

Financial Results Call Presentation

Third Quarter 2021



American States
Water Company

November 2, 2021

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 a discussion of operating revenues less supply costs at the company's water and electric segments, and diluted earnings per share by business segment. The water operating revenues less supply costs ("RLWSC") is computed by subtracting water supply costs from water operating revenues, and the electric operating revenues less supply costs ("RLESC") is computed by subtracting electric supply costs from electric operating revenues. The company believes these measures are useful supplemental data in that they remove the effects of pass-through supply costs that, due to regulatory mechanisms in place, do not impact the profitability of GSWC or BVESI. Diluted earnings per share by business segment is based on each business segment's earnings divided by the company's weighted average number of diluted shares. Furthermore, the gains generated on the investments held to fund one of the company's retirement plans during the three- and nine-month periods ended September 30, 2021 and 2020 have been excluded when communicating the results to help facilitate comparisons of the company's performance from period to period.
- 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 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 presented in this presentation.

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Q3 2021 Highlights

- Strong financials results
 - ✓ Consolidated diluted earnings per share:
 - Q3 2021 \$0.76
 - Q3 2020 \$0.72
 - An increase of \$0.04 per share, or 5.6%
 - Excluding minimal gains on investments held to fund one of the company's retirement plans from Q3 2021, and excluding \$0.02 per share in gains from Q3 2020, adjusted Q3 2021 EPS was \$0.76 as compared to adjusted Q3 2020 EPS of \$0.70, an increase of 8.6%
 - YTD Q3 2021 reported earnings increased 11.7% as compared to YTD Q3, 2020, or 10.7% on an adjusted basis

Q3 2021 Highlights (continued)

- GSWC has reached a settlement in principle with the Public Advocates Office on the pending water general rate case
- During September, the CPUC approved BVESI's Wildfire Mitigation Plan, and the Office of Energy Infrastructure Safety under the California Natural Resources Agency approved BVESI's latest safety certification filing
- We continue to:
 - ✓ Execute on our business strategies and provide high quality water, wastewater and electric services
 - ✓ Make infrastructure investments at all of our segments to ensure we can meet our customers' needs

Q3 Diluted EPS by Segment

	Q3 2021	Q3 2020	Variance
Water	\$0.62	\$0.57	\$0.05
Electric	0.04	0.04	—
Contracted Services	0.11	0.10	0.01
AWR (parent)	(0.01)	0.01	(0.02)
Consolidated EPS, as reported (GAAP)	\$0.76	\$0.72	\$0.04

* EPS for Q3 2021 included minimal gains on investments held to fund a retirement plan, while EPS for Q3 2020 included gains of approximately \$0.02 per share. Excluding the gains on investments from both periods, adjusted diluted earnings for the third quarter of 2021 were \$0.76 per share, as compared to adjusted earnings of \$0.70 per share for the third quarter of 2020, an adjusted increase of \$0.06 per share or 8.6%.

Q3 Operating Revenues by Segment



(amounts in millions)	Q3 2021	Q3 2020	Variance
Water*	\$102.8	\$98.7	\$4.1
Electric*	8.6	8.3	0.3
Contracted Services	25.4	26.7	(1.3)
Total Operating Revenues	\$136.8	\$133.7	\$3.1

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

Q3 Expenses* (Excluding income taxes)

