

# Financial Results Call Presentation

## Second Quarter 2024



**American States**  
Water Company

**August 7, 2024**

**NYSE: AWR**

# Today's Presenters

## **Robert J. Sprowls**

President & CEO



## **Eva G. Tang**

SVP – Finance & CFO



# Forward-Looking Statement

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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 and adjusted diluted earnings per share. 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 AWR'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 measure are provided in this presentation.

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# Q2 2024 Highlights

- **Settlement reached between GSWC and Cal Advocates** in general rate case that will determine new water rates for 2025-2027 and authorizes the investment in capital infrastructure of \$573.1 million over a three-year capital cycle
- Successful transitions and start of operations of the water and wastewater systems at two new military bases
  - ✓ 50-year contract at Naval Air Station Patuxent River (Pax River) with a firm-fixed-price value estimated at \$378 million; subject to annual economic price adjustments
  - ✓ 15-year contract at Joint Base Cape Cod for up to a maximum firm-fixed-price value of \$75 million through the issuance of annual task orders
- Recorded consolidated diluted earnings per share decreased \$0.19 per share, or a \$0.01 per share decrease from adjusted second quarter 2023 earnings and a decrease of \$0.50 per share, or a \$0.01 per share increase from adjusted year-to-date 2023 earnings:
  - ✓ Q2 2024: \$0.85 per share recorded
  - ✓ Q2 2023: \$1.04 per share recorded or \$0.86 per share adjusted
  - ✓ YTD 2024: \$1.47 per share recorded
  - ✓ YTD 2023: \$1.97 per share recorded or \$1.46 per share adjusted

# Q2 2024 Highlights (Continued)

- Continued to deliver high quality water, wastewater and electric service to customers during the quarter. On pace to spend a combined \$170 - \$200 million in infrastructure investments at our regulated utilities
- **An 8.3% increase in the quarterly cash dividend** approved last week, which marks the 70th consecutive calendar year of dividend increases

# Q2 Diluted EPS by Segment



	Q2 2024	Q2 2023	Variance
<b>Water</b>	\$ 0.67	\$ 0.91	\$ (0.24)
<b>Electric</b>	0.01	0.03	(0.02)
<b>Contracted Services</b>	0.19	0.12	0.07
<b>AWR (Parent)</b>	(0.02)	(0.02)	-
<b>Consolidated Diluted EPS as recorded (GAAP)</b>	\$ 0.85	\$ 1.04	\$ (0.19)
<b>Adjustment to GAAP measure:</b>			
<b>Impact related to final cost of capital proceeding<sup>(1)</sup></b>	-	(0.18)	0.18
<b>Consolidated Diluted EPS as adjusted (Non-GAAP)</b>	\$ 0.85	\$ 0.86	\$ (0.01)
<b>Water Diluted EPS as adjusted (Non-GAAP)</b>	\$ 0.67	\$ 0.73	\$ (0.06)

(1) The impact of the final cost of capital decision that resulted in the reversal in June 2023 of revenues subject to refund recorded in 2022 through March 2023.



# Q2 Operating Revenues by Segment



(amounts in millions)	Q2 2024	Q2 2023	Variance
<b>Water</b>	\$110.4	\$116.9	\$(6.5)
<b>Electric</b>	8.7	8.8	(0.1)
<b>Contracted Services</b>	36.2	31.7	4.5
<b>Total Operating Revenues*</b>	\$155.3	\$157.4	(\$2.1)

