

# Financial Results Call Presentation

## Second Quarter 2022



**American States**  
Water Company

**August 2, 2022**

**NYSE: AWR**

# Today's Presenters

**Robert J. Sprowls**

President & CEO



**Eva G. Tang**

SVP – Finance & CFO



# Forward-Looking Statement

---

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

# Non-GAAP Financial Measures



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

The non-GAAP financial measures discussed in this conference call include a discussion of diluted earnings per share by business segment. Furthermore, the gains and losses generated on the investments held to fund one of the company's retirement plans during the three- and six-month periods ended June 30, 2022 and 2021 have been excluded when communicating the results to help facilitate comparisons of the company's performance from period to period. Also, the retroactive impact of new 2022 water rates not yet recorded due to the delay in receiving a final decision from the CPUC, which will be retroactive to January 1, 2022 when approved, have been included when communicating the company's consolidated and water segment results for the three and six months ended June 30, 2022 to help facilitate comparisons of the company's performance from period to period.

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

# Presentation Overview

Q2 2022 Highlights	6
Q2 Diluted EPS by Segment	7
Q2 Operating Revenues by Segment	8
Q2 Expenses (Excluding Income Taxes)	9
EPS Bridge Q2 2021 to Q2 2022	10
YTD Diluted EPS by Segment	11
Liquidity	12
Key Factors Impacting Q2 & YTD Results	13
Regulatory Activity	14
California Drought	16
Adopted Average Water Rate Base	17
Contracted Services (ASUS)	18
Dividends	19
Non-GAAP Measures	21

# Q2 2022 Highlights

- **An 8.9% increase in the quarterly cash dividend** approved last week, which marks the 68th consecutive calendar year of dividend increases
- Recorded diluted earnings per share (EPS) decreased \$0.18, or a \$0.02 per share increase as adjusted:
  - ✓ Q2 2022 \$0.54 per share (\$0.71 per share adjusted for items noted below)
  - ✓ Q2 2021 \$0.72 per share (\$0.69 per share adjusted for items noted below)
    - Quarter results reflect an unfavorable variance of \$0.10 per share from losses on investments held to fund a retirement plan (\$0.07 losses in 2022 vs \$0.03 gains in 2021)
    - Quarter results also reflect 2021 water rates due to delay in receiving CPUC final decision in the water GRC. 2022 water rates, if approved as settled, would be retroactive to January 1, 2022 and add \$0.10 per share to the quarter.
- On pace to spend \$140-\$160 million this year in infrastructure investments at our regulated utilities
- Awaiting a decision from the CPUC for GSWC's general rate case expected in the second half of 2022 that will be retroactive to January 1, 2022, and continue to be actively involved in processing our cost of capital application
- In June 2022, S&P affirms A+ credit rating for both AWR and GSWC

# Q2 Diluted EPS by Segment

	Q2 2022	Q2 2021	Variance
Water <sup>(1)</sup>	\$0.40	\$0.57	(\$0.17)
Electric	0.04	0.04	-
Contracted Services	0.10	0.11	(0.01)
<b>Consolidated EPS, as reported</b> <sup>(2)</sup>	<b>\$0.54</b> <sup>(3)</sup>	<b>\$0.72</b>	<b>(\$0.18)</b>

(1) GSWC recorded reduction of \$0.03 per share to reflect the estimated impact from the pending cost of capital proceeding

(2) EPS for Q2 2022 includes losses on investments held to fund a retirement plan, decreasing earnings by \$0.10 per share

(3) Had new water rates been approved & implemented as of 1/1/2022, EPS would have been \$0.10 higher than recorded

Excluding the gains and losses on investments from both periods, and including the additional revenues and water supply costs caused from the delay in the GRC in the results for Q2 2022, **consolidated adjusted diluted earnings for Q2 2022 were \$0.71 per share, as compared to adjusted diluted earnings of \$0.69 per share for the same period in 2021, an adjusted increase of \$0.02 per share.**

# Q2 Operating Revenues by Segment



(amounts in millions)	Q2 2022	Q2 2021	Variance
<b>Water*</b>	\$90.9	\$91.6	(\$0.7)
<b>Electric</b>	8.2	8.1	0.1
<b>Contracted Services</b>	23.5	28.7	(5.2)
<b>Total Operating Revenues</b>	\$122.6	\$128.4	(\$5.8)

\* Water revenues billed and recorded for Q2 2022 were based on 2021 adopted rates, pending a CPUC final decision on GSWC's general rate case.



