



American States  
Water Company

2015

Corporate Social Responsibility Report



Corporate Office  
630 East Foothill Boulevard  
San Dimas, California 91773  
Tel: 909.394.3600  
[www.aswater.com](http://www.aswater.com)

## Table of Contents

• CEO's Message	Page 3
• Corporate Profile	Page 4
• AWR Service Area	Page 6
• Fiscal Responsibility	Page 7
• Governance, Compliance, Ethics and Risk Management	Page 8
• Customer Service	Page 9
• Recognition	Page 11
• Infrastructure Investments	Page 12
• Economic Impact and Supplier Diversity	Page 13
• Environmental Impact	Page 14
• Conservation	Page 16
• Communities	Page 18
• Safety of Employees	Page 19
• Human Capital Management	Page 21

Certain matters discussed in this presentation are forward-looking statements intended to qualify for the "safe harbor" from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the Company "believes," "anticipates," "expects" or words of similar import. Similarly, statements that describe the Company's future plans, objectives, estimates or goals are also forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements.

## Message from the CEO



American States Water Company (“AWR”/“Company”) celebrated its 85th year in business in 2014, enjoying sustained growth over that period. This growth was realized by balancing the needs of our customers, shareholders, employees and the communities in which we serve, with the needs of the environment in which we operate. Our leadership team considers it a privilege to operate in this great country of ours and we are focused on conserving the many resources with which we have been entrusted. California is one of the leading states in the nation in setting environmentally-sensitive policies. We have proven ourselves in

this environmentally-conscious state where the bulk of our business is currently done. We also understand that there is much more work to do in this area and look forward to the challenge.

We have instilled corporate social responsibility as part of our mission and this report provides information about our company and the sustainability measures and practices we continue to undertake. Details of the many areas in which we are placing our efforts for continued sustainability and stewardship are contained herein.

Golden State Water Company (“GSWC”) continues to be our flagship subsidiary, responsible for our water and electric utility operations in California. Since 1929, GSWC has proudly provided safe and reliable services to our California customers while remaining committed to protecting the environment. We have made progress on this commitment through the implementation of many initiatives.

We also consider ourselves fortunate to be a key supplier to the U.S. Military through American States Utility Services, Inc. (“ASUS”), our contracted services subsidiary. ASUS currently provides water distribution and wastewater collection utility service to nine military installations throughout the country under 50-year contracts. We are privileged to provide these services to the men and women of our nation’s military.

We are proud of the hundreds of men and women at both subsidiaries who, through their diverse knowledge and expertise and customer service mentality, assure that the quality of the water we deliver meets all required standards and our water, electric and wastewater systems are extremely reliable, in order to continue to provide the excellent service our customers have come to expect.

Minimizing the environmental impact of our business and maintaining a sustainable operation is our ongoing commitment. I hope the information contained in this report provides insight into our contribution to the water, wastewater and electric industries, as well as our service to those who serve our country. You may also read more about the Company, including its accomplishments and challenges, in our SEC Form 10K and 10Q Reports found on our website at [www.aswater.com](http://www.aswater.com).

*(Signature)*

Robert J. Spowls  
President and CEO

## Corporate Profile

American States Water Company is a holding company that provides water and electric utility services and contracted services through two, first-tier subsidiaries. It is publicly traded on the New York Stock Exchange under



the ticker “AWR”. AWR’s largest subsidiary is Golden State Water Company (“GSWC”), a regulated water and electric utility which provides water service to approximately 258,000 customers in 75 communities throughout 10 counties in Northern, Coastal and Southern California. GSWC also provides electric service to more than 24,000 customers in the Big Bear recreational area of San Bernardino County in California under the name Bear Valley Electric Service (“BVES”). The water and electric utility business in California under GSWC represented about 78% of AWR’s total 2014 revenues. GSWC has been in business since 1929.

AWR’s other first-tier subsidiary is American States Utility Services, Inc., (“ASUS”) which performs contracted services. ASUS, through

its wholly-owned subsidiaries, currently owns, operates and maintains the water and/or wastewater systems at nine military bases under 50-year, privatization contracts with the U.S. government. Those military bases are located in six states - New Mexico, Texas, Maryland, Virginia, North Carolina and South Carolina.

AWR is headquartered in San Dimas, California, which is approximately 35 miles east of Los Angeles, and its subsidiaries employ more than 700 people. As stewards of precious resources, daily decision-making takes into consideration the Company’s Code of Conduct and respect for people, communities, and the environment.

### Mission and Values

American States Water Company is committed to maximizing shareholder value through a combination of capital appreciation and cash dividends. Our mission will be accomplished by delivering exemplary water, wastewater and electric services to our customers and superior financial performance for our shareholders through minimizing life-cycle costs, developing and empowering our workforce, conserving resources and leveraging diversity among our employees and vendors.

In pursuing our mission, the Company’s Board of Directors, management and employees are guided by the following Shared Values:

**Integrity** - Building trust through honest communication and doing what is right

**Teamwork** - Maximizing efficiency through collaboration and individual strengths

**Respect** - Valuing diversity and treating all stakeholders with fairness

**Excellence in Service** - Striving for excellence and quality in everything we do

**Accountability** - Taking ownership of one’s actions

# Operational Properties

## Regulated Utilities

GSWC, the second largest investor-owned water utility in California, is a regulated company that recognizes the precious resource that is water. Water oftentimes travels from underground aquifers or above ground sources through filtration systems and miles of pipes to our customers. Providing “best in class” customer care and water that meets all federal and state-mandated requirements through highly skilled employees is the cornerstone of our business. Delivering water to GSWC’s customers requires approximately 2,800 miles of pipelines which support more than 258,000 service connections. GSWC’s assets also include over 25,000 fire hydrants, 142 tanks with the capacity to store almost 112 million gallons of water, 239 wells and 381 boosters. The Company has 73,330 acre feet of adjudicated groundwater water rights and 11,335 acre feet of surface water rights per year. It also has a significant number of unadjudicated water rights, which have not been quantified and are not subject to predetermined limitations, but are typically measured by historical usage.

GSWC also provides electric service to over 24,000 customers in the City of Big Bear and surrounding areas in San Bernardino County, California, through its Bear Valley Electric Service Division (“BVES”). BVES owns and operates 29.6 miles of overhead and 1.4 miles of underground, 34.5 kilovolt transmission lines, 180 miles of distribution lines, 54 miles of underground cable, 13 sub-stations and a natural gas-fueled 8.4 MW peaking generation facility.



