# 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, 2024**

**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)

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 |
|---|---|---|
| **N/A** | **N/A** | **N/A** |

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 ☒ | No ☐ |
| Golden State Water Company | Yes ☒ | No ☐ |

Indicate by check mark whether Registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

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

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

**American States Water Company**

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

**Golden State Water Company**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ | Non-accelerated filer | ☒ | 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 Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

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

As of August 5, 2024, the number of common shares, no par value ("Common Shares") outstanding of American States Water Company was 37,457,199. As of August 5, 2024, all of the 171 outstanding shares of common stock, no par value, 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**

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**GLOSSARY OF TERMS**

The following terms and acronyms used in this Form 10-Q are defined below:

| **Term or Acronym** | **Definition** |
|---|---|
| ASUS | American States Utility Services, Inc. |
| ATM | At-The-Market Offering Program |
| AWR | American States Water Company |
| BSUS | Bay State Utility Services LLC |
| BVES | Bear Valley Electric Service, Inc. |
| Cal Advocates | Public Advocates Office of the California Public Utilities Commission |
| COC | Cost of Capital |
| CPUC | California Public Utilities Commission |
| CWA | California Water Association |
| DDW | Division of Drinking Water |
| ECUS | Emerald Coast Utility Services, Inc. |
| EPA | Economic Price Adjustment |
| EPS | Earnings Per Share |
| Exchange Act | Securities Exchange Act of 1934, as amended |
| FBWS | Fort Bliss Water Services Company |
| FRUS | Fort Riley Utility Services, Inc. |
| GAAP | Generally Accepted Accounting Principles in the United States of America |
| gpcd | Gallons Per Capita Per Day |
| GSWC | Golden State Water Company |
| IOWU | Investor-Owned Water Utility |
| MCBA | Modified Cost Balancing Account |
| MCL | Maximum Contamination Level |
| Moody's | Moody's Investors Service |
| ODUS | Old Dominion Utility Services, Inc. |
| OEIS | Office of Energy Infrastructure Safety |
| ONUS | Old North Utility Services, Inc. |
| PFAS | Perfluoroalkyl Substances |
| PFOA | Perfluorooctanoic Acid |
| Projects | Storage System and the Bear Valley Solar Energy Project |
| PRUS | Patuxent River Utility Services LLC |
| PSUS | Palmetto State Utility Services, Inc. |
| REA | Request for Equitable Adjustment |
| Registrant | American States Water Company and Golden State Water Company |
| SB | Senate Bill |
| SEC | Securities and Exchange Commission |
| SERP | Supplemental Executive Retirement Plan |
| SWRCB | State Water Resources Control Board |
| TUS | Terrapin Utility Services, Inc. |
| U.S. | United States |
| WCCM | Water Cost of Capital Mechanism |
| WMP | Wildfire Mitigation Plan |
| WRAM | Water Revenue Adjustment Mechanism |

**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect the current views of our senior management with respect to future events and our financial performance. These statements include forward-looking statements with respect to our business and industry in general. Statements that include the words "expect," "intend," "believe," "estimate," "may," "can," "will," "likely," "should," "could," "anticipate," "plan" and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise. Forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

- the impact of laws, regulations and policies of regulatory agencies or the U.S. government applicable to water, wastewater and electric utility operations;
- the ability of GSWC and BVES to recover their respective costs through regulated rates, including increased costs associated with addressing climate change risks, such as drought and wildfires in California, costs incurred in connection with complying with water quality regulations, and increased costs of operation and maintenance due to inflation, supply chain disruptions and increases in interest rates, while facing an increase in customer rate increase opposition and possible reluctance from the CPUC to pass through all such costs to customers;
- customer dissatisfaction due to rising rates needed to recover the costs of replacing aging infrastructure, address climate change risks, comply with water quality, renewable energy and greenhouse gas regulation;
- all of our contracts for providing services on military bases are provided to the U.S. government under long-term, fixed-price contracts subject to annual economic price adjustments;
- all contracts for providing services on military bases may be terminated or suspended at any time by the government;
- ASUS is subject to potential government audits or investigations of its business practices and compliance with government procurement statutes and regulations that could result in fines and penalties;
- GSWC and BVES are subject to potential audit and investigations by the CPUC for failure to comply with regulations applicable to public utilities, including failure to comply with state and federal water quality requirements, wildfire mitigation plans, renewable energy legislation, greenhouse gas regulations and other climate related regulations that could result in fines and penalties;
- we compete with other companies in bidding on providing utility services on military bases which involves estimating costs and potential profits that may not be realized;
- the impact of water quality and wastewater quality regulations on military bases;
- asset or business acquisitions may not yield the anticipated benefits;
- the impact of climate change and extreme weather events, including droughts, storms, high wind events, wildfires, flash flooding and other natural disasters, and the effects they could have on our operations;
- our assets at our regulated utilities are subject to condemnation by municipalities and other governmental subdivisions;
- increases in the costs of obtaining and complying with the terms of franchise agreements;
- damage to our reputation or adverse publicity may lead to increased regulatory oversight or sanctions;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- our ability to control operation and maintenance costs within the amounts that have been approved in rates or estimated in our military base contracts;
- the outbreak of pandemics, such as COVID-19, and other events may cause regionwide, statewide, nationwide or even global disruption, which could impact our businesses, operations, cash flows or financial results;
- the inherent risk of damage to private property and injury to employees and the general public involved in the generation, transmission and distribution of electricity, the handling of hazardous materials and equipment, and being in close proximity to public utility construction and maintenance operations;
- the impact of groundwater contamination and the increasing costs associated with treatment of groundwater due to contamination and increasing water quality regulation and mitigation of contaminants;
- risks of incurring losses not covered by insurance or recoverable in rates;
- risks of inadequate insurance coverages to cover significant losses due to a wildfire as insurance coverages become more expensive or unavailable on reasonable terms;

- the adequacy of water supplies due to fluctuations of weather, climate change and other uncontrollable factors;
- the impact that water conservation efforts may have on GSWC's operations and costs incurred;
- changes in electricity and natural gas prices in California;
- failure to make accurate estimates about financing and accounting matters;
- changes in accounting, public utility, environmental and tax laws and regulations affecting our businesses;
- changes in fair value of investments and other assets;
- the performance of subcontractors engaged to assist us in the performance of contracted services on military bases;
- incomplete or delayed reimbursement from the U.S. government and delays in obtaining decisions from the CPUC on regulated public utility rates that can adversely impact our financial condition and liquidity;
- physical security of our critical assets, personnel and data critical to our business, employees, customers and vendors;
- cybersecurity incidents that could disrupt operations and critical information technology systems, resulting in the inability to deliver services to customers, loss of financial and other information critical for operations and the breach of confidential information of our customers, employees and vendors;
- our ability to attract, retain, train, motivate, develop, and transition key employees;
- the failure of our employees to maintain required certifications and licenses or to complete required compliance training;
- changes in interest rates and our ability to borrow funds and access bank and capital markets on reasonable terms;
- the impact of inflation and supply chain disruptions on our operational costs and costs of capital that may not be recovered in rates for our regulated utilities and through economic price adjustments for our military bases;
- results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations, compliance with debt covenants and conditions, delays in receiving general rate case decisions from the CPUC, and general market and economic conditions;
- actions by credit rating agencies to downgrade AWR or GSWC's credit ratings or to place those ratings on negative outlook;
- our ability to finance the significant capital expenditures required by our operations, which are increasing;
- volatility in the price of our Common Shares;
- declines in the market prices of equity and fixed-income securities and resulting cash funding requirements for defined benefit pension plans and other post-retirement benefit plans;
- our reliance on cash flow from our subsidiaries to meet our financial obligations and to pay dividends on our Common Shares;
- the geographic concentration of our operations in California; and
- other risks and uncertainties described under the heading "Item 1A. Risk Factors" in the Form 10-K that we filed with the SEC.

Although we believe that the expectations reflected in these forward-looking statements are reasonable based on our current knowledge of our business and operations, we cannot guarantee future results, levels of activity, performance or achievements. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Any forward-looking statements you read in this Form 10-Q and the information incorporated herein by reference reflect our views as of their respective dates and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. You should not place undue reliance on these forward-looking statements and you should carefully consider all of the factors identified in this Form 10-Q and the information incorporated herein by reference that could cause actual results to differ. Forward-looking statements speak only as of the date they are made and except as required by law, Registrant expressly disclaims an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# 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. ("BVES") and American States Utility Services, Inc. and its subsidiaries ("ASUS").

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 titled "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.

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

| (in thousands) | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **Property, Plant and Equipment** | | |
| Regulated utility plant, at cost | $ 2,577,968 | $ 2,476,509 |
| Non-utility property, at cost | 42,606 | 40,243 |
| Total | 2,620,574 | 2,516,752 |
| Less - accumulated depreciation | (638,938) | (624,472) |
| Net property, plant and equipment | 1,981,636 | 1,892,280 |
| | | |
| **Other Property and Investments** | | |
| Goodwill | 1,116 | 1,116 |
| Other property and investments | 45,923 | 42,932 |
| Total other property and investments | 47,039 | 44,048 |
| | | |
| **Current Assets** | | |
| Cash and cash equivalents | 3,583 | 14,073 |
| Accounts receivable — customers (less allowance for doubtful accounts of $3,649 in 2024 and $3,537 in 2023) | 39,076 | 34,250 |
| Unbilled receivable | 24,481 | 23,516 |
| Receivable from the U.S. government (Note 2) | 50,138 | 49,306 |
| Other accounts receivable (less allowance for doubtful accounts of $53 in 2024 and 2023) | 4,333 | 6,340 |
| Materials and supplies | 16,969 | 17,574 |
| Regulatory assets — current | 43,756 | 45,144 |
| Prepayments and other current assets | 9,042 | 5,819 |
| Contract assets (Note 2) | 18,145 | 9,956 |
| Total current assets | 209,523 | 205,978 |
| | | |
| **Other Assets** | | |
| Unbilled revenue — receivable from the U.S. government (Note 2) | 5,304 | 4,886 |
| Receivable from the U.S. government (Note 2) | 40,192 | 42,183 |
| Contract assets (Note 2) | 918 | 4,422 |
| Operating lease right-of-use assets | 7,852 | 7,982 |
| Regulatory assets | 37,046 | 25,585 |
| Other | 18,810 | 18,758 |
| Total other assets | 110,122 | 103,816 |
| | | |
| **Total Assets** | $ 2,348,320 | $ 2,246,122 |

*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, 2024 | December 31, 2023 |
|---|---|---|
| **Capitalization** | | |
| Common shares, no par value | | |
| Authorized: 60,000,000 shares | | |
| Outstanding: 37,457,199 shares in 2024 and 36,980,612 shares in 2023 | $ 297,576 | $ 263,179 |
| Retained earnings | 535,901 | 512,930 |
| Total common shareholders' equity | 833,477 | 776,109 |
| Long-term debt | 640,028 | 575,555 |
| Total capitalization | 1,473,505 | 1,351,664 |
| | | |
| **Current Liabilities** | | |
| Notes payable to banks | 167,000 | 42,000 |
| Long-term debt — current | 365 | 353 |
| Accounts payable | 71,979 | 68,705 |
| Income taxes payable | 4,249 | 492 |
| Accrued other taxes | 13,068 | 14,654 |
| Accrued employee expenses | 13,085 | 14,738 |
| Accrued interest | 8,354 | 8,607 |
| Contract liabilities (Note 2) | 1,239 | 1,352 |
| Operating lease liabilities | 1,894 | 1,856 |
| Purchase power contract derivative at fair value (Note 5) | 5,593 | 2,360 |
| Other | 12,292 | 11,506 |
| Total current liabilities | 299,118 | 166,623 |
| | | |
| **Other Credits** | | |
| Notes payable to banks | 128,000 | 291,500 |
| Advances for construction | 68,660 | 67,431 |
| Contributions in aid of construction – net | 154,201 | 151,414 |
| Deferred income taxes | 167,699 | 161,577 |
| Regulatory liabilities | 750 | 1,222 |
| Unamortized investment tax credits | 976 | 1,011 |
| Accrued pension and other postretirement benefits | 34,360 | 32,652 |
| Operating lease liabilities | 6,422 | 6,619 |
| Other | 14,629 | 14,409 |
| Total other credits | 575,697 | 727,835 |
| | | |
| **Commitments and Contingencies (Note 9)** | | |
| | | |
| **Total Capitalization and Liabilities** | $ 2,348,320 | $ 2,246,122 |

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

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**AMERICAN STATES WATER COMPANY**
**CONSOLIDATED STATEMENTS OF INCOME**
**FOR THE THREE AND SIX MONTHS ENDED**
**JUNE 30, 2024 AND 2023**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands, except per share amounts)** | **2024** | **2023** | **2024** | **2023** |
| **Operating Revenues** | | | | |
| Water | $ 110,424 | $ 116,908 | $ 200,689 | $ 229,620 |
| Electric | 8,703 | 8,828 | 20,908 | 21,732 |
| Contracted services | 36,201 | 31,664 | 68,982 | 67,471 |
| Total operating revenues | 155,328 | 157,400 | 290,579 | 318,823 |
| **Operating Expenses** | | | | |
| Water purchased | 17,968 | 18,070 | 31,729 | 32,374 |
| Power purchased for pumping | 3,521 | 2,869 | 6,353 | 5,223 |
| Groundwater production assessment | 5,818 | 5,365 | 10,672 | 9,198 |
| Power purchased for resale | 1,503 | 2,469 | 5,835 | 7,455 |
| Supply cost balancing accounts | 3,436 | 2,837 | 2,828 | 14,403 |
| Other operation | 10,733 | 9,716 | 20,356 | 19,832 |
| Administrative and general | 23,487 | 21,503 | 48,834 | 45,050 |
| Depreciation and amortization | 10,770 | 10,258 | 21,492 | 21,461 |
| Maintenance | 3,535 | 3,779 | 6,760 | 6,929 |
| Property and other taxes | 6,612 | 5,555 | 13,099 | 11,850 |
| ASUS construction | 16,197 | 16,034 | 31,899 | 34,938 |
| Total operating expenses | 103,580 | 98,455 | 199,857 | 208,713 |
| **Operating Income** | 51,748 | 58,945 | 90,722 | 110,110 |
| **Other Income and Expenses** | | | | |
| Interest expense | (13,137) | (10,728) | (25,992) | (20,209) |
| Interest income | 2,093 | 1,803 | 4,163 | 3,667 |
| Other, net | 1,519 | 1,705 | 3,861 | 3,316 |
| Total other income and expenses, net | (9,525) | (7,220) | (17,968) | (13,226) |
| **Income before income tax expense** | 42,223 | 51,725 | 72,754 | 96,884 |
| Income tax expense | 10,359 | 13,204 | 17,755 | 23,956 |
| **Net Income** | $ 31,864 | $ 38,521 | $ 54,999 | $ 72,928 |
| **Weighted Average Number of Common Shares Outstanding** | 37,309 | 36,976 | 37,169 | 36,972 |
| **Basic Earnings Per Common Share** | $ 0.85 | $ 1.04 | $ 1.48 | $ 1.97 |
| **Weighted Average Number of Diluted Shares** | 37,418 | 37,067 | 37,263 | 37,058 |
| **Fully Diluted Earnings Per Common Share** | $ 0.85 | $ 1.04 | $ 1.47 | $ 1.97 |
| **Dividends Paid Per Common Share** | $ 0.4300 | $ 0.3975 | $ 0.8600 | $ 0.7950 |

*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 SIX MONTHS ENDED JUNE 30, 2024**
**(Unaudited)**

| | Six Months Ended June 30, 2024 | | | |
|---|---|---|---|---|
| | Common Shares | | | |
| **(in thousands)** | **Number of Shares** | **Amount** | **Retained Earnings** | **Total** |
| **Balances at December 31, 2023** | 36,981 | $ 263,179 | $ 512,930 | $ 776,109 |
| Add: | | | | |
| Net income | | | 23,135 | 23,135 |
| Issuance of Common Shares from an at-the-market program, net of issuance costs | 228 | 15,584 | | 15,584 |
| Issuances of Common Shares under stock-based compensation plans | 20 | — | | — |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 1,570 | | 1,570 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 44 | | 44 |
| Deduct: | | | | |
| Dividends on Common Shares | | | 15,905 | 15,905 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 44 | 44 |
| Balances at March 31, 2024 | 37,229 | $ 280,377 | $ 520,116 | $ 800,493 |
| Add: | | | | |
| Net income | | | 31,864 | 31,864 |
| Issuance of Common Shares from an at-the-market program, net of issuance costs | 228 | 16,724 | | 16,724 |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 420 | | 420 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 55 | | 55 |
| Deduct: | | | | |
| Dividends on Common Shares | | | 16,024 | 16,024 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 55 | 55 |
| Balances at June 30, 2024 | 37,457 | $ 297,576 | $ 535,901 | $ 833,477 |

*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 SIX MONTHS ENDED JUNE 30, 2023**
**(Unaudited)**

| | Six Months Ended June 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Shares | | | | | | |
| (in thousands) | Number of Shares | | Amount | | Retained Earnings | | Total |
| **Balances at December 31, 2022** | 36,962 | $ | 260,158 | $ | 449,391 | $ | 709,549 |
| Add: | | | | | | | |
| Net income | | | | | 34,407 | | 34,407 |
| Issuances of Common Shares under stock-based compensation plans | 14 | | — | | | | — |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | | 1,587 | | | | 1,587 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 47 | | | | 47 |
| Deduct: | | | | | | | |
| Dividends on Common Shares | | | | | 14,695 | | 14,695 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | | | 47 | | 47 |
| **Balances at March 31, 2023** | 36,976 | $ | 261,792 | $ | 469,056 | $ | 730,848 |
| | | | | | | | |
| Add: | | | | | | | |
| Net income | | | | | 38,521 | | 38,521 |
| Issuances of Common Shares under stock-based compensation plans | 1 | | — | | | | — |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | | 396 | | | | 396 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 42 | | | | 42 |
| Deduct: | | | | | | | |
| Dividends on Common Shares | | | | | 14,699 | | 14,699 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | | | 42 | | 42 |
| **Balances at June 30, 2023** | 36,977 | $ | 262,230 | $ | 492,836 | $ | 755,066 |

*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, 2024 AND 2023**
**(Unaudited)**

| (in thousands) | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Net income | $ 54,999 | $ 72,928 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 21,822 | 21,984 |
| Provision for doubtful accounts | 724 | 847 |
| Deferred income taxes and investment tax credits | 2,442 | 599 |
| Stock-based compensation expense | 2,852 | 2,577 |
| Gain on investments held in a trust | (3,046) | (3,086) |
| Other — net | 225 | (89) |
| Changes in assets and liabilities: | | |
| Accounts receivable — customers | (5,550) | (1,641) |
| Unbilled receivable | (1,383) | (933) |
| Other accounts receivable | 2,007 | (421) |
| Receivables from the U.S. government | 1,159 | (10,922) |
| Materials and supplies | 605 | (2,199) |
| Prepayments and other assets | (2,491) | (2,690) |
| Contract assets | (4,685) | (528) |
| Regulatory assets/liabilities | (3,001) | (70,875) |
| Accounts payable | 2,608 | (9,669) |
| Income taxes receivable/payable | 3,764 | 21,432 |
| Contract liabilities | (113) | (318) |
| Accrued pension and other postretirement benefits | 1,362 | 2,041 |
| Other liabilities | (3,785) | (1,273) |
| Net cash provided (used) | 70,515 | 17,764 |
| | | |
| **Cash Flows From Investing Activities:** | | |
| Capital expenditures | (109,298) | (88,649) |
| Other investing activities | 401 | 827 |
| Net cash provided (used) | (108,897) | (87,822) |
| | | |
| **Cash Flows From Financing Activities:** | | |
| Proceeds from issuance of Common Shares, net of issuance costs | 32,423 | — |
| Receipt of advances for and contributions in aid of construction | 5,672 | 4,606 |
| Refunds on advances for construction | (2,998) | (2,973) |
| Repayments of long-term debt | (256) | (251) |
| Proceeds from the issuance of long-term debt, net of issuance costs | 64,618 | 129,665 |
| Net changes in notes payable to banks | (38,500) | (35,667) |
| Dividends paid | (31,929) | (29,394) |
| Other financing activities | (1,138) | (899) |
| Net cash provided (used) | 27,892 | 65,087 |
| **Net change in cash and cash equivalents** | (10,490) | (4,971) |
| **Cash and cash equivalents, beginning of period** | 14,073 | 5,997 |
| **Cash and cash equivalents, end of period** | $ 3,583 | $ 1,026 |
| | | |
| **Non-cash transactions:** | | |
| Accrued payables for investment in utility plant | $ 35,541 | $ 35,731 |
| Property installed by developers and conveyed | $ 3,625 | $ 809 |