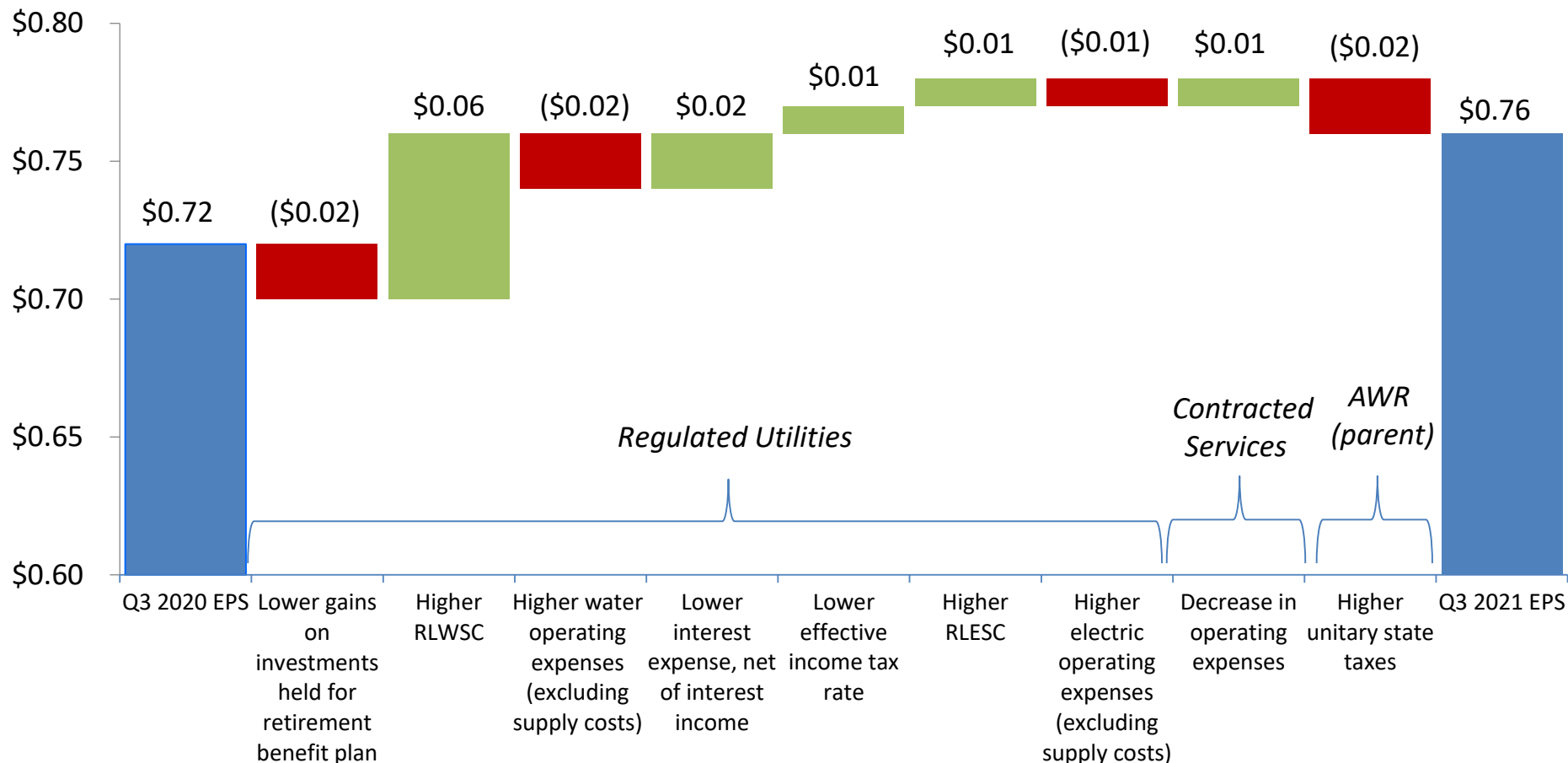
(amounts in millions)	Q3 2021	Q3 2020	Variance
Water and Electric Supply Costs	\$33.3	\$32.3	\$1.0
Other Operation	9.4	8.1	1.3
Administrative and General	20.3	20.6	(0.3)
Depreciation and Amortization	9.8	9.3	0.5
Maintenance	3.0	4.2	(1.2)
Property and Other Taxes	6.1	5.7	0.4
ASUS Construction	12.2	13.6	(1.4)
Total Operating Expenses**	\$94.0	\$93.8	\$0.2
Interest Expense, net of Interest Income and Other***	\$4.8	\$4.2	\$0.6

* Includes increases in operating expense of \$1.1 million and \$1.4 million for Q3 2021 and Q3 2020, respectively, for billed surcharges to collect previously incurred costs, resulting in no material impact to earnings

** Line item does not total due to rounding

*** Includes minimal gains in Q3 2021 and \$1.2 million of gains in Q3 2020 on investments held to fund a retirement plan

EPS Bridge Q3 2020 to Q3 2021



RLWSC – Water Operating Revenues Less Water Supply Costs

RLESC – Electric Operating Revenues Less Electric Supply Costs

YTD Diluted EPS by Segment

	YTD 2021	YTD 2020	Variance
Water	\$ 1.51	\$ 1.35	\$ 0.16
Electric	0.14	0.13	0.01
Contracted Services	0.35	0.30	0.05
AWR (parent)	—	0.01	(0.01)
Consolidated EPS, as reported (GAAP)	\$2.00	\$ 1.79	\$0.21

Note: The YTD 2021 results include \$0.04 per share related to gains on investments as compared to \$0.02 per share for YTD 2020. Excluding these items from both periods, YTD 2021 adjusted earnings were \$1.96 as compared to adjusted earnings of \$1.77 per share for YTD 2020.