## Contracted Services

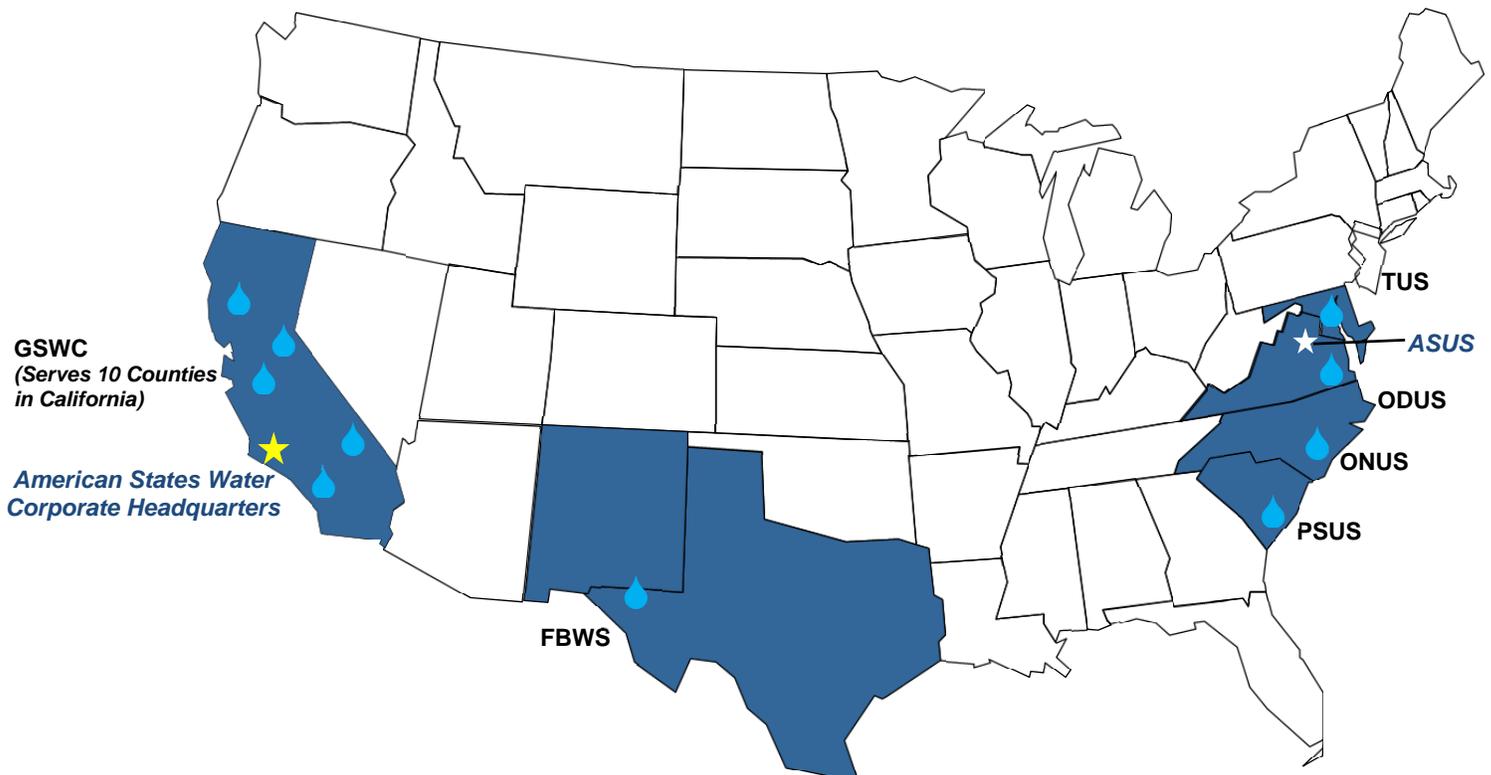
ASUS, the contracted services subsidiary of AWR, manages water and wastewater utility systems and services on U.S. military installations through privatization contracts. Through subsidiaries, ASUS currently operates, maintains and performs construction activities on the water and/or wastewater systems at nine military bases under 50-year contracts with the U.S. government. A listing of the current 50-year contracts is presented below along with the ASUS subsidiaries that manage the contracts.

- Fort Bliss Water Services Company at Fort Bliss, Texas (which extends into New Mexico) (“FBWS”)
- Terrapin Utility Services, Inc. at Joint Base Andrews Air Force Base, Maryland (“TUS”),
- Old Dominion Utility Services, Inc. at Joint Expeditionary Base Little Creek-Fort Story and Joint Base Langley-Eustis, Virginia (“ODUS”),
- Old Dominion Utility Services, Inc. at Fort Lee, Virginia (wastewater only) (“ODUS”),
- Palmetto State Utility Services, Inc. at Fort Jackson, South Carolina (“PSUS”), and
- Old North Utility Services, Inc. at Fort Bragg, Camp Mackall, and Pope Army Airfield, North Carolina (“ONUS”).

*ASUS recently passed the tenth anniversary of its first military privatization contract with the U.S. government. Since being awarded its first 50-year contract in late 2004, it has grown to be a significant player in this arena, and has gained a large market share of this business. We are now serving military bases in six states.*

## AWR Service Area

AWR and its subsidiaries currently operate in seven states. We continue to provide exceptional service to our customers and look forward to expanding our services to other areas of the country.



## Fiscal Responsibility

Maintaining strong fiscal responsibility provides funding to enable us to be good stewards of the environment. For GSWC, we must balance the need for maintaining and improving the reliability of our water and electricity infrastructure with the overall cost to our customers. Our investment in GSWC's capital improvement program in the past five years has totalled \$366 million. Operating and maintaining, as well as renewing and replacing water and wastewater systems by ASUS at military bases also involves a delicate balance of reliability and cost. Experienced management, committed employees, efficient operations and prudent investment to improve service and reliability to our customers have made us a strong company. The financial highlights below demonstrate the Company's financial strength.