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

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

| (in thousands) | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **Utility Plant** | | |
| Utility plant, at cost | $ 2,367,924 | $ 2,278,669 |
| Less - accumulated depreciation | (554,632) | (543,135) |
| Net utility plant | 1,813,292 | 1,735,534 |
| | | |
| **Other Property and Investments** | 43,477 | 40,480 |
| | | |
| **Current Assets** | | |
| Cash and cash equivalents | 439 | 3,195 |
| Accounts receivable — customers (less allowance for doubtful accounts of $3,497 in 2024 and $3,394 in 2023) | 36,699 | 31,018 |
| Unbilled receivable | 18,290 | 17,185 |
| Other accounts receivable (less allowance for doubtful accounts of $53 in 2024 and 2023) | 3,154 | 4,301 |
| Intercompany receivable | 502 | 380 |
| Income taxes receivable from Parent | — | 222 |
| Materials and supplies | 7,804 | 7,380 |
| Regulatory assets — current | 42,881 | 44,007 |
| Prepayments and other current assets | 6,445 | 4,544 |
| Total current assets | 116,214 | 112,232 |
| | | |
| **Other Assets** | | |
| Operating lease right-of-use assets | 7,734 | 7,796 |
| Regulatory assets | 11,183 | 2,944 |
| Other | 17,141 | 17,169 |
| Total other assets | 36,058 | 27,909 |
| | | |
| **Total Assets** | $ 2,009,041 | $ 1,916,155 |

*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, 2024 | December 31, 2023 |
|---|---|---|
| **Capitalization** | | |
| Common Shares, no par value: | | |
| Authorized: 1,000 shares | | |
| Outstanding: 171 shares in 2024 and 2023 | $ 372,892 | $ 370,909 |
| Retained earnings | 375,817 | 332,919 |
| Total common shareholder’s equity | 748,709 | 703,828 |
| Long-term debt | 605,202 | 540,738 |
| Total capitalization | 1,353,911 | 1,244,566 |
| | | |
| **Current Liabilities** | | |
| Notes payable to banks | 119,000 | — |
| Long-term debt — current | 365 | 353 |
| Accounts payable | 57,407 | 55,488 |
| Accrued other taxes | 11,226 | 12,658 |
| Accrued employee expenses | 9,997 | 11,502 |
| Accrued interest | 7,460 | 7,508 |
| Income taxes payable to Parent | 3,872 | — |
| Operating lease liabilities | 1,781 | 1,725 |
| Other | 11,639 | 10,715 |
| Total current liabilities | 222,747 | 99,949 |
| | | |
| **Other Credits** | | |
| Notes payable to banks | — | 150,000 |
| Advances for construction | 68,640 | 67,411 |
| Contributions in aid of construction — net | 154,201 | 151,414 |
| Deferred income taxes | 152,979 | 147,458 |
| Regulatory liabilities | 750 | 1,222 |
| Unamortized investment tax credits | 976 | 1,011 |
| Accrued pension and other postretirement benefits | 33,956 | 32,309 |
| Operating lease liabilities | 6,422 | 6,568 |
| Other | 14,459 | 14,247 |
| Total other credits | 432,383 | 571,640 |
| | | |
| **Commitments and Contingencies (Note 9)** | | |
| | | |
| **Total Capitalization and Liabilities** | $ 2,009,041 | $ 1,916,155 |

*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, 2024 AND 2023**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands)** | **2024** | **2023** | **2024** | **2023** |
| **Operating Revenues** | | | | |
| Water | $ 110,424 | $ 116,908 | $ 200,689 | $ 229,620 |
| Total operating revenues | 110,424 | 116,908 | 200,689 | 229,620 |
| **Operating Expenses** | | | | |
| Water purchased | 17,968 | 18,070 | 31,729 | 32,374 |
| Power purchased for pumping | 3,521 | 2,869 | 6,353 | 5,223 |
| Groundwater production assessment | 5,818 | 5,365 | 10,672 | 9,198 |
| Supply cost balancing accounts | 2,449 | 2,787 | 2,432 | 15,412 |
| Other operation | 7,442 | 7,221 | 14,022 | 14,492 |
| Administrative and general | 15,933 | 14,282 | 32,910 | 29,663 |
| Depreciation and amortization | 9,043 | 8,674 | 18,077 | 18,280 |
| Maintenance | 2,210 | 2,556 | 4,038 | 4,516 |
| Property and other taxes | 5,475 | 4,560 | 10,724 | 9,699 |
| Total operating expenses | 69,859 | 66,384 | 130,957 | 138,857 |
| **Operating Income** | 40,565 | 50,524 | 69,732 | 90,763 |
| **Other Income and Expenses** | | | | |
| Interest expense | (9,716) | (7,835) | (19,108) | (14,757) |
| Interest income | 1,574 | 1,320 | 3,085 | 2,748 |
| Other, net | 1,259 | 1,458 | 3,591 | 3,086 |
| Total other income and expenses, net | (6,883) | (5,057) | (12,432) | (8,923) |
| **Income before income tax expense** | 33,682 | 45,467 | 57,300 | 81,840 |
| Income tax expense | 8,487 | 11,934 | 14,311 | 20,844 |
| **Net Income** | $ 25,195 | $ 33,533 | $ 42,989 | $ 60,996 |

*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 SIX MONTHS ENDED JUNE 30, 2024**
**(Unaudited)**

| | Six Months Ended June 30, 2024 | | | |
|---|---|---|---|---|
| | Common Shares | | | |
| **(in thousands, except number of shares)** | **Number of Shares** | **Amount** | **Retained Earnings** | **Total** |
| **Balances at December 31, 2023** | 171 | $ 370,909 | $ 332,919 | $ 703,828 |
| Add: | | | | |
| Net income | | | 17,794 | 17,794 |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 1,561 | | 1,561 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 41 | | 41 |
| Deduct: | | | | |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 41 | 41 |
| **Balances at March 31, 2024** | 171 | $ 372,511 | $ 350,672 | $ 723,183 |
| Add: | | | | |
| Net income | | | 25,195 | 25,195 |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 331 | | 331 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 50 | | 50 |
| Deduct: | | | | |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 50 | 50 |
| **Balances at June 30, 2024** | 171 | $ 372,892 | $ 375,817 | $ 748,709 |

*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 SIX MONTHS ENDED JUNE 30, 2023**
**(Unaudited)**

| | Six Months Ended June 30, 2023 | | | |
|---|---|---|---|---|
| | Common Shares | | | |
| (in thousands, except number of shares) | Number of Shares | Amount | Retained Earnings | Total |
| **Balances at December 31, 2022** | 170 | $ 358,123 | $ 285,783 | $ 643,906 |
| Add: | | | | |
| Net income | | | 27,463 | 27,463 |
| Issuance of Common Share to Parent | 1 | 10,000 | | 10,000 |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 1,603 | | 1,603 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 44 | | 44 |
| Deduct: | | | | |
| Dividends on Common Shares | | | 24,700 | 24,700 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 44 | 44 |
| **Balances at March 31, 2023** | 171 | $ 369,770 | $ 288,502 | $ 658,272 |
| | | | | |
| Add: | | | | |
| Net income | | | 33,533 | 33,533 |
| Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4) | | 320 | | 320 |
| Dividend equivalent rights on stock-based awards not paid in cash | | 39 | | 39 |
| Deduct: | | | | |
| Dividends on Common Shares | | | 14,700 | 14,700 |
| Dividend equivalent rights on stock-based awards not paid in cash | | | 39 | 39 |
| **Balances at June 30, 2023** | 171 | $ 370,129 | $ 307,296 | $ 677,425 |

*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, 2024 AND 2023**
**(Unaudited)**

| **(in thousands)** | **Six Months Ended June 30, 2024** | **2023** |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Net income | $ 42,989 | $ 60,996 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 18,346 | 18,748 |
| Provision for doubtful accounts | 629 | 782 |
| Deferred income taxes and investment tax credits | 2,161 | (817) |
| Stock-based compensation expense | 2,679 | 2,434 |
| Gain on investments held in a trust | (3,046) | (3,086) |
| Other — net | 149 | 39 |
| Changes in assets and liabilities: | | |
| Accounts receivable — customers | (6,310) | (2,296) |
| Unbilled receivable | (1,105) | (370) |
| Other accounts receivable | 1,147 | (53) |
| Materials and supplies | (424) | (385) |
| Prepayments and other assets | (961) | (1,261) |
| Regulatory assets/liabilities | (3,602) | (68,016) |
| Accounts payable | 2,930 | (1,167) |
| Intercompany receivable/payable | (122) | 134 |
| Income taxes receivable/payable from/to Parent | 4,094 | 20,490 |
| Accrued pension and other postretirement benefits | 1,308 | 2,007 |
| Other liabilities | (3,081) | (973) |
| Net cash provided (used) | 57,781 | 27,206 |
| | | |
| **Cash Flows From Investing Activities:** | | |
| Capital expenditures | (95,627) | (76,572) |
| Other investing activities | 118 | 203 |
| Net cash provided (used) | (95,509) | (76,369) |
| | | |
| **Cash Flows From Financing Activities:** | | |
| Proceeds from issuance of Common Shares to AWR (parent) | — | 10,000 |
| Receipt of advances for and contributions in aid of construction | 5,672 | 4,606 |
| Refunds on advances for construction | (2,998) | (2,973) |
| Repayments of long-term debt | (256) | (251) |
| Proceeds from the issuance of long-term debt, net of issuance costs | 64,618 | 129,665 |
| Net change in intercompany borrowings | — | (129,000) |
| Net changes in notes payable to banks | (31,000) | 77,334 |
| Dividends paid | — | (39,400) |
| Other financing activities | (1,064) | (821) |
| Net cash provided (used) | 34,972 | 49,160 |
| | | |
| **Net change in cash and cash equivalents** | (2,756) | (3) |
| **Cash and cash equivalents, beginning of period** | 3,195 | 370 |
| **Cash and cash equivalents, end of period** | $ 439 | $ 367 |
| | | |
| **Non-cash transactions:** | | |
| Accrued payables for investment in utility plant | $ 32,454 | $ 31,944 |
| Property installed by developers and conveyed | $ 3,625 | $ 809 |

*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. ("BVES"), and American States Utility Services, Inc. ("ASUS") (and its subsidiaries, Fort Bliss Water Services Company ("FBWS"), Old Dominion Utility Services, Inc. ("ODUS"), Terrapin Utility Services, Inc. ("TUS"), Palmetto State Utility Services, Inc. ("PSUS"), Old North Utility Services, Inc. ("ONUS"), Emerald Coast Utility Services, Inc. ("ECUS"), Fort Riley Utility Services, Inc. ("FRUS"), Bay State Utility Services LLC ("BSUS"), and Patuxent River Utility Services LLC ("PRUS")). AWR and its subsidiaries may be collectively referred to as "the Company." AWR, through its wholly owned subsidiaries, serves over one million people in ten states.

GSWC and BVES are both California public utilities. GSWC is engaged in the purchase, production, distribution and sale of water throughout California serving approximately 264,400 customer connections. BVES distributes electricity in several San Bernardino County mountain communities in California serving approximately 24,800 customer connections. The California Public Utilities Commission ("CPUC") regulates GSWC's and BVES's businesses in matters including properties, rates, services, facilities, and transactions between GSWC, BVES, 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 with the U.S. government and one 15-year contract with the U.S. government. 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. ASUS also from time to time performs construction services on military bases as a subcontractor or pursuant to a task order agreement.

In August and September of 2023, ASUS was awarded new contracts with the U.S. government to serve two military bases for which operations began in April 2024. After completion of the transition periods, ASUS began operating the water and wastewater utility systems at Naval Air Station Patuxent River in Maryland under a 50-year privatization contract with the U.S. government and at Joint Base Cape Cod in Massachusetts under a 15-year contract with the U.S. government. Operations commenced at Naval Air Station Patuxent River on April 1, 2024. The initial value of this contract was estimated at approximately $349 million over a 50-year period subject to an inventory adjustment and annual economic price adjustments. In July 2024, the contract value was increased to $378 million after an inventory adjustment. Operations at Joint Base Cape Cod commenced on April 15, 2024. Under this contract, ASUS will perform work through the annual issuance of task orders by the U.S. government over a 15-year period up to a maximum value to ASUS of $75.0 million subject to adjustments as task orders are issued. In April 2024, the U.S. government awarded a task order valued at $4.1 million to ASUS for the first year of operation, maintenance, and renewal and replacement services of the water and wastewater systems at Joint Base Cape Cod.

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 hereto 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, BVES and ASUS. ASUS owns all of the outstanding equity of its 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, 2023 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, 2023 filed with the SEC.

Related Party and Intercompany Transactions: GSWC, BVES and ASUS provide and/or receive various support services to and from their parent, AWR, and among themselves. GSWC allocates certain corporate office administrative and general costs to its affiliates, BVES and ASUS, using allocation factors approved by the CPUC. GSWC allocated corporate office administrative and general costs to BVES of approximately $0.7 million for each of the three month periods ended June 30, 2024 and 2023, respectively, and $1.7 million and $2.1 million during the six month periods ended June 30, 2024 and 2023, respectively. GSWC also allocated corporate office administrative and general costs to ASUS of approximately $1.2 million for each of the three month periods ended June 30, 2024 and 2023, respectively, and $2.8 million and $2.7 million during the six month periods ended June 30, 2024 and 2023, respectively. In addition, as discussed under *Liquidity and Financing Activities*, under AWR's credit facility, AWR borrows and provides funds to ASUS in support of its operations.

Liquidity and Financing Activities: On February 27, 2024, AWR entered into an Equity Distribution Agreement with third-party sales agents, under which AWR, may offer and sell its Common Shares, from time to time at its sole discretion, through an at-the-market ("ATM") offering program having an aggregate gross offering price of up to $200 million over a three-year period and pursuant to AWR's effective shelf registration statement on Form S-3. AWR intends to use the net proceeds from these sales, after deducting commissions on such sales and offering expenses, for general corporate purposes, including, but not limited to, repayment of debt and equity contributions to its subsidiaries. During the three and six months ended June 30, 2024, AWR sold 227,667 and 455,648 Common Shares, respectively, through this ATM offering program and raised proceeds of $16.8 million, net of $0.3 million in commissions paid and $33.0 million, net of $0.5 million in commissions paid, respectively, under the terms of the Equity Distribution Agreement. AWR also incurred $0.1 million and $0.7 million of other expenses during the three and six months ended June 30, 2024, respectively, which was primarily legal and other costs to establish this ATM offering program. As of June 30, 2024, approximately $166.5 million remained available for sale under the ATM offering program.

On June 5, 2024, GSWC completed the issuance of $65.0 million in unsecured private placement notes with a coupon rate of 5.50%, maturing on June 5, 2027. GSWC used the proceeds from the private placement notes to pay down outstanding borrowings under its revolving credit facility and to fund operations and capital expenditures. Interest payments are due semiannually on June 5 and December 5 each year, commencing December 5, 2024. The private placement notes rank equally with GSWC's other unsecured and unsubordinated debt. GSWC may, at its option, redeem all or portions of the private placement notes at any time upon written notice, subject to payment of a make-whole premium.

AWR and GSWC each have credit agreements with a term of five years which mature in June 2028. The credit agreements currently provide AWR and GSWC unsecured revolving credit facilities with borrowing capacities of $165.0 million and $200.0 million, respectively. AWR's credit facility is primarily used to provide support to AWR (parent) and ASUS. As of June 30, 2024, AWR's outstanding borrowings under its credit facility of $128.0 million have been classified as non-current liabilities on AWR's Consolidated Balance Sheet. GSWC's credit facility provides support for its water operations and is considered a short-term debt arrangement by the CPUC. Therefore, pursuant to the CPUC's requirements, borrowings under GSWC's credit facility are required to be paid-off in full within a 24-month period. GSWC's next pay-off period ends in June 2025. Accordingly, GSWC's outstanding borrowings under its credit facility of $119.0 million as of June 30, 2024 are classified as current liabilities in AWR's Consolidated Balance Sheet and GSWC's Balance Sheet. GSWC expects to issue long-term debt and/or equity to facilitate the pay-off of its credit facility in 2025, after which GSWC may borrow under the credit facility again.

BVES has a separate revolving credit facility without a parent guaranty that supports its electric operations and capital expenditures with a borrowing capacity of $65.0 million. BVES's revolving credit facility is considered a short-term debt arrangement by the CPUC. Therefore, pursuant to the CPUC's requirements, borrowings under this credit facility are required to be fully paid off within a 24-month period after which BVES may borrow under the credit facility again. BVES's next pay-off period was set to end in August 2024. However, in May 2024, the CPUC approved BVES's request to extend its 24-month pay-off period past the August deadline while it awaits a final decision from the CPUC on its pending financing application that will enable BVES to issue the necessary long-term financing to pay-off its borrowings under the credit facility. The additional time granted to BVES extends the end of the pay-off period to nine months after the date a final decision in the financing application is issued by the CPUC. On August 1, 2024, the CPUC issued a final decision in BVES's financing application, which among other things, approves BVES's request to issue up to $120 million of new debt and equity securities. Accordingly, BVES will have nine months from the date of the final decision to secure long-term financing and pay off the entire remaining balance of its revolving credit arrangement. As of June 30, 2024, the outstanding balance under BVES's credit facility of $48.0 million has been classified as a current liability in AWR's Consolidated Balance Sheet.

Recent Accounting Pronouncements: In November 2023, the Financial Accounting Standards Board issued Accounting Standards Update 2023-07 *(Segment Reporting: Improvements to Reportable Segment Disclosures)*. The new standard enhances reportable segment disclosures and expands the disclosures required for reportable segments in annual and interim consolidated financial statements, primarily through enhanced disclosures of significant segment expenses. Registrant is currently evaluating the impact of this standard on its segment disclosures and will adopt the updated accounting guidance in the Annual Report on Form 10-K for the year ended December 31, 2024 and interim periods beginning in 2025.

**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 BVES. ASUS's initial firm fixed-price long-term contracts with the U.S. government are considered service concession arrangements under ASC 853, *Service Concession Arrangements*. ASUS's military base contracts consist primarily of 50-year contracts and one 15-year contract with the U.S. government. 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 BVES have a diversified customer 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. Most of ASUS's revenues are derived from the U.S. government. For the three and six months ended June 30, 2024 and 2023, disaggregated revenues from contracts with customers by segment were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(dollars in thousands)** | **2024** | **2023** | **2024** | **2023** |
| **Water:** | | | | |
| Tariff-based revenues | $ 96,065 | $ 98,378 | $ 180,726 | $ 198,919 |
| CPUC-approved surcharges (cost-recovery activities) | 912 | 558 | 1,459 | 875 |
| Other | 668 | 649 | 1,250 | 1,386 |
| Water revenues from contracts with customers | 97,645 | 99,585 | 183,435 | 201,180 |
| WRAM under/(over)-collection (alternative revenue program) | 12,779 | 17,323 | 17,254 | 28,440 |
| Total water revenues **(1)** | 110,424 | 116,908 | 200,689 | 229,620 |
| **Electric:** | | | | |
| Tariff-based revenues | 8,866 | 8,929 | 21,539 | 21,992 |
| CPUC-approved surcharges (cost-recovery activities) | 29 | 117 | 103 | 266 |
| Electric revenues from contracts with customers | 8,895 | 9,046 | 21,642 | 22,258 |
| BRRAM under/(over)-collection (alternative revenue program) | (192) | (218) | (734) | (526) |
| Total electric revenues | 8,703 | 8,828 | 20,908 | 21,732 |
| **Contracted services:** | | | | |
| Water | 21,603 | 19,181 | 43,170 | 41,669 |
| Wastewater | 14,598 | 12,483 | 25,812 | 25,802 |
| Contracted services revenues from contracts with customers | 36,201 | 31,664 | 68,982 | 67,471 |
| Total AWR revenues | $ 155,328 | $ 157,400 | $ 290,579 | $ 318,823 |

**(1)** Water revenues for the six months ended June 30, 2023 include approximately $32 million recorded from the impact of retroactive revenues for the full year of 2022 as a result of the CPUC's approval of GSWC's general rate case in June 2023. Furthermore, the CPUC also issued a final decision in June 2023 on GSWC's cost of capital proceeding. As a result of the final cost of capital decision, the three and six months ended June 30, 2023 include an increase in water revenues of $9.3 million and $6.4 million, respectively, from the reversal of revenues subject to refund due to a change in estimates from what had been recorded during 2022 and the first quarter of 2023.