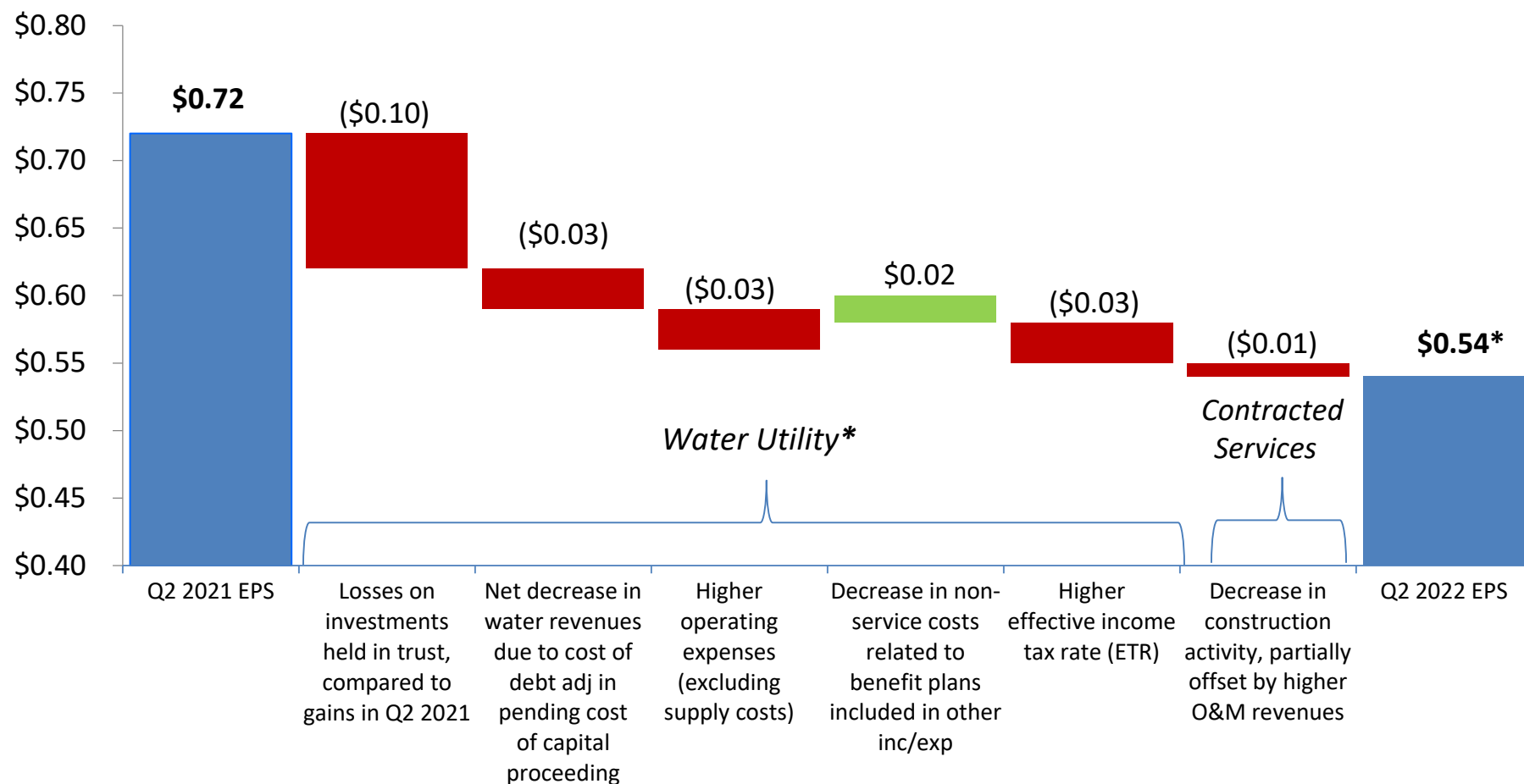
# Q2 Expenses (Excluding income taxes)

