

Financial Results Call Presentation Third Quarter 2022



American States
Water Company

November 8, 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 nine-month periods ended September 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 nine months ended September 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

| | |
|--|----|
| Q3 2022 Highlights | 6 |
| Q3 Diluted EPS by Segment | 7 |
| Q3 Operating Revenues by Segment | 8 |
| Q3 Expenses (Excluding Income Taxes) | 9 |
| EPS Bridge Q3 2021 to Q3 2022 | 10 |
| YTD Diluted EPS by Segment | 11 |
| Liquidity | 12 |
| Key Factors Impacting Q3 & YTD Results | 13 |
| Regulatory Activity | 14 |
| California Drought | 17 |
| Adopted Average Water Rate Base | 18 |
| Contracted Services (ASUS) | 19 |
| Dividends | 20 |
| Non-GAAP Measures | 22 |

Q3 2022 Highlights

- Recorded diluted earnings per share (EPS) decreased \$0.07, or a \$0.06 per share increase as adjusted:
 - ✓ Q3 2022 \$0.69 per share (\$0.82 per share adjusted for items noted below)
 - ✓ Q3 2021 \$0.76 per share (adjusted remains same as recorded for items noted below)
 - Quarter results reflect an unfavorable variance of \$0.03 per share from losses on investments held to fund a retirement plan (\$0.03 losses in 2022 vs. minimal 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 \$145-\$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 fourth quarter of 2022 that will be retroactive to January 1, 2022 and proposed decision on the pending cost of capital application also expected in the fourth quarter of 2022
- Filed a new general rate case application for BVESI with the CPUC to determine new rates for 2023-2026

Q3 Diluted EPS by Segment



| | Q3 2022 | Q3 2021 | Variance |
|---|----------------|----------------|-----------------|
| Water(1) | \$ 0.54 | \$ 0.62 | \$ (0.08) |
| Electric | 0.04 | 0.04 | - |
| Contracted Services | 0.12 | 0.11 | 0.01 |
| AWR (Parent) | (0.01) | (0.01) | - |
| Consolidated Diluted EPS as reported | \$ 0.69 | \$ 0.76 | (\$0.07) |
| Adjustments: | | | |
| (Gains) and losses on investment held for a retirement plan recorded to water segment (2) | 0.03 | - | 0.03 |
| Water general rate case approved as settled (3) | 0.10 | - | 0.10 |
| Consolidated Diluted EPS as adjusted | \$ 0.82 | \$ 0.76 | \$ 0.06 |
| Water Diluted EPS as adjusted | \$ 0.67 | \$ 0.62 | \$ 0.05 |

(1) GSWC recorded reduction of \$0.04 per share to reflect the lower cost of debt from the pending cost of capital proceeding

(2) EPS for Q3 2022 includes losses of \$1.3 million on investments held to fund a retirement plan, decreasing earnings by \$0.03 per share

(3) Had new water rates been approved & implemented as of 1/1/2022, the Water segment would have recorded additional revenues of \$8.7 million and additional water supply costs of \$3.4 million, which combined would increase QTD EPS by \$0.10 per share if it were to be recorded

Q3 Operating Revenues by Segment



| (amounts in millions) | Q3 2022 | Q3 2021 | Variance |
|---------------------------------|---------|---------|----------|
| Water* | \$100.8 | \$102.8 | (\$2.0) |
| Electric | 8.9 | 8.6 | 0.3 |
| Contracted Services | 25.3 | 25.4 | (0.1) |
| Total Operating Revenues | \$135.0 | \$136.8 | (\$1.8) |

* Water revenues billed and recorded for Q3 2022 were based on 2021 adopted rates, pending a CPUC final decision on GSWC's general rate case.