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:

| **(dollars in thousands)** | **June 30, 2024** | **December 31, 2023** |
|---|---|---|
| Unbilled receivables | $ 10,518 | $ 9,693 |
| Receivable from the U.S. government | $ 90,330 | $ 91,489 |
| Contract assets | $ 19,063 | $ 14,378 |
| Contract liabilities | $ 1,239 | $ 1,352 |

Unbilled receivables and Receivable from the U.S. government represent receivables where the right to payment is conditional only by the passage of time.

Contract Assets - Contract assets are assets 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 liabilities 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 six months ended June 30, 2024, which were included in contract liabilities at the beginning of the period were not material. Contracted services revenues recognized during the six months ended June 30, 2024 from performance obligations satisfied in previous periods were also not material.

As of June 30, 2024, AWR's aggregate remaining performance obligations, which are entirely from the contracted services segment, were $4.0 billion. ASUS expects to recognize revenue on these remaining performance obligations over the remaining term of each of the contracts, which range from 15 to 50 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 contract term for convenience of the U.S. government.

**Note 3 — Regulatory Matters**

In accordance with accounting principles for rate-regulated enterprises, GSWC and BVES record regulatory assets, which represent probable future recovery of incurred 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, 2024, GSWC and BVES had approximately $61.3 million of regulatory liabilities, net of regulatory assets, not accruing carrying costs. Of this amount, (i) $73.3 million of regulatory liabilities are excess deferred income taxes arising from the lower federal income tax rate under the Tax Cuts and Jobs Act enacted in December 2017 that are being refunded to customers, (ii) $7.2 million of net regulatory assets relates to flowed-through deferred income taxes including the gross-up portion on the deferred tax resulting from the excess deferred income tax regulatory liability, (iii) $3.5 million of net regulatory liabilities relates to the overfunded position in Registrant's pension and other retirement obligations (not including the two-way pension balancing accounts), and (iv) $5.6 million of regulatory assets relate to memorandum accounts authorized by the CPUC to track unrealized gains and losses on BVES'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 BVES 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 BVES 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 BVES's regulatory 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, 2024 | December 31, 2023 |
|---|---|---|
| **GSWC** | | |
| 2022/2023 general rate case memorandum accounts (unbilled revenue) | $ 46,527 | $ 52,795 |
| Water revenue adjustment mechanism, net of modified cost balancing account | 50,842 | 41,545 |
| Asset retirement obligations | 7,418 | 7,099 |
| Flowed-through deferred income taxes, net | 5,667 | 3,190 |
| Low income rate assistance balancing accounts | 7,747 | 5,763 |
| Other regulatory assets | 10,018 | 10,661 |
| Excess deferred income taxes | (69,567) | (70,189) |
| Pensions and other post-retirement obligations | (4,828) | (4,867) |
| Other regulatory liabilities | (510) | (268) |
| **Total GSWC** | $ 53,314 | $ 45,729 |
| **BVES** | | |
| Derivative instrument memorandum account (Note 5) | 5,593 | 2,360 |
| Wildfire mitigation and other fire prevention related costs memorandum accounts | 19,864 | 17,716 |
| Electric supply cost adjustment mechanism | 777 | 2,583 |
| Other regulatory assets | 8,181 | 7,697 |
| Other regulatory liabilities | (7,677) | (6,578) |
| **Total AWR** | $ 80,052 | $ 69,507 |

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, 2023 filed with the SEC. The discussion below focuses on significant matters and developments since December 31, 2023.

***Water General Rate Case and the 2022/2023 General Rate Case Memorandum Accounts:***

In June 2023, the CPUC adopted a final decision in GSWC's general rate case application for all its water regions and its general office that determines new water rates for the years 2022–2024. The new rates approved were retroactive to January 1, 2022. Upon receiving the final decision, GSWC filed for the implementation of new 2023 rate increases that went into effect on July 31, 2023. Due to the delay in finalizing the water general rate case, water revenues billed to customers for the year ended December 31, 2022 and for the period from January 1, 2023 to July 30, 2023 were based on 2021 adopted rates. GSWC was authorized to create general rate case memorandum accounts to track the revenue differences between the 2021 adopted rates and the 2022 and 2023 rates authorized by the CPUC for future recovery. In October 2023, surcharges were implemented to recover the cumulative retroactive rate differences over 36 months. As of June 30, 2024, there is an aggregate cumulative amount of $46.5 million under-collection in the general rate case memorandum accounts that GSWC has recorded as regulatory assets for retroactive water revenues.

***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") 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 of June 30, 2024, GSWC had an aggregated net regulatory asset of $50.8 million, which is comprised of a $54.6 million under-collection in the WRAM accounts and a $3.8 million over-collection in the MCBA accounts. During the six months ended June 30, 2024, GSWC recorded additional net under-collections in the WRAM/MCBA accounts of approximately $15.3 million that resulted largely from lower-than-adopted water usage as authorized in the general rate case decision. In May 2024, the CPUC approved the recovery of all pre-2024 WRAM/MCBA balances, with the majority of the balances to be recovered within 18 months. Accordingly, effective May 1, 2024, GSWC implemented surcharges to recover all of its WRAM/MCBA balances accumulated as of December 31, 2023.

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. As of June 30, 2024, there were no significant WRAM under-collections that were estimated to be collected over more than a 24 month period.

***BVES Regulatory Assets:***

*Wildfire Mitigation and Other Fire Prevention Related Costs Memorandum Accounts*

The CPUC adopted regulations intended to enhance the fire safety of overhead electric power lines. Those regulations included increased minimum clearances around electric power lines. BVES was authorized to track incremental costs incurred to implement the regulations in a fire hazard prevention memorandum account for the purpose of obtaining cost recovery in a future general rate case. In August 2019, the CPUC issued a final decision on the electric general rate case, which set new rates for BVES through the year 2022. Among other things, the decision authorized BVES to record incremental costs related to vegetation management, such as costs for increased minimum clearances around electric power lines, in a CPUC-approved memorandum account for future recovery. As of June 30, 2024, BVES had approximately $13.3 million in incremental vegetation management costs recorded as a regulatory asset. BVES has requested future recovery of these costs in its general rate case application filed with the CPUC in August 2022. The incremental costs related to vegetation management included in the memorandum account will be subject to review during the general rate case proceeding.

California legislation enacted in September 2018 requires all investor-owned electric utilities to have a wildfire mitigation plan ("WMP") approved by the Office of Energy Infrastructure Safety ("OEIS") and ratified by the CPUC. 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. The OEIS has approved and the CPUC has ratified BVES's 2023-2025 WMP. As of June 30, 2024, BVES has approximately $6.6 million related to expenses accumulated in its other WMP memorandum accounts that have been recognized as regulatory assets for future recovery.

All capital expenditures and other incremental costs incurred through June 30, 2024 as a result of BVES's WMPs are not currently in rates and are being addressed for future recovery in BVES's general rate case application. These costs are subject to review during BVES's general rate case proceeding.

***Other Regulatory Assets:***

Other regulatory assets represent costs incurred by GSWC or BVES for which they have received or expect to receive rate recovery in the future. Registrant believes that 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 BVES's regulatory assets are not recoverable in customer rates, the applicable entity must determine if an asset impairment has occurred that requires it to write down the regulatory asset to the amount that is probable of recovery.

**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 to calculate basic EPS:

| **Basic:** | **For The Three Months Ended June 30,** | | **For The Six Months Ended June 30,** | |
|---|---|---|---|---|
| **(in thousands, except per share amounts)** | **2024** | **2023** | **2024** | **2023** |
| Net income | $ 31,864 | $ 38,521 | $ 54,999 | $ 72,928 |
| Less: impact from participating securities | 110 | 112 | 162 | 197 |
| Total income available to common shareholders | $ 31,754 | $ 38,409 | $ 54,837 | $ 72,731 |
| | | | | |
| Weighted average Common Shares outstanding, basic | 37,309 | 36,976 | 37,169 | 36,972 |
| | | | | |
| Basic earnings per Common Share | $ 0.85 | $ 1.04 | $ 1.48 | $ 1.97 |

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 directors, and net income. There were no stock options outstanding as of June 30, 2024 and 2023 under these plans.

The following is a reconciliation of Registrant's net income and weighted average Common Shares outstanding used to calculate diluted EPS:

| **Diluted:** | **For The Three Months Ended June 30,** | | **For The Six Months Ended June 30,** | |
|---|---|---|---|---|
| **(in thousands, except per share amounts)** | **2024** | **2023** | **2024** | **2023** |
| Common shareholders earnings, basic | $ 31,754 | $ 38,409 | $ 54,837 | $ 72,731 |
| Undistributed earnings for dilutive stock options and restricted stock units | 54 | 69 | 67 | 117 |
| Total common shareholders earnings, diluted | $ 31,808 | $ 38,478 | $ 54,904 | $ 72,848 |
| | | | | |
| Weighted average Common Shares outstanding, basic | 37,309 | 36,976 | 37,169 | 36,972 |
| Stock-based compensation (1) | 109 | 91 | 94 | 86 |
| Weighted average Common Shares outstanding, diluted | 37,418 | 37,067 | 37,263 | 37,058 |
| | | | | |
| **Diluted earnings per Common Share** | $ 0.85 | $ 1.04 | $ 1.47 | $ 1.97 |

(1) In applying the treasury stock method of reflecting the dilutive effect of outstanding stock-based compensation in calculating diluted EPS, 132,530 and 110,576 restricted stock units, including performance awards to officers of the Company at June 30, 2024 and 2023, respectively, were deemed to be outstanding and included in the calculation of diluted EPS.

During the three and six months ended June 30, 2024, AWR sold 227,667 and 455,648 Common Shares, respectively, through its ATM offering program and raised proceeds of $16.8 million, net of $0.3 million in commissions paid and $33.0 million, net of $0.5 million in commissions paid, respectively (Note 1). During the six months ended June 30, 2024 and 2023, AWR also issued 20,939 and 14,358 Common Shares related to restricted stock units, respectively, pursuant to stock-based compensation plans.

During the six months ended June 30, 2024 and 2023, AWR paid $1.1 million and $0.9 million, respectively, to taxing authorities on employees' behalf for shares withheld related to net share settlements. During the six months ended June 30, 2024 and 2023, GSWC paid $1.1 million and $0.8 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, 2024 and 2023, AWR paid quarterly dividends of approximately $16.0 million, or $0.4300 per share, and $14.7 million, or $0.3975 per share, respectively. During the six months ended June 30, 2024 and 2023, AWR paid quarterly dividends of approximately $31.9 million, or $0.8600 per share, and $29.4 million, or $0.7950 per share, respectively.

GSWC did not pay a dividend to AWR during the three and six months ended June 30, 2024. During the three and six months ended June 30, 2023, GSWC paid dividends of $14.7 million and $39.4 million, respectively, to AWR. ASUS paid a $16.0 million dividend to AWR during the three months ended June 30, 2024, but did not pay any dividends to AWR during the three and six months ended June 30, 2023.

During the six months ended June 30, 2023, GSWC issued one Common Share to AWR for $10.0 million. Proceeds from the stock issuance were used to pay down a portion of intercompany borrowings owed to AWR.

**Note 5 — Derivative Instruments**

BVES has entered into long-term fixed price contracts to purchase power over three- and five-year terms. These long-term contracts will expire during the fourth quarter of 2024 and are subject to the accounting guidance for derivatives and require mark-to-market derivative accounting. In July 2023, the CPUC approved a new power purchase agreement between BVES and a third party to procure renewable portfolio standard eligible energy and renewable energy credits as a bundled product. BVES will begin taking power under this long-term contract during the fourth quarter of 2024 to replace the existing expiring contracts. The new contract provides for the purchase of electricity during a delivery period from November 1, 2024 through December 31, 2035. Under this contract, there is an embedded derivative that also requires mark-to-market accounting.

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 derivative instruments in purchase 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 do not impact Registrant's earnings. As of June 30, 2024, the fair value of the derivative liability was $5.6 million for the power purchase contracts, with a corresponding regulatory asset recorded in the derivative instrument memorandum account as a result of overall fixed prices under BVES's purchase power contracts being higher than future energy prices. The notional volume of derivatives remaining under these long-term contracts as of June 30, 2024 was 625,958 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, Registrant 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 derivatives in the purchase power contracts, BVES 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 the derivative instruments 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 within BVES's purchase power contracts have 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, 2024 and 2023. The change in fair value was due to the change in market energy prices during the three and six months ended June 30, 2024 and 2023.

| | For The Three Months Ended June 30, | | For The Six Months Ended June 30, | |
|---|---|---|---|---|
| **(dollars in thousands)** | **2024** | **2023** | **2024** | **2023** |
| Fair value at beginning of the period | $ (6,168) | $ 6,669 | $ (2,360) | $ 11,847 |
| Unrealized gains (losses) on purchase power contracts | 575 | (2,012) | (3,233) | (7,190) |
| Fair value at end of the period | $ (5,593) | $ 4,657 | $ (5,593) | $ 4,657 |

## 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 $37.2 million as of June 30, 2024 and $34.1 million as of December 31, 2023. 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 AWR and GSWC, respectively. The fair values as of June 30, 2024 and December 31, 2023 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, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| **(dollars in thousands)** | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| Financial liabilities: | | | | |
| Long-term debt—AWR **(1)** | $ 643,791 | $ 603,019 | $ 579,047 | $ 556,214 |

| | June 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| **(dollars in thousands)** | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| Financial liabilities: | | | | |
| Long-term debt—GSWC **(2)** | $ 608,791 | $ 570,888 | $ 544,047 | $ 522,883 |

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**(1)** Excludes debt issuance costs of approximately $3.4 million and $3.1 million as of June 30, 2024 and December 31, 2023, respectively.
**(2)** Excludes debt issuance costs of approximately $3.2 million and $3.0 million as of June 30, 2024 and December 31, 2023, respectively.

## Note 7 — Income Taxes

AWR's effective income tax rate ("ETR") was 24.5% and 25.5% for the three months ended June 30, 2024 and 2023, respectively, and was 24.4% and 24.7% for the six months ended June 30, 2024 and 2023, respectively. GSWC's ETR was 25.2% and 26.2% for the three months ended June 30, 2024 and 2023, respectively, and was 25.0% and 25.5% for the six months ended June 30, 2024 and 2023, respectively.

The AWR and GSWC ETRs differed from the federal corporate statutory tax rate of 21% primarily due to (i) state taxes; (ii) permanent differences, including certain tax effects from stock compensation; (iii) the ongoing amortization of the excess deferred income tax liability; and (iv) differences between book and taxable income that are treated as flowed-through adjustments in accordance with regulatory requirements (principally from plant, rate-case, and compensation-related items). As regulated utilities, GSWC and BVES treat certain temporary differences as being flowed-through to customers in computing their income tax expense consistent with the income tax method used in their CPUC-jurisdiction rate making. Flowed-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, 2024 and 2023 were as follows:

| | For The Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | Other Postretirement Benefits | | SERP | |
| (dollars in thousands) | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| **Components of Net Periodic Benefits Cost:** | | | | | | |
| Service cost | $ 850 | $ 846 | $ 32 | $ 33 | $ 358 | $ 312 |
| Interest cost | 2,550 | 2,513 | 26 | 26 | 426 | 411 |
| Expected return on plan assets | (3,009) | (2,623) | (142) | (119) | — | — |
| Amortization of prior service cost | 109 | 108 | — | — | — | — |
| Amortization of actuarial (gain) loss | — | — | (293) | (242) | (3) | (8) |
| Net periodic benefits costs under accounting standards | 500 | 844 | (377) | (302) | 781 | 715 |
| Regulatory adjustments - deferred | — | (92) | — | — | — | — |
| Total expense (benefit) recognized, before surcharges and allocation to overhead pool | $ 500 | $ 752 | $ (377) | $ (302) | $ 781 | $ 715 |

| | For The Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | Other Postretirement Benefits | | SERP | |
| (dollars in thousands) | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| **Components of Net Periodic Benefits Cost:** | | | | | | |
| Service cost | $ 1,700 | $ 1,692 | $ 64 | $ 66 | $ 716 | $ 624 |
| Interest cost | 5,100 | 5,026 | 49 | 51 | 852 | 822 |
| Expected return on plan assets | (6,018) | (5,246) | (284) | (239) | — | — |
| Amortization of prior service cost | 217 | 216 | — | — | — | — |
| Amortization of actuarial (gain) loss | — | — | (556) | (482) | (7) | (16) |
| Net periodic benefits costs under accounting standards | 999 | 1,688 | (727) | (604) | 1,561 | 1,430 |
| Regulatory adjustments - deferred | — | (184) | — | — | — | — |
| Total expense (benefit) recognized, before surcharges and allocation to overhead pool | $ 999 | $ 1,504 | $ (727) | $ (604) | $ 1,561 | $ 1,430 |

In 2024, Registrant expects to contribute approximately $2.9 million to its pension plan.

As authorized by the CPUC in the water and electric general rate case decisions, GSWC and BVES 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 and six months ended June 30, 2024, GSWC's actual pension expense was lower than the amounts included in water customer rates by $0.1 million and $0.3 million, respectively. During the three and six months ended June 30, 2023, GSWC's actual pension expense was higher than the amounts included in water customer rates by $0.1 million and $0.2 million, respectively. BVES's actual expense was lower than the amounts included in electric customer rates for all periods presented. Over-collections are recorded as a reduction in revenues. As of June 30, 2024, GSWC and BVES had over-collections in their two-way pension balancing accounts of $1.4 million and $0.5 million, respectively, and have been included as part of regulatory liabilities (Note 3).

## Note 9 — Contingencies

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

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.

As of June 30, 2024, the total amount spent to clean-up and remediate the plant site was approximately $6.7 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, 2024, GSWC has a regulatory asset and an accrued liability for the estimated remaining cost of $1.3 million to complete the clean-up at the site. The estimate includes costs for 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 believes it is probable that the estimated additional costs will continue to be approved in rate base by the CPUC as approved historically.

***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. GSWC has one segment, water. On a stand-alone basis, AWR has no material assets or liabilities other than its equity investments in its subsidiaries, note payables to bank, deferred taxes and intercompany note receivables.

All GSWC and BVES business activities are conducted in California. Activities of ASUS and its subsidiaries are conducted in California, Florida, Kansas, Maryland, Massachusetts, New Mexico, North Carolina, South Carolina, Texas and Virginia. Some of ASUS's wholly owned subsidiaries are regulated 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 balances are net of respective accumulated provisions for depreciation. Capital additions reflect capital expenditures paid in cash and exclude U.S. government-funded and third-party prime contractor funded capital expenditures for ASUS, and property installed by developers and conveyed to GSWC and BVES.

| | As Of And For The Three Months Ended June 30, 2024 | | | | |
|---|---|---|---|---|---|
| **(dollars in thousands)** | **Water** | **Electric** | **Contracted Services** | **AWR Parent** | **Consolidated AWR** |
| Operating revenues | $ 110,424 | $ 8,703 | $ 36,201 | $ — | $ 155,328 |
| Operating income (loss) | 40,565 | 1,233 | 9,952 | (2) | 51,748 |
| Interest expense (income), net | 8,142 | 951 | 361 | 1,590 | 11,044 |
| Net property, plant and equipment | 1,813,292 | 150,999 | 17,345 | — | 1,981,636 |
| Depreciation and amortization expense **(1)** | 9,043 | 893 | 834 | — | 10,770 |
| Income tax expense (benefit) | 8,487 | (39) | 2,322 | (411) | 10,359 |
| Capital additions | 54,349 | 5,945 | 1,454 | — | 61,748 |

| | As Of And For The Three Months Ended June 30, 2023 | | | | |
|---|---|---|---|---|---|
| **(dollars in thousands)** | **Water** | **Electric** | **Contracted Services** | **AWR Parent** | **Consolidated AWR** |
| Operating revenues | $ 116,908 | $ 8,828 | $ 31,664 | $ — | $ 157,400 |
| Operating income (loss) | 50,524 | 2,103 | 6,354 | (36) | 58,945 |
| Interest expense (income), net | 6,515 | 654 | 327 | 1,429 | 8,925 |
| Net property, plant and equipment | 1,666,700 | 130,502 | 16,859 | — | 1,814,061 |
| Depreciation and amortization expense **(1)** | 8,674 | 759 | 825 | — | 10,258 |
| Income tax expense (benefit) | 11,934 | 247 | 1,506 | (483) | 13,204 |
| Capital additions | 34,567 | 4,386 | 359 | — | 39,312 |

| | As Of And For The Six Months Ended June 30, 2024 | | | | |
|---|---|---|---|---|---|
| **(dollars in thousands)** | **Water** | **Electric** | **Contracted Services** | **AWR Parent** | **Consolidated AWR** |
| Operating revenues | $ 200,689 | $ 20,908 | $ 68,982 | $ — | $ 290,579 |
| Operating income (loss) | 69,732 | 4,374 | 16,619 | (3) | 90,722 |
| Interest expense (income), net | 16,023 | 1,816 | 678 | 3,312 | 21,829 |
| Net property, plant and equipment | 1,813,292 | 150,999 | 17,345 | — | 1,981,636 |
| Depreciation and amortization expense **(1)** | 18,077 | 1,777 | 1,638 | — | 21,492 |
| Income tax expense (benefit) | 14,311 | 521 | 3,882 | (959) | 17,755 |
| Capital additions | 95,627 | 11,161 | 2,510 | — | 109,298 |

| (dollars in thousands) | As Of And For The Six Months Ended June 30, 2023 Water | Electric | Contracted Services | AWR Parent | Consolidated AWR |
|---|---|---|---|---|---|
| Operating revenues | $ 229,620 | $ 21,732 | $ 67,471 | $ — | $ 318,823 |
| Operating income (loss) | 90,763 | 5,734 | 13,650 | (37) | 110,110 |
| Interest expense (income), net | 12,009 | 1,227 | 554 | 2,752 | 16,542 |
| Net property, plant and equipment | 1,666,700 | 130,502 | 16,859 | — | 1,814,061 |
| Depreciation and amortization expense **(1)** | 18,280 | 1,507 | 1,674 | — | 21,461 |
| Income tax expense (benefit) | 20,844 | 948 | 3,191 | (1,027) | 23,956 |
| Capital additions | 76,572 | 11,038 | 1,039 | — | 88,649 |

**(1)** Depreciation computed on GSWC's and BVES's transportation equipment is recorded in other operation expenses and totaled $0.2 million for each of the three month periods ended June 30, 2024 and 2023, and totaled $0.3 million and $0.5 million for the six months ended June 30, 2024 and 2023, respectively. For the six months ended June 30, 2023, additional depreciation expense on GSWC's transportation equipment of $0.2 million was recorded that relates to the cumulative retroactive impact for the full year of 2022 approved in the CPUC's final decision issued in June 2023 in GSWC's general rate case that resulted in an increase to the transportation equipment composite depreciation rates that were retroactive to January 1, 2022.

