

Financial Results Call Presentation

Second Quarter 2020



American States
Water Company

August 4, 2020

NYSE: AWR

Today's Presenters

Robert J. Sprowls

President & CEO



Eva G. Tang

SVP – Finance & CFO



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 the water and electric gross margins, which are computed by subtracting total supply costs from total revenues, and 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, and also excludes the retroactive impact of the CPUC's May 2019 final decision on the general rate case from the water segment's second quarter of 2019 earnings results.
- 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 and electric gross margins and earnings per share by business segment, excluding the retroactive May 2019 CPUC decision impacting the second quarter 2019 earnings result, 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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Q2 Highlights

- Strong financials results
 - ✓ Consolidated diluted earnings per share:
 - Q2 2020 \$0.69
 - Q2 2019 \$0.72
 - Q2 2019 \$0.72 includes \$0.08 related to Q1 2019 due to retroactive impact of the May 2019 CPUC decision
 - Excluding the \$0.08 per share, Q2 2020 consolidated earnings increased \$0.05 per share, or 7.8% vs Q2 2019
- Filing of water general rate case
- Spinoff of electric division to separate AWR subsidiary
- Debt financing at Golden State Water
- Nearly 10% dividend increase
- New leadership at American State Utility Services (ASUS)

Recent Developments

- Capital expenditures were \$53.2 million for the first six months of 2020. We expect to spend \$105-\$120 million in 2020, barring further delays resulting from changes in capital improvement schedules due to the COVID-19 pandemic.
- GSWC completed the transfer of the electric assets and liabilities of its electric division to Bear Valley Electric Service, Inc. (“BVESI”), a wholly owned subsidiary of AWR
- A 9.8% increase in the quarterly cash dividend just announced, which marks the 66th consecutive year of dividend increases
- We continue to serve our customers and provide high quality water, electric and wastewater services and have suspended service disconnections for non-payment
- We track incremental costs incurred as a result of the COVID-19 pandemic in a catastrophic event memorandum account for future recovery, resulting in no material impact to earnings

Recent Developments (Continued)

- Stuart Harrison, New Senior Vice President at American States Utility Services, Inc.
- Stuart's experience and background includes:
 - Proven business development track record working with the DOD
 - Senior Vice President — Infrastructure and Engineering at Amentum (2020)* and AECOM (2011-2020)
 - Vice President – Intelligence Community Programs at Parsons Corporation
 - Held various positions in the U.S. Army spanning 25 years
 - Master of Arts U.S. Naval War College
 - Master of Science in Environmental Engineering from Pennsylvania State University
 - West Point graduate

*AECOM Management Services was purchased by private equity and renamed Amentum in 2020

Q2 Diluted EPS by Segment

	Q2 2020	Q2 2019	Variance
Water, adjusted ^(a)	\$0.54 ^(b)	\$0.51	\$0.03
Electric	0.03	0.01 ^(c)	0.02
Contracted Services	0.12	0.12	—
Consolidated EPS, adjusted	0.69	0.64	0.05
Retroactive impact related to Q1 2019	—	0.08	(0.08)
Consolidated EPS, as reported	\$0.69	\$0.72	(\$0.03)

(a) Q2 2019 excludes \$0.08 per share related to Q1 2019, as a result of receiving the May 2019 CPUC final decision which was retroactive to January 1, 2019. Furthermore, it includes a \$1.1 million reduction to expenses to reflect CPUC approval for recovery of costs previously incurred, positively impacting earnings by \$0.02 per share.

(b) Includes a \$0.04 per share increase related to gains on investments held for a retirement benefit plan.

(c) Had new rates based on the August 2019 final decision been implemented on January 1, 2019, the electric segment's Q2 2019 earnings would have been \$0.01 per share higher than reported.

Q2 Operating Revenues by Segment



(amounts in millions)	Q2 2020	Q2 2019	Variance
Water*	\$87.1	\$88.1 ^a	(\$1.0)
Electric*	7.7	7.4	0.3
Contracted Services	26.5	29.1	(2.6)
Total Operating Revenues	\$121.3	\$124.6	(\$3.4)**

^a - Q1 2019 revenues include approximately \$3.4 million recorded in Q2 2019 as a result of the May 2019 CPUC final decision on the water general rate case.

