

Financial Results Call Presentation



American States
Water Company

Fourth Quarter 2017

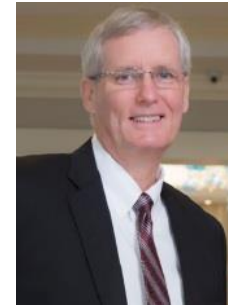
February 27, 2018

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 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.
- 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 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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- Consolidated earnings of \$1.75 per share (excluding \$0.13 gain on sale of assets) compared to \$1.62 per share in 2016
- Annual dividend increased by 5.4%
- Regulated Utilities (GSWC) - \$111.4 million in company-funded capital expenditures during 2017
- Filed general rate cases for both the water and electric segments
 - ✓ Water rate case: Requested capital budget \$125 million/year
 - ✓ Electric rate case: Requested capital budget averaging \$12 million/year

Contracted Services (ASUS)

- Awarded a 50-year contract by the U.S. government to operate and maintain the water and wastewater systems at Fort Riley in Kansas
 - ✓ The initial value of the contract is \$601.4 million over the 50-year period and is subject to an initial joint inventory adjustment and annual economic price adjustments
 - ✓ Will assume operations in mid-2018
- Commenced operations at Eglin Air Force Base in Florida, awarded to ASUS in 2016
 - ✓ The value of the contract is \$702.4 million over the 50-year period and is subject to annual economic price adjustments
- Completed various filings with the U.S. Government at its contract bases which provided for an annualized increase of approximately \$5.3 million in contract fees over 2016 levels

Q4 Diluted EPS by Segment

	Q4 2017	Q4 2016	Variance
Water, as reported	\$0.18	\$0.13	\$0.05
Tax reform impact	0.03	—	0.03
Water, adjusted	0.21	0.13	0.08
Electric	0.02	0.04	(0.02)
Contracted Services	0.11	0.13	(0.02)
AWR (parent)	0.04	—	0.04
Tax reform impact on AWR (parent), Electric and ASUS	(0.03)	—	(0.03)
Consolidated EPS, as reported	\$0.35	\$0.30	\$0.05

Q4 Operating Revenues by Segment

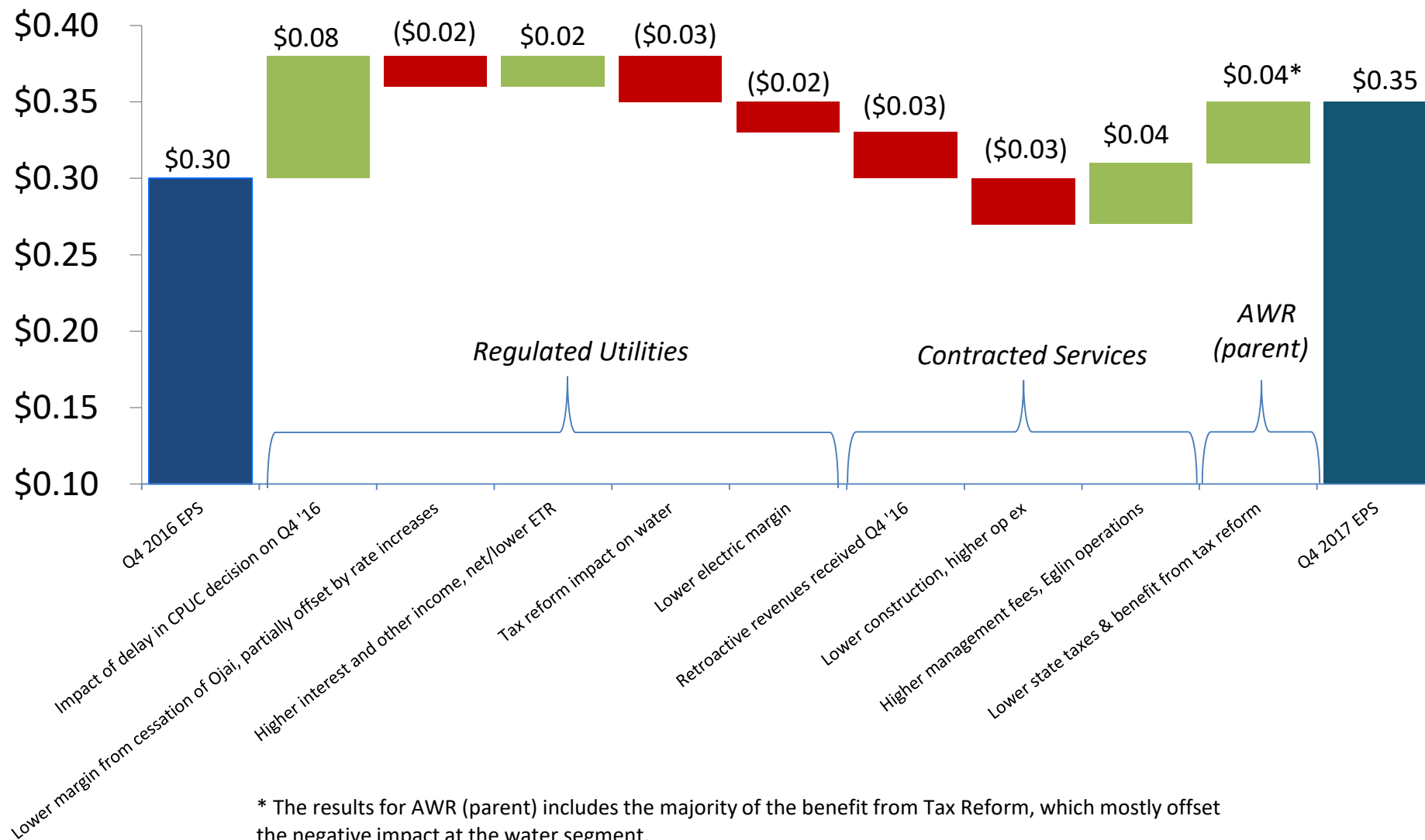
(amounts in millions)	Q4 2017	Q4 2016	Variance
Water	\$67.3	\$64.9	\$2.4
Electric	7.9	9.4	(1.5)
Contracted Services	29.0	32.5	(3.5)
Total Operating Revenues	\$104.2	\$106.8	(\$2.6)