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

| | June 30, 2024 | 2023 |
|---|---|---|
| Total net property, plant and equipment | $ 1,981,636 | $ 1,814,061 |
| Other assets | 366,684 | 325,574 |
| Total consolidated assets | $ 2,348,320 | $ 2,139,635 |

## 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 (i) GSWC, AWR's regulated water utility segment, (ii) BVES, AWR's regulated electric utility segment, (iii) ASUS and its subsidiaries, collectively, AWR's contracted services segment, and (iv) AWR (parent) where applicable.

Included in the following analysis is a discussion of Registrant's operations in terms of earnings per share by business segment and AWR (parent), which equals each business segment's earnings divided by AWR's weighted average number of diluted Common Shares. The impact of retroactive rates related to the full year 2022 recorded during the six months ended June 30, 2023 resulting from the final decision on the water general rate case approved in June 2023, and the impact from the reversal of revenues subject to refund due to a change in estimates recorded during the three and six months ended June 30, 2023 following the receipt of a final cost of capital decision in June 2023 have been excluded in this analysis when communicating AWR's consolidated and water segment results for the three and six months ended June 30, 2024 and 2023 to help facilitate comparisons of Registrant's performance from period to period.

All of the measures discussed above are derived from consolidated financial information of Registrant, but are not presented in our financial statements that are prepared in accordance with Generally Accepted Accounting Principles in the United States ("GAAP"). These items constitute "non-GAAP financial measures" under Securities and Exchange Commission rules, which supplement our GAAP disclosures but should not be considered as an alternative to the respective GAAP measures. Furthermore, the non-GAAP financial measures may not be comparable to similarly titled non-GAAP financial measures of other registrants.

AWR uses earnings per share by business segment as an important measure in evaluating its operating results and believes it provides investors with clarity surrounding the performance of its segments. AWR reviews this measurement regularly and compares it to historical periods and to its operating budget. A reconciliation to AWR's consolidated diluted earnings per share prepared in accordance with GAAP is included in the discussion under the section 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, 2023 filed with the SEC.

#### *Water and Electric Segments:*

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

*General Rate Case Filings and Other Matters:*

*Water General Rate Case for the years 2025–2027*

On August 14, 2023, 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 2025 – 2027. On July 12, 2024, GSWC and the Public Advocates Office ("Cal Advocates") of the CPUC filed a joint motion to adopt a settlement agreement between GSWC and Cal Advocates in connection with the water utility general rate case. The CPUC is scheduled to issue a decision in the water general rate case by the end of 2024, with new rates to become effective January 1, 2025.

The proposed settlement agreement, if approved by the CPUC, resolves most of the issues related to the calculation of the 2025 annual revenue requirement in the general rate case application leaving only two unresolved issues. Among other things, the settlement authorizes GSWC to invest approximately $573.1 million in capital infrastructure over the three-year capital cycle. The $573.1 million of infrastructure investment, as settled, includes $17.7 million of advice letter capital investments to be filed for revenue recovery during the second and third year attrition increases when those projects are completed. In addition, the settlement agreement approves $58.2 million of advice letter capital investments that began construction in 2023 that we expect to file for revenue recovery during the second and third year attrition increases when those projects are completed. For all of the advice letter projects, GSWC will be allowed to accrue interest during construction at the adopted cost of debt and recover the full rate of return and all applicable components of the revenue requirement after the assets are placed in service up until the assets are placed in customer rates.

Excluding revenues for all of the advice letter capital projects discussed above, under the terms of the settlement agreement (i) GSWC's adopted operating revenues less water supply costs for 2025 are projected to increase by approximately $23 million as compared to the 2024 adopted operating revenues less water supply costs, and (ii) there are potential additional revenue increases of approximately $20 million for each of the years 2026 and 2027 based on inflation factors used at the time of the application filing in August 2023. The increases in 2026 and 2027 are subject to the results of an earnings test and changes to the forecasted inflationary index values. Actual increases for 2026 and 2027 will be determined when the CPUC approves the filings to implement the new rate increases, using inflationary index values applicable at that time.

The two remaining unresolved 2025 revenue requirement issues relate to the sales forecast and supply mix. In addition, four items related to GSWC's request for certain regulatory mechanisms will be litigated and they include (i) a full sales and revenue decoupling mechanism, and a full cost balancing account for water supply, (ii) a sales reconciliation mechanism, (iii) a supply mix adjustment mechanism, and (iv) a request to modify the existing per- and polyfluoroalkyl substances ("PFAS") memorandum account to track carrying costs on capital investments needed to comply with the new PFAS maximum contaminant levels (monitoring and reporting required effective 2027) established by the Environmental Protection Agency. With regards to all of these unresolved issues, GSWC and Cal Advocates filed briefs with the CPUC in July 2024. When the administrative law judge in the proceeding issues a proposed decision, it will address the unresolved issues along with the settlement agreement filed by GSWC and Cal Advocates.

As noted above, GSWC is litigating its request for the continued use of a full sales and revenue decoupling mechanism, and a full cost balancing account for water supply. In August 2020, the CPUC had issued a decision that mandated the discontinuation of the existing full revenue decoupling mechanism known as the Water Revenue Adjustment Mechanism ("WRAM") used by investor owned water utilities since 2008 that, in conjunction with tiered rates, incentivizes water conservation, and also ordered the discontinued use of the Modified Cost Balancing Account ("MCBA"). Under the CPUC's order, the WRAM and MCBA would be discontinued after 2024. In response to the CPUC's order, GSWC, three other investor-owned water utilities and the California Water Association each separately filed a petition in 2021 with the California Supreme Court (the "Court") to review the CPUC's decision-making processes that resulted in discontinuing the use of the WRAM and MCBA. In September 2022, the governor of California signed Senate Bill ("SB") 1469, which allowed Class A water utilities, including GSWC, to continue requesting the use of a revenue decoupling mechanism in their next general rate case. On July 8, 2024, the Court issued a ruling that set aside the previously issued order by the CPUC and vacated the portions of the CPUC's decision related to the discontinued use of the WRAM and MCBA used by water utilities and its accompanying findings and conclusions. However, GSWC's request to continue using the WRAM and MCBA is still subject to CPUC approval.

*Water General Rate Case for 2022–2024 and Changes in Rates for 2023 and 2024*

In June 2023, the CPUC adopted a final decision in GSWC's general rate case application for all its water regions and its general office that determined new water rates for the years 2022–2024 retroactive to January 1, 2022. The impact of retroactive rates for the full year of 2022 as well as the 2023 estimated second-year rate increases have been reflected in the results of operations for the six months ended June 30, 2023.

The third-year rate increases for 2024, which were effective January 1, 2024, have been reflected in the six months ended June 30, 2024 results. There was an increase in recorded water operating revenues of $9.5 million largely as a result of the third-year rate increases for 2024 that reflects, among other things, a higher revenue requirement for increases in recorded supply costs of $1.2 million, which combined is an increase of $0.16 per share, and excludes the impact of (i) retroactive rates for the full year of 2022 resulting from the final general rate case decision and (ii) reversing the revenues subject to refund previously recorded in 2022 resulting from the final cost of capital decision, with both decisions received and recorded in 2023. Actual water supply costs are tracked against adopted costs in the revenue requirement, and passed through to customers on a dollar-for-dollar basis by way of the CPUC-approved water supply cost balancing accounts. The increase in water supply costs results in a corresponding increase in water operating revenues and has no net impact on the water segment's profitability. Due to the delay in finalizing the prior water general rate case, water revenues billed to customers for the year ended December 31, 2022 and for the period from January 1, 2023 to July 30, 2023 were based on 2021 adopted rates and new 2023 rate increases went into effect on July 31, 2023. In October 2023, GSWC filed with the CPUC to recover all retroactive rate amounts accumulated in memorandum accounts for the full 2022 year and for 2023 through July 30, 2023. Surcharges were implemented to recover the cumulative retroactive rate differences over 36 months. As of June 30, 2024, there is an aggregate cumulative balance of $46.5 million in CPUC-approved general rate case memorandum accounts that have been recognized as regulatory assets.

*Cost of Capital ("COC") Proceedings:*

*2021 COC Application*

GSWC filed its last cost of capital application with the CPUC in May 2021. On June 29, 2023, the CPUC adopted a final decision that, among other things, allowed for the continuation of the Water Cost of Capital Mechanism ("WCCM") through

December 31, 2024. The WCCM adjusts the return on equity and rate of return on rate base between the three-year cost of capital proceedings only if there is a positive or negative change of more than 100 basis points in the average of the Moody's Aa utility bond rate as measured over the period October 1 through September 30. If there is a positive or negative change of more than 100 basis points, the return on equity is adjusted by one half of the difference. For the period from October 1, 2022 through September 30, 2023, the Moody's Aa utility bond rate increased by 139.7 basis points from the benchmark, which triggered a WCCM adjustment and increased GSWC's 9.36% adopted return on equity to 10.06% effective January 1, 2024.

*2024 COC Application*

Investor-owned water utilities serving California are required to file their cost of capital applications on a triennial basis. GSWC's next cost of capital application was scheduled to be filed on May 1, 2024 effective for the years 2025 - 2027. However, GSWC, along with three other Class A investor-owned water utilities in California, filed a joint request with the CPUC to defer the filing deadline of the next cost of capital applications by one year, which was approved on February 2, 2024. The joint request asked that the utilities keep the cost of capital currently authorized for 2024 in effect through 2025, and file new cost of capital applications by May 1, 2025 to set the cost of debt, return on equity and capital structure starting January 1, 2026. GSWC's current authorized rate of return on rate base is 7.93% effective January 1, 2024, which will continue in effect through December 31, 2025. Additionally, GSWC's WCCM will remain active through the one year deferral period.

*Electric General Rate Case for the years 2023–2026*

On August 30, 2022, BVES filed a general rate case application that will determine new electric rates for the years 2023 – 2026. Electric revenues billed to customers for 2023 and through June 30, 2024 were based on 2022 adopted rates and will remain in effect until finalization of the pending general rate case application. On December 15, 2022, the CPUC approved a decision for BVES to establish a general rate case memorandum account that makes the new 2023 rates effective and retroactive to January 1, 2023. When a decision is issued in the electric general rate case, cumulative adjustments will be recorded at that time. A proposed decision was issued that extends the statutory deadline of the general rate case to September 30, 2024. Therefore, a decision on the general rate case is scheduled to be issued by the end of the third quarter of 2024. No assurance can be given that a decision will be received at such time.

Among other things, BVES requested (i) capital budgets of approximately $62.0 million for the four-year rate cycle, and another $6.2 million for a large line replacement capital project to be filed for revenue recovery through an advice letter when the project is completed, and (ii) a capital structure for BVES of 61.8% equity and 38.2% debt, a return on equity of 11.25%, an embedded cost of debt of 5.51%, and a return on rate base of 9.05%. Included in the general rate case application is a request for recovery of all capital expenditures and other incremental costs incurred over the last few years in connection with BVES's wildfire mitigation plans that are currently not included in customer rates. These costs are subject to review by the CPUC during the general rate case proceeding.

***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 for the water and/or wastewater systems at various military installations, pursuant to an initial 50-year, firm-fixed-price contract, additional firm-fixed-price contracts, task order agreements and subcontracts with third party prime contractors on military bases. Currently, ASUS has one subsidiary that has entered into a task order agreement with the U.S. government that has a term of 15 years. The contract prices for each of the contracts and recurring task order agreements are subject to annual economic price adjustments. Additional revenues generated by contract operations are primarily dependent on annual economic price adjustments, and new construction activities under contract modifications with the U.S. government or agreements with other third-party prime contractors. ASUS's 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 bases served.

In August and September of 2023, ASUS was awarded new contracts with the U.S. government to serve two military bases for which operations began in April 2024. After completion of the transition periods, ASUS began operating the water and wastewater utility systems at Naval Air Station Patuxent River in Maryland under a 50-year privatization contract with the U.S. government and at Joint Base Cape Cod in Massachusetts under a 15-year contract with the U.S. government. The initial value of its contract at Naval Air Station Patuxent River was estimated at approximately $349 million over a 50-year period subject to an inventory adjustment and annual economic price adjustments. In July 2024, the contract value was increased to $378 million after an inventory adjustment. Under its contract at Joint Base Cape Cod, ASUS performs work through the annual issuance of task orders by the U.S. government over a 15-year period up to a maximum value to ASUS of $75.0 million subject to adjustments as task orders are issued. In April 2024, the U.S. government awarded a task order to ASUS valued at $4.1 million for the first year of operation, maintenance, and renewal and replacement services of the water and wastewater systems at Joint Base Cape Cod.

**Summary of Second Quarter Results by Segment**

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

| | Diluted Earnings per Share | | |
|---|---|---|---|
| | Three Months Ended | | |
| | 6/30/2024 | 6/30/2023 | CHANGE |
| Water | $ 0.67 | $ 0.91 | $ (0.24) |
| Electric | 0.01 | 0.03 | (0.02) |
| Contracted services | 0.19 | 0.12 | 0.07 |
| AWR (parent) | (0.02) | (0.02) | — |
| Consolidated diluted earnings per share, as recorded (GAAP) | 0.85 | 1.04 | (0.19) |
| Adjustment to GAAP measure: | | | |
| Impact related to the final cost of capital decision* | — | (0.18) | 0.18 |
| Consolidated diluted earnings per share, as adjusted (Non-GAAP)* | $ 0.85 | $ 0.86 | $ (0.01) |
| Water diluted earnings per share, as adjusted (Non-GAAP)* | $ 0.67 | $ 0.73 | $ (0.06) |

* The adjustment to 2023's recorded diluted earnings per share relates to the water segment. The water segment's adjusted earnings for 2023 exclude the impact from the final CPUC decision issued in June 2023 on the cost of capital proceeding that made all adjustments to rates prospective, and which is shown separately in the table above. As a result of that final decision that made adjustments to rates prospective, GSWC reversed its regulatory liability previously recorded during 2022 and through the end of the first quarter of 2023 for estimated revenues subject to refund at that time.

For the three months ended June 30, 2024, AWR's recorded consolidated diluted earnings were $0.85 per share, as compared to $1.04 per share for the same period in 2023, a decrease of $0.19 per share, which includes the impact of approximately $0.18 per share resulting from the reversal in June 2023 of previously recorded estimated revenues subject to refund as a result of the final cost of capital decision, which is shown separately in the table above. Excluding this item from the second quarter of 2023, adjusted consolidated diluted earnings were $0.86 per share compared to adjusted and recorded consolidated earnings of $0.85 per share for the three months ended June 30, 2024.

The following is a computation and reconciliation of diluted earnings per share from the measure of operating income by business segment as disclosed in Note 10 to the Unaudited Consolidated Financial Statements to AWR's consolidated fully diluted earnings per common share (as recorded), for the three months ended June 30, 2024 and 2023:

| | Water | | Electric | | Contracted Services | | AWR (Parent) | | Consolidated (GAAP) | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in thousands, except per share amounts) | Q2 2024 | Q2 2023 | Q2 2024 | Q2 2023 | Q2 2024 | Q2 2023 | Q2 2024 | Q2 2023 | Q2 2024 | Q2 2023 |
| Operating income (loss) (Note 10) | $ 40,565 | $ 50,524 | $ 1,233 | $ 2,103 | $ 9,952 | $ 6,354 | $ (2) | $ (36) | $ 51,748 | $ 58,945 |
| Other (income) and expenses, net | 6,883 | 5,057 | 930 | 645 | 379 | 357 | 1,333 | 1,161 | 9,525 | 7,220 |
| Income tax expense (benefit) | 8,487 | 11,934 | (39) | 247 | 2,322 | 1,506 | (411) | (483) | 10,359 | 13,204 |
| Net income (loss) | $ 25,195 | $ 33,533 | $ 342 | $ 1,211 | $ 7,251 | $ 4,491 | $ (924) | $ (714) | $ 31,864 | $ 38,521 |
| Weighted Average Number of Diluted Shares | 37,418 | 37,067 | 37,418 | 37,067 | 37,418 | 37,067 | 37,418 | 37,067 | 37,418 | 37,067 |
| Diluted earnings (loss) per share | $ 0.67 | $ 0.91 | $ 0.01 | $ 0.03 | $ 0.19 | $ 0.12 | $ (0.02) | $ (0.02) | $ 0.85 | $ 1.04 |

*Water Segment:*

For the three months ended June 30, 2024, recorded diluted earnings from the water utility segment were $0.67 per share, as compared to $0.91 per share for the same period in 2023, a decrease of $0.24 per share. Excluding the revenue impact of $9.3 million, or approximately $0.18 per share, resulting from the reversal of previously recorded estimated revenues subject to refund discussed above, adjusted diluted earnings for the second quarter of 2023 at the water segment were $0.73 per share, as compared to adjusted and recorded diluted earnings of $0.67 per share for the second quarter of 2024, an adjusted decrease at the water segment of approximately $0.06 per share. The discussion below includes the major items that impacted the comparability of the two periods as adjusted.

- Excluding the impact from the reversal of revenues subject to refund recorded during the three months ended June 30, 2023 due to the final cost of capital decision as previously discussed, there was a net increase in water operating revenues of approximately $3 million that was largely a result of the third-year rate increases related to the three months ended June 30, 2024. Furthermore, during the three months ended June 30, 2023, there was an increase in revenues as a result of recording regulatory adjustments of approximately $2 million that did not recur during the same period in

2024. The increase in water revenues during the second quarter of 2024 represents the difference from the third-year rate increases compared to the second-year rate increases recorded during the three months ended June 30, 2023 as a result of receiving a final decision in the water general rate case.