- Operating cash flows were \$81.9 million for the first nine months of 2021, as compared to \$87.8 million for the first nine months of 2020
 - ✓ Different timing of income tax installment payments between the two periods, decrease in billed surcharges to recovery WRAM/MCBA balances, timing of billing and cash receipts for construction work at ASUS
 - ✓ Partially offset by improvement in cash from utility accounts receivable
- Regulated utilities invested \$105.4 million of company-funded capital work during the first nine months of 2021:
 - ✓ Capital expenditures for 2021 are expected to be \$130-\$140 million for our regulated utilities
- In May 2021, we redeemed early GSWC's 9.56% private placement notes in the amount of \$28.0 million with a maturity date in 2031
- 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

- The majority of California is considered to be in extreme drought
- The governor of California has proclaimed a state of emergency for all 58 counties in CA, and signed an executive order asking all Californians to voluntarily reduce water usage by 15% as compared to 2020. The CPUC has called on all investor owned water utilities to implement voluntary conservation measures to meet this goal.
- Golden State Water has implemented voluntary conservation efforts in nearly all of its ratemaking areas, and mandatory water usage reductions in a few small customer service areas along the coast. We have also established a CPUC-approved water conservation memorandum account to track incremental drought-related costs for future recovery.

Regulated Activity

- In July 2020, GSWC filed a general rate case application for all water regions and the general office for new rates for the years 2022, 2023 and 2024:
 - ✓ A settlement in principle was reached on the majority of the items in this general rate case application. The unsettled matters are GSWC's requests for: (i) a medical cost balancing account, (ii) a general liability insurance cost balancing account, and (iii) the consolidation of two of GSWC's customer service areas.
 - ✓ A final decision is expected in 2022, effective retroactively to January 1, 2022
- GSWC is authorized to continue using the Water Revenue Adjustment Mechanism, or "WRAM," and the Modified Cost Balancing Account, or "MCBA," until 2025



Regulated Utilities - Customer Service Areas

Regulated Activity (continued)



Regulated Utilities - Customer Service Areas

- GSWC filed its cost of capital application on May 3, 2021 requesting:
 - ✓ a capital structure of 57% equity and 43% debt,
 - ✓ a return on equity of 10.5%, and
 - ✓ a return on rate base of 8.18%.
- A final decision is expected during the first half of 2022, with an effective date retroactive to January 1, 2022