* Includes surcharges to collect previously incurred costs, and offset by corresponding increases in operating expenses, resulting in no material impact to earnings.

** Line item does not total due to rounding.

Q2 Expenses⁽¹⁾ (Excluding income taxes)

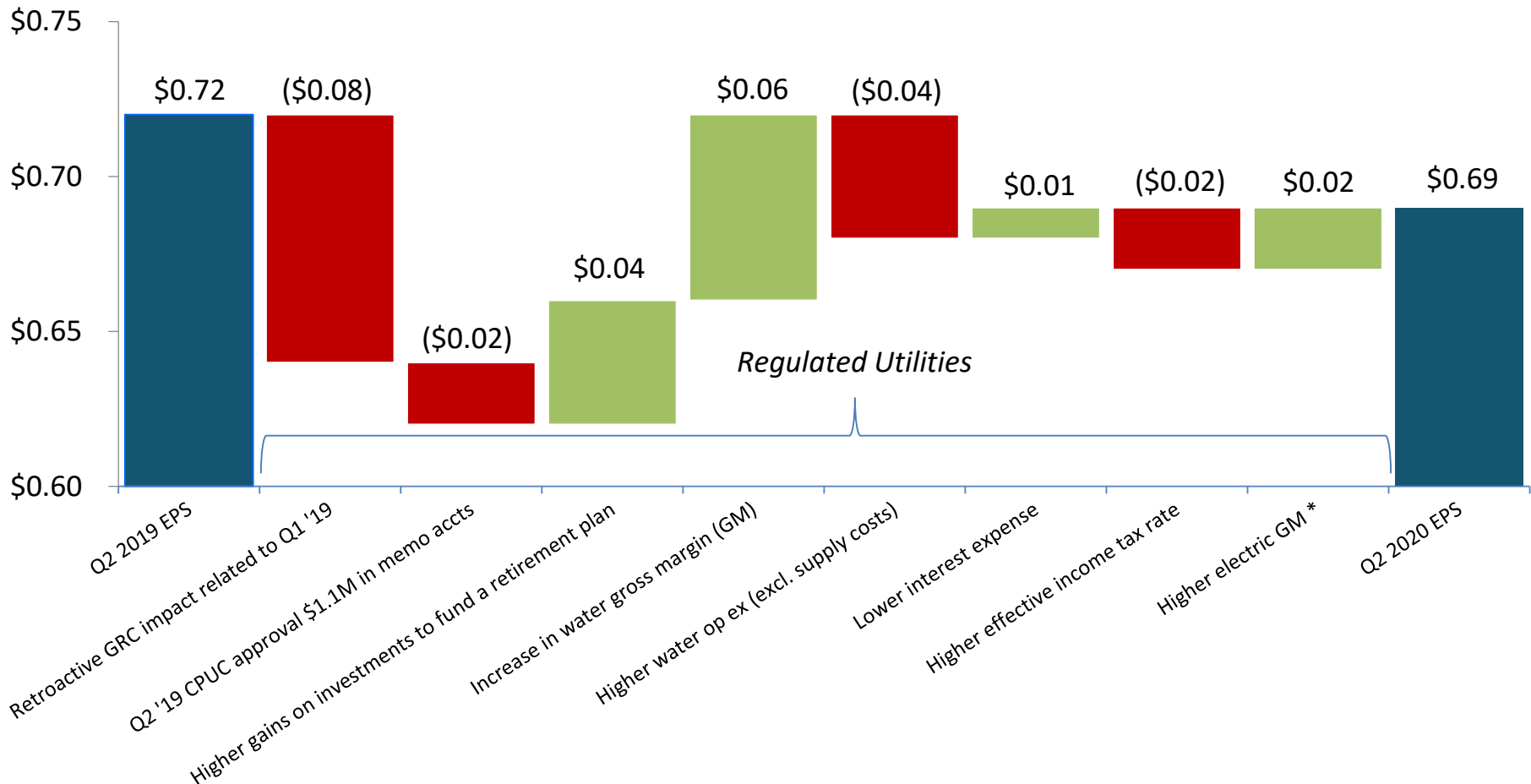


(amounts in millions)	Q2 2020	Q2 2019	Variance
Water and Electric Supply Costs	\$26.3	\$29.0	(\$2.6)
Other Operation	8.0	7.7	0.3
Administrative and General	20.4	19.5	0.9
Depreciation and Amortization	9.0	6.7	2.3
Maintenance	4.1	3.1	1.0
Property and Other Taxes	5.2	4.9	0.3
ASUS Construction	12.4	14.5	(2.1)
Gain on Sale of Assets	—	(0.1)	0.1
Total Operating Expenses*	\$85.6	\$85.2	\$0.4
Interest Expense, net of Other Income	\$1.8	\$4.8	(\$3.0)

(1) Includes \$1.1 million and \$806,000 for Q2 2020 and Q2 2019, respectively, for billed surcharges to collect previously incurred costs, with corresponding increases to operating expense, resulting in no material impact to earnings.

* Line item does not total due to rounding.

EPS Bridge Q2 2019 to Q2 2020



- As a result of the delay in finalizing the electric general rate case, the cumulative retroactive earnings impact of the final August 2019 CPUC decision was included in the third quarter of 2019, including approximately \$0.01 per share related to the second quarter of 2019 had the new rates been in place at that time.
- Note: Contracted services EPS was \$0.12 for both Q2 2020 and 2019. Higher management fees and lower operating expenses were mostly offset by lower construction activity.

YTD Diluted EPS by Segment

	YTD 2020	YTD 2019	Variance
Water	\$ 0.78	\$ 0.80	(\$ 0.02)
Electric	0.09	0.05	0.04
Contracted Services	0.20	0.22	(0.02)
Consolidated EPS	\$ 1.07	\$ 1.07	\$ —

Note: The water segment's YTD 2020 results include a \$0.04 per share decrease due to lower gains on investments as compared to YTD 2019. The YTD 2019 results include a reduction in expenses of \$1.1 million, or \$0.02 per share, associated with the CPUC's approval of the recovery of memo accounts, with no similar reduction in 2020. Excluding these items, YTD 2020 Water EPS increased by \$0.04.