(amounts in millions)	Q2 2022	Q2 2021	Variance
Water and Electric Supply Costs	\$28.6	\$28.0	\$0.6
Other Operation	9.7	8.5	1.2
Administrative and General	20.5	20.6	(0.1)
Depreciation and Amortization	10.2	9.8	0.4
Maintenance	3.6	3.3	0.3
Property and Other Taxes	5.5	5.3	0.2
ASUS Construction	10.3	15.1	(4.8)
<b>Total Operating Expenses*</b>	<b>\$88.3</b>	<b>\$90.6</b>	<b>(\$2.3)</b>
Interest Expense, net of Interest Income	\$5.9	\$5.7	\$0.2
Other Income, net of Other Expense**	(\$2.3)	\$1.9	(\$4.2)

\* Line item does not total due to rounding.

\*\* Includes \$3.5 million loss in Q2 2022 and \$1.6 million gain in Q2 2021 related to investments held to fund one of the company's retirement plans.

# EPS Bridge Q2 2021 to Q2 2022



\* Including the additional revenues and water supply costs had the new water rates been approved by the CPUC and implemented on 1/1/2022, adjusted consolidated and water EPS for Q2 2022 would be \$0.10 per share higher than recorded

# YTD Diluted EPS by Segment

	YTD 2022	YTD 2021	Variance
Water <sup>(1)</sup>	\$ 0.63	\$ 0.90	\$ (0.27)
Electric	0.12	0.10	0.02
Contracted Services	0.18	0.24	(0.06)
AWR (Parent)	(0.01)	-	(0.01)
<b>Consolidated EPS<sup>(2)</sup></b>	<b>\$ 0.92<sup>(3)</sup></b>	<b>\$ 1.24</b>	<b>(\$0.32)</b>

- (1) GSWC recorded reduction of \$0.06 per share to reflect the estimated impact from the pending cost of capital proceeding  
 (2) EPS for YTD 2022 includes losses on investments held to fund a retirement plan, decreasing earnings by \$0.14 per share  
 (3) Had new water rates been approved & implemented as of 1/1/2022, YTD EPS would have been \$0.19 higher than recorded

Excluding the gains and losses on investments from both periods, and including the additional revenues and water supply costs caused from the delay in the GRC in the results for YTD 2022, **consolidated adjusted diluted earnings for YTD 2022 were \$1.21 per share, as compared to adjusted diluted earnings of \$1.20 per share for the same period in 2021, an adjusted increase of \$0.01 per share.**

- Operating cash flows were \$56.9 million for YTD 2022, as compared to \$41.1 million for YTD 2021
  - ✓ During Q1 2022, GSWC and BVESI received COVID relief funds from state of CA totaling \$9.5 million and \$321,000, respectively
- Regulated utilities invested \$78.3 million on company-funded capital work for YTD 2022
  - ✓ Capital expenditures for 2022 are expected to be \$140-\$160 million for our regulated utilities
- Financing Activities:
  - ✓ In April 2022, AWR amended its credit facility (expiring in May 2023) increasing the borrowing capacity from \$200 million to \$280 million to support GSWC's capital expenditures
    - AWR expects to renew and extend this facility prior to its expiration date
    - AWR expects to issue debt through GSWC and use the proceeds to pay down a portion of the outstanding borrowings under the credit facility prior to May 2023
- Credit ratings:
  - ✓ S&P: A+ credit rating for both AWR and GSWC, with negative outlook
  - ✓ Moody's: A2 rating with a stable outlook on GSWC