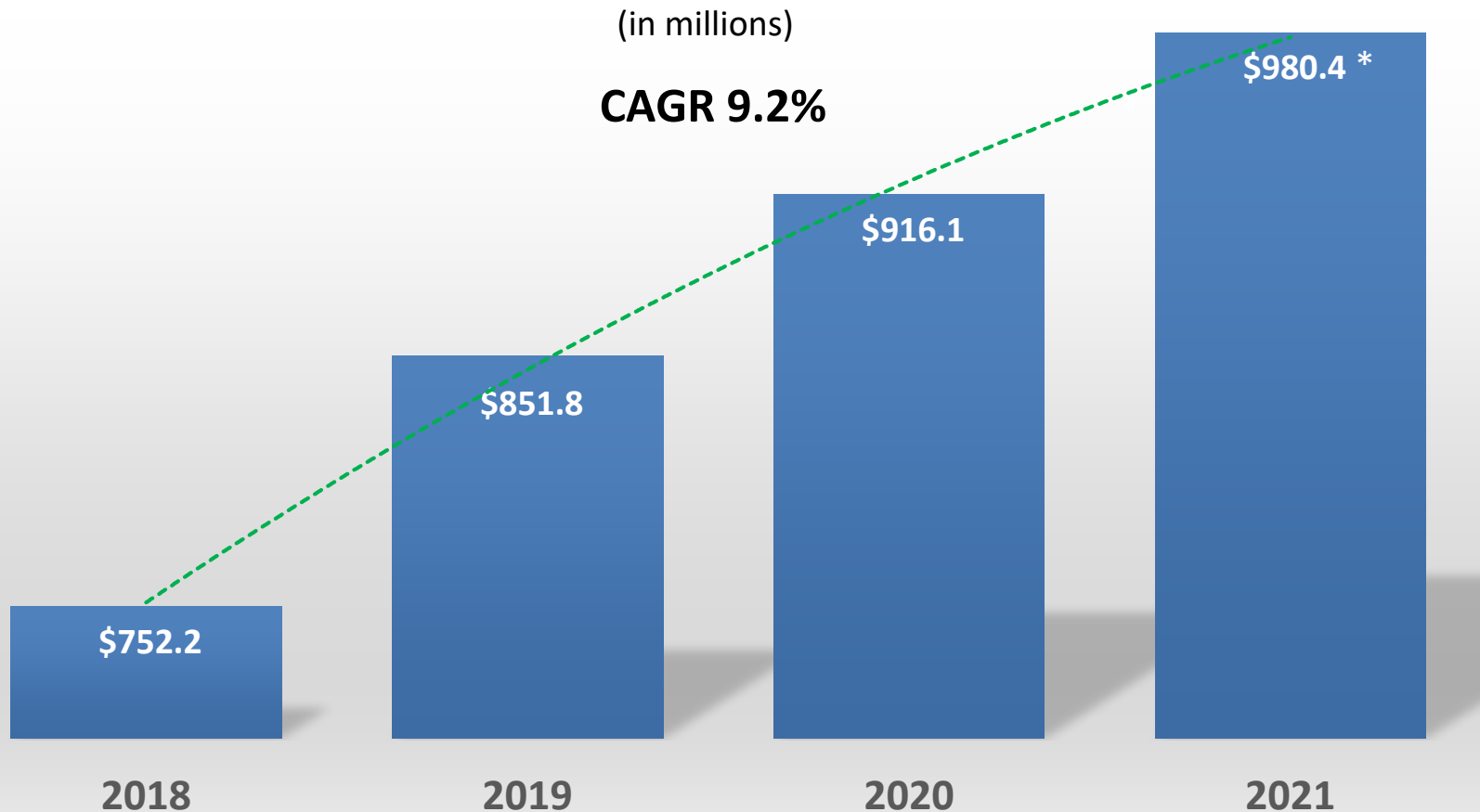
Regulated Activity (continued)

- During the COVID-19 pandemic, the regulated utilities have continued their operations while adhering to orders issued by the CPUC and other governmental agencies
- GSWC and BVESI have tracked incremental costs, including unpaid customer bills, in CPUC-authorized COVID-19 memorandum accounts
- The CPUC requires that amounts tracked in the company's COVID-19 memorandum accounts be offset by any (i) federal and state relief for water utility bill debt, and (ii) customer payments through payment plan arrangements, prior to receiving recovery from customers. The governor of California approved almost \$1 billion in relief funding for overdue water customer bills, and almost \$1 billion for overdue electric customer bills. Both GSWC and BVESI intend to seek recovery of overdue amounts from all available funding sources.



Regulated Utilities - Customer Service Areas

Adopted Average Water Rate Base



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

Contracted Services (ASUS)