- An increase in water supply costs of $0.7 million, which consist of purchased water, purchased power for pumping, groundwater production assessments and changes in the water supply cost balancing accounts. The increase in water supply costs is primarily related to an increase in customer water usage and an increase in overall actual supply costs in 2024. Actual water supply costs are tracked against adopted costs in the revenue requirement, and passed through to customers on a dollar-for-dollar basis by way of the CPUC-approved water supply cost balancing accounts. The increase in water supply costs results in a corresponding increase in water operating revenues and has no net impact on the water segment's profitability.
- An overall increase in operating expenses of $2.8 million (excluding supply costs) due primarily to increases in (i) overall labor costs, (ii) administrative and general expenses resulting largely from higher outside-services costs related to the pending general rate case application and other regulatory filings, (iii) depreciation and amortization expenses resulting from additions to utility plant, and (iv) property taxes; partially offset by a decrease in maintenance expenses due to timing.
- An increase in interest expenses (net of interest income) of $1.6 million resulting primarily from an overall increase in interest rates, as well as an overall increase in total borrowing levels to support, among other things, the capital expenditure programs at GSWC, partially offset by higher interest income earned on regulatory assets bearing interest at the current 90-day commercial-paper rate, which increased compared to 2023's rates, as well as an increase in the level of regulatory assets recorded.
- An overall decrease in other income (net of other expense) of $0.2 million due primarily to a decrease of $0.5 million in gains generated on investments held to fund one of the Company's retirement plans for the three months ended June 30, 2024 compared to the same period in 2023, due to financial market conditions, partially offset by the change in the non-service cost components related to GSWC's benefit plans resulting from changes in actuarial assumptions including expected returns on plan assets. However, as a result of GSWC's two-way pension balancing accounts authorized by the CPUC, changes in total net periodic benefits costs related to the pension plan have no material impact to earnings.
- A decrease in earnings of approximately $0.01 per share due to the dilutive effects from the issuance of equity under AWR's at-the-market ("ATM") offering program. Under the ATM offering program, AWR may offer and sell its Common Shares, with an aggregate gross offering price of up to $200 million, from time to time at its sole discretion. Through June 30, 2024, AWR has sold 455,648 Common Shares through this ATM offering program.

*Electric Segment*:

Diluted earnings from the electric utility segment decreased $0.02 per share for the second quarter of 2024 as compared to the same period in 2023, largely resulting from not having new rates while awaiting the processing of the pending electric general rate case that will set new rates for 2023 – 2026, while also experiencing continued increases in overall operating expenses and interest costs. When a decision is issued in the electric general rate case, new rates are expected to be retroactive to January 1, 2023 and cumulative adjustments will be recorded at that time.

*Contracted Services Segment*:

Diluted earnings from the contracted services segment increased $0.07 per share for the three months ended June 30, 2024 as compared to the same period in 2023, due to an increase in management fee revenue resulting from the resolution of various economic price adjustments and operation of the water and wastewater systems at the new bases, and an increase in construction activity largely resulting from timing differences of when construction work was performed in 2024 as compared to the same period in 2023, partially offset by an overall increase in operating expenses. The contracted services segment is expected to contribute $0.50 to $0.54 per share for the full 2024 year.

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

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

| | Diluted Earnings per Share | | |
|---|---|---|---|
| | Six Months Ended | | |
| | 6/30/2024 | 6/30/2023 | CHANGE |
| Water | $ 1.15 | $ 1.65 | $ (0.50) |
| Electric | 0.06 | 0.09 | (0.03) |
| Contracted services | 0.32 | 0.27 | 0.05 |
| AWR (parent) | (0.06) | (0.04) | (0.02) |
| Consolidated diluted earnings per share, as recorded (GAAP) | 1.47 | 1.97 | (0.50) |
| Adjustments to GAAP measure: | | | |
| Impact of retroactive rates related to the full year of 2022 from the decision in the water general rate case* | — | (0.38) | 0.38 |
| Impact related to the final cost of capital decision* | — | (0.13) | 0.13 |
| Consolidated diluted earnings per share, as adjusted (Non-GAAP)* | $ 1.47 | $ 1.46 | $ 0.01 |
| Water diluted earnings per share, as adjusted (Non-GAAP)* | $ 1.15 | $ 1.14 | $ 0.01 |

* All adjustments to 2023's recorded diluted earnings per share relate to the water segment. The water segment's adjusted earnings for 2023 exclude both the impact of the final decision on the water general rate case that included retroactive rates related to the full year of 2022, and the impact of reversing previously recorded estimated 2022 revenues subject to refund as a result of the final cost of capital decision issued in June 2023 that made all adjustments to rates prospective. Both adjustments are shown separately in the table above.

For the six months ended June 30, 2024, AWR's recorded consolidated diluted earnings were $1.47 per share, as compared to $1.97 per share recorded for the same period in 2023, a decrease of $0.50 per share. Included in the results for the six months ended June 30, 2023 were (i) the impact from the final decision in the water general rate case recorded in 2023 that included retroactive new rates related to the full 2022 year of $0.38 per share, and (ii) the impact of the final cost of capital decision that resulted in the reversal of estimated water revenues subject to refund previously recorded in 2022 of $6.4 million, or $0.13 per share. Excluding these items from the first half of 2023, adjusted consolidated diluted earnings were $1.46 per share, compared to adjusted and recorded consolidated earnings of $1.47 per share during the same period in 2024, an adjusted increase of $0.01 per share.

The following is a computation and reconciliation of diluted earnings per share from the measure of operating income by business segment as disclosed in Note 10 to the Unaudited Consolidated Financial Statements, to AWR's consolidated fully diluted earnings per common share, for the six months ended June 30, 2024 and 2023:

| | Water | | Electric | | Contracted Services | | AWR (Parent) | | Consolidated (GAAP) | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in thousands, except per share amounts) | YTD 2024 | YTD 2023 | YTD 2024 | YTD 2023 | YTD 2024 | YTD 2023 | YTD 2024 | YTD 2023 | YTD 2024 | YTD 2023 |
| Operating income (loss) (Note 10) | $ 69,732 | $ 90,763 | $ 4,374 | $ 5,734 | $ 16,619 | $ 13,650 | $ (3) | $ (37) | $ 90,722 | $ 110,110 |
| Other (income) and expenses, net | 12,432 | 8,923 | 1,769 | 1,205 | 712 | 614 | 3,055 | 2,484 | 17,968 | 13,226 |
| Income tax expense (benefit) | 14,311 | 20,844 | 521 | 948 | 3,882 | 3,191 | (959) | (1,027) | 17,755 | 23,956 |
| Net income (loss) | $ 42,989 | $ 60,996 | $ 2,084 | $ 3,581 | $ 12,025 | $ 9,845 | $ (2,099) | $ (1,494) | $ 54,999 | $ 72,928 |
| Weighted Average Number of Diluted Shares | 37,263 | 37,058 | 37,263 | 37,058 | 37,263 | 37,058 | 37,263 | 37,058 | 37,263 | 37,058 |
| Diluted earnings (loss) per share | $ 1.15 | $ 1.65 | $ 0.06 | $ 0.09 | $ 0.32 | $ 0.27 | $ (0.06) | $ (0.04) | $ 1.47 | $ 1.97 |

*Water Segment:*

For the six months ended June 30, 2024, recorded diluted earnings from the water utility segment were $1.15 per share, as compared to $1.65 per share for the same period in 2023, a decrease of $0.50 per share, which includes (i) the impact from the final decision in the water general rate case recorded in 2023 that included retroactive new rates related to the full 2022 year of $0.38 per share, and (ii) the impact of the final cost of capital decision that resulted in the reversal during the six months ended June 30, 2023 of estimated revenues subject to refund recorded in 2022 of $6.4 million, or $0.13 per share. Excluding the impact of both items from the six months ended June 30, 2023, adjusted diluted earnings were $1.14 per share, as compared to adjusted and recorded diluted earnings of $1.15 per share for the six months ended June 30, 2024, an adjusted increase at the water segment of $0.01 per share due primarily to the following items:

- Excluding the revenue impact related to 2022 resulting from the decisions in both the general rate case and cost of capital proceedings recorded during the six months ended June 30, 2023 as previously discussed, there was an increase in water operating revenues of approximately $9.5 million largely as a result of the third-year rate increases related to the six months ended June 30, 2024. The increase in water revenues during 2024 represents the difference from the third-year rate increases compared to the second-year rate increases recorded during the six months ended June 30, 2023 as a result of receiving a final decision in the water general rate case at that time.

- An increase in water supply costs of $1.2 million, which consists of purchased water, purchased power for pumping, groundwater production assessments and changes in the water supply cost balancing accounts. The increase in water supply costs is primarily related to an increase in customer water usage and an increase in overall actual supply costs in 2024. Actual water supply costs are tracked against adopted costs in the revenue requirement, and passed through to customers on a dollar-for-dollar basis by way of the CPUC-approved water supply cost balancing accounts. The increase in water supply costs results in a corresponding increase in water operating revenues and has no net impact on the water segment's profitability.
- An overall increase in operating expenses of $3.7 million (excluding supply costs) mainly due to increases in (i) overall labor costs and other employee-related benefits, (ii) administrative and general expenses resulting largely from higher outside-services costs related to the pending general rate case application and other regulatory filings, and an increase in insurance costs, (iii) depreciation and amortization expenses resulting from additions to utility plant, and (iv) property taxes; partially offset by decreases in the timing of other operation and maintenance expenses.
- An overall increase in interest expenses (net of interest income) of $3.3 million resulting primarily from an increase in interest rates, as well as an overall increase in total borrowing levels to support, among other things, the capital expenditure programs at GSWC, partially offset by higher interest income earned on regulatory assets bearing interest at the current 90-day commercial-paper rate, which increased compared to 2023's rates, as well as an increase in the level of regulatory assets recorded.
- An overall increase in other income (net of other expense) of $0.5 million due primarily to the change in the non-service cost components related to GSWC's benefit plans resulting from changes in actuarial assumptions including expected returns on plan assets. However, as a result of GSWC's two-way pension balancing accounts authorized by the CPUC, changes in total net periodic benefits costs related to the pension plan have no material impact to earnings.
- Changes in certain flowed-through income taxes, permanent items and other regulatory tax adjustments included in GSWC's income tax expense for the six months ended June 30, 2024 as compared to the same period in 2023 that unfavorably impacted the water segment's earnings. As a regulated utility, GSWC treats certain temporary differences as being flowed-through in computing its income tax expense consistent with the income tax method used in its CPUC-jurisdiction rate making. Changes in the magnitude of flowed-through items either increase or decrease tax expense, thereby affecting diluted earnings per share.
- A decrease in earnings of approximately $0.01 per share due to the dilutive effects from the issuance of equity under AWR's ATM offering program. Under the program, AWR may offer and sell its Common Shares, with an aggregate gross offering price of up to $200 million, from time to time at its sole discretion. Through June 30, 2024, AWR has sold 455,648 Common Shares through this ATM offering program.

*Electric Segment:*

Diluted earnings from the electric utility segment decreased $0.03 per share for the six months ended June 30, 2024 as compared to the same period in 2023, largely resulting from not having new rates while awaiting the processing of the pending electric general rate case that will set new rates for 2023 – 2026, while also experiencing continued increases in overall operating expenses and interest costs. When a decision is issued in the electric general rate case, new rates are expected to be retroactive to January 1, 2023 and cumulative adjustments will be recorded at that time.

*Contracted Services Segment:*

Diluted earnings from the contracted services segment increased $0.05 per share for the six months ended June 30, 2024 as compared to the same period in 2023, largely due to an increase in management fee revenue resulting from the resolution of various economic price adjustments and the commencement of operations at the new bases, partially offset by higher overall operating expenses (excluding construction expenses) and interest costs as compared to the same period of 2023. The contracted services segment is expected to contribute $0.50 to $0.54 per share for the full 2024 year.

*AWR (Parent):*

For the six months ended June 30, 2024, diluted loss from AWR (parent) increased by $0.02 per share compared to the same period in 2023 due primarily to an increase in interest expense resulting from higher short-term interest rates and higher borrowings made under AWR's revolving credit facility.

The following discussion and analysis for the three and six months ended June 30, 2024 and 2023 provides information on AWR's consolidated operations and, where necessary, includes specific references to AWR's individual segments and subsidiaries: GSWC, BVES, and ASUS and its subsidiaries.

***Consolidated Results of Operations — Three Months Ended June 30, 2024 and 2023 (amounts in thousands, except per share amounts):***

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Water | $ 110,424 | $ 116,908 | $ (6,484) | (5.5)% |
| Electric | 8,703 | 8,828 | (125) | (1.4)% |
| Contracted services | 36,201 | 31,664 | 4,537 | 14.3 % |
| Total operating revenues | 155,328 | 157,400 | (2,072) | (1.3)% |
| | | | | |
| OPERATING EXPENSES | | | | |
| Water purchased | 17,968 | 18,070 | (102) | (0.6)% |
| Power purchased for pumping | 3,521 | 2,869 | 652 | 22.7 % |
| Groundwater production assessment | 5,818 | 5,365 | 453 | 8.4 % |
| Power purchased for resale | 1,503 | 2,469 | (966) | (39.1)% |
| Supply cost balancing accounts | 3,436 | 2,837 | 599 | 21.1 % |
| Other operation | 10,733 | 9,716 | 1,017 | 10.5 % |
| Administrative and general | 23,487 | 21,503 | 1,984 | 9.2 % |
| Depreciation and amortization | 10,770 | 10,258 | 512 | 5.0 % |
| Maintenance | 3,535 | 3,779 | (244) | (6.5)% |
| Property and other taxes | 6,612 | 5,555 | 1,057 | 19.0 % |
| ASUS construction | 16,197 | 16,034 | 163 | 1.0 % |
| Total operating expenses | 103,580 | 98,455 | 5,125 | 5.2 % |
| | | | | |
| OPERATING INCOME | 51,748 | 58,945 | (7,197) | (12.2)% |
| | | | | |
| OTHER INCOME AND EXPENSES | | | | |
| Interest expense | (13,137) | (10,728) | (2,409) | 22.5 % |
| Interest income | 2,093 | 1,803 | 290 | 16.1 % |
| Other, net | 1,519 | 1,705 | (186) | (10.9)% |
| Total other income (expenses), net | (9,525) | (7,220) | (2,305) | 31.9 % |
| | | | | |
| INCOME BEFORE INCOME TAX EXPENSE | 42,223 | 51,725 | (9,502) | (18.4)% |
| | | | | |
| Income tax expense | 10,359 | 13,204 | (2,845) | (21.5)% |
| | | | | |
| NET INCOME | $ 31,864 | $ 38,521 | $ (6,657) | (17.3)% |
| | | | | |
| Basic earnings per Common Share | $ 0.85 | $ 1.04 | $ (0.19) | (18.3)% |
| | | | | |
| Fully diluted earnings per Common Share | $ 0.85 | $ 1.04 | $ (0.19) | (18.3)% |

***Operating Revenues:***

General

GSWC and BVES 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 ASUS's subsidiaries do not receive adequate price adjustments in a timely manner. ASUS's earnings are also impacted by the level of construction projects at its subsidiaries, which may or may not continue at current levels in future periods.

Water

For the three months ended June 30, 2024, revenues from water operations decreased by $6.5 million to $110.4 million as compared to the same period in 2023. The decrease in water revenues was largely due to the impact of the final cost of capital decision that resulted in the reversal during the second quarter of 2023 of previously recorded revenues subject to refund totaling $9.3 million. During the three months ended June 30, 2023, there was also an increase in revenues as a result of recording regulatory adjustments of approximately $2 million that did not recur during the same period in 2024. The impact to revenues from both of these items that did not recur during the same period in 2024 was partially offset by the increase in water revenues during the second quarter of 2024 resulting from the third-year rate increases.

Billed water consumption for the second quarter of 2024 was higher by approximately 3.2% as compared to the same period in 2023 due primarily to lower amounts of seasonal precipitation in the second quarter of 2024 as compared to second quarter of 2023. Currently, changes in consumption generally do not have a significant impact on recorded revenues due to the CPUC-approved WRAM that is in place in all but one small rate making area. GSWC records the difference between what it bills its water customers and what is authorized by the CPUC in the WRAM accounts as regulatory assets or liabilities.

Electric

Electric revenues for the three months ended June 30, 2024 decreased by $0.1 million to $8.7 million as a result of not having new rates while awaiting the processing of the pending electric general rate case that will set new rates for 2023 – 2026. Electric usage for the second quarter of 2024 was flat compared to the same period in 2023. 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, 2024, revenues from contracted services increased by $4.5 million to $36.2 million as compared to $31.7 million for the same period in 2023. The increase was largely resulting from timing difference of when construction work was performed in 2024 as compared to the same period of 2023, and an increase in management fees from economic price adjustments and transition revenues at the new bases.

ASUS's subsidiaries continue to enter into U.S. government-awarded contract modifications, agreements with third-party prime contractors for new construction projects at the military bases served and task order agreements. Earnings and cash flows from modifications to the initial 15- and 50-year contracts with the U.S. government and agreements with third-party prime contractors for additional construction projects may or may not continue at current levels in future periods.

***Operating Expenses:***

***Supply Costs***

Total supply costs at the regulated utilities comprise the largest segment of total consolidated operating expenses. Supply costs accounted for approximately 31.1% and 32.1% of total operating expenses for the three months ended June 30, 2024 and 2023, respectively.

***Water segment supply costs***

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. The overall actual percentages of purchased water for the three months ended June 30, 2024 and 2023 were approximately 40.5% and 46%, respectively. The decrease in the actual percentage of purchased water resulted primarily from wells coming back on-line that had previously been out of service. This trend is expected to be consistent during the remainder of the year.

Under the current CPUC-approved MCBA, GSWC tracks adopted and actual expense levels for purchased water, power purchased for pumping and pump taxes and 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 to the MCBA. GSWC recovers from, or refunds to, customers the amount of such variances. GSWC tracks these variances individually for each water ratemaking area.

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. For the three months ended June 30, 2024 and 2023, water supply costs consisted of the following amounts (in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water purchased | $ 17,968 | $ 18,070 | $ (102) | (0.6)% |
| Power purchased for pumping | 3,521 | 2,869 | 652 | 22.7 % |
| Groundwater production assessment | 5,818 | 5,365 | 453 | 8.4 % |
| Water supply cost balancing accounts * | 2,449 | 2,787 | (338) | (12.1)% |
| Total water supply costs | $ 29,756 | $ 29,091 | $ 665 | 2.3 % |

* The sum of the water and electric supply-cost balancing accounts are shown on AWR's Consolidated Statements of Income and totaled $3.4 million and $2.8 million for the three months ended June 30, 2024 and 2023, respectively.

Purchased water costs for the second quarter of 2024 decreased to $18.0 million as compared to $18.1 million for the same period in 2023 primarily due to a decrease in purchased water resulting from wells coming back online, partially offset by increases in wholesale water costs. The increases in power purchased for pumping and groundwater production assessments are also a result of wells coming back online and an overall increase in well production compared to the same period in 2023, as well as increases in electricity provider rates and increases in pump tax rates.

For the three months ended June 30, 2024, the water supply cost balancing account had a $2.4 million over-collection as compared to a $2.8 million over-collection during the same period in 2023. The decrease in the over-collection was attributed to a decrease in purchased water when compared to the adopted water supply mix.

***Electric segment supply costs***

Supply costs for the electric segment consist primarily of purchased power for resale, the cost of natural gas used by BVES's generating unit, the cost of renewable energy credits and changes in the electric supply cost balancing account. For the three months ended June 30, 2024 and 2023, electric supply costs consisted of the following amounts (in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Power purchased for resale | $ 1,503 | $ 2,469 | $ (966) | (39.1)% |
| Electric supply cost balancing account * | 987 | 50 | 937 | ** |
| Total electric supply costs | $ 2,490 | $ 2,519 | $ (29) | (1.2)% |

* The sum of the water and electric supply-cost balancing accounts are shown on AWR's Consolidated Statements of Income and totaled $3.4 million and $2.8 million for the three months ended June 30, 2024 and 2023, respectively.

** not meaningful

For the three months ended June 30, 2024, the cost of power purchased for resale to BVES's electric customers decreased by $1.0 million to $1.5 million as compared to $2.5 million during the same period in 2023 due to lower overall average prices per megawatt-hour that include all fixed costs. The over-collection in the electric supply cost balancing account increased by $0.9 million as compared to the three months ended June 30, 2023 due to decreases in energy prices.

### *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 and the electric system. Registrant's contracted services operations incur many of the same types of expenses. For the three months ended June 30, 2024 and 2023, other operation expenses by business segment consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 7,442 | $ 7,221 | $ 221 | 3.1 % |
| Electric Services | 930 | 768 | 162 | 21.1 % |
| Contracted Services | 2,361 | 1,727 | 634 | 36.7 % |
| Total other operation | $ 10,733 | $ 9,716 | $ 1,017 | 10.5 % |

The increase in other operation expenses at the water and electric segments was primarily due to higher operation-related labor costs. At the electric segment there was also an increase in outside-services costs.

The increase in other operation expenses at the contracted services segment was due primarily to commencing operations at the new bases and higher operation-related labor.