Q3 Expenses (Excluding income taxes)

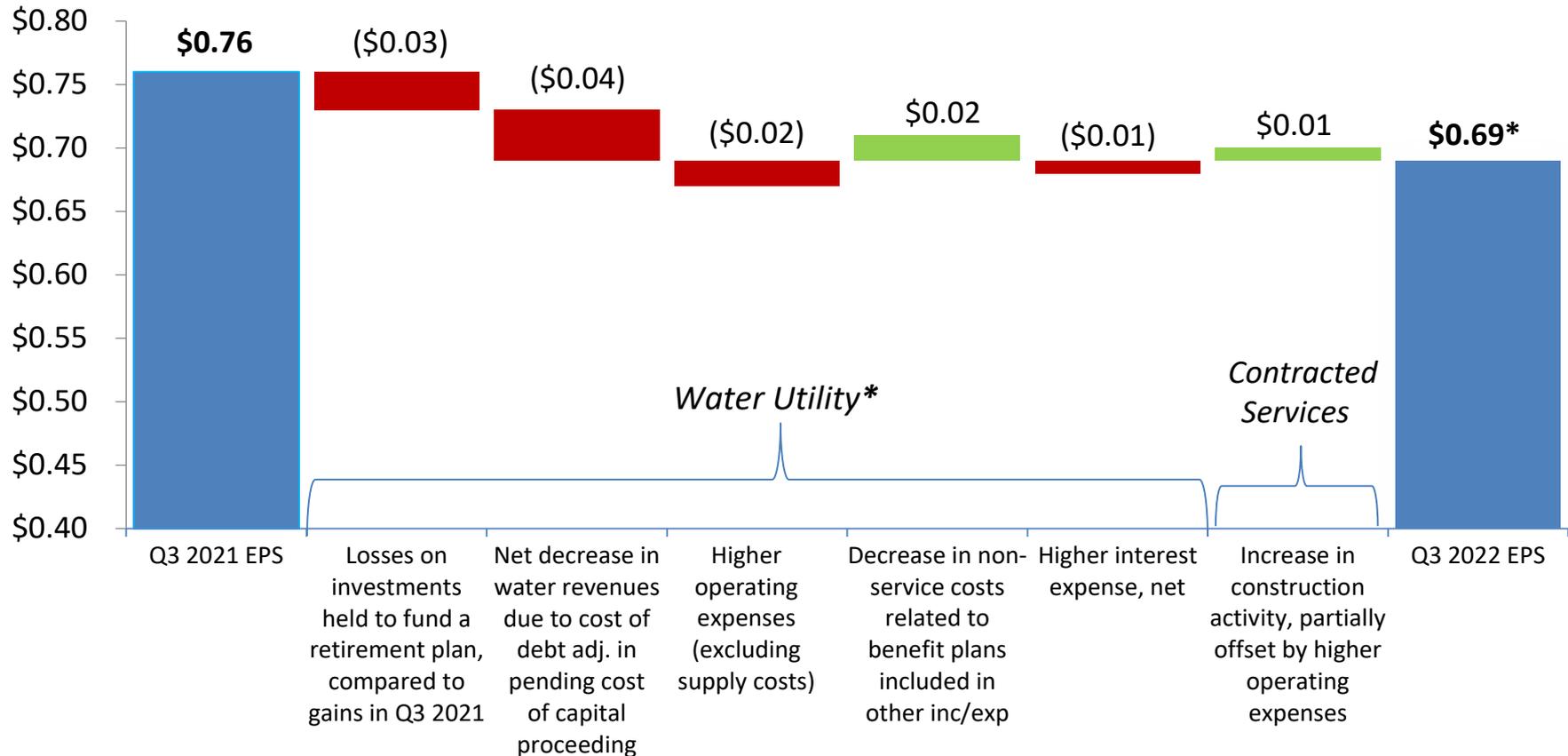


| (amounts in millions) | Q3 2022 | Q3 2021 | Variance |
|---|---------|---------|----------|
| Water and Electric Supply Costs | \$33.2 | \$33.3 | (\$0.1) |
| Other Operation | 9.7 | 9.4 | 0.3 |
| Administrative and General | 21.6 | 20.3 | 1.3 |
| Depreciation and Amortization | 10.1 | 9.8 | 0.3 |
| Maintenance | 3.4 | 3.0 | 0.4 |
| Property and Other Taxes | 5.9 | 6.1 | (0.2) |
| ASUS Construction | 10.7 | 12.2 | (1.5) |
| Total Operating Expenses* | \$94.6 | \$94.0 | \$0.6 |
| | | | |
| Interest Expense, net of Interest Income | \$6.6 | \$5.2 | \$1.4 |
| Other Income, net of Other Expense** | \$0.3 | \$0.5 | (\$0.2) |

* Line item does not total due to rounding.