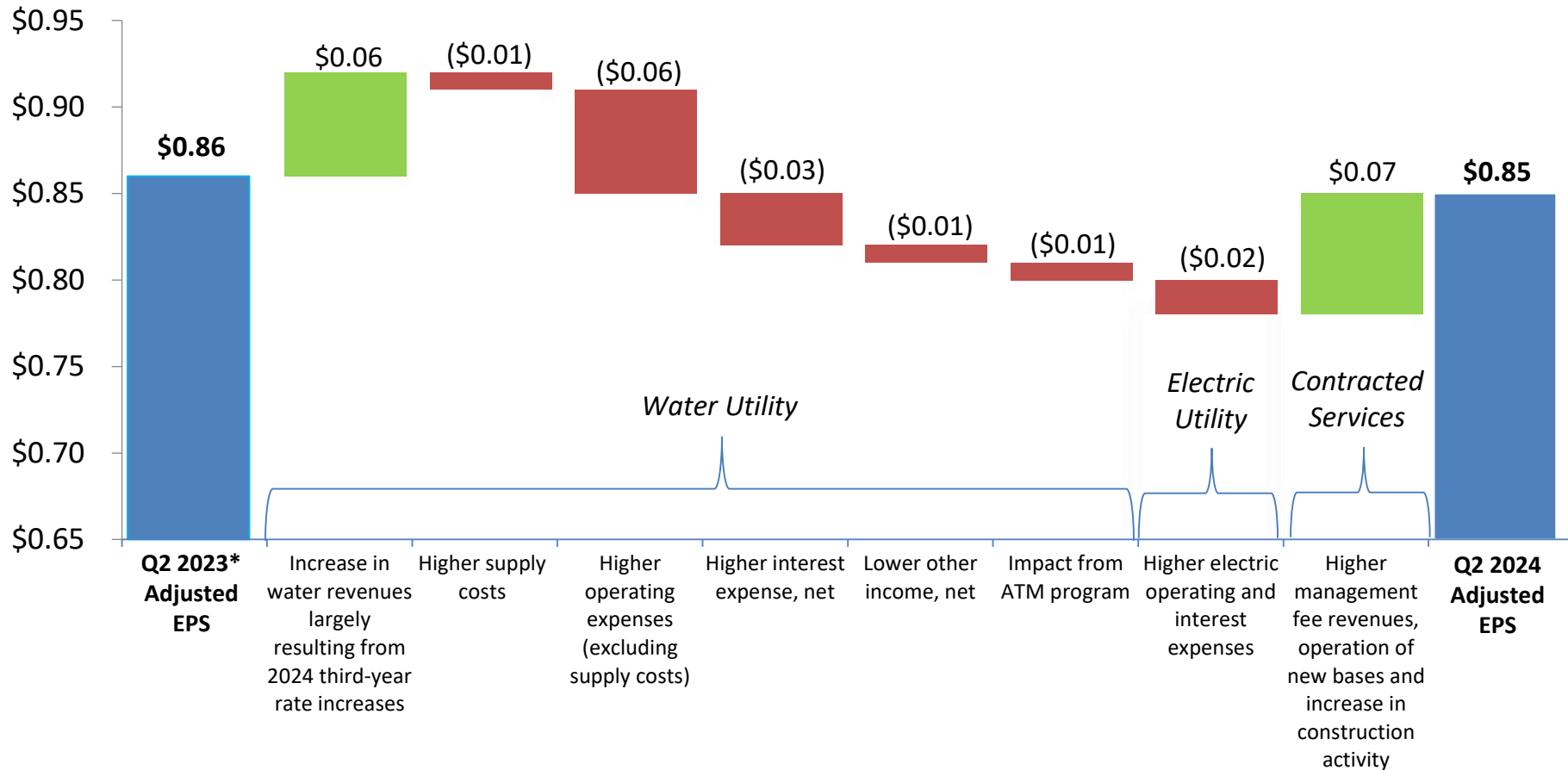
\* Water revenues in Q2 2023 include \$9.3 million to reverse a regulatory liability for revenues subject to refund, recorded from 2022 and through end of Q1 2023, as a result of receiving a final cost of capital decision.