<b>Financial Highlights (Consolidated AWR) <sup>(1)</sup></b>					
<i>In thousands, except per share amounts</i>					
<i>Years Ended December 31,</i>					
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010<sup>(3)</sup></u>
Operating Revenues	\$ 465,791	\$ 472,077	\$ 466,908	\$ 419,913	\$ 399,776
Operating Income <sup>(2)</sup>	\$ 119,045	\$ 119,072	\$ 111,094	\$ 95,104	\$ 73,819
Net Income	\$ 61,058	\$ 62,686	\$ 54,148	\$ 42,010	\$ 31,091
Dividends per Share	\$ 0.831	\$ 0.760	\$ 0.635	\$ 0.550	\$ 0.520
Total Assets	\$1,378,298	\$1,310,183	\$1,280,943	\$1,238,362	\$1,192,035
Net Utility Plant	\$1,003,520	\$ 981,477	\$ 917,791	\$ 896,500	\$ 854,956

<sup>(1)</sup> Information presented includes financial highlights from continuing operations only.  
<sup>(2)</sup> Before Income Taxes and Interest.  
<sup>(3)</sup> In 2010, results include a one-time pre-tax charge of \$16.6 million (\$10 million after taxes) related to the impairment of assets and loss contingencies in connection with regulatory matters.

### Financial Stability

Our regulated business is capital intensive and requires considerable capital resources. A portion of these capital resources are provided by internally generated cash flows from operations. When necessary, the Company obtains funds from external sources in the capital markets and through bank borrowings. Financial health is necessary to allow us to access the capital markets with favorable terms. In May 2015, Standard & Poor's Rating Services affirmed the A+ corporate credit rating on both American States Water Company and Golden State Water Company. In December 2014, Moody's Investors Service affirmed it A2 credit rating for GSWC.

# Governance, Compliance, Ethics, and Risk Management

## Corporate Governance

Integrity is one of our core values and an integral part of who we are. We strive to do the right thing and live up to the highest standards of honesty and ethical conduct every day. Leading by example, demonstrating integrity, and maintaining an ethical, safe and productive workplace are the responsibilities of employees at all levels of our organization.

Our Board of Directors is responsible for establishing policies to ensure American States Water Company is operating and performing in a manner consistent with its mission, values and the Company's Code of Conduct. The Board is comprised of individuals with diverse experience and perspectives and is committed to pursuing best practices from a corporate governance standpoint. The Board has adopted formal Guidelines on Significant Governance Issues. There are currently four standing committees of the Board: Audit and Finance; Compensation; Nominating and Governance; and ASUS. For more information on the Board's structure, guidelines, and committees, please visit [www.aswater.com](http://www.aswater.com)

American States Water Company is committed to balancing the goal of providing the highest quality and reliability of water service with the overall cost of service to our customers, subject to applicable federal and state laws and regulations, and orders of regulatory bodies. The Board has adopted a policy of providing access to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes in all states in which we operate through operations, programs, and/or services authorized by applicable federal and state laws and regulations or approved by applicable regulatory bodies. (Note: this paragraph was added on February 8, 2017).

## Compliance and Ethics

All AWR employees operate under the Code of Conduct ("Code"), which sets the standard for maintaining a legally compliant and ethical workplace. Every employee is responsible for knowing the Code, as well as following regulations and policies related to their specific jobs. Employees receive training on AWR's policies, including the Code and other topics, on an ongoing basis.

In addition, we are committed to creating an environment where employees, vendors and business partners feel comfortable raising concerns about unethical business conduct if it occurs. There are several avenues an employee or business partner may use to raise a concern, including an anonymous ethics and compliance hotline operated by an independent third party that is available 24 hours per day, seven days per week. Every matter reported to the ethics and compliance hotline is reported to the Chairperson of the Audit and Finance Committee and investigated by the Company.

## Our Commitment to Basic Business Principles

Our basic business principles are at the core of our corporate culture. Incorporated into our Shared Values, they are our tenets for sustaining a healthy environment and continued success.

- We expect integrity and honesty in our relationships at every level of the organization.
- We believe that people are the most valued assets of a business and accountable for their actions.
- We encourage our team members to be active participants in helping improve the quality of life in their communities.
- We engage employees in ongoing learning and development.
- We strive to employ socially responsible practices through development of our people on service standards and ethical leadership.
- We are fair and equitable when choosing our business partners.

## Risk Management

Risk is inherent in the operating environments of all our business segments. The Company takes an integrated approach to risk management in its business activities to drive consistent, effective, and accountable action in all decision-making and management practices. We maintain an Enterprise Risk Management (“ERM”) process to assist with the identification and prioritization of risks across the Company, as well as with the development and implementation of risk mitigation strategies. We have identified the top enterprise risks through the ERM process, which is led by our CEO and Senior Vice Presidents, and the risk mitigation strategies for our key risks are reviewed with the Board on a quarterly basis. One Board member serves as a Board liaison to senior management on the ERM process.

## Customer Service

We make customer service a top priority, and work hard every day to exceed the expectations of those we serve. We have a competitive advantage because we have been putting customers first for 85 years.

### GSWC

At GSWC, the customer service experience extends far beyond the customer service department. Our team understands that customer service is a critical part of everyone’s job.

We continually invest to ensure our customer communications is consistent with our goal to provide best-in-class customer service. By tirelessly working to improve our company’s efficiencies, we strive to keep our cost of service affordable to our customers.

Our industry-leading approach to customer service includes:

- GSWC was one of the first in the industry to open a 24-hour Call Center because our service doesn’t stop when traditional business hours end.
- We make it easy for customers to reach us by phone. Our Customer Service Center handles an average of more than 35,000 calls per month, and the average handling time is 2 minutes and 40 seconds. We strive to answer calls (+80%) within 30 seconds and resolve issues efficiently so our customers can move on with their days. Additionally, our dedicated 800 line affords customers the opportunity to communicate with our customer service representatives in multiple languages.
- While we appreciate the opportunity to connect directly with customers by phone, we know that many customers prefer to get their information online. GSWC has constructed one of the industry’s top websites to serve as a hub of information for customers, making it easy to find the answers to their questions and learn more about their water service. The robust, easy-to-navigate website provides content in both English and Spanish, and utilizes video and graphics to enrich the customer’s browsing experience. In addition to better serving our customers, the website also aims to maximize efficiency by reducing the call volume to our Customer Service Center.
- We are always searching for new ways to communicate with our customers and provide them with real-time updates and information about their water service. We continue to grow our communications suite, building upon our successful Waterways e-Newsletter and email communication program. GSWC recently launched its Twitter news service, encouraging customers and stakeholders to follow @GoldenStateH2O to receive news and updates via social media.