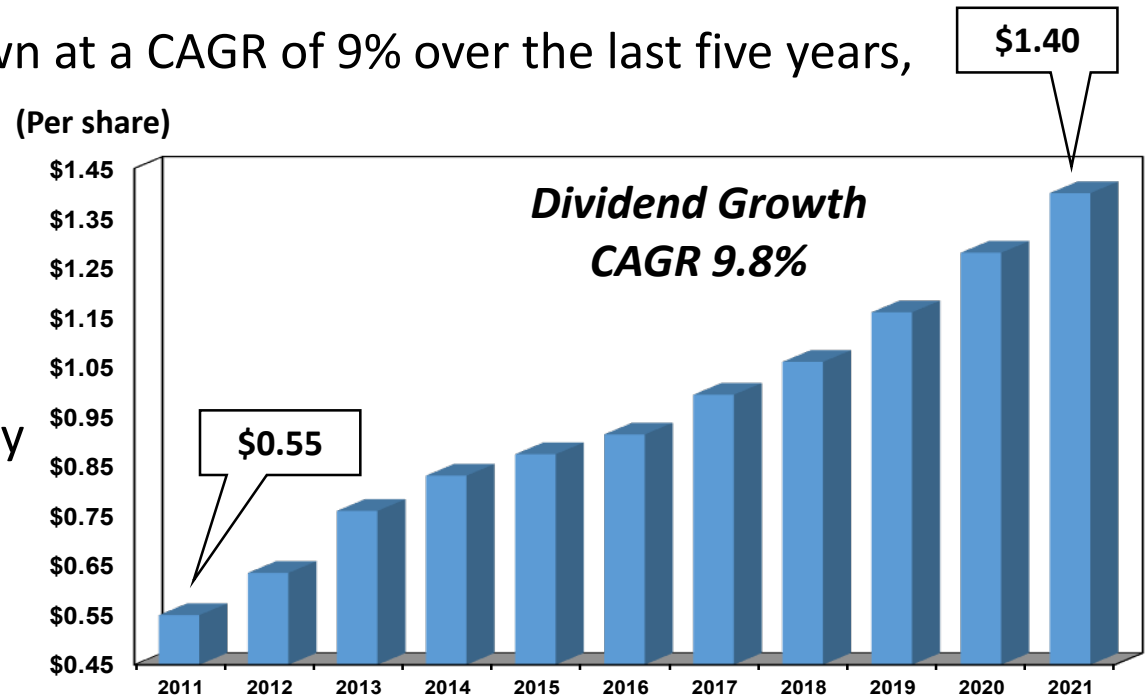
- Earnings were \$0.11 per share for the quarter, \$0.01 higher as compared to Q2 2020, due to a decrease in overall operating expenses
- YTD earnings were \$0.35 per share as compared to \$0.30 for YTD 2020
- ASUS is projected to contribute \$0.45 - \$0.49 per share in 2021 and also in 2022
- With our strong history and expertise, we are well positioned to compete for new military privatization contracts



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Dividends

- The Board of Directors approved a fourth quarter dividend of \$0.365 per Common Share
- Last quarter the Board of Directors approved a 9% increase in the annual dividend per share from \$1.34 per share to \$1.46 per share
- Dividend policy: **More than 7% CAGR over the long term**
- Quarterly dividend has grown at a CAGR of 9% over the last five years, and nearly 10% over the last ten years
- Dividends paid every year since 1931
- Increased the dividend every calendar year for **67 consecutive years**



Questions and Answers

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 as disclosed in the company's most recent Form 10-Q (Note 10 to the Unaudited Consolidated Financial Statements), to AWR's consolidated diluted earnings per share for the three and nine months ended September 30, 2021 and 2020.

In 000's except per share amounts	Water		Electric		Contracted Services		AWR (Parent)		Consolidated (GAAP)	
	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
Operating income (Note 10)	\$ 35,459	\$ 33,149	\$ 2,053	\$ 1,865	\$ 5,273	\$ 4,794	\$ (1)	\$ (1)	\$ 42,784	\$ 39,807
Other income and expense	4,669	4,323	33	24	(111)	(40)	162	(75)	4,753	4,232
Income tax expense (benefit)	7,993	7,683	537	533	1,265	1,150	83	(321)	9,878	9,045
Net income	\$ 22,797	\$ 21,143	\$ 1,483	\$ 1,308	\$ 4,119	\$ 3,684	\$ (246)	\$ 395	\$ 28,153	\$ 26,530
Weighted Average Number of Diluted Shares	37,025	37,002	37,025	37,002	37,025	37,002	37,025	37,002	37,025	37,002
Earnings per share	\$ 0.62	\$ 0.57	\$ 0.04	\$ 0.04	\$ 0.11	\$ 0.10	\$ (0.01)	\$ 0.01	\$ 0.76	\$ 0.72

In 000's except per share amounts	Water		Electric		Contracted Services		AWR (Parent)		Consolidated (GAAP)	
	YTD 2021	YTD 2020	YTD 2021	YTD 2020	YTD 2021	YTD 2020	YTD 2021	YTD 2020	YTD 2021	YTD 2020
Operating income (Note 10)	\$ 87,295	\$ 80,416	\$ 7,296	\$ 6,865	\$ 16,375	\$ 13,946	\$ (6)	\$ (5)	\$ 110,960	\$ 101,222
Other income and expense	13,589	13,530	107	426	(346)	(266)	359	91	13,709	13,781
Income tax expense (benefit)	17,718	17,031	1,879	1,722	3,927	3,199	(270)	(725)	23,254	21,227
Net income	\$ 55,988	\$ 49,855	\$ 5,310	\$ 4,717	\$ 12,794	\$ 11,013	\$ (95)	\$ 629	\$ 73,997	\$ 66,214
Weighted Average Number of Diluted Shares	37,004	36,990	37,004	36,990	37,004	36,990	37,004	36,990	37,004	36,990
Earnings per share	\$ 1.51	\$ 1.35	\$ 0.14	\$ 0.13	\$ 0.35	\$ 0.30	\$ —	\$ 0.01	\$ 2.00	\$ 1.79