- Operating cash flows for year-to-date 2020 increased to \$46.3 million from \$44.7 million in the same period of 2019 due to deferrals of certain payroll and income tax payments, partially offset by a decrease in cash flows from accounts receivable from utility customers due to the economic impact of the COVID-19 pandemic, and the suspension of service disconnections to customers for non-payment
- Invested \$53.2 million of company-funded capital work year-to-date at our regulated utilities
 - Capital expenditures for 2020 are expected to be \$105-\$120 million
- On July 8, 2020, Golden State Water completed the issuance of unsecured private placement notes totaling \$160 million, and used proceeds to pay down intercompany borrowings from AWR parent
- AWR used the proceeds to pay down amounts outstanding under its revolving credit facility; AWR then reduced its borrowing capacity under its revolving credit facility to \$200 million

- Established a separate 3-year, \$35 million revolving credit facility for our electric segment
- In June 2020, Standard and Poor's Global Ratings affirmed an A+ credit rating with a stable outlook on both AWR and Golden State Water
- In June 2020, Moody's Investors Service also affirmed its A2 rating with a stable outlook for Golden State Water
- At this time, there are no plans for AWR to issue equity

Regulated Activity (GSWC & BVESI)

- On July 15, 2020 Golden State Water filed a general rate case application for all water regions and the general office for new rates for the years 2022, 2023 and 2024:
 - Application includes capital budget requests of approximately \$450.6 million for the three-year rate cycle, and another \$11.4 million of capital projects to be filed for revenue recovery through advice letters once those projects are completed
 - A final decision is scheduled for the fourth quarter of 2021 with new rates effective January 1, 2022
- Proposed Decision issued on July 3 requires water utilities to propose Monterey-Style Water Revenue Adjustment Mechanisms in future general rate cases to replace the Water Revenue Adjustment Mechanism (“WRAM”):
 - Replacing the WRAM could result in more volatility in GSWC’s future revenues and prevent full recovery of its authorized revenues
 - A final decision was scheduled for this Thursday, August 6th; however, it has been held and now may be issued as early as August 27
 - We cannot predict the outcome or potential impact of this matter on the GRC application filed in July 2020

