

Financial Results Call Presentation



American States
Water Company

First Quarter 2018

May 8, 2018

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.
- Non-GAAP financial measures discussed in this conference call include: (i) the water gross margin, which is computed by subtracting total supply costs from total revenues, (ii) adjusted revenues, adjusted other operating expenses and adjusted income tax expense which are adjusted for items related to other periods, and (iii) AWR's operations in terms of diluted earnings per share by business segment, which is each business segment's earnings divided by the Company's weighted average number of diluted shares.
- The non-GAAP financial measures supplement our GAAP disclosures and should not be considered as alternatives to the GAAP measures. Furthermore, the non-GAAP financial measures may not be comparable to similarly titled non-GAAP financial measures of other registrants. The Company uses the water gross margin, adjusted revenues and adjusted other operating expenses and earnings per share by business segment as important measures in evaluating its operating results and believes these measures are useful internal benchmarks in evaluating the performance of its operating segments. The Company reviews these measures regularly and compares them to historical periods and to the operating budget.

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- Water Cost of Capital decision was received in March 2018, retroactive to January 1, 2018
- A+ credit rating and a stable outlook were affirmed by Standard and Poor's in April 2018
- Will assume operations at our 11th base, Fort Riley in mid-2018
- Consolidated diluted EPS lower due to:
 - One-time recovery of drought-related costs of \$0.02 per share in Q1 2017 (did not recur in 2018)
 - Loss on investments held in a trust
 - Cost of Capital decision
- Regulated Utilities (GSWC) - Expected to invest \$110-\$120 million in water and electric infrastructure during 2018

Q1 Diluted EPS by Segment

	Q1 2018	Q1 2017	Variance
Water	\$0.20	\$0.25	(\$0.05)
Electric	0.04	0.04	—
Contracted Services	0.05	0.05	—
Consolidated EPS, as reported	\$0.29	\$0.34	(\$0.05)
Non-GAAP Adjustment ⁽¹⁾	—	(0.02)	0.02
Consolidated EPS, adjusted	\$0.29	\$0.32	(\$0.03)

(1) As discussed on Slide 8, this non-GAAP adjustment at the water segment reflects the one-time recovery of previously incurred drought-related items recorded during Q1 '17

Adjusted Consolidated Net Income (Non-GAAP) American States Water Company

(amounts in millions)	Q1 2018 ^(a)	Q1 2017	Variance
Adjusted Operating Revenues	\$94.7 ^(b)	\$98.5 ^(c)	(\$3.8)
Water and Electric Supply Costs	19.5	18.4	1.1
Adjusted Other Operating Expenses	46.6	45.6 ^(c)	1.0
ASUS Construction	10.0	11.5	(1.5)
Adjusted Total Operating Expenses	76.1	75.5	0.6
Adjusted Operating Income	18.6	23.0	(4.4)
Other income and expenses, net	5.3	5.0	0.3
Adjusted Income before income taxes	13.3	18.0	(4.7)
Adjusted Income tax expense	2.6 ^(b)	6.3 ^(c)	(3.7)
Adjusted net income	\$10.7	\$11.7	(\$1.0)