# Q2 Expenses (Excluding income taxes)



(amounts in millions)	Q2 2024	Q2 2023	Variance
<b>Water and Electric Supply Costs</b>	\$32.2	\$31.6	\$0.6
<b>Other Operation</b>	10.7	9.7	1.0
<b>Administrative and General</b>	23.5	21.5	2.0
<b>Depreciation and Amortization</b>	10.8	10.3	0.5
<b>Maintenance</b>	3.5	3.8	(0.3)
<b>Property and Other Taxes</b>	6.6	5.6	1.0
<b>ASUS Construction</b>	16.2	16.0	0.2
<b>Total Operating Expenses</b>	\$103.5	\$98.5	\$5.0
<b>Interest Expense, net of Interest Income</b>	\$11.0	\$8.9	\$2.1
<b>Other Income, net of Other Expense</b>	\$1.5	\$1.7	(\$0.2)

# EPS Bridge Q2 2023 to Q2 2024



\* Q2 2023 adjusted EPS excludes the impact of estimates resulting from revenues subject to refund related to the final decision on the cost of capital proceeding, an increase of \$0.18 per share to recorded EPS. The adjustment was related to the water segment and recorded in Q2 2023.

# YTD Diluted EPS by Segment



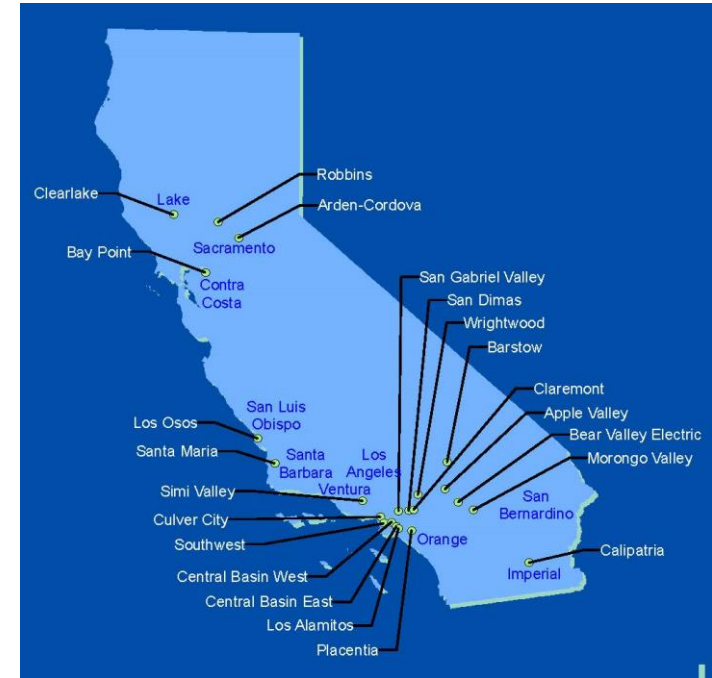
	YTD 2024	YTD 2023	Variance
<b>Water</b>	\$ 1.15	\$ 1.65	\$ (0.50)
<b>Electric</b>	0.06	0.09	(0.03)
<b>Contracted Services</b>	0.32	0.27	0.05
<b>AWR (Parent)</b>	(0.06)	(0.04)	(0.02)
<b>Consolidated Diluted EPS as recorded (GAAP)</b>	<b>\$ 1.47</b>	<b>\$ 1.97</b>	<b>\$ (0.50)</b>
<b>Adjustments to GAAP measure:</b>			
Impact of retroactive rates related to the full year of 2022 from the final decision in the water general rate case	-	(0.38)	0.38
Impact related to the final cost of capital decision (1)	-	(0.13)	0.13
<b>Consolidated Diluted EPS as adjusted (Non-GAAP)</b>	<b>\$ 1.47</b>	<b>\$ 1.46</b>	<b>\$ 0.01</b>
<b>Water Diluted EPS as adjusted (Non-GAAP)</b>	<b>\$ 1.15</b>	<b>\$ 1.14</b>	<b>\$ 0.01</b>

(1) The impact of the final cost of capital decision resulted in the reversal in June 2023 of revenues subject to refund recorded in 2022 through March 2023.