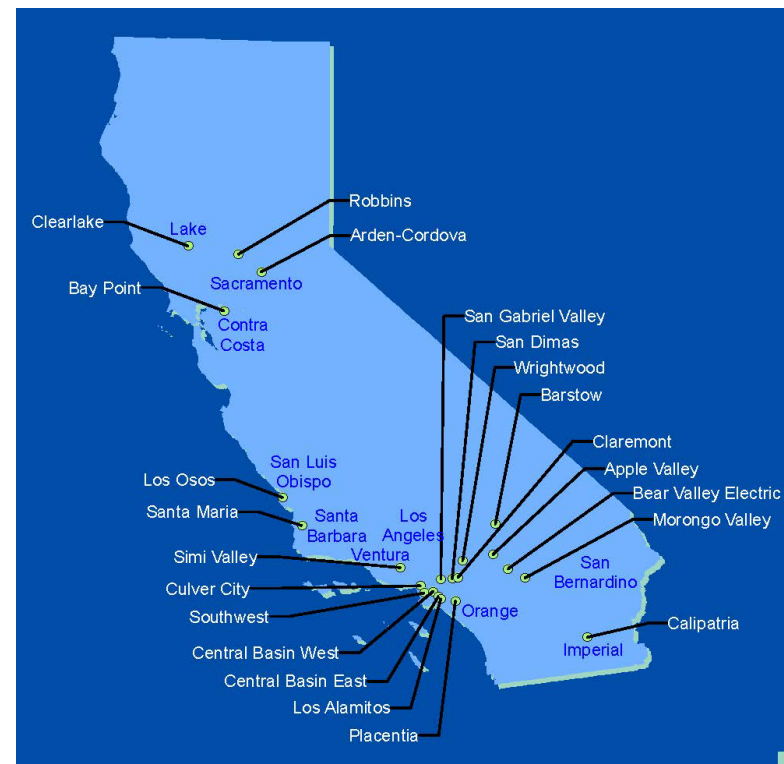
# Key Factors Impacting Q2 & YTD Results



- Had 2022 water rates been approved consistent with the settlement agreement and implemented on January 1, 2022, GSWC's earnings contribution per share for Q2 and the YTD would have been higher by \$0.10 and \$0.19, respectively. Once a final decision is issued by the CPUC in the general rate case, the new rates will be retroactive to January 1, 2022. We view this as a timing difference for the year.
- Water revenues were adjusted downward to reflect our best estimate at this time of the potential impact from the pending cost of capital application, which includes primarily the effect of GSWC's lower cost of debt requested in its application. The lower revenues decreased earnings per share for Q2 and the YTD by \$0.03 and \$0.06, respectively. A proposed decision on this proceeding is expected in the second half of 2022.
- The investment losses in 2022 on one of our retirement plans negatively impacted earnings per share as compared to last year's second quarter and YTD by approximately \$0.10 and \$0.14, respectively.
- ASUS is expected to catch up on its construction activity during the second half of 2022 barring any further delays, and the company reaffirms its projection that ASUS will contribute \$0.45 - \$0.49 per share for 2022.

# Regulatory Activity

- In November 2021, a settlement was reached on all but three of the items in the general rate case application filed in 2020 for new water rates for the years 2022, 2023 and 2024. If approved, the settlement would:
  - ✓ Authorize \$404.8 million in capital infrastructure over the 3-year period
  - ✓ Increase the 2022 adopted revenues by \$30.3 million, and increase the 2022 adopted supply costs by \$9.7 million as compared to the 2021 adopted levels
- A proposed decision is expected in the second half of 2022. A final decision, once issued, will be effective retroactive to January 1, 2022
- Completed \$9.4 million of capital projects from the prior rate case approved earlier this year by the CPUC for revenue recovery through advice letters and also included in the pending general rate case



Regulated Utilities - Customer Service Areas

# Regulatory Activity (Continued)

- In May 2021, GSWC filed its cost of capital application, requesting:
  - ✓ a capital structure of 57% equity and 43% debt
  - ✓ a return on equity of 10.5%
  - ✓ an embedded cost of debt of 5.1%
  - ✓ a return on rate base of 8.18%