*No matter the problem, no matter what time of day or night our customers need help, we answer the call. Our Customer Service Call Center operates 24 hours a day, seven days a week, 365 days per year, so our highly-trained representatives can answer questions or address any customer needs.*

- We recognize that some customers may have difficulty covering expenses, so we proudly offer a monthly credit for low-income customers. The California Alternate Rates for Water (“CARW”) program is open to all qualifying residential water customers. Non-profit group living facilities, agricultural employee housing facilities and migrant farm-worker housing centers may also be eligible to receive a monthly credit. Our electric division also offers the Energy Saving Assistance Program to low-income customers.
- GSWC’s team of more than 550 employees is our greatest asset, and we ensure all members of our team are regularly trained to achieve consistent standards of excellence. In 2014, we supplemented our team’s training with a series of Brand Ambassador courses designed to improve overall proficiency in customer service.
- Customer service does not just begin when we are contacted with a question. We affect the customer experience every time they turn on their faucets or switches and receive reliable, high-quality service. Our team of industry leaders works diligently to ensure our water and electric systems are operated properly and infrastructure is maintained proactively to protect water quality, minimize water or electricity interruption and limit any service issues.



## **ASUS**

ASUS’s dedicated, cross-functional team consists of over 150 water, wastewater and infrastructure experts that provide a robust value stream to the military and civilian personnel we serve. ASUS is considered by the federal government and the various military installations as one of the preeminent providers of water and wastewater operations, maintenance and capital construction on military installations across the country. With ASUS managing utilities at the bases, the U.S. military can focus on their core competency of defending our nation.

Annually, each ASUS subsidiary receives a Contractor Performance Assessment Rating (“CPARs”) from the Federal Government that rates performance in the areas of: (i) quality of service, (ii) schedule, (iii) cost control, (iv) business relations, (v) management of key personnel and (vi) small business utilization. ASUS has consistently exceeded the customers’ expectations at locations served. In every CPARs that ASUS subsidiaries have received, the U.S. government notes they would make another award to ASUS. ASUS’s industry-leading approach to customer service includes: Utilizing service request portals at each military installation to effectively and efficiently respond to emergencies, leaks and normal outage calls;

- Partnering with the military on water and wastewater construction efforts as the installations expand and evolve to meet the requirements of the 21st century;
- Maximizing the experience of ASUS personnel in achieving quality and reliability standards consistently above the industry norms and the expectations of the military services;
- Recapitalizing utility systems over a 50-year period to elevate them to private industry standards and enhancing the reliability provided to end users;
- Implementing water quality improvements, thereby decreasing water quality inquiries, while also developing installation-based water conservation efforts to meet increased demand; and
- A great customer service culture, industry knowledge and community involvement.

## Recognition

Our focus is to provide the necessary expertise and experience in the management and conveyance of potable water, wastewater and electricity with the highest of integrity, responsiveness and service. Along the way, we have been recognized for our contributions and accomplishments:

### AWR

- California's Top 25 Companies from the 2013-2014 UC Davis Study of California Women Business Leaders: A Census of Women Directors and Highest-Paid Executives (2014) – Ranked 5<sup>th</sup> of the 400 largest publicly held companies headquartered in California in terms of number of women in director or executive roles
- 2015 employee survey results earned us a spot as a “*Great Place to Work*®” Review

### GSWC

- The Black Business Association's Utility Company of the Year Award (2014)
- Dedicated Service to Community, County of Los Angeles
- Heritage Award, City of San Dimas
- Outstanding Industry Service Award, CA-NV Section, American Water Works Association
- Excellence in Communication, Utilities Communicators International
- MarCon Award for website design for our customer-friendly website
- Sustainability Award to the designer of and contractor for the Conservation Demonstration Garden and Retrofit Project
- “Authorized Provider” designation by the International Association for Continuing Education and Training (IACET) allowing the Company to offer IACET Continuing Education Units

### ASUS

- Federal government recognition as one of the preeminent providers of water and wastewater ownership, operation and maintenance
- ONUS was one of 65 North Carolina employers nominated for the 2015 Secretary of Defense Employer Support Freedom Award awarded in recognition of its' exemplary support provided to National Guard and Reserve employees

# Infrastructure Investments

The nation's aging water infrastructure continues to draw much attention and proactive system investments to protect water systems and avoid the costly and sometimes dangerous effects of deferring maintenance are now more important than ever.

## GSWC

GSWC understands that proactive system maintenance is critical to protecting water service now and for future generations. We continually invest to improve our water systems by upgrading both treatment and delivery systems across all of our service territories.

*In order to conserve water and to ensure reliability, we have been focused on replacing infrastructure with \$1 out of every \$4.40 collected from our customers going into infrastructure at GSWC in the past two years.*

Our company prides itself on developing assets that create sustainable, long-term value. At GSWC, we recover capital expenditures from customers through depreciation expenses and a return on the rate base. During the past five years, GSWC's net utility plant has increased from \$819 million at the end of 2009 to almost \$1 billion at the end of 2014. We spent \$160 million over the last two years (2013-14) to upgrade our water infrastructure, and expect to spend more than \$85-\$90 million on capital expenditures in 2015.

Pending approval of the General Rate Case for 2016-18, we have requested a capital expenditure budget of \$90 million for each year of the three-year period for the water segment. The following projects highlight the proposed investments included in the 2016-18 General Rate Case for GSWC's water segment:

- **Pipeline Projects:** More than \$100 million for pipeline installation and replacement projects are planned throughout our service areas. To protect the integrity of our water systems, we aggressively aim to replace approximately one percent of our pipes each year.
- **Apple Valley:** A \$3.1 million project is planned in order to replace an aging water well and construct a new reservoir and booster station. This project will provide adequate, dependable and high-quality water supply to customers in Apple Valley.
- **Arden-Cordova:** The \$4.7 million construction of a new groundwater well, reservoir and booster station at the Trussel Plant will improve water supply reliability for our Arden System. An additional \$3.4 million is proposed for the installation and replacement of meters in our Arden-Cordova service area, as we continue efforts to transition all customers to metered service.
- **Barstow:** The construction of a \$1.9 million storage tank at our Eaton Plant will expand the water storage capacity for the water system, which is not connected to imported water.
- **Central Basin East:** A \$3.6 million groundwater well is planned for our Norwalk System, replacing an 85-year-old well, to increase capacity and limit the need to purchase costly imported water.
- **Culver City:** Approximately \$5.2 million is proposed for upgrades at local plants. The \$2.6 million Baldwin Hills Plant investment includes the installation of a new booster pumping station to improve water quality and reliability in parts of the Culver City System. A \$2.6 million project at the Perham Plant will upgrade the booster pump station and install flow monitoring equipment to improve operational efficiencies, provide cost savings and maintain a reliable water supply within the system.