Computations and Reconciliations of Non-GAAP Financial Measures (continued)



- The tables below provide the amounts (in thousands) of increases (decreases) and percent changes in water and electric operating revenues, supply costs, and operating revenues less supply costs during the three and nine months ended September 30, 2021 and 2020.

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	\$ CHANGE	% CHANGE
WATER OPERATING REVENUES (GAAP) (1)	\$ 102,768	\$ 98,701	\$ 4,067	4.1 %
WATER SUPPLY COSTS:				
Water purchased (1)	\$ 24,093	\$ 23,445	\$ 648	2.8 %
Power purchased for pumping (1)	3,584	3,369	215	6.4 %
Groundwater production assessment (1)	5,185	5,962	(777)	(13.0)%
Water supply cost balancing accounts (1)	(2,114)	(3,019)	905	(30.0)%
TOTAL WATER SUPPLY COSTS	\$ 30,748	\$ 29,757	\$ 991	3.3 %
WATER OPERATING REVENUES LESS WATER SUPPLY COSTS (NON-GAAP)	\$ 72,020	\$ 68,944	\$ 3,076	4.5 %
ELECTRIC OPERATING REVENUES (GAAP) (1)	\$ 8,564	\$ 8,288	\$ 276	3.3 %
ELECTRIC SUPPLY COSTS:				
Power purchased for resale (1)	\$ 2,875	\$ 2,117	\$ 758	35.8 %
Electric supply cost balancing accounts (1)	(332)	380	(712)	(187.4)%
TOTAL ELECTRIC SUPPLY COSTS	\$ 2,543	\$ 2,497	\$ 46	1.8 %
ELECTRIC OPERATING REVENUES LESS ELECTRIC SUPPLY COSTS (NON-GAAP)	\$ 6,021	\$ 5,791	\$ 230	4.0 %

Computations and Reconciliations of Non-GAAP Financial Measures (continued)



	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	\$ CHANGE	% CHANGE
WATER OPERATING REVENUES (GAAP) (1)	\$ 269,430	\$ 257,199	\$ 12,231	4.8 %
WATER SUPPLY COSTS:				
Water purchased (1)	\$ 60,248	\$ 56,291	\$ 3,957	7.0 %
Power purchased for pumping (1)	8,590	7,626	964	12.6 %
Groundwater production assessment (1)	14,845	15,140	(295)	(1.9)%
Water supply cost balancing accounts (1)	(8,445)	(7,297)	(1,148)	15.7 %
TOTAL WATER SUPPLY COSTS	\$ 75,238	\$ 71,760	\$ 3,478	4.8 %
WATER OPERATING REVENUES LESS WATER SUPPLY COSTS (NON-GAAP)	\$ 194,192	\$ 185,439	\$ 8,753	4.7 %
ELECTRIC OPERATING REVENUES (GAAP) (1)	\$ 28,211	\$ 26,935	\$ 1,276	4.7 %
ELECTRIC SUPPLY COSTS:				
Power purchased for resale (1)	\$ 8,203	\$ 7,127	\$ 1,076	15.1 %
Electric supply cost balancing accounts (1)	488	691	(205)	(29.7)%
TOTAL ELECTRIC SUPPLY COSTS	\$ 8,689	\$ 7,818	\$ 871	11.1 %
ELECTRIC OPERATING REVENUES LESS ELECTRIC SUPPLY COSTS (NON-GAAP)	\$ 19,522	\$ 19,117	\$ 405	2.1 %

- (1) As reported on AWR's GAAP Consolidated Statements of Income, except for supply cost balancing accounts. The sum of water and electric supply cost balancing accounts in the tables above are shown in AWR's GAAP Consolidated Statements of Income and totaled \$(2,446,000) and \$(2,639,000) for the three months ended September 30, 2021 and 2020, respectively, and \$(7,959,000) and \$(6,606,000) for the nine months ended September 30, 2021 and 2020, respectively.