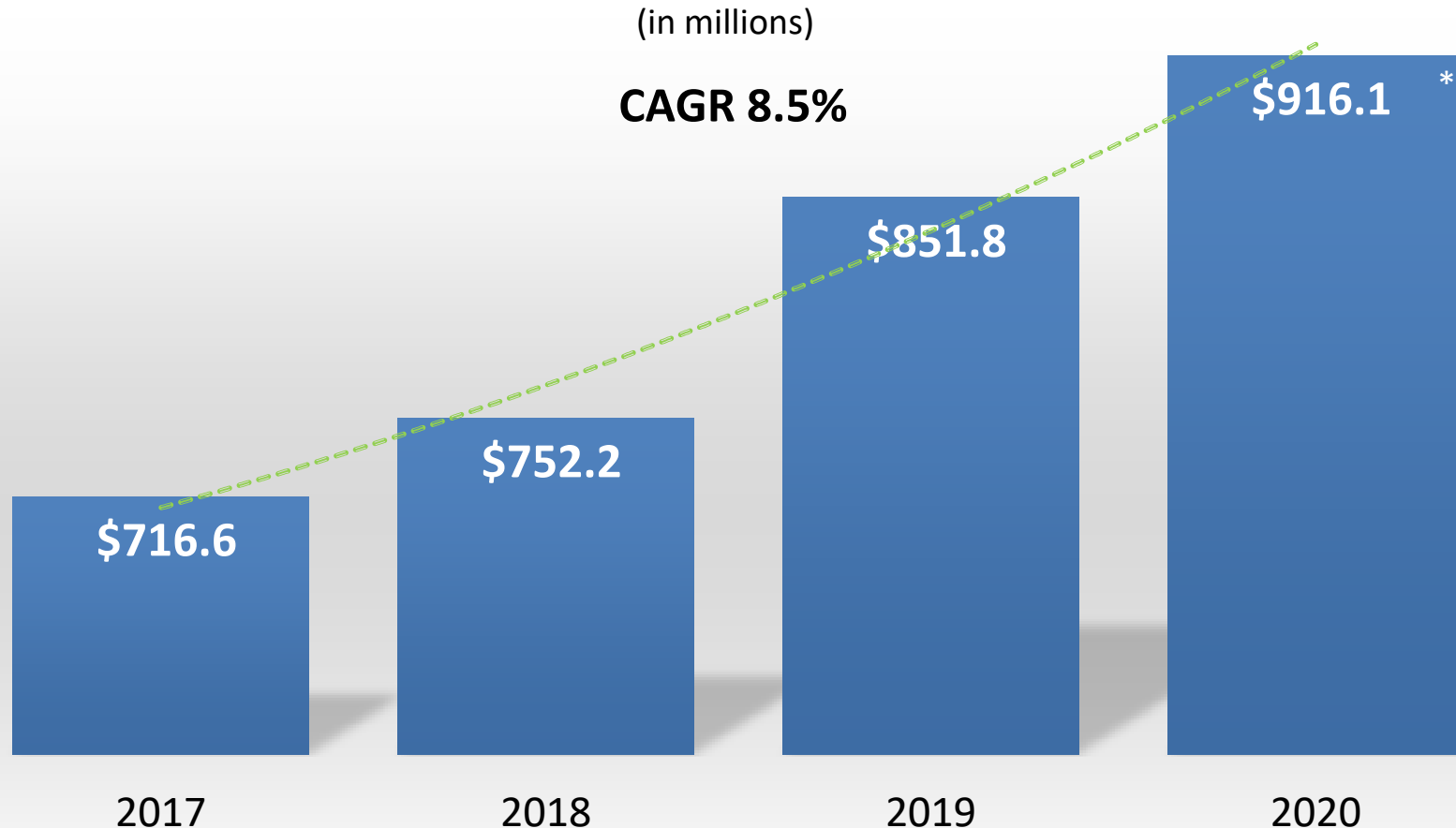
Regulated Activity (GSWC & BVESI)