- **Los Alamitos:** A \$4.0 million groundwater well is planned to improve water supply reliability for our West Orange County system.
- **Los Osos:** Construction of a \$1.6 million water supply well at the Los Olivos Plant will complement an existing well and improve the availability and reliability of the clean drinking water for Los Osos customers.
- **Morongo Valley:** A \$1.3 million investment is planned to construct a new water reservoir within the Mojave Tank Zone. This project will address storage deficiency concerns and provide operational, fire and emergency storage for the Morongo Del Sur System.
- **Placentia:** A \$2.2 million capital investment is proposed to improve several storage reservoirs that serve the Placentia service area.
- **Santa Maria:** The \$1.6 million construction of a reservoir and booster station in Tanglewood and an upgrade to the Alta Mesa Plant in Nipomo will improve energy efficiency and storage for Santa Maria customers.

Our capital investment program assures we can continue delivering reliable, high-quality water service without interruption. Additionally, each capital improvement project creates jobs and helps to stimulate the economies in the communities we serve.

At Golden State Water, our commitment to ongoing preventive maintenance ensures we can protect nature's most precious resource from its source to customer taps.

At GSWC's Bear Valley Electric division, we are authorized by the California Public Utilities Commission to spend \$19.5 million of capital expenditures for 2013-2016, which includes major projects such as undergrounding of distribution lines along Big Bear Boulevard and an upgrade of the Moonridge Substation,

### **ASUS**

At ASUS, a key element of these 50-year contracts involves the renewal and replacement of aging infrastructure at the military bases served by subsidiaries of ASUS, which includes over 1,500 miles of water and wastewater pipes on U.S. Army, Air Force and Navy bases. Since the first contract was entered into in 2004, ASUS has spent approximately \$125 million towards its commitment to renew or replace all infrastructure under these contracts and installed over \$400 million of utility facilities through 2014 to (i) provide service to new areas of the military bases it serves, (ii) provide for accelerated refurbishment of facilities beyond their useful life; and (iii) improve the quality of facilities used to provide water and wastewater service to military personnel, their families and civilian government employees.

ASUS's efforts toward capital improvements of the aging infrastructure, combined with more efficient operation and maintenance of these facilities, have resulted in over \$1 million in annual savings of water commodity costs and over \$2 million in annual savings in wastewater effluent costs, representing an approximate average 25% per capita reduction in water cost and about a 38% per capita reduction in wastewater cost.

## **Economic Impact and Supplier Diversity**

AWR makes a positive economic impact in various ways in the geographical areas in which we do business. We employ over 700 employees in seven states, paying federal, state and local taxes.

### **GSWC**

GSWC formed a Centralized Procurement Services Department, supporting GSWC's objective to deliver reliable water and electric services to its communities in the most cost effective manner. The Department is focused on

building and actively managing strategic relationships with internal and external stakeholders, key suppliers, and service providers in an effort to maximize the value of goods and services procured by GSWC.

Supplier diversity is a business initiative that encourages the utilization of qualified and certified women, minority and disabled veteran business enterprises (“WMDVBE”) when purchasing goods/services. GSWC has been committed to providing opportunities and forming partnerships within the diverse communities we serve. Our supplier diversity programs have evolved over the years as we find ways to broaden our supplier base, stimulate competition, and ensure that we receive the highest quality materials and services at the best available prices.

*BVES was able to take advantage of decreasing energy prices and execute contracts at favorable fixed costs over three and five year terms with the benefits flowing back to customers.*

We continue to follow the requirements of the California Public Utilities Commission General Order 156.C to increase the inclusion of diverse business enterprises in procurement opportunities. Our percentage of spend has increased with WMDVBE vendors from 7.5% in 2004, when we started our Supplier Diversity Program, to 23.1% in 2014. This significant progress is a direct result of our commitment to supplier diversity at all levels of the Company.

As discussed previously, GSWC received The Black Business Association’s Utility Company of the Year Award, given to those that have been most supportive of the growth and development of the Black Business Association and providing equal opportunities for diverse suppliers.

### **ASUS**

On a wider geographical scale, much of the work performed at the ASUS military subsidiaries is done by firms based in proximity to the installations we serve. For 2014, ASUS subcontracted a total of \$53.6 million to qualified suppliers across all subsidiaries. Of this amount, \$44.7 million (83%) was awarded to small business designated firms (Veteran-Owned, Woman-Owned and Small Disadvantaged), as defined by the Small Business Administration.

ASUS views small business utilization as a core corporate responsibility and fundamentally necessary to deliver best value to the Military. By focusing on the local, small businesses near the bases we serve, we secure jobs for local families. As a result of this focus, our support to veteran-owned small businesses is nine (9) times our contractual goal; women-owned small businesses is four (4) times the goal; and small-disadvantaged small businesses is three (3) times the goal. Currently, seventeen of the top twenty subcontractors doing work for ASUS are small business designated firms.

We have several diversity and inclusion initiatives, which start with our recruitment process. We have partnered with diversity job boards for our job postings, including community based organizations, service disabled veteran administration, and key LGBT community sites. Our company is dedicated to providing equal opportunity to all potential business partners.

## **Environmental Impact**

Vital to our human existence, water and energy have never played such a pivotal role in our communities than it does today. A wide range of business and environmental leaders, policy makers, and ordinary citizens are becoming more engaged in issues surrounding water, water supply and energy. We view the world as one community in which every person, every organization and all undertakings can have an impact on the environmental, social and economic well-being of the local and world community. American States Water Company is steadfast in demonstrating excellent corporate citizenship by integrating social, environmental, and economic concerns into our business operations and interactions with stakeholders to maintain trust and confidence of customers, shareholders, employees, suppliers, government at all levels and non-government organizations, as well as the communities we serve.