### *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, 2024 and 2023, administrative and general expenses by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 15,933 | $ 14,282 | $ 1,651 | 11.6 % |
| Electric Services | 2,220 | 1,911 | 309 | 16.2 % |
| Contracted Services | 5,332 | 5,274 | 58 | 1.1 % |
| AWR (parent) | 2 | 36 | (34) | * |
| Total administrative and general | $ 23,487 | $ 21,503 | $ 1,984 | 9.2 % |

* not meaningful

Administrative and general expenses increased at the water segment due, in large part, to an increase in outside-services costs largely related to the pending general rate case application and other regulatory filings, and labor costs. In addition, there was an increase of $0.4 million in billed surcharges to recover previously incurred costs that had been tracked in CPUC-authorized memorandum accounts. Increases in revenues from billed surcharges have a corresponding and offsetting increase in administrative and general expenses, resulting in no impact to earnings.

Administrative and general expenses increased at the electric segment primarily due to higher outside-services costs.

### *Depreciation and Amortization*

For the three months ended June 30, 2024 and 2023, depreciation and amortization by business segment consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 9,043 | $ 8,674 | $ 369 | 4.3 % |
| Electric Services | 893 | 759 | 134 | 17.7 % |
| Contracted Services | 834 | 825 | 9 | 1.1 % |
| Total depreciation and amortization | $ 10,770 | $ 10,258 | $ 512 | 5.0 % |

The overall increase to depreciation and amortization expense is largely attributed to additions to utility plant and other fixed assets at both regulated utilities.

### *Maintenance*

For the three months ended June 30, 2024 and 2023, maintenance expense by business segment consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 2,210 | $ 2,556 | $ (346) | (13.5)% |
| Electric Services | 405 | 277 | 128 | 46.2 % |
| Contracted Services | 920 | 946 | (26) | (2.7)% |
| Total maintenance | $ 3,535 | $ 3,779 | $ (244) | (6.5)% |

Overall maintenance expense decreased at water and contracted services segments due to lower planned and unplanned maintenance costs as compared to the same period in 2023 due, in part, to timing.

Maintenance expense increased at the electric segment due to higher planned and unplanned maintenance costs as compared to the same period in 2023 also, in part, due to timing.

### *Property and Other Taxes*

For the three months ended June 30, 2024 and 2023, property and other taxes by business segment consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 5,475 | $ 4,560 | $ 915 | 20.1 % |
| Electric Services | 532 | 491 | 41 | 8.4 % |
| Contracted Services | 605 | 504 | 101 | 20.0 % |
| Total property and other taxes | $ 6,612 | $ 5,555 | $ 1,057 | 19.0 % |

Property and other taxes increased at both regulated utilities due, in part, to an increase in capital additions and related higher assessed values. There was also a favorable property tax adjustment recorded at the water segment in 2023 resulting from changes to property tax assessments of certain counties at that time with no such adjustment occurring in 2024.

Property and other taxes increased at the contracted services segment largely from an increase in gross receipts taxes resulting from higher revenues, and an increase in payroll taxes due, in part, from the addition of the new bases.

### *ASUS Construction*

For the three months ended June 30, 2024, construction expenses for contracted services were $16.2 million, an increase of $0.2 million compared to the same period in 2023 primarily due to an increase in construction activity resulting from timing differences of when such work was performed in 2024 as compared to the same period of 2023.

### *Interest Expense*

For the three months ended June 30, 2024 and 2023, interest expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 9,716 | $ 7,835 | $ 1,881 | 24.0 % |
| Electric Services | 1,257 | 952 | 305 | 32.0 % |
| Contracted Services | 553 | 518 | 35 | 6.8 % |
| AWR (parent) | 1,611 | 1,423 | 188 | 13.2 % |
| Total interest expense | $ 13,137 | $ 10,728 | $ 2,409 | 22.5 % |

AWR’s borrowings consist of bank notes under revolving credit facilities, while GSWC and BVES borrowings consist of revolving credit facilities and long-term debt issuances. Consolidated interest expense increased as compared to the same period in 2023 resulting primarily from an increase in total borrowing levels to support, among other things, the capital expenditures programs at the regulated utilities, as well as an overall increase in average interest rates.

***Interest Income***

For the three months ended June 30, 2024 and 2023, interest income by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 1,574 | $ 1,320 | $ 254 | 19.2 % |
| Electric Services | 306 | 298 | 8 | 2.7 % |
| Contracted Services | 192 | 191 | 1 | 0.5 % |
| AWR (parent) | 21 | (6) | 27 | * |
| Total interest income | $ 2,093 | $ 1,803 | $ 290 | 16.1 % |

* not meaningful

For the three months ended June 30, 2024, overall interest income increased by $0.3 million as compared to the same period in 2023 due primarily to higher interest income earned on regulatory assets at the regulated utilities bearing interest at the current 90-day commercial-paper rates, which have increased compared to rates in 2023, as well as an overall increase in regulatory assets recorded.

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

For the three months ended June 30, 2024 and 2023, other income and (expenses), net by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 1,259 | $ 1,458 | $ (199) | (13.6)% |
| Electric Services | 21 | 9 | 12 | 133.3 % |
| Contracted Services | (18) | (30) | 12 | (40.0)% |
| AWR (parent) | 257 | 268 | (11) | (4.1)% |
| Total other income and (expenses), net | $ 1,519 | $ 1,705 | $ (186) | (10.9)% |

For the three months ended June 30, 2024, other income (net of other expense) decreased primarily because of gains of $1.0 million recorded on investments held to fund one of the Company’s retirement plans in 2024, compared to gains of $1.5 million recorded in 2023, partially offset by the change in the non-service cost components of net periodic benefit costs related to the Company’s defined-benefit pension plan and other retirement benefits in 2024 as compared to the same period in 2023. As a result of GSWC’s two-way pension balancing account authorized by the CPUC, changes in total net periodic benefit costs related to the pension plan have no material impact to earnings.

***Income Tax Expense***

For the three months ended June 30, 2024 and 2023, income tax expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 8,487 | $ 11,934 | $ (3,447) | (28.9)% |
| Electric Services | (39) | 247 | (286) | (115.8)% |
| Contracted Services | 2,322 | 1,506 | 816 | 54.2 % |
| AWR (parent) | (411) | (483) | 72 | (14.9)% |
| Total income tax expense | $ 10,359 | $ 13,204 | $ (2,845) | (21.5)% |

Consolidated income tax expense for the three months ended June 30, 2024 decreased by $2.8 million primarily due to a decrease in consolidated pretax income as compared to the same period in 2023. AWR’s ETR was 24.5% and 25.5% for the three months ended June 30, 2024 and 2023, respectively. GSWC’s ETR was 25.2% and 26.2% for the three months ended June 30, 2024 and 2023, respectively.

***Consolidated Results of Operations — Six Months Ended June 30, 2024 and 2023 (amounts in thousands, except per share amounts):***

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Water | $ 200,689 | $ 229,620 | $ (28,931) | (12.6)% |
| Electric | 20,908 | 21,732 | (824) | (3.8)% |
| Contracted services | 68,982 | 67,471 | 1,511 | 2.2 % |
| Total operating revenues | 290,579 | 318,823 | (28,244) | (8.9)% |
| | | | | |
| OPERATING EXPENSES | | | | |
| Water purchased | 31,729 | 32,374 | (645) | (2.0)% |
| Power purchased for pumping | 6,353 | 5,223 | 1,130 | 21.6 % |
| Groundwater production assessment | 10,672 | 9,198 | 1,474 | 16.0 % |
| Power purchased for resale | 5,835 | 7,455 | (1,620) | (21.7)% |
| Supply cost balancing accounts | 2,828 | 14,403 | (11,575) | (80.4)% |
| Other operation | 20,356 | 19,832 | 524 | 2.6 % |
| Administrative and general | 48,834 | 45,050 | 3,784 | 8.4 % |
| Depreciation and amortization | 21,492 | 21,461 | 31 | 0.1 % |
| Maintenance | 6,760 | 6,929 | (169) | (2.4)% |
| Property and other taxes | 13,099 | 11,850 | 1,249 | 10.5 % |
| ASUS construction | 31,899 | 34,938 | (3,039) | (8.7)% |
| Total operating expenses | 199,857 | 208,713 | (8,856) | (4.2)% |
| | | | | |
| OPERATING INCOME | 90,722 | 110,110 | (19,388) | (17.6)% |
| | | | | |
| OTHER INCOME AND EXPENSES | | | | |
| Interest expense | (25,992) | (20,209) | (5,783) | 28.6 % |
| Interest income | 4,163 | 3,667 | 496 | 13.5 % |
| Other, net | 3,861 | 3,316 | 545 | 16.4 % |
| Total other income (expenses), net | (17,968) | (13,226) | (4,742) | 35.9 % |
| | | | | |
| INCOME BEFORE INCOME TAX EXPENSE | 72,754 | 96,884 | (24,130) | (24.9)% |
| | | | | |
| Income tax expense | 17,755 | 23,956 | (6,201) | (25.9)% |
| | | | | |
| NET INCOME | $ 54,999 | $ 72,928 | $ (17,929) | (24.6)% |
| | | | | |
| Basic earnings per Common Share | $ 1.48 | $ 1.97 | $ (0.49) | (24.9)% |
| | | | | |
| Fully diluted earnings per Common Share | $ 1.47 | $ 1.97 | $ (0.50) | (25.4)% |

***Operating Revenues:***

<u>General</u>

GSWC and BVES 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 ASUS's 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 its subsidiaries, which may or may not continue at current levels in future periods.

<u>Water</u>

For the six months ended June 30, 2024, revenues from water operations decreased by $28.9 million to $200.7 million as compared to the same period in 2023. The decrease in water revenues was largely due to the impact of retroactive rates related to the full 2022 year resulting from the general rate case decision of approximately $32 million and the impact of the final cost of capital decision that resulted in the reversal of $6.4 million of revenues subject to refund previously recorded in 2022, with both decisions received and recorded in the first half of 2023. The impact to revenues from both of these items that did not recur during the same period in 2024 was partially offset by an increase in water revenues resulting from the third-year rate increases.

Billed water consumption for the six months ended June 30, 2024 was higher by 3.2% as compared to the same period in 2023 due primarily to lower amounts of seasonal precipitation for the first six months of 2024 as compared to the same period in 2023. Currently, changes in consumption generally do not have a significant impact on recorded revenues due to the CPUC-approved WRAM that is in place in all but one small rate-making area. GSWC records the difference between what it bills its water customers and what is authorized by the CPUC in the WRAM accounts as regulatory assets or liabilities.

<u>Electric</u>

Electric revenues for the six months ended June 30, 2024 decreased by $0.8 million to $20.9 million due, in large part, to the final decision in the water general rate case proceeding that was adopted in 2023 and retroactive to January 1, 2022. The final decision recorded in 2023 included the full year impact of 2022 that updated the costs allocated from the general corporate office to the electric segment and authorized an increase in the allocation ratio to the electric segment. The increase in general corporate office expenses allocated to the electric segment also included a corresponding and offsetting increase in adopted electric revenues as provided in BVES's last general rate case proceeding, resulting in no impact to earnings. Furthermore, customers are being billed at 2022's adopted rates as a result of not having new rates while awaiting the processing of the pending electric general rate case that will set new rates for 2023 – 2026.

Electric usage for the six months ended June 30, 2024 was lower by 1.2% compared to the same period in 2023. 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.

<u>Contracted Services</u>

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, 2024, revenues from contracted services increased by $1.5 million to $69.0 million as compared to $67.5 million for the same period in 2023. The increase was largely due to an increase in management fee revenue from annual economic price adjustments and the commencement of operations at the new bases, partially offset by lower overall construction activity resulting from timing differences of when construction work was performed in 2024 as compared to the same period of 2023.

***Operating Expenses:***

***Supply Costs***

Total supply costs at the regulated utilities comprise the largest segment of total consolidated operating expenses. Supply costs accounted for approximately 28.7% and 32.9% of total operating expenses for the six months ended June 30, 2024 and 2023, respectively.

***Water segment supply costs***

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. The overall actual percentages of purchased water for the six months ended June 30, 2024 and 2023 were approximately 40%

and 44%, respectively. The decrease in the actual percentage of purchased water resulted primarily from wells coming back on-line that had previously been out of service. This trend is expected to be consistent for the remainder of the year.

Under the current CPUC-approved MCBA, GSWC tracks adopted and actual expense levels for purchased water, power purchased for pumping and pump taxes and 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 to the MCBA. GSWC recovers from, or refunds to, customers the amount of such variances. GSWC tracks these variances individually for each water ratemaking area.

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. For the six months ended June 30, 2024 and 2023, water supply costs consisted of the following amounts (in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water purchased | $ 31,729 | $ 32,374 | $ (645) | (2.0)% |
| Power purchased for pumping | 6,353 | 5,223 | 1,130 | 21.6 % |
| Groundwater production assessment | 10,672 | 9,198 | 1,474 | 16.0 % |
| Water supply cost balancing accounts * | 2,432 | 15,412 | (12,980) | (84.2)% |
| Total water supply costs | $ 51,186 | $ 62,207 | $ (11,021) | (17.7)% |

* The sum of the water and electric supply-cost balancing accounts are shown on AWR's Consolidated Statements of Income and totaled $2.8 million and $14.4 million for the six months ended June 30, 2024 and 2023, respectively.

Purchased water costs during the six months ended June 30, 2024 decreased to $31.7 million as compared to $32.4 million for the same period in 2023 largely due to a decrease in purchased water resulting from wells coming back on-line, partially offset by increases in wholesale water costs. The increase in power purchased for pumping and groundwater production assessments are also a result of wells coming back on-line and the overall increase in well production compared to the same period in 2023, as well as increases in electricity provider rates and increases in pump tax rates.

For the six months ended June 30, 2024, the water supply cost balancing account had a $2.4 million over-collection as compared to a $15.4 million over-collection during the same period in 2023. The change in water supply cost balancing accounts was primarily due to updated adopted supply costs from the final decision in the water general rate case proceeding recorded in 2023. The over-collection recorded in 2023 included the full year impact of 2022 that reflected the new adopted supply costs retroactive to January 1, 2022.

***Electric segment supply costs***

Supply costs for the electric segment consist primarily of purchased power for resale, the cost of natural gas used by BVES's generating unit, the cost of renewable energy credits and changes in the electric supply cost balancing account. For the six months ended June 30, 2024 and 2023, electric supply costs consisted of the following amounts (in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Power purchased for resale | $ 5,835 | $ 7,455 | $ (1,620) | (21.7)% |
| Electric supply cost balancing account * | 396 | (1,009) | 1,405 | (139.2)% |
| Total electric supply costs | $ 6,231 | $ 6,446 | $ (215) | (3.3)% |

* The sum of the water and electric supply-cost balancing accounts are shown on AWR's Consolidated Statements of Income and totaled $2.8 million and $14.4 million for the six months ended June 30, 2024 and 2023, respectively.

For the six months ended June 30, 2024, the cost of power purchased for resale to BVES's electric customers decreased to $5.8 million as compared to $7.5 million during the same period in 2023 primarily due to a decrease in customer usage and lower overall average prices per megawatt-hour. The change in the electric supply cost balancing account during the six months ended June 30, 2024 compared to the same period in 2023 was due to decreases in energy prices and lower customer usage.

***Other Operation***

The primary components of other operation expenses include payroll costs, materials and supplies, chemicals and water treatment costs and outside-services 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 and the electric system. Registrant's contracted services operations incur many of the same types of expenses. For the six months ended June 30, 2024 and 2023, other operation expenses by business segment consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 14,022 | $ 14,492 | $ (470) | (3.2)% |
| Electric Services | 1,919 | 1,827 | 92 | 5.0 % |
| Contracted Services | 4,415 | 3,513 | 902 | 25.7 % |
| Total other operation | $ 20,356 | $ 19,832 | $ 524 | 2.6 % |

For the six months ended June 30, 2024, the decrease in other operation expenses at the water segment was due to lower transportation and equipment expenses, as well as timing differences in spending under GSWC's water conservation programs. In addition, as a result of receiving the final decision in the water general rate case in 2023, the six months ended June 30, 2023 included a retroactive depreciation adjustment for 2022 of $0.2 million on GSWC's transportation equipment, which is recorded in other operation expenses. There was no similar adjustment in 2024.

The increase at the electric segment was due primarily to higher operation-related labor and outside-services costs. The increase at the contracted services segment was due primarily to commencing operations at the new bases and higher operation-related labor costs and transportation expenses.

***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, 2024 and 2023, administrative and general expenses by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 32,910 | $ 29,663 | $ 3,247 | 10.9 % |
| Electric Services | 4,703 | 4,584 | 119 | 2.6 % |
| Contracted Services | 11,218 | 10,766 | 452 | 4.2 % |
| AWR (parent) | 3 | 37 | (34) | * |
| Total administrative and general | $ 48,834 | $ 45,050 | $ 3,784 | 8.4 % |

* not meaningful

Administrative and general expenses increased at the water segment due, in large part, to higher outside-services costs incurred in connection with the pending general rate case application and other regulatory filings, labor and employee-related expenses, and insurance costs. In addition, there was an increase in billed surcharges of $0.6 million to recover previously incurred costs that had been track in CPUC-authorized memorandum accounts. Increases in revenues from billed surcharge have a corresponding and offsetting increase in administrative and general expenses, resulting in no impact to earnings. Finally, during the six months ended June 30, 2023, there was a reduction of approximately $0.4 million recorded to reflect the final decision in the water general rate case that authorized the recovery of additional previously incurred administrative and general expenses that were being tracked in CPUC-authorized memorandum accounts.

Administrative and general expenses increased at the electric segment primarily due to an increase in labor costs and outside-services costs.

Administrative and general expenses increased at the contracted services segment due to commencing operations at the new bases, an increase in labor and employee-related costs, and general liability insurance, partially offset by lower legal and other outside-services costs.

***Depreciation and Amortization***

For the six months ended June 30, 2024 and 2023, depreciation and amortization by business segment consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 18,077 | $ 18,280 | $ (203) | (1.1)% |
| Electric Services | 1,777 | 1,507 | 270 | 17.9 % |
| Contracted Services | 1,638 | 1,674 | (36) | (2.2)% |
| Total depreciation and amortization | $ 21,492 | $ 21,461 | $ 31 | 0.1 % |

Depreciation and amortization expense decreased at the water segment due largely to the retroactive impact for the full year of 2022 of $0.6 million recorded in 2023 as a result of receiving a final decision in the water general rate case, partially offset by additions to utility plant. The overall increase in depreciation and amortization expenses at the electric segment is primarily due to additions to utility plant.

***Maintenance***

For the six months ended June 30, 2024 and 2023, maintenance expense by business segment consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 4,038 | $ 4,516 | $ (478) | (10.6)% |
| Electric Services | 778 | 598 | 180 | 30.1 % |
| Contracted Services | 1,944 | 1,815 | 129 | 7.1 % |
| Total maintenance | $ 6,760 | $ 6,929 | $ (169) | (2.4)% |

Maintenance expense decreased at the water segment due to lower planned and unplanned maintenance costs as compared to the same period in 2023 due, in part, to timing.

Maintenance expense was higher at the electric segment as compared to the same period in 2023 due to higher planned and unplanned maintenance costs due, in part, to timing.

Maintenance expense was higher at the contracted services segment as compared to the same period in 2023 due to higher planned and unplanned maintenances, and maintenance activity at the new bases that was not incurred in the same period in 2023.

***Property and Other Taxes***

For the six months ended June 30, 2024 and 2023, property and other taxes by business segment consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 10,724 | $ 9,699 | $ 1,025 | 10.6 % |
| Electric Services | 1,126 | 1,036 | 90 | 8.7 % |
| Contracted Services | 1,249 | 1,115 | 134 | 12.0 % |
| Total property and other taxes | $ 13,099 | $ 11,850 | $ 1,249 | 10.5 % |

Property and other taxes increased at the water segment due, in part, to a favorable property tax adjustment recorded in 2023 resulting from changes to property tax assessments of certain counties at that time, with no such adjustment occurring in 2024, as well as an increase in capital additions and related higher assessed values. These increases were partially offset by the recording during the six months ended June 30, 2023 of additional franchise fee expense of $0.2 million that reflected the impact of having recorded the full year of 2022 water revenues as a result of the final decision that was retroactive to January 1, 2022.

Property and other taxes increased at the electric segment due higher property taxes resulting from capital additions and related higher assessed values.

Property and other taxes increased at the contracted services segment largely from an increase in gross receipts taxes resulting from higher revenues, and an increase in payroll taxes due, in part, from the addition of the new bases.