Regulated Utilities Customer Service Areas

- Completion of Reorganization Plan:
 - On July 1, 2020, Golden State Water completed the transfer of the electric assets and liabilities of its electric division to Bear Valley Electric Service, Inc., a wholly owned subsidiary of AWR
 - This reorganization is not expected to result in a substantive change to AWR's operations or business segments

Adopted Average Water Rate Base



Note: Water segment has seen record high levels of capital spend in 2018 and 2019 with over \$230 million in infrastructure investment resulting in a 2-year compound annual growth rate in rate base of over 10%. GSWC has requested \$450.6 million of capital expenditures for the new rate cycle and another \$11.4 million of advice letter projects in its GRC filing on July 15, 2020

* Does not include \$20.4 million in advice letter projects

Contracted Services (ASUS)

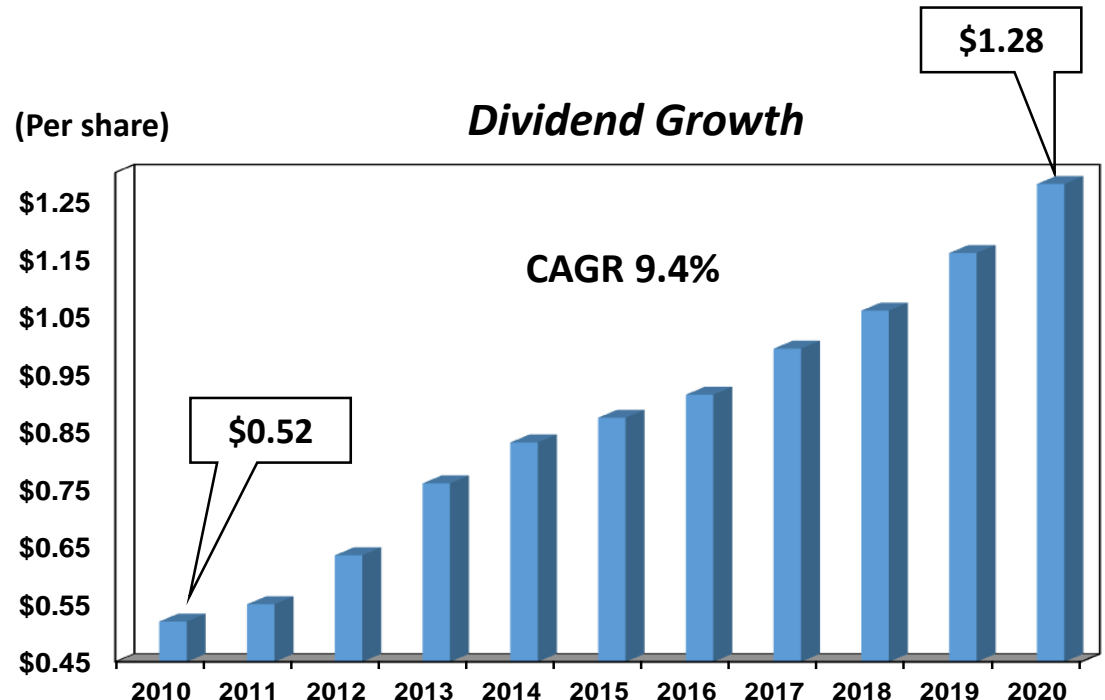
- ASUS's earnings contribution was \$0.12 per share for both Q2 2020 and Q2 2019
- ASUS is projected to contribute \$0.46 - \$0.50 per share in 2020
- Actively pursuing new base privatizations



Serving Those Who Serve®

Dividends

- Board of Directors approved a 9.8% increase in the 2020 third quarter cash dividend from \$0.305 to \$0.335 per share
- Dividends paid every year **since 1931**
- Increased the dividend every calendar year for **66 consecutive years**
- Dividend policy:
A CAGR of more than 7% over the long term



Questions and Answers