*In 1974, when the Safe Drinking Water Act was passed, we were required to test for 16 constituents (elements/ingredients found in water). Today, we are testing for over 100 constituents.*

The potable water we provide to our customers meets or exceeds the increasing federal- and state-mandated water quality requirements. We have also been aggressively pursuing renewable energy resources for our electric division, BVES. We successfully negotiated a long term contract to “green up” our power supply portfolio and will continue to solicit other sources of renewable energy products as needed. In addition to pursuing more environmentally friendly resources, BVES has implemented programs to help all customer classes utilize electricity more efficiently. Our employees have been proactive in the community promoting resource options in schools, government agencies, small businesses and individual households. Additionally, due to recent drought conditions, BVES has increased its

efforts to collaborate and work closely with local water agencies in order to provide customers with water-energy conservation measures.

BVES hosts an annual Earth Day Expo that includes fellow utilities as well as local community agencies and other interested groups. The Expo is filled with educational opportunities for customers and local school children via various displays and activities aimed at saving energy and improving the environment. The Earth Day Expo has been very successful and well received over the years.

Golden State Water Company is a member of the Alliance for Water Efficiency (“AWE”), which is an organization that aims to promote efficient and sustainable water consumption and to inform customers about easy-to-use water conservation tools. As a member of AWE, GSWC is part of a partnership of WaterSense, a United States Environmental Protection Agency (“EPA”) program established to help customers conserve nature’s most precious resource. We also partner with [bewaterwise.com](http://bewaterwise.com)®, a collaborative effort between The Metropolitan Water District of Southern California, its 26 member agencies and large water-using customers to improve water use efficiency.



We believe in treating our earth’s resources with respect and are committed to protecting the environment, ensuring the health and safety of our employees, our customers, and the diverse communities where we operate. We do so by adhering to the following principles:

- Our operations strive to comply with all applicable regulations and requirements;
- We employ management systems and procedures specifically designed to minimize the use of hazardous materials, energy and other natural resources, to minimize the generation of waste and to enable recycling and reuse of materials;
- We minimize energy and water usage in our buildings, vehicles and processes to conserve supplies and minimize our consumption of non-renewable natural resources; and
- We purchase products and services that are environmentally friendly.

ASUS is also fully aware of its impact to the environment and continues to actively pursue conservation opportunities through Department of Defense programs such as Net Zero and Utility Energy Service Provider initiatives.

# Conservation

AWR's commitment to conserve and protect our environment is a priority. We continue to encourage the conservation of water and energy by reviewing and assessing our organizations, making internal changes and updating policies to comply with our environmental strategies.

We live in a fragile environment with limited natural resources. Our world is full of water and yet only 3% is fresh water and less than 1% is available for our use. As stewards of this precious resource, we are dedicated to promoting water conservation. At AWR, we understand the delicate balance with nature and have a longstanding commitment to protecting our environment and ensuring resources are managed responsibly. We strongly encourage the conservation of water and energy with all of our customers.



Given California's severe drought conditions and a possible serious water shortage, conservation is now more important than ever. On April 1, 2015, the Governor of California issued an Executive Order directing mandatory conservation measures to achieve a statewide 25% reduction in urban water use as compared to 2013 levels. We have implemented drought response actions approved by the California Public Utilities Commission ("CPUC") for each of our service areas to meet the new mandates.

For many years, we have been working with our customers to reduce their water usage. We anticipate spending over \$3 million for the period 2013-2015 on conservation programs. Some of the highlights that demonstrate our commitment include:

- Our conservation education program engages customers at community events and schools to stress the importance of water-use efficiency and teach the value of water. Our full-time Water-Use Efficiency staff is dedicated to education and helping our customers make informed decisions about water use and conservation.
- We educate our customers and provide them with tools so they can make adjustments to improve their water-use efficiency. In 2014, we distributed more than 12,700 complimentary water conservation kits, which include low-flow faucet aerators and showerheads, drip irrigation tools and positive shut-off hose nozzles. The 12,700 kits distributed could save a combined 131 million gallons each year, and we expect to increase our conservation kit distribution in 2015.
- We work with our wholesale providers and other partners to offer an impressive array of conservation rebates and programs designed to help our customers save water. We foster and maintain solid partnerships and offer rebates, audit services, commercial and industrial programs, and landscape irrigation and turf removal programs to customers.
- Through 2014, we have distributed more than 1,360 Ultra-High Efficiency Toilets ("UHET") to customers through our conservation program. The UHETs use only 0.8 gallons per flush, and could save a combined 24.5 million gallons per year.
- We partner with certified landscape auditors and offer complimentary water audits for customers wanting to improve their water-use efficiency. Auditors identify leaks and savings opportunities for residences, large landscape customers and commercial customers.



- We are in the process of retrofitting all of our customers with meters, and are utilizing funding from the American Recovery and Reinvestment Act (ARRA) to convert existing flat-rate customers. It's estimated that the current meter installation program will result in roughly 127.8 million gallons saved each year.
- We proactively maintain our water systems and have enhanced our leak detection program to minimize the amount of water lost during operation.
- GSWC utilizes a tiered "conservation rate" structure in many of our service areas to encourage conservation and reward customers who use water responsibly. With our tiered-rate structure, those who use less water have lower water bills. That incentive has helped to save billions of gallons of water since the structure was first implemented.
- Our electric division, BVES, also utilizes a tiered-rate system to encourage conservation. The tiered rates incentivize customers to reduce electricity usage.
- The Experimental Mohawk Project is a photovoltaic system and solar-operated well pumping site in Apple Valley that utilizes special equipment to maximize power efficiency and extend the useful life of the equipment. The project is projected to save approximately \$2 million for customers over the course of 25 years.
- We perform annual water and energy audits to identify areas for improvement, and are assessing the feasibility of using hydro-turbines in water operations.
- We are working with the CPUC on an experimental program to replace Pressure Reducing Valves ("PRVs") with advanced hydroelectric generators at two locations that will generate approximately 500,000 KWH annually and allow us the opportunity to recover energy that is currently lost and to sell the energy back to the electric utilities.
- We voluntarily document, measure and report our greenhouse gas emissions, as a member of the climate registry.
- BVES invests to educate customers and offers an energy rebate program that encourages innovation and conservation. These efforts have helped to save millions of kilowatt hours of electricity.
- We offer a Net Energy Metering Program, which benefits customers of our electric division who install a solar-or wind-generating facility that produces renewable energy. Those customers can receive a bill credit if their annual renewable energy production exceeds their on-site use.
- BVES collaborates with local water agencies, including the City of Big Bear Lake's Department of Water and the Big Bear Community Services District, to encourage the efficient use of water and electricity.
- Our solar initiative and efficiency programs at BVES continue to significantly reduce energy costs, reduce emissions, and increase deliverability capacity for all customers, allowing large customers and employers in the service area to be served power without interruption.
- In our offices, we utilize energy-efficient computers and monitors and are in the process of replacing HVAC units with energy-saving models. Motion-sensor lighting minimizes electricity usage when no one is present. Additionally, we recycle our electronic waste.

