

Financial Results Call Presentation



American States
Water Company

Fourth Quarter 2016

February 24, 2017

NYSE: AWR

Today's Presenters

Robert J. Sprowls

President & CEO



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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: (i) the water and electric gross margins, which are computed by subtracting total supply costs from total revenues, and (ii) 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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CEO Highlights

- Consolidated earnings of \$1.62 per share compared to \$1.60 per share in 2015
- Consolidated return on equity of 12.4%
- Annual dividend increased by 8%
- Regulated Utilities (GSWC) - Approximately \$121 million in company-funded capital expenditures during 2016, the highest in Company history
- CPUC issued decision on water general rate case in December - New water rates to be implemented in 2017

- Contracted Services (ASUS) – Awarded a 50-year contract by the U.S. government to operate and maintain the water and wastewater systems at Eglin Air Force Base located in Florida
 - ✓ The initial value of the contract is approximately \$510 million over the 50-year period and subject to annual economic price adjustments
- ASUS contributed \$0.33 per diluted share in 2016, and allowed us to earn a higher return than the regulated businesses

Q4 Diluted EPS by Segment



	Q4 2016	Q4 2015	Variance
Water	\$0.13	\$0.19	(\$0.06) (1)
Electric	0.04	0.03	0.01
AWR (parent)	0.13	0.09	0.04
Consolidated	\$0.30	\$0.31	(\$0.01)

(1) As a result of the decision in the water general rate case issued in December 2016, which was retroactive to January 1, 2016, a downward adjustment to earnings of \$0.08 per share was recorded in the fourth quarter of 2016 related to the first three quarters of 2016. The adjustment was due to a decrease of approximately \$5.2 million in the adopted water gross margin for the nine months ended September 30, 2016 as compared to the recorded margin through September 30, 2016.

Operating Revenues by Segment



(amounts in millions)	Q4 2016	Q4 2015	Variance
Water	\$64.9 ⁽¹⁾	\$72.2	(\$7.3)
Electric	9.4	9.2	0.2
Contracted Services	32.5	28.7	3.8
Total Operating Revenues	\$106.8	\$110.1	(\$3.3)

⁽¹⁾ Adjusted downward to reflect the approved 2016-2018 water general rate case, including the retroactive impact for the first three quarters of 2016.

