years**



Questions and Answers

Computations and Reconciliations of Non-GAAP Financial Measure



Below are the computations and reconciliations of diluted earnings per share from the measure of operating income by business segment to AWR's consolidated diluted earnings per share for the three and twelve months ended December 31, 2022 and 2021:

	Water		Electric		Contracted Services		AWR (Parent)		Consolidated (GAAP)	
	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
<i>In 000's except per share amounts</i>										
Operating income	\$ 15,294	\$ 20,278	\$ 3,767	\$ 3,442	\$ 8,555	\$ 6,300	\$ (2)	\$ (3)	\$ 27,614	\$ 30,017
Other income and expense	3,181	2,674	(6)	(208)	101	(142)	1,071	174	4,347	2,498
Income tax expense	1,723	4,377	794	1,096	2,077	1,507	44	189	4,638	7,169
Net income (loss)	\$ 10,390	\$ 13,227	\$ 2,979	\$ 2,554	\$ 6,377	\$ 4,935	\$ (1,117)	\$ (366)	\$ 18,629	\$ 20,350
Weighted Average Number of Diluted Shares	37,049	37,029	37,049	37,029	37,049	37,029	37,049	37,029	37,049	37,029
Diluted earnings per share	\$ 0.28	\$ 0.36	\$ 0.08	\$ 0.07	\$ 0.17	\$ 0.13	\$ (0.03)	\$ (0.01)	\$ 0.50	\$ 0.55

	Water		Electric		Contracted Services		AWR (Parent)		Consolidated (GAAP)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>In 000's except per share amounts</i>										
Operating income	\$ 92,455	\$ 107,573	\$ 11,740	\$ 10,738	\$ 22,449	\$ 22,675	\$ (8)	\$ (9)	\$ 126,636	\$ 140,977
Other income and expense	22,339	16,263	425	(101)	(273)	(488)	2,085	533	24,576	16,207
Income tax expense (benefit)	16,346	22,095	2,439	2,975	5,476	5,434	(597)	(81)	23,664	30,423
Net income (loss)	\$ 53,770	\$ 69,215	\$ 8,876	\$ 7,864	\$ 17,246	\$ 17,729	\$ (1,496)	\$ (461)	\$ 78,396	\$ 94,347
Weighted Average Number of Diluted Shares	37,039	37,010	37,039	37,010	37,039	37,010	37,039	37,010	37,039	37,010
Diluted earnings per share	\$ 1.45	\$ 1.87	\$ 0.24	\$ 0.21	\$ 0.46	\$ 0.48	\$ (0.04)	\$ (0.01)	\$ 2.11	\$ 2.55