*GSWC's water sales in 2014 were approximately 20% below sales in 2007, before the conservation tiered rates were implemented companywide.*



Conservation and environmental compliance are priorities for AWR. We take pride in our efforts and the measures we take to set the bar for the utility industry.

## Communities

When our connection to the communities we serve is strong, our business thrives. GSWC serves more than 75 communities throughout California, and we understand that being a solid community partner is about much more than providing reliable, high-quality water service. We also serve 24,000 electric customers in the City of Big Bear and surrounding areas in San Bernardino County, California. ASUS's operations at the nine military bases are located in six states. In addition to providing excellent service to the U.S. government under our 50-year contracts, our ASUS subsidiaries also provide community outreach initiatives on behalf of our Military Service customers.

We continually invest in our communities and support local organizations that share our passion for touching and improving the lives of our customers. Whether through outreach, philanthropic partnerships or our commitments that create jobs and impact in other ways, we take pride in making a difference.

Below are just a few examples of ongoing community activities.

### GSWC

- **Community Outreach:** Each year, we participate in community events throughout our service areas, supporting local organizations and sharing information about water/energy-use efficiency with customers. Golden State Water appreciates every opportunity to engage customers and community leaders through our involvement at local community events.
- **Community Giving:** We are committed to making a difference and providing support through contributions to education and humanitarian organizations, as well as groups who share the mission of improving our communities. We also invest to help educate our customers and communities regarding water/energy-use efficiency and responsible water/energy use.
- **Operation Gobble:** Since 1990, GSWC has donated more than 208,000 turkeys to families in need during the Thanksgiving holiday. Working with local and state elected officials and community groups, we distributed over 9,000 turkeys in 2014 through the philanthropic partnership with the California Water Association. BVES has also partnered with Elks Lodge 1787 to provide holiday dinners to families in need in the community.
- **Customer Assistance:** We recognize that some customers may have difficulty covering expenses, so we proudly offer a monthly credit for low-income customers. The California Alternate Rates for Water (CARW) program is open to all qualifying residential water customers. Non-profit group living facilities, agricultural employee housing facilities and migrant farm-worker housing centers may also be eligible to receive a monthly credit. We also offer an Energy Saving Assistance Program to low-income customers in our BVES division.



### Operation Gobble

Every year, thousands of people in our communities eat a turkey dinner during the holiday season through the turkey distribution program operated by GSWC. Over 9,000 turkeys are distributed annually throughout the service areas of GSWC.

- **Job Creation:** Each capital improvement project not only strengthens our water infrastructure but also creates jobs in the communities we serve. We spent \$160 million over the last two years (2013-14) to upgrade our water and electric infrastructure, and expect to spend more than \$85-\$90 million on capital expenditures in 2015. Those investments create hundreds of jobs and help to stimulate the economies in our service areas.
- **Supplier Diversity:** GSWC is committed to providing opportunities and forming partnerships within the diverse communities we serve through our Supplier Diversity Program. Our commitment to supplier diversity allows us to maximize growth, competitiveness and customer satisfaction—all while promoting economic development within our communities. Contracts to women-, minority-, and disabled-veteran-owned business enterprises account for nearly 25% of our supplier business, a four-fold increase since the inception of our Supplier Diversity Program in 2003.
- **Water for People (WFP):** WFP helps people in developing countries improve their quality of life by supporting the development of locally sustainable drinking water resources, sanitation facilities and health and hygiene education programs. Many of our employees make personal contributions and are involved with WFP, including several who have traveled overseas to provide hands-on support.
- **Workplace Giving Program:** A workplace giving campaign allows employees to donate a portion of each paycheck to support the WFP.

## ASUS

- **Flag for Every Hero:** To help honor those who have served our country, ASUS assists with the placement of U.S. flags on the graves of servicemen and servicewomen interred at the National Cemetery in Riverside, CA for the Memorial Day weekend.
- **Operation Gratitude:** This program prepares, packs and ships packages, including letters, foodstuffs, reading material and toiletries, to servicepersons stationed overseas and ASUS assists in this effort. To date, Operation Gratitude has provided over 1.25 million packages.
- **Adopt-A-Family and Holiday Hearts:** The holidays can be difficult for families separated for military service; Adopt-A-Family, supported by ASUS's ODUS and PSUS subsidiaries, and Holiday Hearts at ONUS, provide food and/or gifts to deserving military families.
- **Fisher House:** The ONUS subsidiary of ASUS raises money for the Fort Bragg Fisher House facility, which provides housing and dining at no cost for families of military members receiving medical treatment. Through an annual golf tournament, all net proceeds are contributed to Fisher House.
- **JBA Chief's Group Annual Half Marathon:** Andrews AFB sponsors this event annually, with ASUS' TUS subsidiary providing support to raise funds for Fisher House, Parents with Children Fighting Cancer, the Air Force Assistance Fund and Home for Troops.

## Safety of Employees

We place tremendous attention and significance on employee safety. AWR's safety policy is to establish and maintain a safe work environment for all employees. To accomplish this, a comprehensive safety and health program has been developed to educate employees about workplace hazards and protect them from workplace injuries and illnesses. The programs are required by the Occupational Safety and Health Administration ("OSHA") for each respective state. We are committed to reducing the number of OSHA recordable incidents, accidents and injuries in the workplace.

## **GSWC**

Safety responsibilities involve managers and employees alike. Management personnel ensure that the safety and health programs are administered in their areas of responsibility and support employees in following safety policies, rules and regulations. Employees are encouraged to correct and report unsafe work conditions.