** Includes \$1.3 million loss in Q3 2022 and \$0.1 million gain in Q3 2021 related to investments held to fund one of the company's retirement plans.

EPS Bridge Q3 2021 to Q3 2022



* Excluding the losses of \$1.3 million on investments held to fund a retirement plan, or decrease of \$0.03 per share, and including the additional revenues and water supply costs had the new water rates been approved by the CPUC and implemented on 1/1/2022 of \$8.7 million and \$3.4 million, respectively, or combined \$0.10 per share, consolidated adjusted diluted earnings for Q3 2022 were \$0.82 per share, an adjusted increase of \$0.13 per share.

YTD Diluted EPS by Segment



| | YTD 2022 | YTD 2021 | Variance |
|--|----------------|----------------|-----------------|
| Water(1) | \$ 1.17 | \$ 1.51 | \$ (0.34) |
| Electric | 0.16 | 0.14 | 0.02 |
| Contracted Services | 0.29 | 0.35 | (0.06) |
| AWR (Parent) | (0.01) | - | (0.01) |
| Consolidated Diluted EPS as reported | \$ 1.61 | \$ 2.00 | (\$0.39) |
| Adjustments: | | | |
| (Gains) and losses on investment held for a retirement plan recorded to water segment (2) | 0.13 | (0.04) | 0.17 |
| Water general rate case approved as settled (3) | 0.29 | - | 0.29 |
| Consolidated Diluted EPS as adjusted | \$ 2.03 | \$ 1.96 | \$ 0.07 |
| Water Diluted EPS as adjusted | \$ 1.59 | \$ 1.47 | \$ 0.12 |

- (1) GSWC recorded reduction of \$0.10 per share to reflect the lower cost of debt from the pending cost of capital proceeding
- (2) EPS for YTD 2022 includes losses on investments held to fund a retirement plan of \$6.4 million, or a decrease to earnings by \$0.13 per share, and gains of \$2.3 million for YTD 2021, or an increase to earnings by \$0.04 per share
- (3) Had new water rates been approved & implemented as of 1/1/2022, the Water segment would have recorded additional revenues of \$22.7 million and additional water supply costs of \$7.7 million, which combined would increase YTD EPS by \$0.29 per share if it were to be recorded

- Operating cash flows were \$89.9 million for YTD 2022, as compared to \$81.9 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 \$122.5 million on company-funded capital work for YTD 2022
 - ✓ Capital expenditures for 2022 are expected to be \$145-\$160 million for our regulated utilities
- Financing Activities:
 - ✓ In April 2022, AWR amended its credit facility (expiring in May 2023) increasing the borrowing capacity from \$200 million to \$280 million to support GSWC's capital expenditures
 - AWR expects to renew and extend this facility or obtain a new facility prior to expiration date
 - AWR expects to issue debt through GSWC during Q4 2022 and use the proceeds to pay down a portion of the outstanding borrowings under the credit facility
- 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 Q3 & YTD Results



- The investment losses in 2022 on one of our retirement plans negatively impacted earnings per share as compared to last year's Q3 and YTD by approximately \$0.03 and \$0.17, respectively.
- Had 2022 water rates been approved consistent with the settlement agreement and implemented on January 1, 2022, GSWC's earnings contribution per share for Q3 and the YTD would have been higher by \$0.10 and \$0.29, 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 the effect of GSWC's lower cost of debt requested in its application. The lower revenues decreased earnings per share for Q3 and the YTD by \$0.04 and \$0.10, respectively. A proposed decision on this proceeding is expected in the fourth quarter of 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 fourth quarter 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 fourth quarter of 2022.