Q4 Operating Expenses

(amounts in millions)	Q4 2017	Q4 2016	Variance
Water and Electric Supply Costs	\$20.6	\$21.8	(\$1.2)
Other Operation	8.0	6.9	1.1
Administrative and General	19.1	19.2	(0.1)
Depreciation and Amortization	9.8	10.0	(0.2)
Maintenance	4.9	4.6	0.3
Property and Other Taxes	4.5	3.9	0.6
ASUS Construction	15.2	18.4	(3.2)
Total Operating Expenses*	\$82.2	\$84.7	(\$2.5)

* Line item does not total due to rounding

EPS Bridge Q4 2016 to Q4 2017



Diluted EPS by Segment for the Year



	2017	2016	Variance
Water, as reported	\$1.35	\$1.17	\$0.18
Gain on Ojai sale	(0.13)	—	(0.13)
Recovery of drought related items	(0.02)	—	(0.02)
Tax reform impact	0.03	—	0.03
Water, adjusted	1.23	1.17	0.06
Electric	0.11	0.10	0.01
Contracted Services	0.37	0.33	0.04
AWR (parent)	0.05	0.02	0.03
Tax reform impact (Parent, Electric & ASUS)	(0.03)	—	(0.03)
Consolidated EPS, adjusted	1.73	1.62	0.11
Ojai sale & drought items	0.15	—	0.15
Consolidated EPS, as reported	\$1.88	\$1.62	\$0.26

- No net impact to consolidated 2017 earnings
- Future impact:
 - ✓ Lower federal corporate income tax rate from 35% to 21%
 - ✓ Benefits utility customers
 - ✓ Increase in rate base resulting from lower corporate tax rate and elimination of bonus depreciation
 - ✓ Lower cash flows, resulting in increased need for borrowings
 - No equity issuance in near term
 - ✓ 50-year contracts with U.S. government do not address changes in tax law

- Operating cash flows increased to \$144.6 million from \$96.9 million primarily due to:
 - ✓ Surcharges implemented in 2017, receipt of federal tax refunds, fluctuations in estimated tax payments and timing of billings of and cash receipts for construction work at military bases
- Invested \$111.4 million of company-funded capital work at GSWC in 2017
- 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

- CPUC approved third-year water rate increases in January 2018. Rate increases expected to increase adopted water gross margin by approximately \$4.5 million in 2018, after adjusting for the sale of the Ojai system.
- Tax Reform: GSWC to update revenue requirements in both water and electric pending GRC's filed in 2017.
 - ✓ CPUC also ordered water utilities to establish memorandum account effective January 2018 to track changes in the revenue requirement
- Water Cost of Capital application filed in April 2017. Decision expected in 2018.

Contracted Services (ASUS)

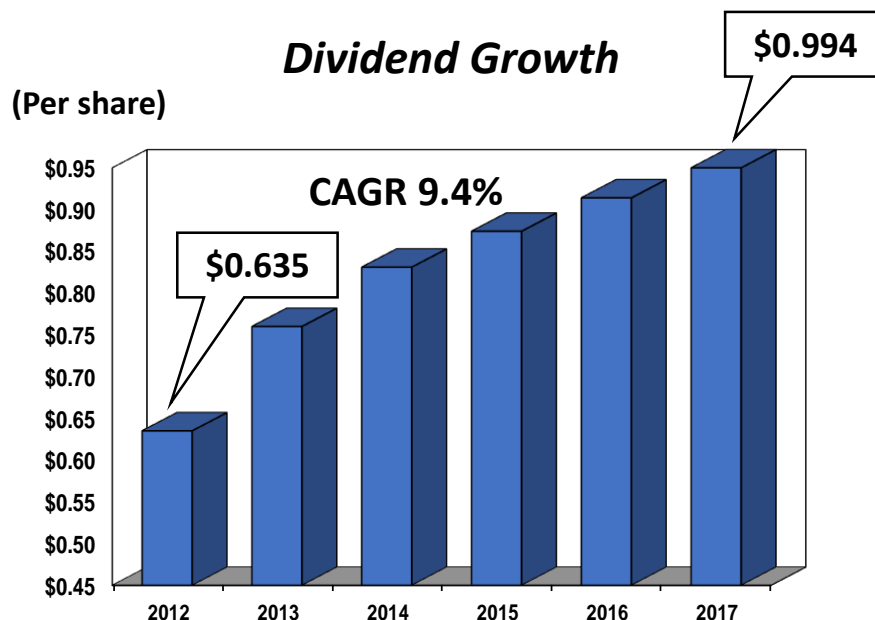
- New Privatization Contract: Fort Riley Army Base, Kansas
 - ✓ \$601 million 50-year contract
 - ✓ Expect to assume operations in 2018 following transition period
 - ✓ Expected earnings of \$0.03-\$0.05 per share starting in 2019
- Eglin Air Force Base, Florida
 - ✓ Assumed operations in June 2017
 - ✓ \$702 million 50-year contract
- ASUS projected to contribute \$0.38-\$0.42 per share in 2018



Serving Those Who Serve®

Dividends

- On January 30, 2018, AWR's Board of Directors approved a \$0.255 per share quarterly dividend
 - ✓ Payable on March 1, 2018 to shareholders of record at the close of business on February 15, 2018
- *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