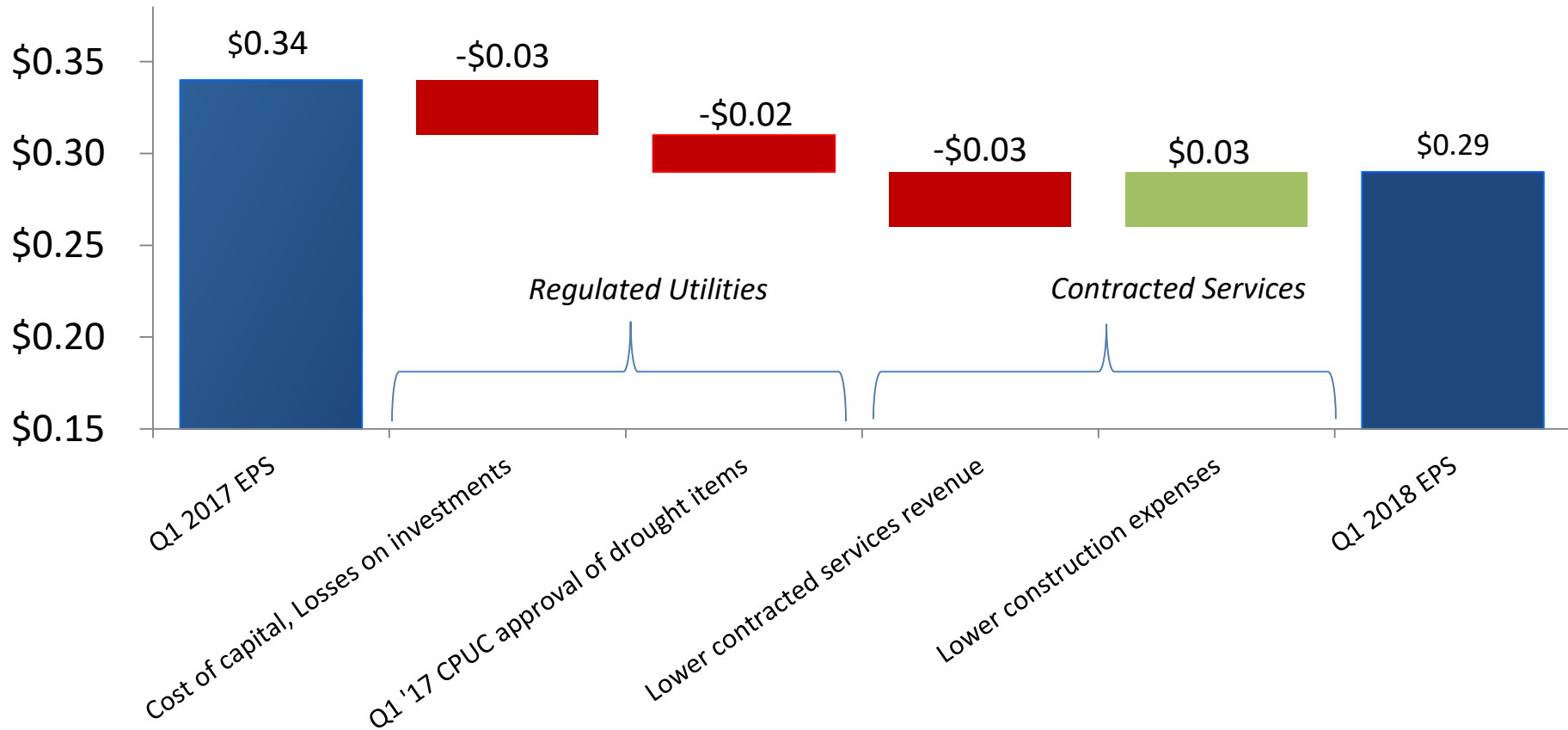
(a) As reported

(b) Includes \$3.1M reduction due to the impact of Tax Reform on Regulated Utilities

(c) Adjusted to exclude impact of \$1.5M Q1 '17 CPUC approval for recovery of incremental drought items (\$260,000 increase in revenues, \$1.2M decrease in other operation expense)

- No material impact to consolidated Q1 2018 earnings
- Significant impacts:
 - ✓ Lower federal corporate income tax rate from 35% to 21%
 - ✓ Increase in rate base and earnings resulting from the lower tax rate and elimination of bonus depreciation
 - ✓ Benefits utility customers
 - ✓ Lower cash flows, resulting in increased need for borrowings
 - No equity issuance in near term

EPS Bridge Q1 2017 to Q1 2018



Note: The impact of 3rd-year rate increases on the water gross margin in Q1 was offset by the sale of GSWC's Ojai system in June 2017. Before reflecting the effects from the new cost of capital and tax reform, 3rd-year rate increases will add ~ \$4.5 million to the 2018 full year adopted water gross margin (net of the loss of the Ojai system).