***ASUS Construction***

For the six months ended June 30, 2024, construction expenses for contracted services were $31.9 million, a decrease of $3.0 million compared to the same period in 2023 primarily due to a decrease in construction activity resulting from timing differences of when such work was performed in 2024 as compared to the same period of 2023.

***Interest Expense***

For the six months ended June 30, 2024 and 2023, interest expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 19,108 | $ 14,757 | $ 4,351 | 29.5 % |
| Electric Services | 2,453 | 1,786 | 667 | 37.3 % |
| Contracted Services | 1,073 | 934 | 139 | 14.9 % |
| AWR (parent) | 3,358 | 2,732 | 626 | 22.9 % |
| Total interest expense | $ 25,992 | $ 20,209 | $ 5,783 | 28.6 % |

AWR's borrowings consist of bank notes under revolving credit facilities, while GSWC and BVES borrowings consist of revolving credit facilities and long-term debt issuances. Consolidated interest expense increased as compared to the same period in 2023 resulting primarily from an increase in total borrowing levels to support, among other things, the capital expenditures program at the regulated utilities, as well as an overall increase in average interest rates.

***Interest Income***

For the six months ended June 30, 2024 and 2023, interest income by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 3,085 | $ 2,748 | $ 337 | 12.3 % |
| Electric Services | 637 | 559 | 78 | 14.0 % |
| Contracted Services | 395 | 380 | 15 | 3.9 % |
| AWR (parent) | 46 | (20) | 66 | * |
| Total interest income | $ 4,163 | $ 3,667 | $ 496 | 13.5 % |

* not meaningful

The overall increase in interest income was due primarily to higher interest income earned on regulatory assets at the regulated utilities bearing interest at the current 90-day commercial-paper rates, which have increased compared to rates in 2023, as well as an overall increase in regulatory assets recorded. Also, as a result of receiving the final decision in the water general rate case in 2023, $0.4 million of interest income was recorded for the six months ended June 30, 2023 related to regulatory assets for the full year of 2022 as the decision was retroactive to January 1, 2022.

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

For the six months ended June 30, 2024 and 2023, other income and (expenses), net by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 3,591 | $ 3,086 | $ 505 | 16.4 % |
| Electric Services | 47 | 22 | 25 | 113.6 % |
| Contracted Services | (34) | (60) | 26 | (43.3)% |
| AWR (parent) | 257 | 268 | (11) | (4.1)% |
| Total other income and (expenses), net | $ 3,861 | $ 3,316 | $ 545 | 16.4 % |

For the six months ended June 30, 2024, other income (net of other expenses) increased largely because of the change in the non-service cost components related to the water segment's benefit plans resulting from changes in actuarial assumptions including expected returns on plan assets. However, as a result of GSWC's two-way pension balancing account authorized by the CPUC, changes in total net periodic benefit costs related to the pension plan have no material impact to earnings.

***Income Tax Expense***

For the six months ended June 30, 2024 and 2023, income tax expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| Water Services | $ 14,311 | $ 20,844 | $ (6,533) | (31.3)% |
| Electric Services | 521 | 948 | (427) | (45.0)% |
| Contracted Services | 3,882 | 3,191 | 691 | 21.7 % |
| AWR (parent) | (959) | (1,027) | 68 | (6.6)% |
| Total income tax expense | $ 17,755 | $ 23,956 | $ (6,201) | (25.9)% |

Consolidated income tax expense for the six months ended June 30, 2024 decreased by $6.2 million primarily due to a decrease in consolidated pretax income as compared to the same period in 2023. AWR's ETR was 24.4% and 24.7% for the six months ended June 30, 2024 and 2023, respectively. GSWC's ETR was 25.0% and 25.5% for the six months ended June 30, 2024 and 2023, respectively.

## Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those that are important to the portrayal of Registrant's financial condition, results of operations and cash flows and require the most difficult, subjective or complex judgments of Registrant'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 Registrant's historical experience, terms of existing contracts, its 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 Registrant's financial statements are ones that it believes affect the more significant judgments and estimates used in the preparation of its consolidated financial statements presented in this report and are described in *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates"* included in Registrant's Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC. There have been no material changes to Registrant's critical accounting policies.

## Liquidity and Capital Resources

***AWR***

AWR'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 if market interest rates increase. In addition, as the capital investment program continues to increase, AWR and its subsidiaries anticipate they will need to access external financing more often. External financing may also be needed to cover costs incurred in connection with capital investments that are not covered in rates due to delays in obtaining approval of general rate cases by the CPUC.

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 BVES to pay dividends to AWR is restricted by California law. Under these restrictions, approximately $748.7 million was available for GSWC to pay dividends to AWR on June 30, 2024. Approximately $74.4 million was available for BVES to pay dividends to AWR as of June 30, 2024. ASUS's ability to pay dividends to AWR is dependent upon state laws in which each ASUS subsidiary operates, as well as ASUS's ability to pay dividends under California law.

When necessary, AWR obtains funds from external sources through the capital markets and 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.

On February 27, 2024, AWR entered into an Equity Distribution Agreement with third-party sales agents, under which AWR may offer and sell Common Shares, from time to time at its sole discretion, through an ATM offering program having an aggregate gross offering price of up to $200 million over a three-year period and pursuant to AWR's effective shelf registration statement on Form S-3. AWR intends to use the net proceeds from these sales, after deducting commissions on such sales and offering expenses, for general corporate purposes, including, but not limited to, repayment of debt and equity contributions to its subsidiaries. During the first half of 2024, AWR sold 455,648 Common Shares through this ATM offering program and raised proceeds of $33.0 million, net of $0.5 million in commissions paid under the terms of the Equity Distribution Agreement. The net proceeds raised during the first half of 2024 were used to pay down outstanding borrowings under AWR's credit facility. As of June 30, 2024, approximately $166.5 million remained available for sale under the ATM offering program.

In June 2023, AWR and GSWC each entered into credit agreements with a term of five years provided by a syndicate of banks and financial institutions. Both credit agreements will mature in June 2028. The credit agreements currently provide AWR and GSWC unsecured revolving credit facilities with borrowing capacities of $165.0 million and $200.0 million, respectively. Under the terms of the credit agreements, the borrowing capacities for AWR and GSWC may currently be expanded up to an additional $60.0 million and $75.0 million, respectively, subject to the lenders' approval. AWR's credit facility primarily provides support to AWR (parent) and ASUS, while GSWC's credit agreement provides support to its water operations and capital expenditures. AWR's and GSWC's outstanding borrowings under its credit facilities were $128.0 million and $119.0 million, respectively, as of June 30, 2024. The CPUC requires GSWC to completely pay off all borrowings under its revolving credit facility within a 24-month period after which GSWC may again borrow under its facility. GSWC's pay-off period for its credit facility ends in June 2025. Accordingly, GSWC's outstanding borrowings under its credit facility as of June 30, 2024 have been classified as current liabilities in both AWR's Consolidated Balance Sheet and GSWC's Balance Sheet. GSWC expects to issue long-term debt and/or equity to facilitate the pay-off its credit facility.

On June 5, 2024, GSWC completed the issuance of $65.0 million in unsecured private placement notes with a coupon rate of 5.50%, maturing on June 5, 2027. GSWC used the proceeds from the private placement notes to pay down outstanding borrowings under its revolving credit facility and to fund its operations and capital expenditures. Interest payments are due semiannually on June 5 and December 5 each year, commencing December 5, 2024. The private placement notes rank equally with GSWC's other unsecured and unsubordinated debt. GSWC may, at its option, redeem all or portions of the notes at any time upon written notice, subject to payment of a make-whole premium. The covenant requirements under these private placement notes are similar to the terms of other private placement notes issued by GSWC.

Under GSWC's current financing application authorized by the CPUC, GSWC has $40 million remaining available that provides for long-term financing and which is expected to be used over the next 6 - 12 months. On January 22, 2024, GSWC filed a new financing application with the CPUC, pending approval from the CPUC, that requests authorization for the issuance and sale of additional long-term debt and equity securities of up to $750.0 million. On April 29, 2024, the CPUC issued a ruling on GSWC's pending financing application stating that a proposed decision is expected to be received no later than 90 days from the date of the ruling. A proposed decision has yet to be issued by the CPUC in GSWC's financing application as of the date of this filing.

BVES has a separate revolving credit facility without a parent guaranty that supports its electric operations and capital expenditures with a current borrowing capacity of $65.0 million that matures on July 1, 2026. Currently, the credit agreement provides BVES an option to increase the borrowing capacity of the facility by an additional $10.0 million, subject to lender approval. The CPUC requires BVES to completely pay off all borrowings under its revolving credit facility within a 24-month period after which BVES may again borrow under this facility. BVES's next pay-off period was set to end in August 2024. However, in May 2024, the CPUC approved BVES's request to extend its 24-month pay-off period past the August deadline while it awaits a final decision from the CPUC on its pending financing application that will enable BVES to issue the necessary long-term financing to pay-off its borrowings under the credit facility. The additional time granted to BVES extends the end of the pay-off period to nine months after the date a final decision in the financing application is issued by the CPUC. On August 1, 2024, the CPUC issued a final decision in BVES's financing application, which among other things, approves BVES's request to issue up to $120 million of new debt and equity securities. Accordingly, BVES will have nine months from the date of the final decision to secure long-term financing and pay off the entire remaining balance of its revolving credit arrangement. Accordingly, the $48.0 million outstanding under BVES's credit facility has been classified as a current liability in AWR's Consolidated Balance Sheet as of June 30, 2024.

Our primary sources of liquidity to fund operations continue to be from the recovery of costs charged to customers at our regulated utilities and the collection of payments from the U.S government. We believe that capital investment costs associated with our capital programs at our regulated utilities will continue to be recovered through water and electric rates charged to customers, as well as funds from credit facilities from our regulated utilities. In addition, AWR's credit facility will continue to be used to support ASUS's operations and AWR (parent). The long-term capital-intensive nature of our regulated utilities have required us to continually seek future financing opportunities beyond the short-term. Future long-term financing at GSWC and BVES will consist of both long-term debt and equity issuances in order to manage to the CPUC-authorized capital structure. Under the current financing applications authorized by the CPUC, GSWC and BVES each have $40.0 million remaining and available under each utility's authorized applications that provides for long-term financing and which are expected to be used over the next 6-12 months to pay down portions of the outstanding borrowings under the respective credit facilities.

Management believes that AWR's and GSWC's sound capital structures and strong credit ratings, combined with its financial discipline, will enable AWR to access the debt and equity markets. However, unpredictable financial market conditions in the future and delays in receiving rate case decisions may limit its access or impact the timing of when to access the market, in which case AWR may choose to temporarily reduce its capital spending.

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 30, 2024, AWR's Board of Directors approved an 8.3% increase in the third quarter dividend to $0.4655 per share from $0.4300 per share on AWR's Common Shares. Dividends on the Common Shares will be paid on September 3, 2024 to shareholders of record at the close of business on August 16, 2024. Registrant has paid Common Share dividends every year since 1931, and has increased the dividends received by shareholders each calendar year for 70 consecutive years, which places it in an exclusive group of companies on the New York Stock Exchange that have achieved that result. AWR's quarterly dividend rate has grown at a compound annual growth rate ("CAGR") of 8.8% over the last five years since the third quarter of 2019 and is on pace to achieve an 8.0% CAGR in its calendar year dividend payments from 2014 – 2024. AWR's current policy is to achieve a CAGR in the dividend of more than 7% over the long-term.

*Cash Flows from Operating Activities*:

Cash flows from operating activities have generally provided sufficient cash to fund operating requirements, including a portion of capital expenditures at GSWC and BVES, and construction expenses at ASUS, and to pay dividends. AWR's future cash flows from operating activities are expected to be affected by a number of factors, including, among other things, utility regulation; delays in receiving approvals of general rate cases, 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 lingering effects 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, and 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. For further information regarding the risks faced by Registrant, see *Item 1A, Risk Factors*, in our annual report on Form 10-K for the period ended December 31, 2023.

ASUS funds its operating expenses primarily through internal operating sources, which include U.S. government funding under 15- and 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 other subsidiaries of ASUS.

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 AWR was $70.5 million for the six months ended June 30, 2024 as compared to $17.8 million for the same period in 2023. The increase in operating cash flows was largely due to the implementation of new CPUC-approved billed water rates and surcharges at GSWC during the second-half of 2023 as a result of receiving the final water general rate case decision in June 2023. With the delay in receiving the water general rate case decision at the time, billed water revenues in 2023 through July 30, 2023 were based on 2021 adopted rates pending a final CPUC decision, while operating expenses continued to rise primarily due to inflation and costs in complying with water quality regulations continued to rise. GSWC filed for the implementation of the CPUC-approved rate increases that went into effect in July 2023. In addition, GSWC filed for the recovery of retroactive rate amounts accumulated through July 30, 2023 related to the CPUC approved rate increases for 2022 and 2023, and surcharges were implemented in October 2023 to recover the cumulative retroactive rate differences over 36-months. Furthermore, in March 2024, GSWC received $3.5 million in additional COVID-19 relief funds from the state of California to provide assistance to customers for delinquent water customer bills incurred during the pandemic. Finally, the change in operating cash flows were also due to a 3.2% increase in billed water consumption.

In addition, the increase in cash flows from operating activities resulted from differences at ASUS in the timing of vendor payments and the timing of billing of and cash receipts for construction work at military bases. The billings (and cash receipts) for this construction work generally occur at completion of the work or in accordance with a billing schedule contractually agreed to with the U.S. government and/or other prime contractors. Thus, cash flow from construction-related activities may fluctuate from period to period with such fluctuations representing timing differences of when the work is being performed and when the cash is received for payment of the work.

These increases in operating cash flows discussed above were partially offset by differences in the timing of income tax payments between the two periods. 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 $108.9 million for the six months ended June 30, 2024 as compared to $87.8 million for the same period in 2023, which is mostly related to capital expenditures at the regulated utilities. AWR 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. AWR's infrastructure investment plan consists of both infrastructure renewal programs (to replace infrastructure, including those to mitigate wildfire risk) and major capital investment projects (to construct new water treatment, supply and delivery facilities and electric facilities). 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 2024, the regulated utilities' company-funded capital expenditures are expected to be between $170 million and $200 million, barring any delays resulting from changes in capital improvement schedules due to unfavorable weather conditions and supply chain issues.

*Cash Flows from Financing Activities*:

AWR'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, (iii) the proceeds from unsecured revolving credit facilities for AWR, GSWC and BVES, and (iv) 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 credit facility are primarily used to support AWR parent and its contracted services subsidiary, and borrowings on GSWC and BVES's credit facilities are used to fund GSWC and BVES capital expenditures, respectively, until long-term financing is arranged. AWR may also from time to time make equity contributions to GSWC and to BVES. Overall debt levels are expected to increase to fund the costs of the capital expenditures that will be made by the regulated utilities.

Net cash provided by financing activities was $27.9 million for the six months ended June 30, 2024 as compared to cash provided of $65.1 million during the same period in 2023. The decrease in net cash provided by financing activities in 2024 was due primarily to a decrease in total borrowings in 2024 as compared to the same period in 2023 due, in large part, to an increase in cash flows from operating activities. In January 2023, GSWC issued $130.0 million of unsecured notes in a private placement and used the proceeds to pay down the majority of its outstanding intercompany borrowings from AWR, which, in turn, used the proceeds to pay down outstanding borrowings under its credit facility. On June 5, 2024, GSWC completed the issuance of $65.0 million in unsecured private placement notes and the proceeds from the private placement notes were used by GSWC for general corporate purposes including the repayment of its credit facility and the support of its operations and capital expenditures. During the six months ended June 30, 2024, AWR had a net repayment on its credit facilities of $38.5 million, while during the six months ended June 30, 2023, AWR had net payments on its credit facilities of $35.7 million. Credit facilities have been used to support its operations and ongoing capital expenditure programs. In addition, for the six months ended June 30, 2024, AWR sold 455,648 Common Shares through its ATM offering program and raised proceeds net of issuance costs of $32.4 million.

***GSWC***

GSWC funds its operating expenses, payments on its debt, dividends to AWR 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, among other things, 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 lingering effects of the COVID-19 pandemic. For further information regarding the risks faced by Registrants, see *Item 1A, Risk Factors*, in our annual report on Form 10-K for the period ended December 31, 2023.

GSWC may, at times, utilize external sources for long-term financing, as well as obtain funds from equity investments from its parent, AWR, to help fund a portion of its operations and construction expenditures. GSWC has its own separate credit agreement that provides for a $200.0 million unsecured revolving credit facility to support GSWC's operations and capital expenditures. GSWC's borrowing capacity under this credit agreement may be expanded up to an additional $75.0 million, subject to the lenders' approval.

The CPUC requires GSWC to pay-off all intercompany borrowings it has from AWR within a 24-month period. GSWC's borrowings under its credit facility will also be required to be paid-off in full within a 24-month period after which GSWC may continue to borrow under this facility. GSWC's next pay-off period ends in June 2025. Under the current financing application authorized by the CPUC, GSWC has $40.0 million remaining and available that provides for long-term financing and which are expected to be used over the next 6-12 months to pay down portions of the outstanding borrowings under GSWC's credit facility. On January 22, 2024, GSWC filed a new financing application with the CPUC, pending approval, that requests authorization for the issuance and sale of additional long-term debt and equity securities of up to $750.0 million. On April 29, 2024, the CPUC issued a ruling on GSWC's pending financing application stating that a proposed decision is expected to be received no later than 90 days from the date of the ruling. A proposed decision has yet to be issued by the CPUC in GSWC's financing application as of the date of this filing.

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. GSWC amortizes contributions in aid of construction at the same composite rate of depreciation for the related property.

*Cash Flows from Operating Activities*:

Net cash provided by operating activities was $57.8 million for the six months ended June 30, 2024 as compared to $27.2 million for the same period in 2023. The increase in operating cash flow was due primarily to the implementation of new CPUC-approved billed water rates and surcharges during the second-half of 2023 as a result of receiving the final water general rate case decision in June 2023. Furthermore, in March 2024, GSWC received $3.5 million in additional COVID-19 relief funds from the state of California to provide assistance to customers for delinquent water customer bills incurred during the pandemic. The increase was also due to a 3.2% increase in billed water consumption and differences in the timing of vendor payments. These increases in operating cash flows were partially offset by differences in the timing of income tax payments between the two periods. 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 $95.5 million for the six months ended June 30, 2024 as compared to $76.4 million for the same period in 2023, which is mostly related to spending under GSWC's infrastructure investment plans that are consistent with capital budgets authorized in its general rate cases.

*Cash Flows from Financing Activities*:

Net cash provided by financing activities was $35.0 million for the six months ended June 30, 2024 as compared to $49.2 million net cash provided for the same period in 2023. The decrease in net cash provided by financing activities in 2024 was due primarily to a decrease in total borrowing levels necessary to support water operations affected by an increase in cash flows from operating activities to support, among other things, the capital expenditures program at GSWC.

In addition, in January 2023, GSWC issued $130.0 million of unsecured notes in a private placement and $10.0 million of equity to AWR. GSWC used the proceeds from both issuances to pay-off all of its outstanding intercompany borrowings from AWR at that time. On June 5, 2024, GSWC completed the issuance of $65.0 million in unsecured private placement notes and the proceeds from the private placement notes were used by GSWC for general corporate purposes including the repayment of its credit facility and support of its operations and capital expenditures.

**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 and Commitments"* section of the Registrant's Form 10-K for the year ended December 31, 2023 filed with the SEC for a discussion of contractual obligations and other commitments.

**Contracted Services**

Under the terms of the 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 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 ASUS's subsidiaries to recover increasing costs of operating, maintaining, renewing and replacing the water and/or wastewater systems at the military bases it serves.

During sequestration or automatic spending cuts, the subsidiaries of ASUS did not experience any earnings impact to their existing operations and maintenance and renewal and replacement services, as utility privatization contracts are an "excepted service." With the expiration of sequestration, similar issues including further sequestration pursuant to the Balanced Budget and Emergency Deficit Control Act may arise as part of the fiscal uncertainty and/or future debt-ceiling limits imposed by Congress. Any future impact on ASUS and its operations through its 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 solicitation for and/or awarding of new contracts under the Department of Defense contracting programs.

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**

An update on various regulatory matters is included in the discussion under the section titled *"Overview"* in this Form 10-Q's "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." The discussion below focuses on key regulatory matters and developments.