- Operating cash flows were \$70.5 million for YTD 2024, as compared to \$17.8 million for YTD 2023 largely from the delay in the water GRC and higher water consumption
  - ✓ GSWC has implemented:
    - 2024 third-year rate increases;
    - Surcharges to recover all retroactive revenues accumulated from 2022 through July 30, 2023 (implemented in October 2023);
  - ✓ ASUS: timing of billing and cash receipts from construction work performed
- Regulated utilities invested \$105.1 million on company-funded capital work for YTD 2024
  - ✓ Capital expenditures for 2024 are expected to be \$170-\$200 million
- Financing Activities:
  - ✓ In February 2024, AWR entered into an Equity Distribution Agreement to sell Common Shares through an at-the-market offering program of up to \$200 million over a three-year period. During six months ended June 30, 2024, AWR sold 455,648 common shares and raised proceeds of \$32.4 million net of issuance costs and legal costs incurred.
  - ✓ In June, GSWC issued \$65 million in unsecured private placement notes that mature in June 2027.
- Credit ratings:
  - ✓ S&P: A and A+ credit ratings for AWR and GSWC, respectively, with stable outlook for both companies
  - ✓ Moody's: A2 rating with a stable outlook for GSWC

# Regulatory Activity

- 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 the two parties 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. If approved, it resolves most issues related to the calculation of the 2025 annual revenue requirement except two unresolved issues. If approved, the settlement would:
  - ✓ Authorize investment of approximately \$573.1 million in capital infrastructure over the three-year capital cycle, including \$17.7 million of advice letter capital investments for revenue recovery for second and third year attrition increases when projects are completed.
  - ✓ Authorize advice letter capital investments already under construction at the beginning of 2023 of \$58.2 million also for revenue recovery during second and third year attrition increases when projects are completed.
  - ✓ Excluding revenues for advice letter capital projects:
    - Adopted operating revenues less water supply costs for 2025 are projected to increase by approximately \$23 million when compared to 2024.
    - Potential additional revenue increases of approximately \$20 million for each of the years 2026 and 2027 based on inflation factors.



Regulated Utilities - Customer Service Areas

# Regulatory Activity (Continued)

- ✓ Two unresolved 2025 revenue requirement issues:
  - Sales forecast
  - Supply mix
- ✓ In addition, GSWC requested certain regulatory mechanisms that will be litigated:
  - a full sales and revenue decoupling mechanism and full cost balancing account for water supply,
  - a sales reconciliation mechanism,
  - a supply mix adjustment mechanism, and
  - a request to modify the existing PFAS memorandum account to track carrying costs on capital investments needed to comply with new PFAS regulations
- ✓ A decision is scheduled to be issued by the end of 2024 with rates effective January 1, 2025
- ✓ CA Supreme Court set aside CPUC's order that discontinued the future use of full decoupling mechanisms

# Regulatory Activity (Continued)

- On August 30, 2022, BVES filed a general rate case to set new rates for the years 2023-2026. BVES requested:
  - ✓ a 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 5.51%
  - ✓ a return on rate base of 9.05%
  - ✓ recovery of more than \$23.5 million in capital spend related to wildfire mitigation plans.