Company-wide safety inspections are conducted with supervisors. Safety concerns identified during the inspection tours are immediately corrected whenever possible. The inspection reports are forwarded to management for review, allocation of resources (if needed), and correction. In 2014, 143 site locations were toured and inspected. Employees attend training in various mandated safety programs that are applicable to their operations. This training includes class room style, online, field safety meetings, and on the job training. Safety training attendance records are maintained by GSWC's Training & Compliance team.

The Safety Specialist also performs ergonomic assessments and provides written recommendations to employees and management to prevent or mitigate repetitive motion injuries that can lead to cumulative trauma disorders. Recommendations can include educating employees on specific postures, utilizing ergonomically-designed equipment from dedicated ergonomic companies, and making adjustments to existing equipment to achieve ergonomic standards. In 2014, more than 60 assessments were conducted at various employees' work locations throughout the Company.



In 2014, the GSWC employee safety training compliance rate was 99%. Additionally, the Company rolled out Accident Investigation Training in 2013/2014, which addressed the importance of well documented accident investigations when accidents and injuries occur. Accident investigations can provide critical information and insight on accident causes, not just symptoms. Thorough accident investigations provide the basis for effective recommendations on corrective actions that can prevent a reoccurrence.

A new Safety Recognition Program was also launched in 2014 to recognize and reward safe behavior. In 2015, an additional phase of the Safety Recognition Program will include a raffle to win a nominal award for accident-free employees in order to further encourage safe working behavior. Accidents have been steadily declining at GSWC; Recordable accidents had decreased by 27% in 2014 as compared to 2010.

## **ASUS**

ASUS has also helped its employees perform their tasks safely through training, equipment, inspections, and delivery of clear expectations at safety meetings held on each of the military installations we serve. ASUS has instituted a companywide atmosphere that encourages and rewards employees for performing their tasks safely. ASUS conducts in-house training (including OSHA training) and employees are encouraged to attend national and local authorized OSHA training programs.

Safety inspections are routinely conducted by OSHA authorized Site Safety and Health Officers (SSHOs) at each of our military installations. All concerns are addressed and corrected by the SSHO, and reports are forwarded to supervisors and management for review. In 2014, a large number of sites were inspected by internal quality assurance professionals, SSHOs, and outside inspectors to ensure that ASUS's employees understand the importance of performing their tasks safely. Performance objectives, coupled with a mix of random or scheduled inspections, have demonstrated effectiveness in meeting our safety targets year after year.

In 2014, ASUS rolled out a safety incentive award program that recognizes employees for safe behavior and an accident free workplace. In addition to incentives, the company is investing in hiring additional safety coordinators, continually re-vamping training programs, and instituting new risk management and safety policies where risks and needs are identified.

# Human Capital Management

Our employees are the foundation of our success. Our business requires a myriad of complex infrastructure, regulation and customer service, and we rely on our skilled and certified staff to continue to provide safe, reliable service to our customers. Our employees embody the AWR Shared Values to better our company, our community, our environment and each other. We are committed to helping our employees thrive.

Our company's Human Capital Management (HCM) programs seek to sustain and strengthen efforts in the areas of employee engagement, performance, development, recruitment and retention.

## Employee Engagement

As we look to the future, employee surveys help us understand and track how well we are meeting the expectations of our people. These surveys provide timely and critical employee feedback, and results are reviewed to help raise awareness, encourage dialogue and develop solutions for the most common issues. Our 2015 employee survey results showed 70 percent of employees ranked their workplace as "great", earning us a spot on the "Great Place to Work®" Review. While we were pleased with the 2015 results, we look forward to continued improvement in meeting the needs of our teams.

## Health and Wellness

American States Water Company promotes safety and healthy lifestyles through our Enhanced Wellness Program. Through this program, employees are provided gym discounts, financial incentives for participating in online wellness activities, and a wellness management toolkit with information on nutrition, fitness, stress management, disease prevention, safety tips and employees-assistance programs.

## Diversity and Talent Management

One of American States Water Company's Values is "**Valuing diversity and treating all stakeholders with fairness.**" As a company, we seek to promote the benefits of diversity in all of our business activities. Our HCM team routinely works with our managers in pursuing fair and transparent hiring processes to ensure that the right talent is in place with the right skills at the right time to meet the Company's business needs.

Our Company's management team is grounded in the principles and practices in accelerating an integrated talent and diversity management strategy to maximize efforts for engagement, development and retention and to sustain reasonable accommodations. We believe that diverse perspectives and open lines of communication help to create employee motivation, customer satisfaction, greater return on investment for shareholders and better communities in which to work and live.



## Learning and Development

At American States Water, we work to ensure that employees have adequate training and education to perform their jobs. Working in close partnership with our frontline operations supervisors and managers, our Training & Compliance team has created a nexus for learning within the GSWC organization. A key function includes building a talented and robust workforce by developing employees' knowledge, skills and abilities throughout the Company. Certain compliance training is required each year, while others are offered on an optional basis. Examples of some of our optional programs include: ongoing water operations competencies and education, supervisor development, knowledge capture and management, feedback and measurements to show the value of learning solutions, and administrative oversight for various business competencies relative to mandated training and compliance requirements. Approved external business-related seminars and workshops are paid for by the Company, and

employees are encouraged to maintain all of their job-specific certifications, licenses and continuing education credits. We are proud to say that we have over 200 employees certified in water operations and over 20 employees certified in wastewater operations. Additionally, our Corporate Partners in Education program supports those who are pursuing undergraduate degree completion with tuition reimbursement assistance.

### **Leadership and Succession Planning**

On an annual basis, our Company's senior management team completes a roadmap for improving human capital management by developing succession plans to ensure the most efficient alignment of resources and talent to meet business needs. This includes identifying key succession positions and potential successors for top level positions, such as Vice Presidents, for the next 10 years.

Additionally, ongoing development of our talent across the company to meet critical business needs is a continual focus. Some of these practices that we executed during the past year include (i) building a culture such that high-potential talent is identified and further developed, (ii) creating career paths that move not just up a specialized ladder, but across the organization, and (iii) offering opportunities for employees to accept new challenges through stretch assignments.

\* \* \* \* \*

If you have questions about the Corporate Social Responsibility Report, please contact:

American States Water Company  
630 East Foothill Boulevard  
San Dimas, California 91773  
United States of America  
(909) 394-3600