*Water Segment*:

*Recent Changes in Rates*

Rates that GSWC is authorized to charge are determined by the CPUC in general rate cases. Water revenues billed to customers for the year ended December 31, 2022 and from January 1, 2023 through July 30, 2023 were based on 2021 adopted rates. On June 29, 2023, GSWC received a final decision on its water general rate case application that determined new rates for 2022 and 2023 and were effective and retroactive to January 1, 2022 and January 1, 2023, respectively. The impact of retroactive rates for the full year of 2022 and the estimated second-year 2023 rate increases were reflected in the results for the six months of 2023. In addition, the third-year rate increases for 2024, which were effective January 1, 2024, have been reflected in the six months ended June 30, 2024 results.

*Water General Rate Case for the years 2025–2027*

On August 14, 2023, 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 2025 – 2027. On July 12, 2024, GSWC and the Cal Advocates filed a joint motion to adopt a settlement agreement between GSWC and Cal Advocates in connection with the water utility general rate case. The CPUC is scheduled to issue a decision in the water general rate case by the end of 2024, with new rates to become effective January 1, 2025.

The proposed settlement agreement, if approved by the CPUC, resolves most of the issues related to the calculation of the 2025 annual revenue requirement in the general rate case application leaving only two unresolved issues. Among other things, the settlement authorizes GSWC to invest approximately $573.1 million in capital infrastructure over the three-year capital cycle. The $573.1 million of infrastructure investment, as settled, includes $17.7 million of advice letter capital investments to be filed for revenue recovery during the second and third year attrition increases when those projects are completed. In addition, the settlement agreement approves $58.2 million of advice letter capital investments that began construction in 2023 that we expect to be file for revenue recovery during the second and third year attrition increases when those projects are completed. For all of the advice letter projects, GSWC will be allowed to accrue interest during construction at the adopted cost of debt and recover the full rate of return and all applicable components of the revenue requirement after the assets are placed in service up until the assets are placed in customer rates.

Excluding revenues for all of the advice letter capital projects discussed above, under the terms of the settlement agreement (i) GSWC's adopted operating revenues less water supply costs for 2025 are projected to increase by approximately $23 million as compared to the 2024 adopted operating revenues less water supply costs, and (ii) there are potential additional revenue increases of approximately $20 million for each of the years 2026 and 2027 based on inflation factors used at the time of the application filing in August 2023. The increases in 2026 and 2027 are subject to the results of an earnings test and changes to the forecasted inflationary index values. Actual increases for 2026 and 2027 will be determined when the CPUC approves the filings to implement the new rate increases, using inflationary index values applicable at that time.

The two remaining unresolved 2025 revenue requirement issues relate to the sales forecast and supply mix. In addition, four items related to GSWC's request for certain regulatory mechanisms will be litigated and they include (i) a full sales and revenue decoupling mechanism, and a full cost balancing account for water supply, (ii) a sales reconciliation mechanism, (iii) a supply mix adjustment mechanism, and (iv) a request to modify the existing per- and polyfluoroalkyl substances ("PFAS") memorandum account to track carrying costs on capital investments needed to comply with the new PFAS maximum contaminant levels (monitoring and reporting required effective 2027) established by the Environmental Protection Agency. With regards to all of these unresolved issues, GSWC and Cal Advocates filed briefs with the CPUC in July 2024. When the administrative law judge in the proceeding issues a proposed decision, it will address the unresolved issues along with the settlement agreement filed by GSWC and Cal Advocates.

As noted above, GSWC is litigating its request for the continued use of a full sales and revenue decoupling mechanism, and a full cost balancing account for water supply. In August 2020, the CPUC had issued a decision that mandated the discontinuation of the existing full revenue decoupling mechanism known as the Water Revenue Adjustment Mechanism ("WRAM") used by investor owned water utilities since 2008 that, in conjunction with tiered rates, incentivizes water conservation, and also ordered the discontinued use of the Modified Cost Balancing Account ("MCBA"). Under the CPUC's order, the WRAM and MCBA would be discontinued after 2024. In response to the CPUC's order, GSWC, three other investor-owned water utilities and the California Water Association each separately filed a petition in 2021 with the California Supreme Court (the "Court") to review the CPUC's decision-making processes that resulted in discontinuing the use of the WRAM and MCBA. In September 2022, the governor of California signed Senate Bill ("SB") 1469 which allowed Class A water utilities, including GSWC, to continue requesting the use of a revenue decoupling mechanism in their next general rate case. On July 8, 2024, the Court issued a ruling that set aside the previously issued order by the CPUC and vacated the portions of the CPUC's decision related to the discontinued use of the WRAM and MCBA used by water utilities and its accompanying findings and conclusions. However, GSWC's request to continue using the WRAM and MCBA is still subject to CPUC approval.

*2024 COC Application*

Investor-owned water utilities serving California are required to file their cost of capital applications on a triennial basis. GSWC's next cost of capital application was scheduled to be filed on May 1, 2024 effective for the years 2025 - 2027. However, GSWC, along with three other Class A investor-owned water utilities in California, filed a joint request with the CPUC to defer the filing deadline of the next cost of capital applications by one year, which was approved on February 2, 2024. The joint request asked that the utilities keep the cost of capital currently authorized for 2024 in effect through 2025, and file new cost of capital applications by May 1, 2025 to set the cost of debt, return on equity and capital structure starting January 1, 2026. GSWC's current authorized rate of return on rate base is 7.93% effective January 1, 2024, which will continue in effect through December 31, 2025. Additionally, GSWC's WCCM will remain active through the one year deferral period.

*San Juan Oaks Mutual Acquisition*

In August 2023, GSWC entered into an agreement to purchase the water and wastewater system assets from San Juan Oaks Mutual Water Company ("SJO Mutual") in San Benito County, California. The new master-planned community, known as San Juan Oaks, will serve up to an estimated 1,300 customers once the community is built as planned. The transaction is subject to CPUC approval. In December 2023, GSWC filed an application to establish the new service area and to set water and sewer rates for the San Juan Oaks service area in San Benito County, California. On March 26, 2024, the CPUC issued a scoping ruling that established a schedule that provides for a final decision by October 2024.

Electric Segment:

*Recent Changes in Rates*

On August 30, 2022, BVES filed a new general rate case application with the CPUC to determine new rates for the years 2023–2026. Electric revenues billed to customers for 2023 and through June 30, 2024 were based on 2022 adopted rates and will remain in effect until finalization of the pending general rate case application. On December 15, 2022, the CPUC approved a decision for BVES to establish a general rate case memorandum account that makes the new 2023 rates effective and retroactive to January 1, 2023. Because new rates are expected to be retroactive to January 1, 2023, when a decision is issued in the electric general rate case, cumulative adjustments will be recorded at that time. A proposed decision was issued that extends the statutory deadline of the general rate case to September 30, 2024. Therefore, a decision on the general rate case is scheduled to be issued by the end of the third quarter of 2024. However, no assurance can be given that a decision will be issued at such time.

*BVES Battery and Solar Projects*

On May 17, 2024, BVES filed an application with the CPUC requesting approval to acquire, own, and operate the Storage System ("Battery Project") and the Bear Valley Solar Energy Project ("Solar Project") (collectively "Projects") and authorize a rate increase for the Projects' capital investment and operating expenses. If approved, BVES will recoup the costs in rates once construction is completed and the Projects are placed into service. Construction is expected to be completed within 12 months of the CPUC's approval at a total cost of $26.2 million. These Projects will help BVES transition to carbon-free resources, meet its Renewable Portfolio Standard, greenhouse gas emissions reduction requirements, and long-term local area reliability needs. As part of the application, BVES is seeking approval from the CPUC to enter into engineering, procurement, and construction agreements. BVES requests authorization to file an advice letter within 30 days of the completion of the Projects' construction to initiate rate recovery of its investment and operating costs of the Projects.

See also *"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, 2023 filed with the SEC for a discussion of other regulatory matters.

**Environmental Matters**

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, 2023 filed with the SEC for a discussion of environmental matters applicable to AWR and its subsidiaries.

AWR's subsidiaries are subject to stringent environmental regulations. GSWC is required to comply with the safe drinking water standards established by the U.S. Environmental Protection Agency ("U.S. EPA") and the Division of Drinking Water ("DDW"), under the State Water Resources Control Board ("SWRCB"). Under the Federal Safe Drinking Water Act and its implementing regulations, the U.S. 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 U.S. EPA, administers the U.S. 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. GSWC works proactively with third parties and governmental agencies to address issues relating to known contamination threatening GSWC water sources. GSWC also incurs 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 the 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, drought impacts, as well as to meet future water quality standards and consumer expectations. The CPUC ratemaking 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 should be authorized for recovery by the CPUC.

*Drinking Water Maximum Contaminant Levels*

On April 10, 2024, the U.S. EPA announced the final regulations that established maximum contaminant levels ("MCLs") for six per- and polyfluoroalkyl substances ("PFAS") compounds in drinking water. The regulation established MCLs for Perfluorooctanoic Acid ("PFOA"), Perfluorooctanesulfonic Acid ("PFOS"), and several other contaminants with individual MCLs that range from 4 parts per trillion ("ppt") to 10 ppt. In addition, the regulation established MCL for PFAS mixtures containing at least two of certain of the regulated PFAS compounds for the combined and co-occurring levels of PFAS in drinking water. The final rule requires public water systems to implement PFAS monitoring and reporting within three years (2027), and where exceedances are identified, to implement solutions within five years (2029) to reduce PFAS levels to below the MCLs. Currently, there are more than forty sources at GSWC that have exceeded one or more of the PFAS MCLs. These new MCLs are expected to increase GSWC's capital investments and operations and maintenance expenses over the next five years. In addition, due to the volatility of the supply chain and demand for PFAS treatment components, both the capital investments and operations and maintenance expenses are likely to further increase. The CPUC has authorized GSWC to track incremental expenses, 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 memorandum account to be filed with the CPUC for future recovery.

On April 17, 2024, the SWRCB voted to adopt the final hexavalent chromium MCL of 10 parts per billion. The final rule is expected to be effective October 1, 2024. Depending on the size of the water system, water systems will have two to four years from the effective date to come into compliance with the MCL. Currently, there are approximately eight sources at GSWC that exceed or are within eighty percent of the MCL. These MCLs are also expected to increase GSWC's capital investments and operations and maintenance expenses.

The CPUC ratemaking 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 should be authorized for recovery by the CPUC for both PFAS compounds and hexavalent chromium.

*Designation of PFOA and PFOS as CERCLA Hazardous Substances*

On April 19, 2024, the U.S. EPA issued a final rule to designate PFOA and PFOS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). This designation is expected to increase GSWC's water treatment and disposal costs. The CPUC has authorized GSWC to track incurred incremental expenses as a result of PFAS contamination in a memorandum account to be filed with the CPUC for future recovery.

*Lead and Copper Rule Revisions*

On December 16, 2021, the U.S. EPA announced revisions to the lead and copper rule under an executive order with a compliance date of October 16, 2024. Additionally, the U.S. EPA announced its intention to develop a new proposed rule that will further strengthen the regulatory framework prior to the October 2024 compliance date. The proposed rule was published in November 2023, and the U.S. EPA has received a significant number of comments on the proposed rule. There are still many unknowns regarding the implementation of the rule. Some of the requirements may include timely replacement of customer lead service lines, corrosion control treatment, revised lead action levels and customer communications. The details of the requirements will be better understood once they are published and a final rule is approved.

## Water Supply

See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Water Supply"* section of Registrant's Form 10-K for the year-ended December 31, 2023 filed with the SEC for a discussion of water supply issues. The discussion below focuses on significant matters and changes since December 31, 2023.

The California Legislature passed two bills in 2018 that provide a framework for long-term water-use efficiency standards and drought planning and resiliency. The framework sets aggressive water use objective standards and performance metrics that water suppliers will now be required to be met by the year 2040 with interim milestones, as revised by the recent Conservation Regulation described below. A key milestone is the establishment of an indoor water use standard of 55 gallons per capita per day ("gpcd") until 2025. Legislation signed by the governor of California into law in September 2022 has set more stringent indoor standard targets than initially set forth in the 2018 legislation. The indoor standard will now be set at 47 gpcd in 2025 and then reduced to 42 gpcd in 2030 (previously had been set at 52.5 gpcd and 50 gpcd, respectively). The California SWRCB approved the Conservation Regulation referred to as "To Make Conservation a California Way of Life" on July 3, 2024. The regulation becomes effective on January 1, 2025. Each Urban Water Supplier will have an overall water use objective that will include both an indoor standard as well as outdoor use standards.

Water year 2023-24, which began on October 1, 2023, started with below normal Sierra snowpack and precipitation. However, a series of atmospheric storm events in the first few months of 2024 have provided a promising outlook to the State's supply conditions. The State's major reservoirs are near capacity with Lake Oroville at 94% of capacity and Lake Shasta at 87% capacity on July 2, 2024 and the average statewide snowpack on April 1, 2024 was at 111% of normal levels. The State Water Project allocation was increased to 40% on April 23, 2024 from 30% as of March 22, 2024 after an initial value of only 10% set in December 2023. As of July 30, 2024, the U.S. Drought Monitor reported that none of California was in drought with 21% identified as "abnormally dry" and 4% was identified in "moderate drought" as compared to a year ago when 26% was listed as "abnormally dry" and 7% was identified in "moderate drought."

Prolonged drought conditions continue on the Colorado River System, which has experienced historically low reservoir levels in Lake Mead and Lake Powell in 2023. Reservoir levels have improved in 2024 with Lake Powell and Lake Mead combined water storage on June 30, 2024 was at approximately 18 million acre feet which is comparable to the same approximate value a year ago. Urgent action to reduce water demand on the lower river by 2 to 4 million acre feet annually has been requested by the US Bureau of Reclamation (the "Bureau"). In December 2023, several California water agencies signed agreements with the Bureau to conserve up to 643,000 acre-feet of water in Lake Mead through 2025. This includes contracts with the Coachella Valley Water District, the Quechan Indian Tribe and the Imperial Irrigation District. Additional contracts are expected to be signed by the Palo Verde Irrigation District in cooperation with Metropolitan Water District of Southern California in 2024. In 2026, operational agreements on how the Colorado River is managed expire. Reclamation is working with both the upper and lower states on a revised set of agreements and a draft is expected by the end of 2024. GSWC will continue to monitor developments related to the Colorado River System and assess its impact on GSWC.

*Other Climate Change Matters*

Climate change is one area that we focus on as we develop and execute our business strategy and financial planning, both in the short- and long-term. The risks posed by climate variability increase the need for us to plan for and address supply resiliency. Climate change has also impacted electric utilities in California increasing wildfire risks and requiring the need to develop robust wildfire mitigation plans. We address these and other climate change risks by planning, assessing, mitigating, and investing in our infrastructure for the long-term benefit of our communities. See *"Item 1. Business Overview"* section of Registrant's Form 10-K for the year-ended December 31, 2023 filed with the SEC for a discussion of climate change planning, risks and opportunities.

## Cybersecurity Matters

Cyberattacks represent a threat to water, wastewater and electric utility systems and thereby the safety and security of our communities. We continue to increase our investments in information technology to monitor and address threats and attempted cyber-attacks. This improves our posture in addressing security vulnerabilities. See *"Item 1A. Risk Factors"* and *"Item 1C. Cybersecurity"* section of Registrant's Form 10-K for the year-ended December 31, 2023 filed with the SEC for a discussion of cybersecurity matters.

## 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 to the 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 BVES, 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, 2023 filed with the SEC.

There have been no material changes to our quantitative and qualitative disclosures about market risk from what was previously disclosed in Registrant's Annual Report on Form 10-K for the year ended December 31, 2023 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 Exchange Act of 1934, as amended (the "Exchange Act"), Registrant has carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer ("CEO") and its 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 Registrant's "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 Registrant's 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 Registrant in the reports that Registrant files or submits 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 Registrant's management, including its 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 Registrant's internal control over financial reporting during the quarter ended June 30, 2024, that has materially affected or is reasonably likely to materially affect Registrant's 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 management believes 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 2023 Annual Report on Form 10-K filed with the SEC.

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

The following table provides information about repurchases of Common Shares by AWR during the second quarter of 2024:

| 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, 2024 | 457 | $ 69.08 | — | — |
| May 1 – 31, 2024 | 336 | $ 76.66 | — | — |
| June 1 – 30, 2024 | 10,734 | $ 71.58 | — | — |
| Total | 11,527 (2) | $ 71.63 | — | |

(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 GSWC'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 30, 2024, AWR’s Board of Directors approved an 8.3% increase in the third quarter dividend to $0.4655 per share from $0.4300 per share on AWR’s Common Shares. Dividends on the Common Shares will be paid on September 3, 2024 to shareholders of record at the close of business on August 16, 2024.

(b) There have been no material changes during the second quarter of 2024 to the procedures by which shareholders may nominate persons to the Board of Directors of AWR.

(c) During the quarter ended June 30, 2024, no officer or director adopted, terminated, or modified any Rule 10b5-1 plans or non-Rule 10b5-1 plans.

**Item 6. Exhibits**

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

| | |
|---|---|
| 3.1 | Amended and Restated By-Laws of American States Water Company incorporated by reference to Exhibit 3.1 of Registrant's Form 10-Q filed for September 30, 2023 |
| 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, 2023 |
| 4.4 | Description of Debt Securities incorporated by reference to Exhibit 4.4 to Registrant's Form 10-K for the year ended December 31,2021 |
| 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 | Change in Control Agreement between American States Water Company or a subsidiary and certain executives incorporated herein by reference to Exhibit 10.6 to Registrant's Form 10-K for the year ended December 31, 2022 (2) |
| 10.7 | Golden State Water Company Supplemental Executive Retirement Plan, amended and restated, incorporated herein by reference to Exhibit 10.7 to Registrant’s Form 10-Q filed on May 2, 2022 (2) |
| 10.8 | Credit Agreement of American States Water Company dated June 28, 2023, as amended , incorporated by reference to Exhibit 10.8 to Registrant's Form 10-Q filed for September 30, 2023 |
| 10.9 | Officer Relocation Policy incorporated herein by reference to Exhibit 10.5 to the Registrant's Form 8-K filed on July 31, 2009 (2) |
| 10.10 | Credit Agreement of Golden State Water Company dated June 28, 2023 incorporated by reference to Registrant's Form 8-K filed on July 5, 2023 |
| 10.11 | 2016 Stock Incentive Plan incorporated by reference to Exhibit 10.1 to Registrant’s Form 8-K filed on May 19, 2016 (2) |
| 10.12 | 2023 Non-Employee Directors Plan incorporated by reference herein to Exhibit 10.1 to the Registrant's Form 8-K filed on May 26, 2023 (2) |
| 10.13 | 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 to the Registrant's Form 8-K filed on November 3, 2017 (2) |

| | |
|---|---|
| 10.14 | Note Purchase Agreement dated July 8, 2020 incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed July 14, 2020 |
| 10.15 | Form of 2024 Performance Award Agreement incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed March 15, 2024 (2) |
| 10.16 | Separation Agreement and General Release of Claims dated August 10, 2021 incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on August 13, 2021 (2) |
| 10.17 | Retirement Agreement and General Release of Claims effective January 14, 2022, incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on January 21, 2022 (2) |
| 10.18 | Contract for Professional Services effective June 15, 2022 incorporated by reference from Exhibit 10.2 to the Registrant's Form 8-K filed on January 21, 2022 (2) |
| 10.19 | Form of 2022 Performance Award Agreement incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed February 4, 2022 (2) |
| 10.20 | Form of 2023 Performance Award Agreement incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed February 10, 2023 (2) |
| 10.21 | Form of Indemnification Agreement for directors and officers incorporated by reference herein to Exhibit 10.24 to the Registrant's Form 10-K for the year ended December 31, 2022 (2) |
| 10.22 | 2024 Short-Term Incentive Program incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed on March 29, 2024 (2) |
| 10.23 | Form of 2024 Short-Term Incentive Program Award Agreement incorporated by reference to Exhibit 10.2 of Registrant's Form 8-K filed on March 29, 2024 (2) |
| 19.1 | Insider Trading Policy |
| 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 | Inline 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 | Inline XBRL Taxonomy Extension Schema (3) |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase (3) |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase (3) |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase (3) |
| 101.PRE | Inline 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 6, 2024

**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, 2024 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 6, 2024 | By: | /s/ ROBERT J. SPROWLS |
| | | | Robert J. Sprowls |
| | | | President and Chief Executive Officer |

**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, 2024 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 6, 2024 | 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, 2024 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 6, 2024 | By: | /s/ EVA G. TANG |
| | | | Eva G. Tang |
| | | | Senior Vice President-Finance, Chief Financial Officer, Corporate Secretary and Treasurer |

**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 ended June 30, 2024 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 6, 2024 | 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, 2024, 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 6, 2024

**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, 2024, 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 6, 2024