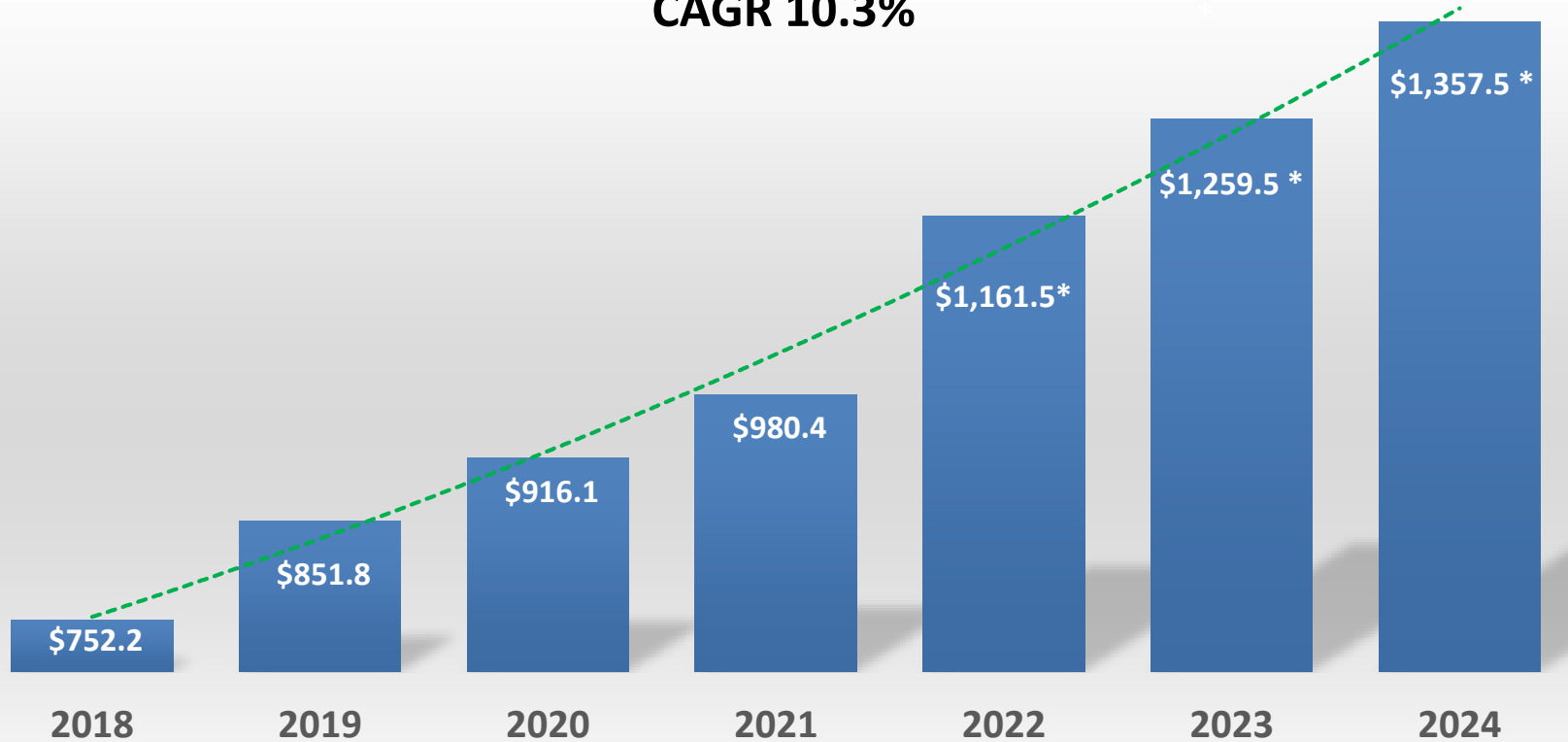


# GSWC Adopted Average Water Rate Base



(in millions)

**CAGR 10.3%**



\* Based on the final decision in the general rate case covering 2022-2024 and includes approximately \$9.4 million in advice letter projects.