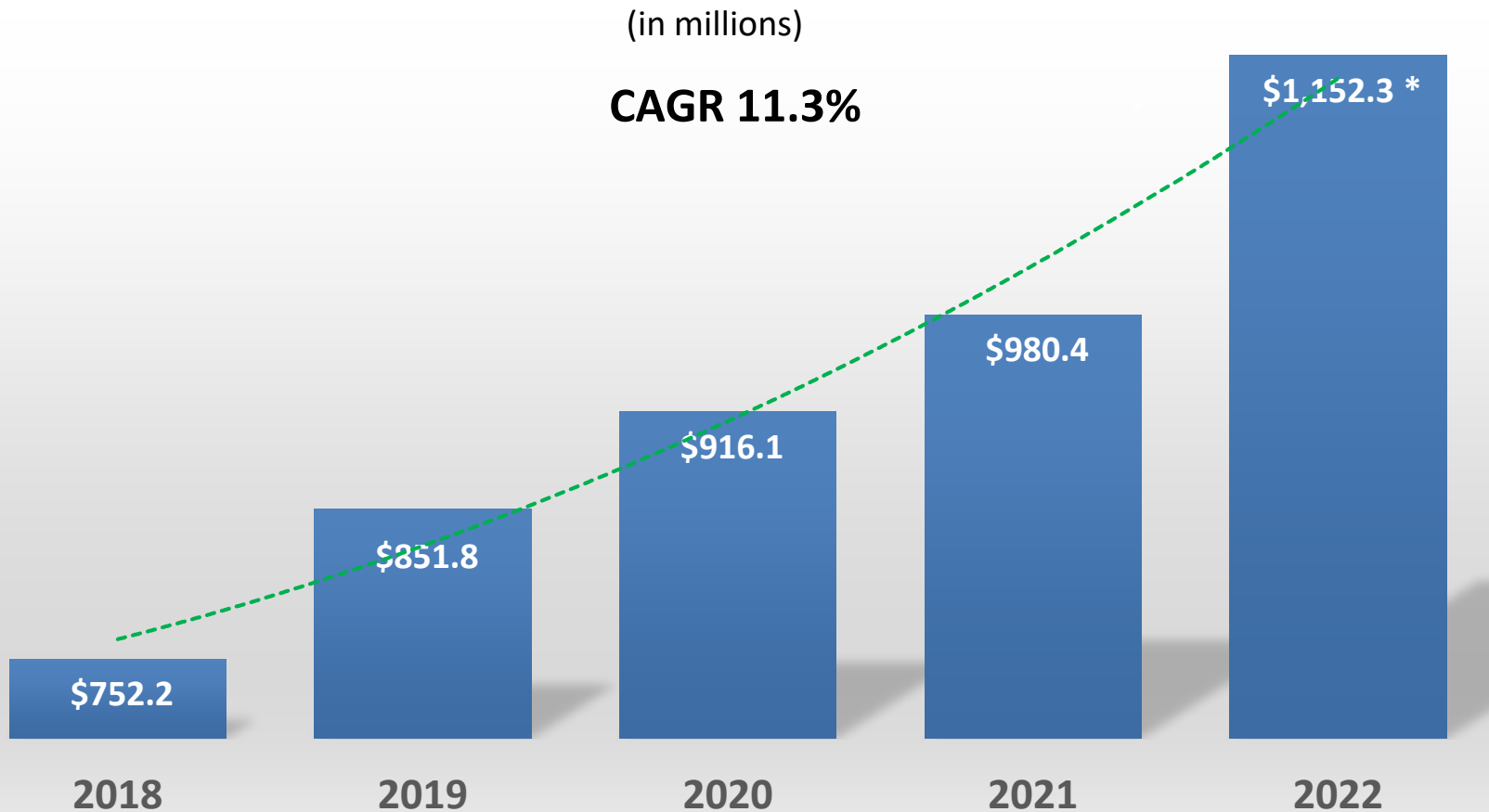
Will be effective for the years 2022 - 2024. A proposed decision is expected in the second half of 2022. Once approved by the CPUC, the revenues will be reset based on the new cost of capital.