- ✓ In Q3 and YTD 2022, we recorded a reduction to revenues to reflect our best estimate at this time of the potential impact from the pending cost of capital application, which includes the effects of GSWC's lower cost of debt requested in its application.
 - ✓ The lower revenues decreased earnings per share in Q3 and the YTD by \$0.04 and \$0.10, respectively. Changes in estimates will be made, if necessary, as more information in this proceeding becomes available.
- For the period from October 1, 2021 through September 30, 2022, the Moody's rate increased by more than 100 basis points from the benchmark, which triggered the water cost of capital mechanism ("WCCM") adjustment. The WCCM is expected to be addressed by the CPUC in the pending proposed decision.

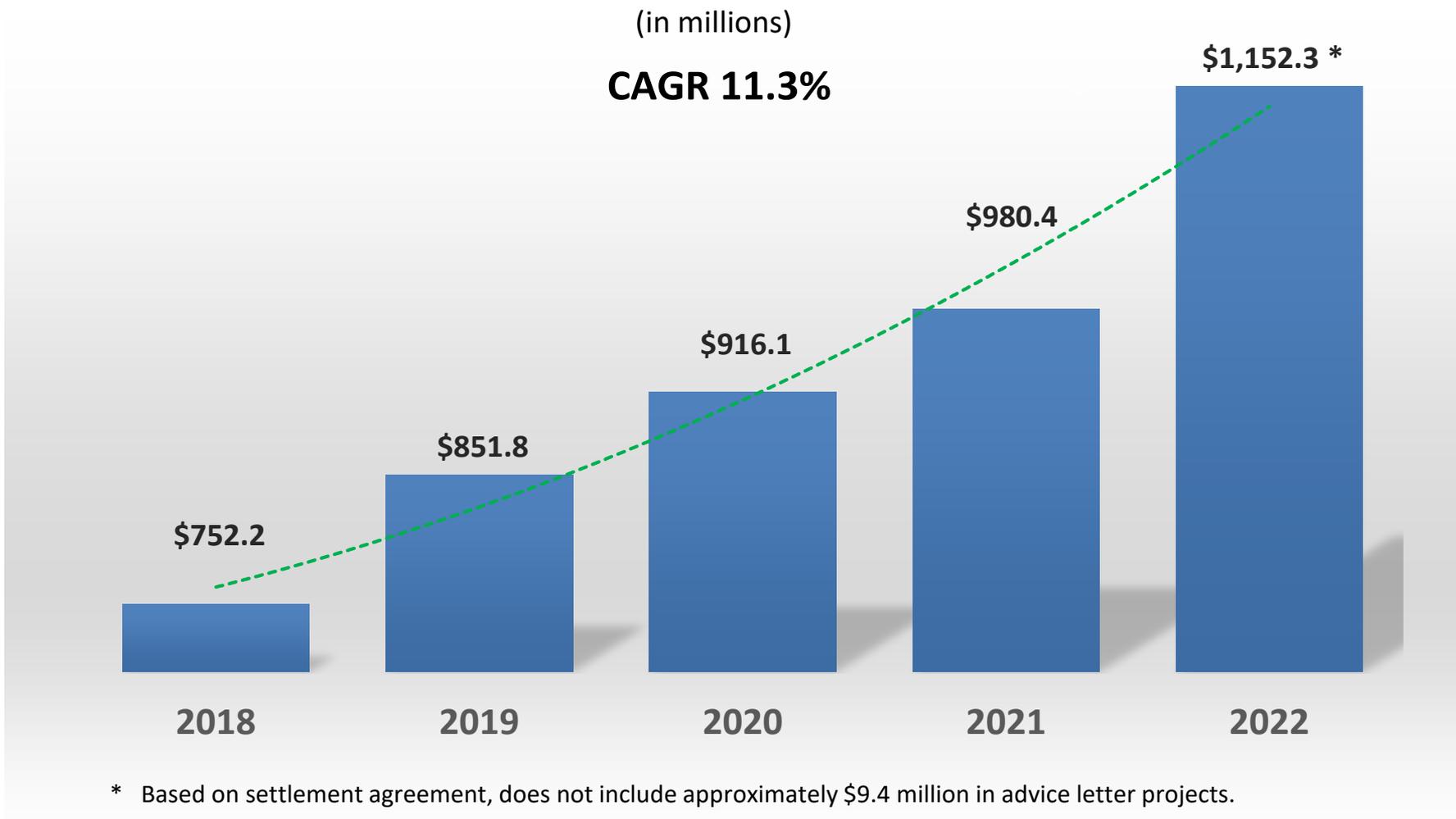
Regulatory Activity (Continued)