- Operating cash flows increased by \$7.7 million to \$35.7 million primarily due to:
 - ✓ Increases in cash generated from rate increases and surcharges approved by the CPUC

- Cash used in investing activities increased by \$6.3 million primarily due to higher capital expenditures at GSWC
 - ✓ Invested \$20.9 million of company-funded capital work at GSWC during the first quarter of 2018
 - ✓ Company-funded capital expenditures for 2018 are expected to be \$110-\$120 million at GSWC

Regulated Activity (GSWC)



Golden State Water Company Customer Service Areas

- Cost of Capital decision:
 - ROE: 8.9%
 - Cost of Debt: 6.6%
 - Return on Rate base: 7.91%
 - Of the 43 basis point drop in return on rate base, 18 basis points was due to updated embedded debt costs
- Third-year water rate increases effective January 1, 2018 expected to increase water gross margin by \$4.5 million, net of the loss of the Ojai system and before the impacts of the Cost of Capital decision and tax reform
- CPUC decisions for both the pending water and electric general rate cases are scheduled to be issued by the end of the year

Contracted Services (ASUS)

- Expect to assume water and wastewater operations at Fort Riley in mid-2018, contributing \$0.03-\$0.05 per share on an annual basis beginning in 2019
- Actively engaged in bidding on new bases being privatized and continue to develop significant opportunities for new construction work on the bases we currently serve
- Eleven military bases in seven states under 50-year privatization contracts
- ASUS projected to contribute \$0.38-\$0.42 per share in 2018

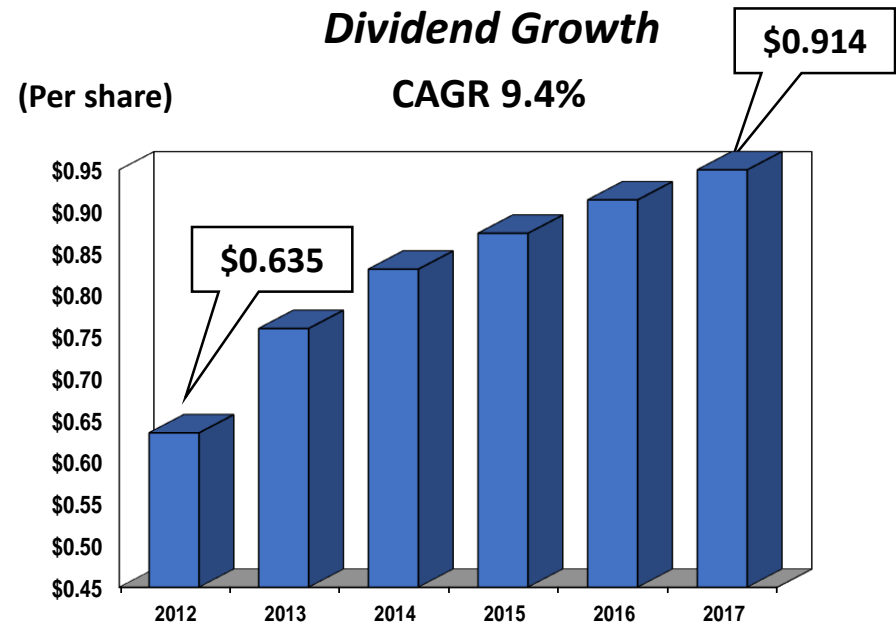


Serving Those Who Serve®

Dividends

- On April 30, 2018, AWR's Board of Directors approved a \$0.255 per share quarterly dividend
 - ✓ Payable on June 1, 2018 to shareholders of record at the close of business on May 15, 2018
 - ✓ 328th consecutive quarterly dividend payment

- *American States Water Company has paid dividends every year since 1931, increasing the dividend every calendar year for 63 consecutive years, which places it in an exclusive group of companies on the New York Stock Exchange that have achieved that result*



Questions and Answers

APPENDIX – Reconciliation of GAAP to Non-GAAP



(amounts in millions)	Q1 2018	Q1 2017	Variance
Consolidated Revenues, as reported	\$94.7	\$98.8	(\$4.1)
Q1 '17 CPUC approval of incremental drought items	—	(0.3)	0.3
Consolidated Revenues, adjusted	\$94.7	\$98.5	(\$3.8)
Consolidated Other Operation, as reported	\$8.0	\$6.2	\$1.8
Q1 '17 CPUC approval of incremental drought items	—	1.2	(1.2)
Consolidated Other Operation, adjusted	\$8.0	\$7.4	\$0.6
Consolidated income tax expense, as reported	\$2.6	\$6.9	(\$4.3)
Q1 '17 CPUC approval of incremental drought items	—	(0.6)	0.6
Consolidated income tax expense, adjusted	\$2.6	\$6.3	(\$3.7)