Operating Expenses

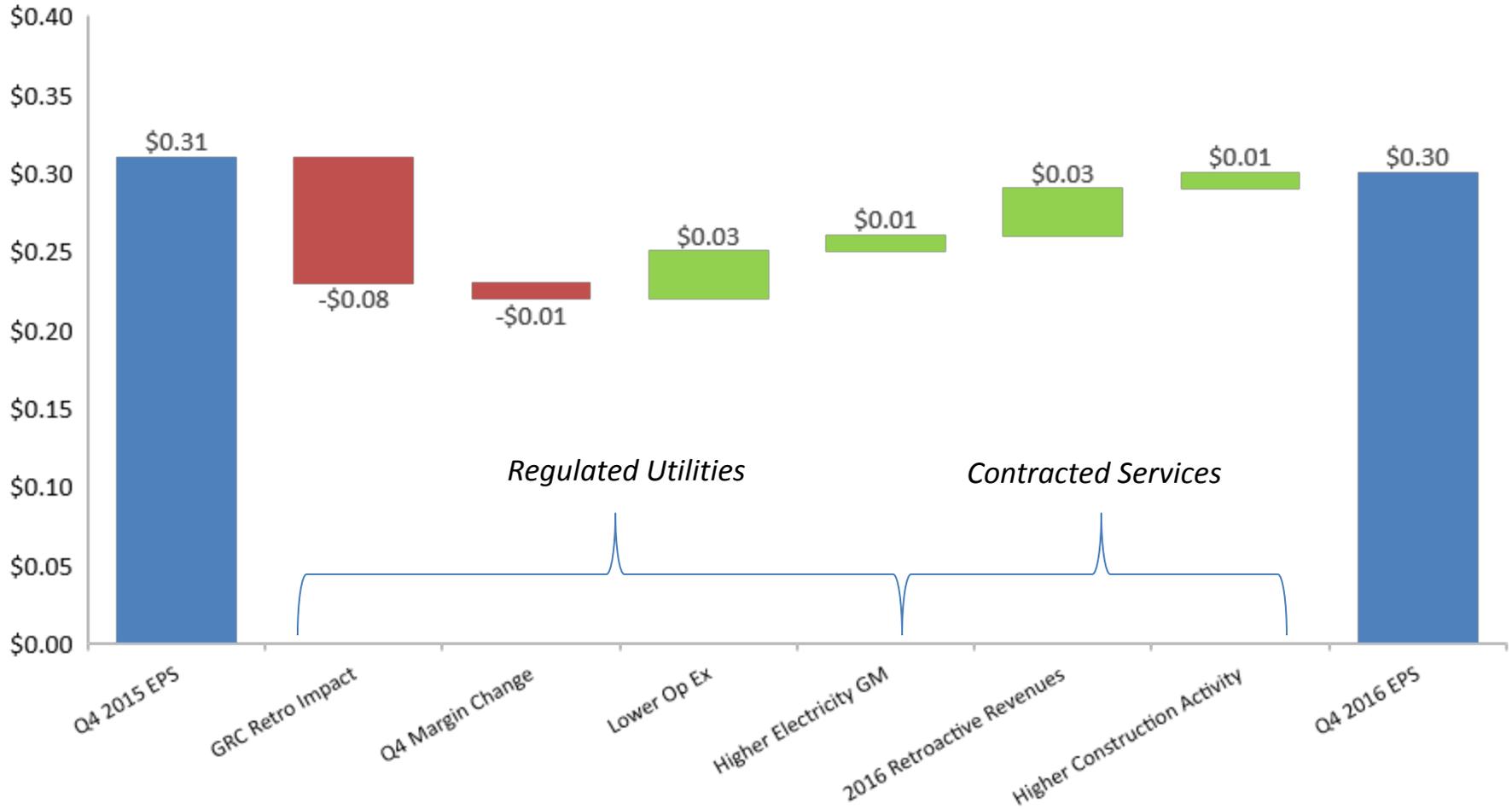


(amounts in millions)	Q4 2016	Q4 2015	Variance
Water and Electric Supply Costs	\$21.8 ⁽¹⁾	\$23.1	(\$1.3)
Other Operation	6.9	7.9	(1.0)
Administrative and General	19.2	20.5	(1.3)
Depreciation and Amortization	10.0	10.4	(0.4)
Maintenance	4.6	4.8	(0.2)
Property and Other Taxes	3.9	4.0	(0.1)
ASUS Construction	18.4	17.5	0.9
Total Operating Expenses*	\$84.7	\$88.2	(\$3.5)

⁽¹⁾ Adjusted downward to reflect the approved 2016-2018 water general rate case. Total operating expenses in the water segment (excluding supply costs) decreased by approximately \$2.6 million.

*Line item does not total due to rounding

EPS Bridge Q4 2015 to Q4 2016



YTD Diluted EPS by Segment



	YTD 2016	YTD 2015	Variance
Water	\$1.17	\$1.19	(\$0.02)
Electric	0.10	0.07	0.03
Contracted Services (1)	0.33	0.32	0.01
AWR (parent)	0.02	0.02	—
Consolidated	\$1.62	\$1.60	\$ 0.02

(1) ASUS's earnings per share for 2016 included \$0.01 of retroactive O&M revenues, as compared to \$0.05 per share in 2015.

- Operating cash flows increased by \$1.8 million primarily due to:
 - ✓ Increase in cash collected to recover GSWC's 2015 WRAM balances

- Cash used in investing activities increased by \$41 million primarily due to higher capital expenditures at GSWC
 - ✓ Company-funded capital expenditures during 2016 was \$121 million at GSWC
 - ✓ To support the higher capital spending, in October 2016 AWR increased its credit facility from \$100 million to \$150 million

2016-2018 Water General Rate Case



Golden State Water Company Customer Service Areas

- CPUC issued a decision in the water GRC for GSWC on December 15, 2016.
- The decision is retroactive to January 1, 2016.
- Due to the delay, CPUC has ordered GSWC to bypass implementing 2016 rates and to implement 2017 rates once the CPUC has corrected some minor rate calculations in the final decision.
 - ✓ The new rates in 2016 compared to what was billed will be recovered through a surcharge (\$9.5 million customer receivable)
- Adopted revenue in 2017 is expected to increase by \$2.8 million as compared to 2016 with rates effective retroactive to January 1, 2017.