# Contracted Services (ASUS)

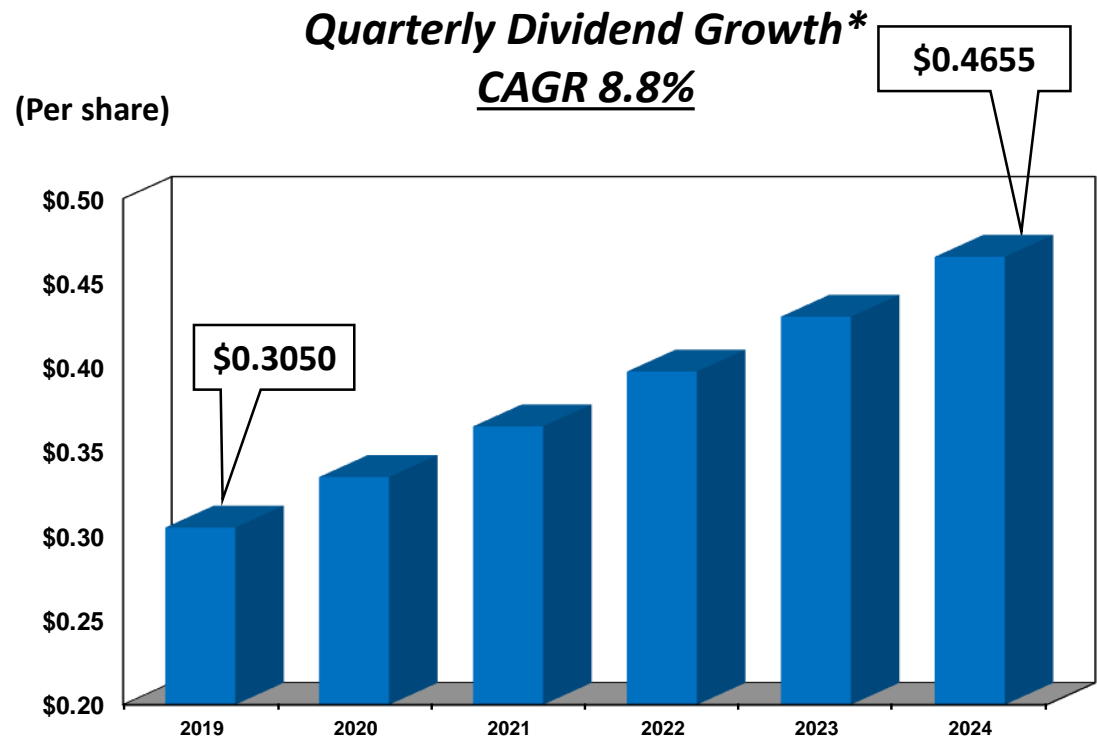
- Earnings for Q2 2024 were \$0.19 per share as compared to \$0.12 per share for Q2 2023. The increase was largely due to an increase in management fee revenue resulting from the resolution of various economic price adjustments, the commencement of operations at the new bases, and higher construction activity largely resulting from the timing difference of when construction work was performed compared to the same period in 2023, partially offset by higher overall operating expenses (excluding construction expenses).
- YTD 2024 earnings were \$0.32 per share as compared to \$0.27 per share for the same period of 2023.
- ASUS started operations at two new military bases:
  - ✓ 50-year contract at Naval Air Station Patuxent River with an initial firm fixed-price value estimated at \$349 million. In July 2024, the contract value was increased to \$378 million after completion of inventory adjustments.
  - ✓ 15-year contract at Joint Base Cape Cod for up to a maximum firm fixed-price value of \$75 million.
- ASUS is projected to contribute \$0.50 - \$0.54 per share in 2024.
- We are confident that we can effectively compete for new military base contract awards in the future, based on our strong history and expertise.
- 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.



*Serving Those Who Serve®*

# Dividends

- Board of Directors approved **an 8.3% increase in the 2024 third quarter cash dividend** from \$0.4300 to \$0.4655 per share
- Dividend policy: CAGR of **more than 7%** over the long term continues to be met
- Dividends paid every year since 1931
- Increased dividend every calendar year for **70 consecutive years**



\*Increases to quarterly dividends have been announced in the third quarter of each year.

# Questions and Answers

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# Computations and Reconciliations of Non-GAAP Financial Measures



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, 2024 and 2023:

In 000's except per share amounts	Water		Electric		Contracted Services		AWR (Parent)		Consolidated (GAAP)	
	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023
Operating income (loss)	\$ 40,565	\$ 50,524	\$ 1,233	\$ 2,103	\$ 9,952	\$ 6,354	\$ (2)	\$ (36)	\$ 51,748	\$ 58,945
Other (income) and expense	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

In 000's except per share amounts	Water		Electric		Contracted Services		AWR (Parent)		Consolidated (GAAP)	
	YTD 2024	YTD 2023	YTD 2024	YTD 2023	YTD 2024	YTD 2023	YTD 2024	YTD 2023	YTD 2024	YTD 2023
Operating income (loss)	\$ 69,732	\$ 90,763	\$ 4,374	\$ 5,734	\$ 16,619	\$ 13,650	\$ (3)	\$ (37)	\$ 90,722	\$ 110,110
Other (income) and expense	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