- Senate Bill 1469 signed by the CA Governor allowing Class A water utilities to continue requesting the use of WRAM in their next general rate case.
- On August 30, 2022, BVESI filed a general rate case to set new rates for the years 2023-2026. In addition, BVESI requested:
 - ✓ capital budget of \$68.2 million
 - ✓ a capital structure of 61.8% equity and 38.2% debt
 - ✓ a return on equity of 11.25%
 - ✓ an embedded cost of debt of 5.1%
 - ✓ a return on rate base of 9.05%

California Drought

- As of October 18, 2022, the U.S. Drought Monitor reported that 41% 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, The Metropolitan Water District of Southern California ("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 fourth quarter of 2022 and move to only "health and human safety" use if actions do not result in adequate water savings. If dry conditions continue through winter, SWP allocations are expected to be low for 2023 and water emergency conditions may be extended
- 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)

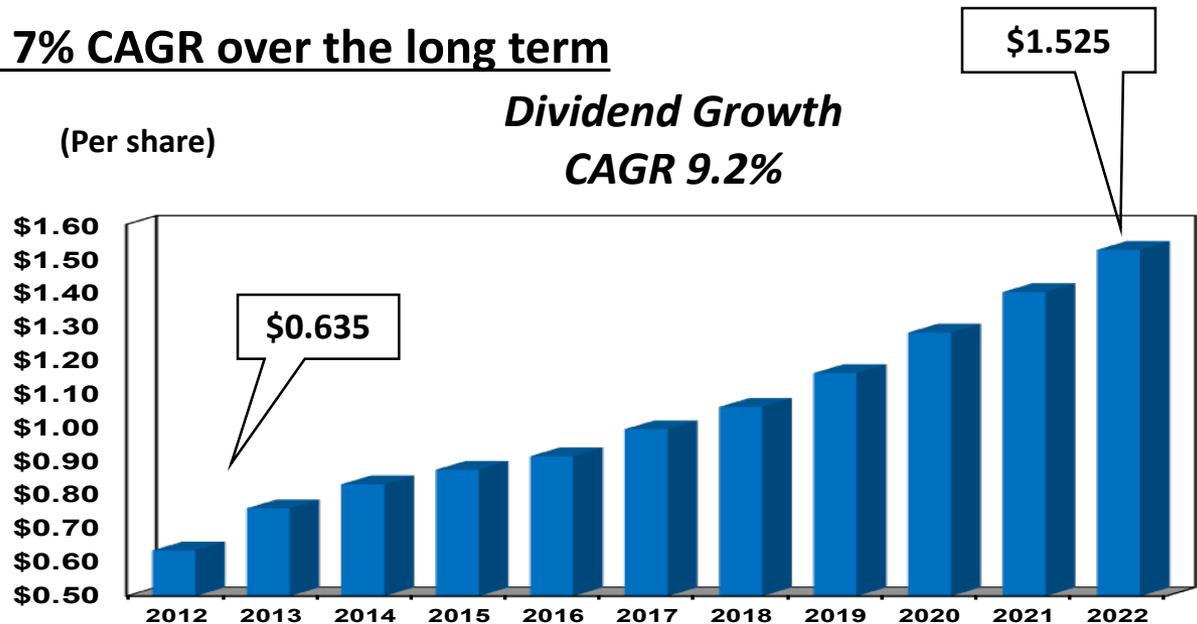
- Earnings for third quarter of 2022 were \$0.12 per share as compared to \$0.11 per share in third quarter 2021. The increase was largely due to an increase in management fee revenue resulting from resolution of various economic price adjustments, partially offset by higher overall operating expenses as compared to the same period of 2021.
- Earnings for year-to-date September 30, 2022 were \$0.29 per share as compared to \$0.35 per share for the same period last year as the contracted services segment continues to experience challenges in construction activity resulting from longer materials supply chain lead-times, weather conditions and other delays. As a result, ASUS is projected to contribute \$0.43 - \$0.47 per share in 2022.
- We project that ASUS will contribute \$0.45 - \$0.49 per share for 2023.
- 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