- ✓ In Q2 and YTD 2022, we recorded a reduction to revenues to reflect our best estimate at this time of the potential impact from the pending cost of capital application, which includes primarily the effects of GSWC's lower cost of debt requested in its application.
  - ✓ The lower revenues decreased earnings per share in Q2 and the YTD by \$0.03 and \$0.06, respectively. Changes in estimates will be made, if necessary, as more information in this proceeding becomes available.
- BVESI will file a general rate case in August 2022 to set new rates for the years 2023-2026

- As of July 26, 2022, the U.S. Drought Monitor reported that 60% of California was considered in "Extreme Drought"
  - ✓ Record drought so far in 2022; calendar year 2022 projected to end as one of the three driest years on record
  - ✓ In March 2022, DWR reduced the allocation of SWP water from 15% to 5%
- In April 2022, MWD declared water supply emergency for SWP dependent areas
  - ✓ Impacts two of GSWC's service areas
  - ✓ Includes an emergency conservation program limiting outdoor watering to one day per week
  - ✓ If needed, MWD will move to zero outdoor watering days in the summer and move to only "health and human safety" use later in the year if actions do not result in adequate water savings
- Executive order issued in March 2022 by the governor calling on water suppliers to reduce water use by 20-30%
  - ✓ GSWC has moved all of its water systems to the second stage of its water-rationing plan
  - ✓ GSWC is working with its local suppliers to assess water supply conditions and water-use restrictions in its service areas and make appropriate adjustments as needed
- CPUC has authorized GSWC a memo account to track incremental drought-related costs for future recovery



# Adopted Average Water Rate Base



\* Based on settlement agreement, does not include approximately \$9.4 million in advice letter projects

# Contracted Services (ASUS)

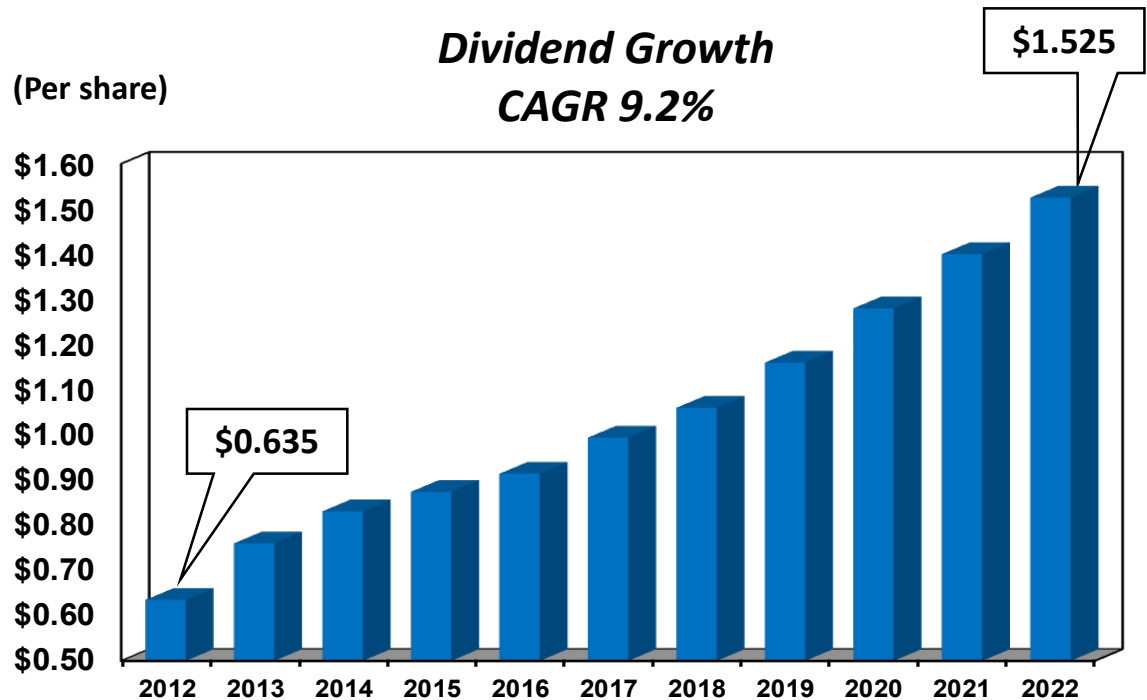
- Earnings for second quarter of 2022 were \$0.10 per share as compared to \$0.11 per share in Q2 2021, largely due to timing differences in construction activity between the two periods as well as a slowdown caused by longer material supply lead-time, weather conditions and other delays, partially offset by increased management fees
- ASUS is projected to contribute \$0.45 - \$0.49 per share in 2022
- The completion of filings for economic price adjustments, requests for equitable adjustment, asset transfers and contract modifications awarded for new projects provide ASUS with additional revenues and dollar margin
- Confident that we can effectively compete for new military base contract awards in the future, based on our strong history and expertise