- As of February 14, 2017, the U.S. Drought Monitor estimates approximately 7% of California in severe drought, vs. 86% during the same time last year
- During Q2 2016, we filed with the CPUC for recovery of drought-related items of approximately \$1.3 million, incurred mostly in 2015. In February 2017, the CPUC approved recovery of the amount, which will be reflected in Q1 2017 mostly as a reduction to operation-related expenses

Contracted Services Business (ASUS)

- Ten military bases in seven states under 50-year privatization contracts
- Actively engaged in bidding on new bases that are being privatized and continue to develop significant opportunities for new construction work on the bases we currently serve
- Continue to work closely with the U.S. government on outstanding price redeterminations and asset transfers
- ASUS is projected to contribute \$0.34 - \$0.38 per share in 2017

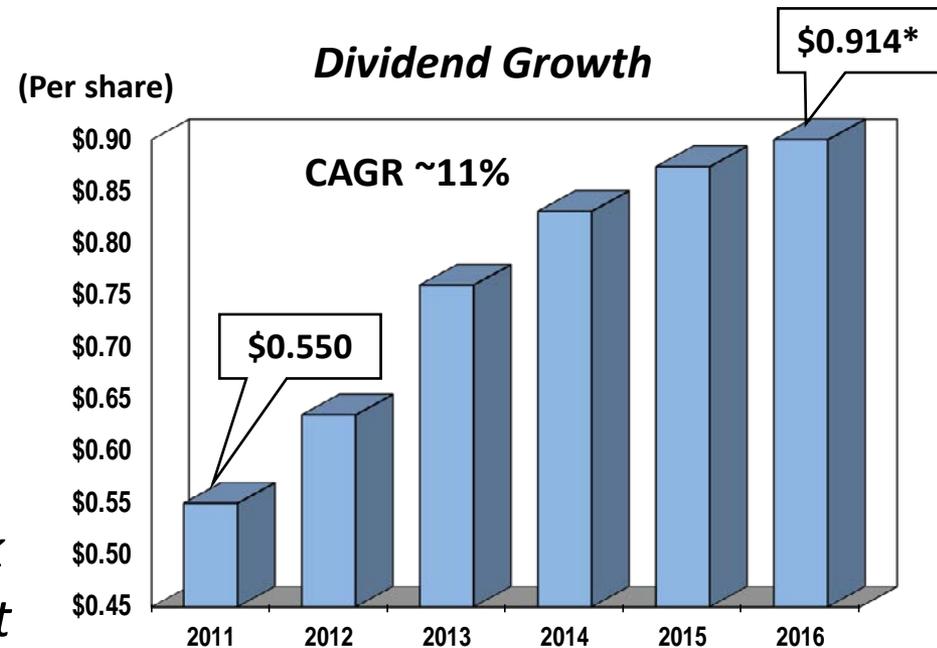


Serving Those Who Serve®

Dividends

- On January 31, 2017, AWR's Board of Directors approved a quarterly dividend of \$0.242 per share.
 - ✓ Payable on March 1, 2017 to shareholders of record at the close of business on February 15, 2017

- *American States Water Company has paid dividends every year since 1931, increasing the dividend every calendar year for 62 consecutive years, which places it in an exclusive group of companies on the New York Stock Exchange that have achieved that result*



- Our focus will be on a number of fronts
 - Water general rate case for rates in years 2019 – 2021 to be filed in mid-2017
 - Cost of Capital to be filed in March 2017
 - Electric general rate case for rates in years 2018 – 2021 to be filed in March 2017
 - GSWC expected to invest \$110 – \$120 million in infrastructure during 2017
 - ASUS expected to contribute \$0.34 – \$0.38 per share in 2017

Questions and Answers