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



Questions and Answers

Computations and Reconciliations of Non-GAAP Financial Measure



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

| | Water | | Electric | | Contracted Services | | AWR (Parent) | | Consolidated (GAAP) | |
|---|-----------|-----------|----------|----------|---------------------|----------|--------------|-----------|---------------------|-----------|
| | Q3 2022 | Q3 2021 | Q3 2022 | Q3 2021 | Q3 2022 | Q3 2021 | Q3 2022 | Q3 2021 | Q3 2022 | Q3 2021 |
| <i>In 000's except per share amounts</i> | | | | | | | | | | |
| Operating income | \$ 32,451 | \$ 35,459 | \$ 2,337 | \$ 2,053 | \$ 5,553 | \$ 5,273 | \$ (1) | \$ (1) | \$ 40,340 | \$ 42,784 |
| Other income and expense | 5,695 | 4,669 | 243 | 33 | (65) | (111) | 453 | 162 | 6,326 | 4,753 |
| Income tax expense (benefit) | 6,831 | 7,993 | 478 | 537 | 1,347 | 1,265 | (296) | 83 | 8,360 | 9,878 |
| Net income | \$ 19,925 | \$ 22,797 | \$ 1,616 | \$ 1,483 | \$ 4,271 | \$ 4,119 | \$ (158) | \$ (246) | \$ 25,654 | \$ 28,153 |
| Weighted Average Number of Diluted Shares | 37,042 | 37,025 | 37,042 | 37,025 | 37,042 | 37,025 | 37,042 | 37,025 | 37,042 | 37,025 |
| Diluted earnings per share | \$ 0.54 | \$ 0.62 | \$ 0.04 | \$ 0.04 | \$ 0.12 | \$ 0.11 | \$ (0.01) | \$ (0.01) | \$ 0.69 | \$ 0.76 |

| | Water | | Electric | | Contracted Services | | AWR (Parent) | | Consolidated (GAAP) | |
|---|-----------|-----------|----------|----------|---------------------|-----------|--------------|----------|---------------------|------------|
| | YTD 2022 | YTD 2021 | YTD 2022 | YTD 2021 | YTD 2022 | YTD 2021 | YTD 2022 | YTD 2021 | YTD 2022 | YTD 2021 |
| <i>In 000's except per share amounts</i> | | | | | | | | | | |
| Operating income | \$ 77,161 | \$ 87,295 | \$ 7,973 | \$ 7,296 | \$ 13,894 | \$ 16,375 | \$ (6) | \$ (6) | \$ 99,022 | \$ 110,960 |
| Other income and expense | 19,158 | 13,589 | 431 | 107 | (374) | (346) | 1,014 | 359 | 20,229 | 13,709 |
| Income tax expense (benefit) | 14,623 | 17,718 | 1,645 | 1,879 | 3,399 | 3,927 | (641) | (270) | 19,026 | 23,254 |
| Net income | \$ 43,380 | \$ 55,988 | \$ 5,897 | \$ 5,310 | \$ 10,869 | \$ 12,794 | \$ (379) | \$ (95) | \$ 59,767 | \$ 73,997 |
| Weighted Average Number of Diluted Shares | 37,034 | 37,004 | 37,034 | 37,004 | 37,034 | 37,004 | 37,034 | 37,004 | 37,034 | 37,004 |
| Diluted earnings per share | \$ 1.17 | \$ 1.51 | \$ 0.16 | \$ 0.14 | \$ 0.29 | \$ 0.35 | \$ (0.01) | \$ — | \$ 1.61 | \$ 2.00 |