*Serving Those Who Serve®*

# Dividends

- Board of Directors approved **an 8.9% increase in the 2022 third quarter cash dividend** from \$0.3650 to \$0.3975 per share
- Quarterly dividend rate has grown at a CAGR of 9.3% over the last five years
- Dividend policy:  
**More than 7% CAGR over the long term**
- Dividends paid every year since 1931
- Increased the dividend every calendar year for **68 consecutive years**, achieving a 9.2% CAGR in its calendar year dividend payments from 2012–2022



# Questions and Answers

---

# Computations and Reconciliations of Non-GAAP Financial Measure



Below are the computations and reconciliations of diluted earnings per share from the measure of operating income by business segment to AWR's consolidated diluted earnings per share for the three and six months ended June 30, 2022 and 2021:

	Water		Electric		Contracted Services		AWR (Parent)		Consolidated (GAAP)	
<i>In 000's except per share amounts</i>	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021
Operating income	\$ 27,711	\$ 30,777	\$ 2,038	\$ 1,795	\$ 4,571	\$ 5,278	\$ (3)	\$ (3)	\$ 34,317	\$ 37,847
Other income and expense	7,720	3,860	218	34	(138)	(47)	361	(38)	8,161	3,809
Income tax expense (benefit)	5,103	5,957	215	458	1,108	1,271	(221)	(224)	6,205	7,462
Net income	\$ 14,888	\$ 20,960	\$ 1,605	\$ 1,303	\$ 3,601	\$ 4,054	\$ (143)	\$ 259	\$ 19,951	\$ 26,576
Weighted Average Number of Diluted Shares	37,039	37,007	37,039	37,007	37,039	37,007	37,039	37,007	37,039	37,007
Diluted earnings per share	\$ 0.40	\$ 0.57	\$ 0.04	\$ 0.04	\$ 0.10	\$ 0.11	\$ —	\$ —	\$ 0.54	\$ 0.72

	Water		Electric		Contracted Services		AWR (Parent)		Consolidated (GAAP)	
<i>In 000's except per share amounts</i>	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021
Operating income	\$ 44,710	\$ 51,836	\$ 5,636	\$ 5,243	\$ 8,341	\$ 11,102	\$ (5)	\$ (5)	\$ 58,682	\$ 68,176
Other income and expense	13,463	8,920	188	75	(309)	(235)	561	196	13,903	8,956
Income tax expense (benefit)	7,792	9,725	1,167	1,342	2,052	2,662	(345)	(353)	10,666	13,376
Net income	\$ 23,455	\$ 33,191	\$ 4,281	\$ 3,826	\$ 6,598	\$ 8,675	\$ (221)	\$ 152	\$ 34,113	\$ 45,844
Weighted Average Number of Diluted Shares	37,029	36,993	37,029	36,993	37,029	36,993	37,029	36,993	37,029	36,993
Diluted earnings per share	\$ 0.63	\$ 0.90	\$ 0.12	\$ 0.10	\$ 0.18	\$ 0.24	\$ (0.01)	\$ —	\$ 0.92	\$ 1.24